



GOVERNMENT OF INDIA
MINISTRY OF COAL

E- Booklet on Reforms in the Ministry of Coal



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Although it's a matter
of coal, we must
dream of diamonds



UNSHACKLING THE SECTOR

Major policy changes in coal blocks allocation policy

Nationalisation of coal mines was undertaken in the 1970s to end unscientific mining practices and poor working conditions of labour in the private coal mines in the country. With nationalisation, the coal sector became a closed market from an open market scenario. However, to meet the rising electricity demands within the country, the Nationalization Act was amended in 1993 to allow private captive coal mining for generation of power and 206 coal blocks were allocated through a screening committee mechanism and Government dispensation route between 1993 and 2011. Due to opaqueness in mechanism, the Supreme Court in 2014, declared these allotments illegal and arbitrary and cancelled the allotment of 204 coal blocks.

In 2015, the Central Government brought in Coal Mines (Special Provisions) Act to re-allocate coal blocks cancelled by the Supreme Court. The Act ensured continuity in operation of the producing mines and bringing into production other mines expeditiously. The Act also amended the Coal Mines (Nationalisation) Act and the Mines and Minerals (Development and Regulation) Act [MMDR Act], thereby bringing uniformity in provisions of all the 3 Acts governing coal block allocation.

The Act permitted auction of coal mines for commercial mining by private entities. The proceeds of auctions shall accrue to respective States. The Act also provided that the land and mine infrastructure of prior allottee shall be transferred and vested in new allottee and compensation for land and immovable mining infrastructure shall be paid to the prior allottee.





UNSHACKLING THE SECTOR

The total revenue generated from the auctioned and allotted mines is Rs.8,964.75 crores till Nov. 2020. These revenue figures consist of upfront amount and monthly premium only while royalty and taxes/cess are payable over and above these payments.

Apart from 204 coal mines covered under the CMSP Act, remaining blocks are allocated under the MMDR Act. Till date 11 coal blocks under the MMDR Act have been allotted to various Government companies, where 2 blocks are for commercial purpose and remaining 9 are for captive end use.



LIBERALISING THE SECTOR

Coal sector reforms paved the way for Commercial Mining of Coal in 2020

Nationalisation of coal mines was undertaken in the 1970s to end unscientific mining. In 2019, Government appointed a High Level Committee headed by Vice-Chairman of NITI Aayog to liberalise the coal sector. In line with the recommendations, relevant provisions of the CMSP Act and the MMDR Act were amended through the Mineral Laws (Amendment) Act, 2020 to ensure ease of doing business, remove redundancy in provisions and bring flexibility in allocation. The amendment allowed allocation of blocks for composite prospecting licence-cum-mining lease, removed the possibility of restrictive interpretation of the eligibility conditions thereby increasing wider participation in coal mine auctions. It was decided to auction the coal blocks without restriction on sale and/or utilization of coal. Export of coal was also allowed in accordance with applicable law. In order to enable smooth operations, right to exploit coal bed methane (CBM) and minor minerals were provided. Another major change was to introduce a revenue sharing mechanism in auction of coal mines, thereby making the auction more market friendly. Coal gasification has been incentivized in the new

With these policy reforms in place, auction of coal mines for commercial mining was initiated to completely liberalise the coal sector. It was undertaken to scale up coal production in the country and bring down coal imports. The auction of coal blocks for commercial mining was launched in June 2020 with 38 blocks in the first tranche. Out of 38 blocks, the auction process was successfully completed for 19 blocks in November 2020. The coal blocks have been successfully auctioned with the winning % revenue share ranging from 9.5% to 66.75%. Total annual revenue generation from the auction is estimated at Rs.6656 crores, considering production at aggregated Peak Rate Capacity level of 51 MTPA.



LIBERALISING THE SECTOR

Brief summary of the revenue projected for the states, capital investment required and total employment that will be generated can be seen from the table below:

S. No.	Name of the State	No. of Mines	Royalty and Taxes (Rs. Cr.)	Revenue Share (Rs. Cr.)	Annual Revenue generated based on the PRC of mine (Rs. Cr.)	PRC (MTPA)	Estimated Capital Investment (Rs. Cr.)	Estimated Total Employment
1	Chhattisgarh	2	539	323	862	7.20	1,080	9,734
2	Jharkhand	5	1,780	910	2,690	20.20	3,030	27,310
3	Madhya Pradesh	8	1,157	567	1,724	10.85	1,628	14,669
4	Maharashtra	2	184	137	321	1.80	270	2,434
5	Odisha	2	792	267	1,059	11.00	1,650	14,872
TOTAL			4,452	2,204	6,656	51.05	7,658	69,019



SHAPING THE SECTOR

Reforms to boost sustainability

As the world plans to phase out coal consumption, India had two alternatives:

- Continue to generate electricity from traditional fuel sources
- Switch to renewables and let our industries suffer from lack of power

Striving to make the transition to renewables smooth, Government led by Prime Minister Narendra Modi strategised to make the energy sector self-sufficient - AatmaNirbhar. The government took key initiatives for optimal utilisation of our vast coal reserves, while simultaneously working on diversification projects to shape our future. It was directed that coal supply to industries be increased to harness maximum energy while at the same time foray big into renewables.



There is no denying that coal will continue to remain the major contributor to the energy basket of the nation. At the same time, India has taken the lead in harnessing sustainable energy by being among the top countries investing in renewable energy. Coal PSUs plan to undertake investments to the tune of almost Rs. 2.5 lakh crores this decade, venturing into new business areas pertaining to clean coal technologies and new mine development projects. New business areas include setting up of solar and thermal power projects, setting up of solar wafer production unit, entering in the alumina refinery and smelter business. Simultaneously, huge investments are being made into clean coal technologies to achieve the target of 100 million tonnes of coal gasification by the year 2030. For this, a combined investment is being made from PSUs and private sector amounting to over Rs. 4 lakh crores.



SHAPING THE SECTOR

Coal companies are also looking at tapping Coal bed Methane as an alternative source for augmenting India's energy resource. Investments are being made to set up projects on surface coal gasification, which is a cleaner alternative to burning coal for utilising its chemical properties.

Owing to these path-breaking initiatives, India has made rapid strides in the clean energy sector and looks poised to make a smooth transition to renewables.

