

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

UNSTARRED QUESTION NO:2168
ANSWERED ON:06.12.2006
ALLOCATION OF COAL BLOCKS
Saradgi Shri Iqbal Ahmed

Will the Minister of COAL be pleased to state:

- (a) whether the Government is evolving a system of competitive bidding for allocation of coal blocks for captive mining;
- (b) if so, the details thereof;
- (c) whether the Investment Commission in its report has recommended adoption of NELP model for private sector participation in coal mining;
- (d) if so, the details thereof,
- (e) the time by which the final decision in this regard is likely to be taken;
- (f) whether other recommendations made by the Commission have been accepted and implemented; and
- (g) if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COAL (DR. DASARI NARAYANA RAO)

- (a) & (b): Government is contemplating introduction of competitive bidding system for allocation of coal mining blocks for captive use as the selection process by amending the Mines and Minerals (Development and Regulation) Act, 1957
- (c) to (d): Yes, Sir. The Investment Commission had recommended adoption of NELP model for private sector participation in coal mining by offering good quality coal blocks for bids.
- (e): As against the recommendation of the Commission, Ministry of Coal had taken the stand that parameters of allocation of blocks through contemplated competitive bidding would not be too dissimilar from that of NELP.
- (f) to (g): The other recommendations of the Commission and views of the Government are as given under:

Carve out specified viable mining blocks An exercise was carried out and 48 blocks from Coal India Limited (CIL) for captive with geological reserves of about 9.22 billion exploitation. Alternatively, encourage the tonnes were de-reserved from the list of blocks subsidiaries of CIL to induct strategic earmarked for Coal India Ltd. for allocation to partners from leading mining companies. captive approved end users. Coal companies are partners could develop existing blocks on also exploring innovative approaches and production share basis. practices such as outsourcing of mining activities, engagement of mining equipments and services from reputed mining firms on risk-and-gain sharing basis, development of dedicated mines for bigger clients etc.

Offer ali mines that have been closed by CIL and its subsidiary companies are exploring CIL to the private sector, in case there the possibility of working out such are viable recoverable reserves. arrangements

Fixed royalty payment per tonne extracted, In the proposal under consideration, it is not as currently notified, to be offset against contemplated to offset royalty dues against the upfront bid amount bid amount. Royalty is a statutory levy, and that could continue to accrue to the State Governments, based on the quantum of coal extracted. This is a major and stable source of income for the Slate Governments and this need not be subjected to any uncertainties.

Institute a `use or lose` policy for all Condition to the effect are stipulated while blocks, to prevent hoarding and ensure best allocating captive coal blocks. Specified mile competitive use. stones are laid down for completion of various activities relating to development of coal blocks as well as the associated end-use projects. If no progress is made by the captive coal blocks developers the allocation of coal block as well as mining lease are liable to be cancelled.

A system of Bank Guarantee has also been subsequently introduced.

Permit 50% FDI under the automatic route. Government has already approved 100% FDI in captive mining of coal for all the approved end-uses.

Permit merchant sale of coal by coal mines. A bill stands introduced to amend the Coal Mines (Nationalisation) Act to provide for commercial mining by private sector.