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STANDING COMMITTEE ON  
COAL AND STEEL (2012-2013)  
FIFTEENTH LOK SABHA

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MINISTRY OF COAL

REVIEW OF ALLOTMENT, DEVELOPMENT AND PERFORMANCE OF  
COAL/LIGNITE BLOCKS

THIRTY-FIRST REPORT



LOK SABHA SECRETARIAT  
NEW DELHI  
APRIL, 2013/VAISAKHA, 1935(Saka)

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**(FIFTEENTH LOK SABHA)**

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**REVIEW OF ALLOTMENT, DEVELOPMENT AND PERFORMANCE  
OF COAL/LIGNITE BLOCKS**

**Presented to Lok Sabha on 23.04.2013**

**Laid in Rajya Sabha on 25.04.2013**



**LOK SABHA SECRETARIAT  
NEW DELHI  
APRIL, 2013/VAISAKHA 1935 (Saka)**

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**COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2012-13)**

**Shri Kalyan Banerjee - Chairman**

**Name of the Member**

**Lok Sabha**

2. Shri Hansraj Gangaram Ahir
3. Shri Sanjay Bhoi
4. Smt. Jyoti Dhurve
5. Shri Ganeshrao Nagorao Dudhgaonkar
6. Shri Sabbam Hari
7. Shri Vishwa Mohan Kumar
8. Shri Yashbant N.S. Laguri
9. Shri Pakauri Lal
10. Shri Babu Lal Marandi
11. Shri Govind Prasad Mishra
12. Shri Rajaram Pal
13. Kumari Saroj Pandey
14. Shri Gajendra Singh Rajukhedi
15. Shri K.R.G. Reddy
16. Shri K. Shivkumar *alias* J.K. Ritheesh
17. Shri Pashupati Nath Singh
18. Smt. Rajesh Nandini Singh
19. Shri Uday Pratap Singh
20. Shri O
21. Shri Bansa Gopal Choudhary\*

**Sabha**

22. Shri
- 23.
- 24.
- 25.
26. Shri
27. Shri
28. Shri
29. Shri
- 30.
- 31.

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\* Nominated w.e.f. 13.12.2012

## **SECRETARIAT**

1. Shri S. Balsekhar - Additional Secretary
2. Shri Shiv Singh - Director
3. Shri Arvind Sharma - Deputy Secretary
4. Shri Amrish Kumar - Executive Officer

(vi)

## **INTRODUCTION**

I, the Chairman, Standing Committee on Coal and Steel having been authorized by the Committee to present the Report on their behalf, present this Thirty-First Report (Fifteenth Lok Sabha) on "Review of Allotment, Development and Performance of Coal/Lignite Blocks" relating to the Ministry of Coal.

2. The Standing Committee on Coal and Steel(2010-11) had selected the subject for detailed examination and report to the Parliament. The Committee (2010-11) were briefed by the representatives of the Ministry of Coal and coal companies on 3<sup>rd</sup> January, 2011 and the Committee took oral evidence of the Ministry of Coal on 18th January, 2011. The Committee(2011-12) and (2012-13) decided to continue the examination of the subject. The Committee (2011-12) and (2012-13) took oral evidence of the Ministry of Coal on 09.07.2012 and 19.10.2012 respectively.

3. The Committee wish to express their thanks to the officials of the Ministry of Coal and Coal Companies for placing before them and in furnishing material/information from time to time as desired by the Committee.

4. The Committee also wish to express their sincere thanks to their predecessor Committees for the significant contribution made by them in the examination of the subject. The Report was considered and adopted by the Committee at their sitting held on 17.04.2013.

5. The Committee place on record their profound appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

**NEW DELHI;**  
**22 April, 2013**  
**2 Vaisakha, 1935(Saka)**

**KALYAN BANERJEE**  
**Chairman**  
**Standing Committee on Coal and Steel**

## **REPORT**

### **CHAPTER-I**

#### **INTRODUCTORY**

The 'Black Gold' as it may be rightly called, the coal is the most valuable, dependable and reliable source of energy for the Indian Economy. The most important and abundant fossil fuel in India, coal accounts for more than half, nearly 55% of the country's total energy need. The country's industrial heritage was in fact built upon indigenous coal.

1.2 During the last four decades, the commercial primary energy consumption in India has grown by nearly 7 times. Driven by the rising population, expanding economy and a quest for improved quality of life, energy usage in India was expected to rise around 450 kgoe/year in 2010. Considering the limited reserve potentiality of petroleum & natural gas, eco-conservation restriction on hydel project and geo-political perception of nuclear power, coal continued to occupy centre-stage of India's energy scenario.

1.3 The Geological Survey of India has estimated coal reserves in India up to the depth of 1200 meters at 285.86 billion tonnes as on 1.4.2011. Coal deposits are chiefly located in Jharkhand, Odisha, Chhattisgarh, West Bengal, Madhya Pradesh, Andhra Pradesh and Maharashtra. The Lignite reserve in the country has been estimated at around 40.91 billion tones as on 01.04.2011. The Coal production all over India during the period April 2011 to December, 2011 has been 363.79 Million tonnes (Provisional) as compared to the production of 373.58 million tonnes (MT) during the corresponding period of the previous year showing a growth of -2.6%.

1.4 The production of coal assumed a greater significance after 2003 when Government of India pronounced a mission 'power to all by 2012'. Accordingly, the GOI envisaged capacity addition of 100000 MW of power by 2012 and in order to meet this increased capacity, corresponding increase in the coal production was

required in X-XI Plan periods (2002-12).The Ministry of Coal has the overall responsibility of determining policies and strategies in respect of exploration and development of coal and lignite reserves, sanctioning of important projects of high value and for deciding all related issues. These key functions are exercised through its public sector undertakings, namely Coal India Limited (CIL) and Neyveli Lignite Corporation Limited (NLC) and Singareni Collieries Company Limited (SCCL), a joint sector undertaking of Government of Andhra Pradesh and Government of India with equity capital in the ratio of 51:49.

1.5 The Committee were informed that captive coal mining is a mechanism envisaged to encourage private sector participation in coal mining on account of the perceived limitations of the CIL to increase production to meet the growing demand for coal. The very purpose of Captive coal mining was to ensure assured supply of coal to the core infrastructure areas like power, steel and cement.

1.6 According to the Ministry of Coal the widening gap between the demand and domestic supply of coal have led to allocation of captive coal blocks to private sector companies. In this Report, the Committee have dealt with the functioning of Screening Committee, guidelines on allocation of coal blocks, the monitoring mechanism, review of coal blocks by IMG, etc. in the succeeding chapters leaving aside the Report of C&AG which may be dealt by Public Accounts Committee of the Parliament.

## **CHAPTER -II**

### **Historical Background**

#### **A. Nationalisation of Coal Mines**

Right from its genesis, the commercial coal mining in modern times in India has been dictated by the needs of the domestic consumption. On account of the growing needs of the steel industry, a thrust had to be given on systematic exploitation of coal reserves in the country. As adequate capital investment to meet the burgeoning energy needs of the country was not forthcoming from the private coal mine owners, unscientific mining practices adopted by some of them and poor working conditions of labour in some of the private coal mines became matters of concern for the Government. On account of these reasons, the Central Government took a decision to nationalise the private coal mines. The nationalisation was done in two phases, the first with the coking coal mines in 1971-72 and then with the non-coking coal mines in 1973. In October, 1971, the Coking Coal Mines (Emergency Provisions) Act, 1971 provided for taking over in public interest of the management of coking coal mines and coke oven plants pending nationalisation. This was followed by the Coking Coal Mines (Nationalisation) Act, 1972 under which the coking coal mines and the coke oven plants other than those with the Tata Iron & Steel Company Limited and Indian Iron & Steel Company Limited, were nationalised on 1.5.1972 and brought under the Bharat Coking Coal Limited (BCCL), a new Central Government Undertaking. Another enactment, namely the Coal Mines (Taking Over of Management) Act, 1973, extended the right of the Government of India to take over the management of the coking and non-coking coal mines in seven States including the coking coal mines taken over in 1971. This was followed by the nationalisation of all these mines on 1.5.1973 with the enactment of the Coal Mines (Nationalisation) Act, 1973.

#### **B. Objective of Coal Block Allocation for Captive Mining**

2.2 About historical development towards captive mining and competitive bidding of coal blocks allocation, the Ministry of Coal have informed the Committee as under:-

"Under the Coal Mines (Nationalisation) Act, 1973, coal mining was exclusively reserved for the public sector. Coal India Ltd. (CIL) and Singareni Coal Companies Ltd. (SCCL) had the main responsibility of supplying coal to all end users. However, in the face of burgeoning demand, these companies were not able to meet the entire demand due to resource constraints resulting in import of coal. This necessitated allotment of captive blocks to specified end users mainly to augment availability and bridge the gap between demand and supply of coal. Captive blocks are allocated only in some specific priority sectors.

2.3 When asked under whose authority, the power to allocate coal blocks in private sector was allowed, the Ministry of Coal have informed the Committee in a written reply as under:-

"Note for the Cabinet for amending Section 2 & 3 of the Coal Mines Nationalisation (CMN) Act 1973 to allow private sector participation in Coal mining was finalised in consultation with the Planning Commission and Ministry of Law and Justice and after obtaining approval of the then Minister of State for Coal was submitted for the consideration of the Cabinet Committee on Economic Affairs on 30.1.1992.

The Cabinet had considered the note on 19.2.1992 and decided that the proposal to amend the above Act may be brought up only when specific projects of private sector participation in coal mining come to Government for consideration.

The Ministry of Coal had further stated that the note for the Cabinet for amendment of the CMN Act was submitted on 23.4.1992, wherein it was mentioned that the following proposals were received:

- (i) One firm proposal from M/S Coleman Associates for captive lignite mine for a thermal power station at Barsingsar, Rajasthan
- (ii) A joint sector company, namely Jayamkondam lignite Power Corporation from Tamil Nadu to implement integrated lignite based power project for allowing lignite mining for captive use.
- (iii) It was learnt that the State Government of West Bengal and Bihar have recommended the proposal of RPG enterprises for setting up of 2 units of 2x250 MW ( proposal were not received in the Ministry).

The Cabinet approved the proposal for amendment of CMN Act on 5.5.1992 to:

- (a) Allow private sector participation in coal mining operations for captive consumption towards generation of power and other end uses which may be notified from time to time.
- (b) Allowing private sector to invest in, install and operate coal washeries for the purpose of washing coking and non-coking coal, etc.

In view of urgency of the matter, with the approval of MOS, it was thought to promulgate an ordinance. However Ministry of Law did not accept the justification for promulgate the ordinance. As such, the Bill was introduced in Rajya Sabha on 15.7.1992 and the same was passed by the Rajya Sabha on 21.7.1992. However, the Bill was pending for consideration of Lok Sabha. Since, approval for the amendment was taking time it was proposed on 14.1.1993 to bring an ordinance and the same was approved by the Ministry of Law (legal & legislative) on 25.1.1993. By that time the next session of Parliament was notified and as such the idea of ordinance has been dropped and the Government decided to make efforts to expedite the approval of the Lok Sabha. Finally, the Bill was approved by the Lok Sabha on 19.4.1993 and got the assent of the President on 9.6.1993.

As regards the role of CIL/CMPDIL in identification and allocation of coal blocks for captive mining, the Committee were informed that a D.O. letter No.47011/9/90-CPA dated 18<sup>th</sup> June, 92 from the Ministry of Coal to Chairman, CIL was issued in this regard. CIL/CMPDI was requested to carry out an exercise to identify potential mining blocks which could be considered for operation by the private sector as captive mines to run their own power plants.

The CMD, CIL vide his D.O.letter No.CH:22:746 dated 22.08.1992 in reply to Ministry of Coal's D.O.letter No.47011/9/90-CPA dated 18<sup>th</sup> June, 1992 had furnished the decision of CIL Board which considered the leasing of blocks to private sector and the Board's directions are as under:-

- (i) "The blocks in green field areas where basic infrastructure like road, rail links and power lines are not immediately available, should only be given to private sector. The areas where CIL has already invested in creating such infrastructures for opening new mines should not be handed over to the private sector.
- (ii) The blocks offered to private sector should be away from the existing mines and projects of CIL.
- (iii) Blocks already identified for development by CIL should not be offered to the private sector.
- (iv) Private sector should be asked to bear the full cost of exploration in these blocks which will be offered to them."

2.4 The Committee were further informed that the details of 40 coal blocks identified for private captive mining for thermal power stations in various coalfields of CIL subsidiaries was enclosed with the above letter of CIL. The Chairman, Coal India Limited again vide his D.O.letter No.CH:93 dated 14.07.1993 enclosed the list of 40 blocks which can be offered for Captive Mining for the power sector. The Chairman, Coal India Limited then informed the decision of CIL Board in its 123<sup>rd</sup>

Meeting held on 27<sup>th</sup> July, 1992 regarding identification and offer of 40 coal blocks to private sector.

2.5 The Coal Mines (Nationalisation) Act, 1973 was then amended in 1993 to allow coal mining for captive consumption for generation of power, washing of coal obtained from a mine and other end uses to be notified by Government from time to time, in addition to the existing provision for captive coal mining for production of iron and steel.

2.6 As regards the eligibility to do coal mining in the country, the Committee were informed that the provisions has been laid down in Section 3 (3) of the Coal Mines (Nationalisation) Act, 1973. Coal Mining can be done by companies/undertakings of the Central Government or State Governments without captive use restriction under the Government dispensation under Section 3 (3) (a) (i) of the Coal Mines (Nationalisation) Act, 1973. Companies in the private sector and public sector can undertake coal mining for captive use under the captive mining dispensation under Section 3 (3) (a) (iii) of the Coal Mines (Nationalisation) Act, 1973. The section 3 (3) (a) of the Coal Mines (Nationalisation) Act, 1973 is reproduced below.

" 3. -----

*(3) On and from the commencement of Section 3 of the Coal Mines (Nationalisation) Amendment Act, 1976:*

*(a) no person, other than -*

*(i) the Central Government or a Government company or a corporation owned managed or controlled by the Central Government, or*

*(ii) -----*

*(iii) a company engaged in -*

*(1)the production of iron & steel,*

*(2)generation of power,*

*(3)washing of coal obtained from a mine, or*

*(4)such other end use as the Central Government may, by notification specify,*

*shall carry on coal mining operation, in India, in any form;*

Under the powers vested with the Central Government by virtue of Section 3 (3) (a) (iii) (4) of the Coal Mines (Nationalisation) Act, 1973, the following Gazette Notifications were issued:

- (a) On 15.03.1996, the production of cement was included as an approved end-use for the purpose of captive mining of coal. Therefore, the cement producing companies are now also eligible to undertake coal mining for captive consumption.
- (b) Production of syn-gas obtained through coal gasification (underground and surface) and coal liquification has been notified as end uses for coal mining on 12.07.2007."

2.7 In 1999, 49 blocks were identified with the approval of CIL Board. As per the records, the list of blocks identified used to be put in public domain for a reasonable time before considering same for allocation. The blocks used to be included in the list with the approval of CIL Board and also deletion / withdrawal from the list as per their requirement. It was decided by the Screening Committee that the blocks may be deleted/ withdrawn from the list by CIL with the approval of Screening Committee.

2.8 Further, the Energy Coordination Committee (ECC), in its fifth meeting held on 10.02.2006, with the objective of improving the availability of power decided that out of the coal blocks which were reserved for Coal India for production during Twelfth Plan Period and beyond, Ministry of Coal would identify adequate number of blocks, aggregating reserves of 20 BT, which could be de-reserved and allocated for power developers for captive mining and the exercise of identification was to be completed within one month. The ECC, in its seventh meeting held on 19.07.2006, further decided that the Coal Ministry will immediately invite fresh applications for the coal blocks for which detailed exploration has been completed. Accordingly, 81 blocks as identified by Coal India Ltd. were de-reserved in 2006.

## **CHAPTER III**

### **Constitution of Screening Committee, Guidelines and procedure for allocation of Coal Block**

#### **A. Screening Committee and Guidelines for Allocation of Coal Blocks**

The Screening Committee under the chairmanship of Additional Secretary (Coal) with representative from other Ministries, State Governments, was constituted on 14.07.1992 through an executive/administrative order of Ministry of Coal for processing and screening of applications received for captive mining. The first meeting of the Screening Committee meeting was held on 14.07.1993. The Screening Committee was a broad based body with representation from State Governments, concerned Ministries of the Central Government and the coal companies. As per the minutes, the procedure adopted for allocation involved wide consultations with all stakeholders. All applicants were called for making a presentation before the Screening Committee. Comprehensive details about the applicant, the group, performance of the group, financial strength, readiness of the end-use plant, etc. were placed before the committee so as to enable it to make appropriate recommendation.

3.2 As per the approved minutes of the First Screening Committee meeting furnished by the Ministry of Coal, the Guidelines were adopted for identification and offer of blocks to eligible companies for captive mining. The proposed guidelines were used as broad parameters in support of the new policy and not as rigid boundary lines for excluding the entry of private investors.

3.3 The Ministry have informed the Committee that guidelines were first framed in 1993. Thereafter consolidated guidelines were framed and adopted in 2003. The guidelines were further modified in 2005 and in 2006. In 2005, the Expert Committee on Coal Sector Reforms provided recommendation on improving the allocation process, and in 2010, the Mines and Minerals(Development and Regulation) Amendment Act was enacted, providing for coal blocks to be sold through competitive bidding.

3.4 When asked about the details of guidelines for selection of captive blocks and procedure for allocation of coal blocks, the Ministry of Coal apprised the Committee as under-

- (i) Blocks already identified for development by CIL/ SCCL/ NLC where adequate funding is on hand/in sight should not be offered to private sector.
- (ii) The blocks offered to private sector should be at a reasonable distance from existing mines and projects of CIL/ SCCL/ NLC in order to avoid operational problems.
- (iii) The areas where CIL/ SCCL/ NLC have invested in creating infrastructure for opening new mines should not be handed over to the private sector, except on reimbursement of costs.
- (iv) Blocks that are explored in detail and where Geological Report with assessment of extractable reserves is available should normally be put in the offer list. Public/private sector company to whom the block is allotted shall bear the full cost of exploration in blocks. However, now regionally explored blocks are also offered for captive mining.
- (v) For identifying blocks, the requirement of coal for about 30 years or such other period as may be decided in the Ministry would be considered.
- (vi) The other requirements were:-
  - a) Approval of mining plan as required under the Mines and Minerals(Regulation and Development) Act, 1957.
  - b) Inspection for an appropriate enforcement of conservation measures by the Coal Controller under the Coal Mines(Conservation and Development) Act, 1974 with a view to ensuring scientific mining.
  - c) Enforcement of safety regulations by the Directorate General of Mines Safety."

3.5 On being asked about details of applications received for allocation of coal blocks from 1993 to 2004 and the process/procedure followed for the allocation of coal blocks, the following information was furnished to the Committee by the Ministry of Coal-

"From 1993 to 2004, the eligible companies used to identify the coal block and apply to the Ministry of Coal for allocation. The applications received from time, to time, were examined and screened by the Screening Committee for recommendation. Since the applications were few and in some cases only one application against a block as identified by the applicant company were received, no such separate data was maintained in terms of number of applications received. However, details of applicants considered by the Screening Committee were mentioned in the minutes of the Screening Committee."

3.6 As regards the procedure for allocation of coal blocks, the Ministry of Coal have informed the Committee in a written reply as under:-

"(a) Presently coal blocks are allocated to private companies and Government companies under the following three processes:

**(i) Captive dispensation through Screening Committee:** Under this dispensation, blocks identified for allocation for approved end-use for captive mining are advertised in the major National/Regional newspapers calling applications from both public and private sector companies. The applications received are placed before the Screening Committee for its recommendation. The Screening Committee is chaired by the Secretary (Coal) and has representation from Ministry of Steel, Ministry of Power, Ministry of Industry and Commerce, Ministry of Environment and Forest, Ministry of Railways, Coal India Limited, CIL Subsidiaries, CMPDIL, NLC and the concerned State Governments. Allocations are decided by the Govt. on the recommendations of the Screening Committee taking into account, inter-alia, techno-economic viability of end-use project, state of project preparedness, compatibility in terms of quality and quantity of coal in a block with the requirement of the end user and track record of applicant company, recommendations of the State Government and Administrative Ministry concerned etc.

Coal blocks have also been allocated under Section 3(3)(a)(iii) of the Coal Mines (Nationalisation) Act, 1973 for the Coal to Liquid Project(CTL). The selection procedure was almost the same as followed in the Screening Committee route, with the exception that the recommendation in this case was made by an Inter-Ministerial Group (IMG) under the chairmanship of Member (Energy), Planning Commission. The rest of the procedure was almost similar as followed in allocation made under the Captive dispensation through the Screening Committee route.

**(ii) Government Company dispensation:** Under the Govt. Company dispensation route, the list of blocks identified is circulated to all the Central Ministries/ State Governments applications are invited from the State Governments/Central Govt. for Government companies. Under this route, only Government companies are allocated coal blocks both for specified end use, and for commercial mining by the Government companies, where there is no restriction of captive use. Regarding coal produced from commercial mining, the use of the mined coal is as per the discretion of the allocate company. Further, the coal produced from such blocks can be supplied to any consumer by the allocatee company at the price determined by them. However, monitoring the progress of development of coal blocks is done as usual, as in the case of coal blocks allocated for specified end use projects. So far, none of the coal blocks allocated under this category has come into production.

Under this arrangement, allocations are determined on the basis of, inter-alia, preference to the States which have not been allocated any coal blocks earlier, priority to the host States in order to encourage value addition

within the coal bearing State, past performance of applicants in developing coal blocks, proximity of coal blocks to the proposed end use projects, recommendation / support of State Government concerned etc. Allocation is decided by the Govt. without referring it to the Screening Committee as provided in the Revised Coal Mining Policy 2001 under Section 3(3)(a)(i) of the Coal Mines (Nationalisation) Act, 1973.

**(iii) Tariff Based Competitive bidding:** Coal blocks have been earmarked for the power projects to be set up on the basis of tariff based competitive bidding system. Under Tariff Based Bidding route, identified coal blocks are placed at the disposal of the Ministry of Power which determines the linkage of coal blocks with the power projects proposed to be awarded on the basis of Tariff Based Competitive Bidding by calling applications from eligible companies. The Ultra Mega Power Project (UMPP) is awarded to the successful bidder. For power projects to be selected through tariff based bidding, coal blocks are allotted based on the recommendations of the Ministry of Power under Section 3(3)(a)(iii) of the Coal Mines(Nationalisation) Act, 1973. In allocation of coal blocks to UMPPs, Ministry of Power is the nodal Ministry to decide the allocation of coal blocks in consultation with the Ministry of Coal. The terms and conditions are the same as those applicable for blocks allocated under the Captive dispensation through the Screening Committee route."

3.7 The Committee were informed that the guidelines for allocation of captive blocks were subsequently consolidated and revised as under :-

- i. "List of coal blocks will be advertised and applications invited from eligible companies. The application shall be made to the Director(CA-1) in the Ministry of Coal and shall be accompanied by the following in addition to any other relevant documentation that the applicant may submit :
  - Certificate of registration showing that the applicant is a company registered under Section 3 of the Indian Companies Act.
  - Certified copy of the Memorandum and Articles of Association of the applicant Company. (5 Copies)
  - Audited Annual Accounts/reports of last 3 years. (5 copies)
  - Project report in respect of the end use plant. If the report is appraised by a lender, the appraisal report shall also be submitted. (5 copies)
  - Detailed Schedule of implementation (milestones and time-lines for each milestone) for the proposed end use project and the proposed coal mining development project in the form of bar charts (5 copies). However, the overall timeframe proposed should not exceed the normative time ceiling prescribed.
  - Detailed schedule of exploration (milestones and time-line for each milestone) in respect of unexplored blocks. However, the overall timeframe proposed should not exceed the normative time ceiling prescribed.

- Scheme for disposal of unuseables containing carbon obtained during mining of coal or at any stage thereafter including washing. This scheme must include the disposal/use to which the middlings, tailings, fines, rejects, etc. from the washery are proposed to be put. (5 copies)
- ii. In respect of fully explored blocks, geological data may be obtained from CMPDIL, NLC or the State agency concerned, as the case may be, on nominal charges. The full cost of exploration and geological reports would be reimbursed to the agency concerned within six (6) weeks of date of issue of allotment letter.
- iii. Where only regionally explored blocks are offered for allocation, the detailed exploration/prospecting in the said blocks shall be done by the allocatee company under the supervision of CMPDIL.
- iv. In order to promote scientific and proper mining , larger blocks shall not be sub blocked into smaller ones. Only natural sub-blocks will be formed.
- v. Allotment of Captive blocks to a consortium or group of companies
  - If requirement of coal by an applicant does not match with the reserves in a natural block then clubbing of requirements may be resorted to and in case a number of applicant companies form a consortium for utilisation of a block for their captive use, the same may be considered for allocation under a legally tenable arrangement.
- vi. Mining of Coal by allottee companies
 

The following dispensations are permitted for mining of coal from captive blocks :

  - Any of the companies engaged in approved end-uses can itself mine coal from a captive coal block; or
  - A company engaged in any of the approved end-uses can mine coal from a captive block through a mining company supplying the coal on an exclusive basis from the captive coal block to the end-user company or to its subsidiary company, provided the end-user company has firm tie up with mining company for supply of coal, supported by legally binding and enforceable contract / agreement.
  - An independent coal/lignite mining company can also be allocated a captive block on the condition that the entire coal/lignite so mined would be transferred to an end user company(ies) for their captive consumption in the specified end uses, provided that the said mining company has firm back-to-back tie up with the specified end user company(ies), supported by a legally binding and enforceable supply contract/agreement.
- vii. Inter-se priority for allocation of a block among competing applicants for a captive block may be decided as per the following guidelines:
  - Status (stage) level of progress and state of preparedness of the projects;
  - Net worth of applicant company (or in the case of a new SP/JV, the net worth of their principals);
  - Production capacity as proposed in the application;
  - Maximum recoverable reserve as proposed in the application;
  - Date of commissioning of captive mine as proposed in the application;
  - Date of completion of detailed exploration (for unexplored blocks) as proposed in the application;

- Technical experience (in terms of existing capacities in coal/lignite mining & specified end use);
- Recommendation of the Administrative Ministry concerned;
- Recommendation of the State Government concerned (i.e. where the captive block is located);
- Track record and financial strength of the company

Preference will be accorded to the power and the steel sectors. Within the power sector also, priority shall be accorded to projects with more than 500MW capacity. Similarly, in the steel sector, priority shall be given to steel plants with more than 1 million tonne per annum capacity."

3.8 The following general conditions of allocation are also considered by Screening Committee before allocation of coal blocks for captive mining:-

- (i) The allocation is made to an end user company, Joint Venture or a mining company, which has firm back-to back tie up with specified end user company (ies) for meeting the coal requirement of the permitted end use project. The mining company should have a legally binding and enforceable supply contract agreement for the life of the mine.
- (ii) The block is meant for captive use in their own specified end use projects or that of associated/end use company (ies) in the case of a mining company.
- (iii) The coal production from the captive blocks shall commence within 36 months (42 months in case the area is in forest land) of the date of allocation in opencast (OC) mine and in 48 months( 54 months in case the area fall under forest land) from the date of allocation in underground(UG) mine. The Company shall buy the geological report (in respect of fully explored blocks) from CMPDIL within six weeks of the date of allocation.
- (iv) In respect of an unexplored block, the allocatee company shall apply for a prospecting license within three months of the date of issue of allotment. The exploration shall be completed and geological report prepared within two years from the date of issue of prospecting license.
- (v) The company shall submit a mining plan for approval by the competent authority under the Central Government within six months (in respect of explored blocks) from the date of allocation letter.
- (vi) In respect of an unexplored block, the mining plan shall be submitted for approval by the competent authority within two years and six months from the date of issue of the letter of allocation.
- (vii) The company shall submit a bank guarantee equal to one year's royalty, amount based on mine capacity as assessed by CMPDIL, and the weighted average royalty within 3 months of the date of the allocation letter. Subsequently, upon approval of the mining plan, the bank guarantee amount will be modified based on the final peak rated capacity of the mine.
- (viii) 50% of the bank guarantee shall be linked to the milestones (time schedule) set for development of captive block, and the remaining 50% to the guaranteed production. The bank guarantee shall be liable to be encashed in the following eventuality:
  - There shall be an annual review of progress achieved by an allocattee company. In the event of lapses, if any, in the achievement vis-a-vis the

milestones set for that year, a proportionate amount shall be encashed and deducted from the bank guarantee.

- Once production commences, in case of any lag in the production of coal/lignite, a percentage of the bank guarantee amount will be deducted for the year. This percentage will be equal to the percentage of deficit in production for the year with respect to the rated/peak capacity of the mine, e.g., if peak rated capacity is 100, production as per the approved mining plan for the relevant year is 50 and actual production is 35, then  $(50-35)/100 \times 100 = 15\%$  will lead to deduction of 15% of the original bank guarantee amount for the year. Upon exhaustion of the bank guarantee amount, the block shall be liable for de-allocation/cancellation of mining lease.
- The allocattee shall ensure that the bank guarantee remains valid at all times till the mine reaches its rated capacity or till the bank guarantee is exhausted. Any lapses on this count shall lead to de-allocation /cancellation of mining lease.

(ix) No coal shall be sold, delivered, transferred or disposed except for the stated captive mining purposes except with the previous approval of the Central Government.

(x) Those of the above conditions relevant at the time of grant of mining lease shall be included as additional conditions in the mining lease in addition to any further conditions imposed by or agreed to by the Central Govt.

(xi) Allocation / mining lease of the coal block may be cancelled, inter-alia, on the following grounds:

- Unsatisfactory progress of implementation of their end use plant,
- Unsatisfactory progress in the development of coal mining project,
- For breach of any of the conditions of allocation.

(xii) The de-allocation/cancellation of mining lease shall be without any liability to the Government or its agencies, whatsoever. Any expenses incurred by the allocattee or any right or liability arising on the allocattee out of the measures taken by him shall solely be to his account and in no way be transferred to or borne by the Government or its agencies.

(xiii) In case of coal blocks acquired under the CBA Act, the mineral rights shall be surrendered by the Government Company to the State Government. On payment of necessary compensation/ considerations by the allocattee company to the Government Company, the land shall be transferred to them and the State Government shall grant a mining lease over the area in favour of the allocattee company under the provisions of and as per the procedure prescribed under the Mines and Mineral (Development & Regulation)(MMDR) Act and Mineral Concession(MC) Rules. Any delay beyond 2 months by Government Company in transferring the title /possession of land, as the case may be, can be claimed as grace period by the allocattee for the purposes of conditions (iv) & (vii) above."

3.9 When asked about as to when did the Government issue advertisements for allocation of coal blocks and what was the response of public and private sector companies thereto informed the Committee as under-

"The advertisements calling for application for allotment of coal blocks were issued in 2005 and 2006. Before this, no advertisements were issued calling for applications. An advertisement was issued in 2008 for allocation of coal blocks for Coal to Liquid (CTL) projects. 20 blocks were advertised in 2005 in response to which 728 applications were received. In 2006, 38 blocks were advertised in response to which 1422 applications were received. For the blocks advertised for CTL projects in 2008, 28 applications were received."

3.10 Asked about whether guidelines were notified for information of public and ensure that allocation was done in transparent manner, the Secretary(Coal) informed the Committee as under:-

"As far as the publicity of the issue is concerned, .....till 2005, individual applications were being received. From 2006, ..... it was done through the advertisement procedure. When we went through the advertisement procedure, these guidelines were put on the website."

## **B. PROCEDURE FOR ALLOCATION OF LIGNITE BLOCKS**

3.11 As regards allocation of lignite blocks the Ministry of Coal furnished following information :-

- a. "Lignite blocks are also allocated through the Screening Committee route and through Government company dispensation route. In case of Screening Committee route, blocks are advertised for inviting applications from the eligible companies. In case of lignite blocks, the list of blocks in Government dispensation is not circulated to all the States. This is primarily because of the limited occurrence, the volatile nature of lignite and associated transportation problems. Lignite deposits are concentrated mainly in the States of Tamil Nadu, Rajasthan and Gujarat and the other States would not be interested because of the problems associated with the transportation of lignite.
- b. In case of allocation through the Screening Committee, applications for allocation of lignite blocks, after receipt in the Ministry are forwarded to the administrative Ministries concerned, who inter-alia, scrutinize them for track record of applicant company, techno-economic viability of the project, state of project preparedness and assessment of coal

requirement in terms of quality and quantity etc. and make their recommendations to the Screening Committee.

- c. From the point of qualitative and quantitative matching of the projected lignite requirement with that available in the sought block and other associated matters, NLC makes recommendations to the Screening Committee. The Screening Committee decides each case on its relative merits, in its meetings with the benefit of these recommendations, after giving an opportunity to the applicant for presenting their case.
- d. So far, 29 lignite blocks have been allocated to Govt. as well as private companies. Out of the total allocated blocks, 22 blocks have been allocated to the State Govts. of Gujarat and Rajasthan and 7 blocks have been allocated to private companies. Out of allocated blocks, one block i.e. South of Vellar allocated to M/s Tamil Nadu Industries Captive Power Company Ltd. has been de-allocated based on recommendation of Review meeting held in June, 2009.”

## CHAPTER-IV

### **Status of Captive Coal and Lignite Blocks**

The Committee have desired to know the details of number of coal blocks allocated and their production status. In this regard, the Ministry of Coal have submitted the following details to the Committee-

"So far 218 coal blocks with geological reserves of about 50 billion tonnes have been allocated to eligible public and private companies under the Coal Mines (Nationalisation) Act, 1973. Out of that, 25 coal blocks have been de-allocated. Out of de-allocated coal blocks, two coal blocks were re-allocated to eligible companies under the said Act. Thus, the net allocated blocks are 195 coal blocks with geological reserves(GR) of about 44.23 billion tonnes.

Sector-wise allocation of these coal blocks is as under :

Sl. No.	Sector	To Govt. Companies		To Private Companies		To UMPPs/Tariff based bidding		Total blocks	GR (in MT)
		No. of Blocks	GR (in MT)	No. of Blocks	GR (in MT)	No. of Blocks	GR (in MT)		
1.	Power	42	14330.14	27	4974.20	12	4846.26	81	24150.60
2.	Commercial Mining	40*	7369.86	-	-	-	-	40	7369.86
3.	Iron & Steel	2	393.80	61	8670.55	-	-	63	9064.35
4.	Cement	-	-	6	628.74	-	-	6	628.74
5.	Small & Isolated	-	-	3	27.34	-	-	3	27.34
6.	CTL	-	-	2	3000	-	-	2	3000
Total		84	22092.80	99	17300.83	12	4846.26	195	44239.89

Thus out of the 195 coal blocks which stand allocated, 81 coal blocks with GR of 24.1 BT are allocated for power sector, 63 coal blocks with GR of 9 BT for iron and steel sector and 6 blocks with GR of 0.6 BT for cement sector. According to the Ministry Coal, coal blocks are identified and earmarked for allocation in consultation with Coal India Limited, CMPDIL, Ministry of Power, Ministry of Steel etc. depending on the grade of coal, geological reserves, location of coal block etc."

4.2 As reported by the Coal Controller's Organisation, Kolkata, out of allocated coal blocks, **30** blocks started production. Production for the year 2011-2012 was **36.24** million tonnes and **10.366** million tonnes for 2012-13 (Provisional). Details of production of coal from these blocks are given below:-

Sl No.	Com Name	BLK name	PRC of Mine in MT PA	GO VT/PS U	PVT	EUP	Production in Mill Tonnes					
							2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (Upto June, 12)
1	<b>WBSEB</b>	<b>Tara (East)</b>		1	0	Power						
2	<b>WBPDCL</b>	<b>Tara (West)</b>	2	1	0	Power	4.229	4.134	3.303	2.876	2.68	0.78
3	<b>JSPL</b>	<b>Gare Palma IV/1</b>	6	0	1	Iron & Steel	5.994	5.998	5.999	5.999	5.997	1.465
4	<b>RPG/CESC</b>	Sarshatali	3.5	0	1	Power	2.754	2.978	3.214	2.929	3.763	1.228
5	<b>HIL</b>	<b>Talabira-I</b>	1.5	0	1	Power	1.47	2.066	2.33	2.285	2.356	0.578
6	<b>BLA</b>	<b>Gotitoria (E &amp; W)</b>	0.33	0	2	Pvt Commercial	0.329	0.236	0.299	0.297	0.298	0.095
7	<b>MIL</b>	<b>Gare Palma IV/5</b>	1.1	0	1	Iron & Steel	0.835	0.989	1	0.951	0.85	0.176
8	<b>PSEB</b>	Panchwara Central	7	1	0	Power	3.797	6.175	8.476	8.41	8.308	2.08
9	<b>JNL</b>	Gare Palma IV/4	0.48	0	1	Iron & Steel	0.279	0.396	0.56	0.406	0.478	0.166
10	<b>PIL</b>	<b>Chotia</b>	1	0	1	Iron & Steel	0.9	0.919	1	1	1.00	0.257
11	<b>ANPMDL</b>	Namchik Namphuk	0.2	1	0	Govt Commercial	0.079	0.137	0.25	0.299	0.222	0.069

12	JPL	GarePalma IV/2&3	5.25	0	2	Power	0.578	4.893	6.045	5.688	5.25	1.624
13	SIL	Belgaon	0.27	0	1	Iron & Steel	0.001	0.051	0.14	0.114	0.161	0.055
14	KPCL	Baranj I-IV, Kiloni and Manora Deep	2.5	6	0	Power		0.991	2.252	2.275	2.189	0.682
15	UML	Kathautia	0.8	0	1	Iron & Steel		0.013	0.062	0.304	0.351	0.162
16	ESCL	Parbatpur	1.24	0	1	Iron & Steel		0.013	0.055	0.034	0.105	0.003
17	RAPL	Gare Palma IV/7	1.2	0	1	Iron & Steel		0.008	0.297	0.432	0.774	0.207
18	WBPDCL	Barjore	0.5	1	0	Power		0	0.115	0.252	0.213	0.157
19	SAIL	Tasra	4	1	0	Iron & Steel			0.063	0.014	0.04	0.036
20	DVC	Barjora North	3	1	0	Power				0.021	1.13	0.394
21	B.S.Ispat	Marki Mangli-I	0.33		1	Iron & Steel				0.014	0.003	0
22	Virangana Iron & Steel Ltd.	Marki Mangli-III	0.21		1	Iron & Steel				0	0.065	0.088
23	WBMTDCL	Trans Damodar	1	1								0.064
				14	16	Total	21.245	29.997	35.46	34.60	36.24	10.366

4.3 When enquired about the estimated value of coal extracted from 30 coal blocks from where coal extraction has been started and approximate value of coal blocks allocated for captive use by the Governments so far, the Ministry of Coal in a written reply furnished to the Committee have stated that no estimation has been

made so far as to the value of the coal extracted and the value of coal blocks allocated by the Ministry.

4.4 The Committee were keenly interested to know the details of the revenue earned by the Central Government from coal blocks and royalty/cess by State Governments and whether the rate of cess/royalty collected by State Government from public sector companies was same as that collected from private sector companies. In this regard, the Ministry of Coal have informed the Committee as under:-

"The Central Government does not earn any revenue from the allocation of coal blocks or thereafter. The coal block allocatee pay royalty/cess when the block starts producing. The details of royalty / cess paid by various coal block allocatees as furnished by the Coal Controller is as per **Annexure-I**. The royalty/cess payable by the Government companies and the private companies is equal for the same grade of coal."

#### **Guidelines for coal block allocatees to sell power at regulated rate**

4.5 The Committee have desired to know from the Ministry of Coal if they have put in place a Comprehensive Regulatory and Monitoring Mechanism to ensure that electricity from coal blocks allocated is sold at regulated rates to State Electricity Distribution Companies by the power generators benefitted from cheap coal from coal blocks allocated to them. To a specific query in this regard the Ministry of Coal in a written reply informed the Committee as under :-

"The Ministry of Power vide their letter dated 29<sup>th</sup> March, 2012, has pointed out that "As coal blocks were given for power sector, the developers must participate in the bids for procurement of power by the discoms as per bidding guidelines issued by Ministry of Power and offer the benefit of the government allotted coal blocks to the consumers." and requested Ministry of coal that "the coal block allocatees be advised to participate in the bids for sale of power from end use projects as per the guidelines of Ministry of Power or face cancellation of coal block allocation. This may be made a condition in allocation letter even for already allotted coal blocks for power sector IPPs." The above suggestion of the Ministry of Power was communicated by the Ministry of Coal vide letter dated 28<sup>th</sup> June, 2012 to all the coal block allocatees of power sector and a copy of the communication was sent to Ministry of Power. In response to the above letter the Ministry of Power vide their letter dated 16<sup>th</sup> July, 2012 has once again requested Ministry of Coal "to incorporate in the coal block allocation letter the specific

condition enjoining upon the allocatees to participate in bids at the tariff based bidding invited by the discom even for already allocated blocks failing which coal block allocation could be cancelled. They have requested Ministry of Coal also to evolve a mechanism to monitor the compliance of this condition. In the light of the observation of audit of CAG in their Report No. 7 of 2012-13 that the "audit is of the strong opinion that there is a need for strict regulatory and monitoring mechanism to ensure that the benefit of cheaper coal is passed on to the consumers", Secretary (Coal) vide his D.O. letter dated 4<sup>th</sup> September, 2012 has requested the Ministry of Power 'to have the matter examined in detail so as to have a comprehensive scheme prepared'. It was also stated that 'the scheme may be prepared in consultation with law Ministry and effectively implemented with the requisite conditionalities to ensure the above stated purposes'. In response to the above, Ministry of Power vide their letter dated 27.09.2012 has requested the Ministry "to issue orders without further delay, imposing the condition in the allocation letters of IPPs/CPGs that they need to participate in the bids for power procurements called by Discoms or their authorized state agency and enter into long term PPA as per bidding guidelines issued by the MoP under section 63 of the electricity Act, 2003 within a stipulated time period or face de-allocation of the block. As the issue of incorporating a new condition in the allocation letter retrospectively would have legal consequences, the same is being examined in consultation with Ministry of Law & Justice."

4.6 On being asked about the latest progress in developing the coal blocks allocated under Tariff based competitive bidding, the Ministry have stated the details as under-

"Out of the 54 coal blocks identified for allocation, detailed exploration was carried out in 12 blocks only. Detailed exploration needs to be carried out in other blocks, this involves drilling of approximately 16 lakh meters. For this purpose the CMPDIL needs to enhance their drilling capacity and prepare plans. The CMPDIL in consultation with Ministry of Coal has finalized the targeted production for the current year at 6.32 lakh meters, to be enhanced to 9.34 lakh meters during 2013-14 to 12 lakh meters for 2014-15 and 15 lakhs meters during 2015-16 and 2016-17 subject to various clearances etc.. CMPDIL has planned to prepare 6 GRs during 2013-14, 11 GRs during 2014-15 and 20 more GRs by 2016-17."

4.7 The Committee have desired to know as to why 138 coal blocks asked by CIL in 2007 for exploitation, the same were not allotted to them despite CIL having expert manpower. In this regard, while deposing before the Committee on 19.10.2012, Secretary(Coal) submitted as under:-

"116+3 from the deallocated list have been assigned to the Coal India by the Ministry of Coal in the month of July, 2012 and after that. Coal India has got it and we also asked Coal India to prepare a perspective plan for the development of those blocks. They have given a preliminary report on 20<sup>th</sup> September, 2012 and as per that preliminary report, they will be having sufficient blocks. Right now, what has happened is, out of the 119 blocks, project report has been prepared for two of them and work for preparation of project report for 16 blocks is expected to be taken up during 12<sup>th</sup> Plan period where Geological Report is already available. In 11 such blocks exploration has been completed and for 24 blocks, exploration activities are still in progress."

4.8 Regarding allocation of coal blocks, Secretary, Ministry of Coal during evidence on 9th July, 2012 submitted as under :-

"No coal block was offered for allocation after introduction of the Amendment Bill in the Parliament in 2008. Whatever allocations have been made after 2008 are the result of the decisions taken before the introduction of the Bill. The intent of the Government was to induce rapid development of infrastructure, which was essential to keep the economy on a high growth trajectory"

## CHAPTER V

### **Monitoring mechanism for allocated Coal/Lignite Blocks**

The responsibility of developing the coal block as per the prescribed guidelines and milestones of allocation letter rests entirely with the allottees and in the event of willful delay in the development of coal blocks/setting up of the end use project, the Government reserves the right to take appropriate action to de-allocate the said block. The Ministry of Coal have informed the Committee that the Government in line with this, periodically monitors and reviews the development of coal blocks in the review meetings. Wherever delays are noticed, show-cause notices and advisories are issued to such allottees cautioning them, failing which de-allocation of the block is done. The Coal Controller's Organisation(CCO) monitors the progress of allocated coal blocks and associated end use projects on quarterly basis. At the level of Ministry, periodic reviews are carried out by a Committee headed by Additional Secretary (Coal), where representatives from the concerned State Governments also attend.

5.2 In order that development of all the blocks allocated till date does not get further delayed, the Committee have desired to know the measures initiated by the Government to speed up the development process. In this regard the Ministry of Coal in a note furnished to the Committee have submitted as under:-

- i. "It has been decided to provide normative time limit to start coal production from the explored blocks within 36 months (42 months in case the area is in forest land) in case of open cast mines and within 48 months (54 months in case the area is in forest land) of the date of issue of letter of allocation in underground mines. Further, 2 years time is given for completing detailed exploration and preparation of GR in case of unexplored blocks.
- ii. A system of submission of bank guarantee by the private sector allocatees was introduced from 2005. From 2007, it has been applicable for blocks allocated to public sector companies as well. Under this, the allocatee is required to submit a bank guarantee equivalent to one year's royalty amount payable based on the final peak/rated capacity of the mine and the weighted average royalty. 50% of the bank guarantee shall be linked to the milestones (time schedule) set for development of captive block, and the remaining 50% to the guaranteed production. Loss of royalty to the exchequer due to delay in achieving milestones (time schedule) set for development of captive block as well as the rated yearly production level as per the approved mine plan is

deductible from the bank guarantee. Upon exhaustion of bank guarantee amount, the block is liable to de-allocation/ cancellation of mining lease.

- iii. Systematic monitoring of the progress has been started since 2005 through a Committee under the chairmanship of Addl. Secretary (Coal). Genuine problems of allocatees are highlighted during this meeting and efforts are made to sort them out. Since State Govt. representatives are also present during these meetings, they are also requested to provide all possible help in expediting the process. Development of coal blocks involves a long gestation of about 3 to 5 years to reach production stage and about another two years to reach its optimal production capacity. The coal blocks, which have not come into production so far, are in various stages of obtaining statutory clearances and mining lease, preparing mining plan, acquiring land, procuring machinery etc. for both mining as well as end-use projects. Specific milestones are laid down for development of coal blocks. In case of willful delays, advisories and show cause notices are issued, leading to consideration of de-allocation of coal blocks, where warranted. The minutes of review meeting are placed on the website.
- iv. Decision has been taken to further strengthen the monitoring process by reviewing the delays on yearly basis in the achievement of various milestones vis-a-vis normative time schedule fixed for them. A system of calculating the overall yearly slippage in project development based on slippage of the individual milestones is being worked out so that equivalent amount could be deducted from the bank guarantee submitted by the allocatee.  
In the case of allocates found to be non-serious, notices are being issued and after due consideration of their response, penalties or even de-allocation is also being contemplated.”

### **Monitoring of Coal Blocks by Coal Controller**

5.3 The Coal Controller's Organisation (CCO) is a subordinate Office of Ministry of Coal, having its headquarters at Kolkata and field Offices at Dhanbad, Ranchi, Bilaspur, Nagpur and Kothagudem. Each field office is headed by one GM/DGM level executive working in the capacity of Officer on Special Duty being supported by other technical officers. Apart from carrying out inspection for ascertaining quality in selected mines, the field officers also carry out regular inspections to ensure compliance with specific orders relating to coal quality and resolving statutory complaints. Besides looking after the quality surveillance, the above field officers also entrusted with field assignments associated with CCDA assistance under Coal Mines (Conservation & Development) Rules 1975, opening /re-opening permission of

seams of mines under the Colliery Control Rules, 2004 and co-ordination with the Coal Companies. In addition, one officer on Special Duty is posted in the Coal Controller's Organisation in Kolkata for co-ordinating the field offices along with in charge of coal mines under Asansol, Sambalpur and NEC Command area, monitoring of captive coal/lignite blocks and their associated end use projects and rendering assistance to Coal Controller on all technical matters like parliamentary questions, Budget & EFC Note etc.

5.4 According to Annual Report (2011-12) of Ministry of Coal under the Collection of Statistics Act, 1953 [32 of 1953] and the Collection of statistics (Central) Rules 1959, Coal Controller being the statutory authority for collection, compilation, publication and dissemination of data regarding different parameters of production and despatch of coal and lignite it provides monthly data to Central Statistical Organisation, RBI, DIPP, Indian Bureau of Mines and other national and international organizations. It also publishes Annual Coal Directory and Provisional Coal Statistics. Coal Directory, 2009-10 and Provisional Coal Statistics, 2010-11 were published in 2010-11.

5.5 As regards the Monitoring and progress of captive Coal Blocks, according to Coal Controller Organisation production from these coal blocks in 2010-11 is 34.22 MT and for the year 2011-12 (upto Dec, 2011) is 26.930 MT. Total 2 coal blocks were allotted during the period Jan. 11 to Dec. 11 one to a public company and one to a private company. One block has started coal production during the period April, 11 to Dec, 11.

5.6 Asked about the role of office of the Coal Controller in allocation, development and approval of coal mining plan for captive coal blocks allocated, the Ministry of Coal in a written reply informed the Committee as under :-

"The Coal Controller has no role in allocation of coal blocks and the approval of coal mining plan. However, the Coal Controller Organisation (CCO) collects status reports on quarterly basis from the allocates and submits the consolidate status report to the Ministry. The CCO undertake inspections in specific cases as and when required. There are 528 Non-Captive mines and 195 Captive Col Blocks. CCO Office has to maintain the details of all the mines despite shortage of technical manpower. Data of coal production

from Captive Blocks is also collected by the Statistical Wing of the CCO on monthly basis and it is sent to Ministry."

5.7 Taking note of the enormous functions assigned to Coal Controller Organisation under different statutory Acts/Rules and its role in inspection of mines and issue of quality/grade certificates for coal produced, the Committee have desired to know the strength of Coal Controller Organisation. In this regard, Coal Controller has informed the Committee during evidence that he is the only technical man and that also is a temporary post and the organisation has one Surveyor. Other personnel in the organisation are LDCs, UDCs and promotees.

5.8 In this regard, the Secretary, Ministry of Coal submitted during evidence as under :-

"We are going to work on it very seriously. We have to strengthen the organisation. We are working on it.

He further added, "We have initiated the process of strengthening the Coal Controller's Office. We have searched the records and we have found that there was a report in 2006 about the Indian School of Mines, Dhanbad with regard to the Coal Controller's Office. We are examining this issue. We may revisit this report."

5.9 In their Annual Report (2011-12), the Ministry of Coal have specifically highlighted the Performance Evaluation and Monitoring System (PEMS) as under:-

"Action for implementation of the system for monitoring and evaluation of performance was initiated in the year 2009-10 in the Ministry of Coal under the aegis of Cabinet Secretariat. The performance of the Ministry was evaluated for the 2010- 11 based on the Results Framework Document. The Results Framework Document of the Ministry of Coal for 2011-12 was submitted to the Cabinet Secretariat with main objectives of achievement of annual action plan targets for coal production and coal off-take by CIL, lignite production and power generation by NLC, to ensure adequate supply of coal to the regulated power utilities, development and production from captive coal blocks, thrust on exploration of resources, increase in coal washing capacities, improvement in safety conditions in mines, development of rail and road infrastructure in coalfield areas and other policy issues.

5.10 When asked by the Committee, whether some review has been made by the Ministry of Coal to ascertain the reasons as to why only 29 coal blocks have been developed so far out of allocated 218 blocks, the Ministry in a written reply informed as under:-

"Monitoring of progress of allocated coal/lignite blocks and associated end-use projects is done through a Review Committee under the Chairmanship of Additional Secretary (Coal). The review is undertaken on periodical basis with all the coal block allocatees to assess the development/progress achieved by them. Action is taken against the companies where delay is found on their part by issuing necessary advisory and show cause notices. In case of willful delays on the part of allocattees, appropriate action is initiated for de-allocation of the block and deduction of bank guarantee as per the recommendations of the Review Committee.

In the review meeting held in June, 2009, show cause notices were issued to allocatees of 48 coal/lignite blocks wherein progress was less than satisfactory against the milestones set out and they were not able to account for the delay in the development of blocks. Accordingly, 3 blocks were de-allocated by the Ministry. In addition, the State Govts. were requested to form a Monitoring Committee headed by the Chief Secretary to facilitate expeditious development of coal/lignite blocks. In the review meeting held on 20th and 21st July, 2010 with all the coal block allocattees to review the development of coal blocks and the end use projects. Accordingly, based on the recommendations of the Review Committee meeting held from time to time, 25 coal blocks have been de-allocated so far. In addition to this, the mining lease in case of the Takli Jena Bellora(South) coal block allocated to M/s Central Collieries Co. Pvt. Ltd. has been declared void. Out of the 25 de-allocated blocks, two coal blocks namely, Utkal B-1 and Utkal-A, have been re-allocated. Further a total of 03 lignite blocks have been de-allocated. The last such review meeting was held on 11<sup>th</sup> and 12<sup>th</sup> January, 2012. The Review Committee reviewed the progress of 195 allocated coal blocks and 27 allocated lignite blocks and recommended for issue of show cause notice as to why action should not be taken against them including de-allocation. Show cause notices to 58 coal block allocatees and 2 lignite block allocatees and caution / advisory letters to 90 coal block allocatees and 5 lignite block allocatees were recommended. The show cause notices and caution / advisories have since been issued.

It further states: -

A meeting of the Review Committee was held on January 11-12, 2012. The allocatee companies gave presentations before the Review Committee regarding the status of development of the block and the efforts made by them including the constraints faced in development of the block. The Committee noted as follows:

- i) The production was started in 29 blocks and 9 of them reached the peak capacity.
- ii) 58 blocks were under areas categorized as No-Go / Wild Life Corridor, etc. on account of which there was delay in development of the blocks. Since, GoM has asked Ministry of Environment & Forests (MoEF) to review. The concept of 'Go' 'No-Go' areas, the allocatees have been asked to take up the matter again with MoEF / State Governments.
- iii) In 18 cases, it was found that they are likely to produce during the year / as per the milestones prescribed.

In 32 cases the Review Committee was not satisfied with the development of progress and the allocatees were advised to speed up the process of development and take action to develop the blocks quickly as per the milestones prescribed.

In case of 58 blocks the committee found that the progress of development was not satisfactory and it was recommended to issue show cause notice as to why action should not be taken against them including de-allocation. Show cause notices have been issued in all these cases. The replies received are under consideration of the Inter-Ministerial Group. The list of 58 blocks where show cause notices were issued is at **Annexure-II.**"

5.11 When pointed out by the Committee that though Show Cause notices were issued to 58 coal blocks, only 25 were de-allocated and whether the Bank Guarantee from the coal blocks allocate were deduced, the Ministry of Coal informed the Committee as under:-

"Show cause notices were issued to the allocatee companies of 58 coal blocks based on the recommendations of the Review Committee meeting held in January, 2012. The 25 coal blocks so far de-allocated were decided before this Review Committee meeting held in January, 2012 and were de-allocated based on the recommendations of the Screening Committee/Review Committee meetings held earlier. It may be stated here that review is a continuous and ongoing process. The same is undertaken by the Ministry from time to time for the purpose of facilitating development of the block as well as taking action as deemed fit."

5.12 During evidence of representative of Ministry of Coal on 19<sup>th</sup> October, 2012, some Members pointed out that Shri R.V. Shahi, who held the position of Power Secretary in Government of India is an independent Director of Jindal Steel and Power Ltd. Further, Shri P.P. Sharma, Chief Secretary, Jharkhand and Shri N.C. Jha, former Chairman, Coal India Ltd. have joined Abhijeet Group and Monnet Energy and Ispat Ltd., having power and mining projects spread across the country. In this connection, when enquired about whether the retired /voluntary retired

personnel from the Ministry of Coal, Coal India Ltd., CMPDIL etc. have joined the companies which have been offered coal blocks, the Ministry of Coal in a post evidence reply has informed the Committee as under :-

"The Ministry of Coal has not conducted any enquiry regarding the above. The Director level officers of the coal companies are required to intimate / take permission from the Government regarding employment after retirement/VRS. The detailed guidelines in this regard are contained in DPE guidelines issued vide their letter DPE OM No. 2(22)/99-GM-GL-91 dated 15<sup>th</sup> May, 2008 (**Annexure-III**). The below Board level officials seek permission from the respective companies."

5.13 When enquired whether the Screening/Monitoring Committee has reviewed and found any of the irregularities committed by these firms in their eligibility criteria, the Ministry of Coal has informed the Committee in a post evidence reply as under:-

"No coal blocks have been de-allocated so far on the ground that the firms misrepresented the eligibility criteria to get the blocks allocated. However, the CBI has registered 3 Preliminary Enquiry cases regarding alleged irregularities in allocation of coal blocks- relating to allocation of coal blocks to private companies during the period 2006-2009, relating to allocation of coal blocks to private companies during the period 1993-2004 and relating to allocation of coal blocks to Government Companies, as evidenced by the documents/ files and details sought by them from the Ministry. In the case related to allotments to private companies during 2006-2009, 9 FIRs have been lodged by CBI so far and further investigation is reportedly under progress. Based on the findings of the investigation action as required would be taken. A reference has been made to Ministry of Law & Justice as to action which can be taken at this stage with reference to the FIRs filed by the CBI."

## **CHAPTER VI**

### **CONSTITUTION OF INTER-MINISTERIAL GROUP**

In pursuance of the announcement of the Hon'ble Finance Minister in the Budget Speech for the year 2012-13, an Inter-Ministerial Group (IMG) headed by Additional Secretary, Ministry of Coal has been constituted on 21.06.2012 to undertake periodic review of the development of coal ./ lignite blocks allotted by the Government.

6.2 When asked if the, Inter Ministerial Group has reviewed the reasons for delay in evacuation of coal blocks allocated to different companies, the Ministry of Coal in a post evidence reply have informed the Committee as under: -

"IMG will decide on either de-allocation or forfeiting the Bank Guarantee of the companies that did not develop allotted coal blocks. Additional Secretary, Coal Ministry is Chairman of the IMG. Other IMG members include representatives from Power, Steel, Department of Economic Affairs, Industrial Policy and Promotion and Law and Justice.

The Terms of Reference (TOR) of the IMG are:

- i) The IMG shall undertake periodic review and the progress of allocated coal/lignite blocks and the end-use plants and to make recommendations on action to be taken including de-allocations, if required.
- ii) The IMG may consider the replies where the show cause notices have been given and recommend action against the allocate companies including de-allocation, wherever necessary.
- iii) The IMG may make its own assessment and recommend action as to deduction of Bank Guarantee, if required.
- iv) Any matter where a reference is made by the Competent Authority."

6.3 In a written reply the Ministry of Coal have informed the Committee that IMG in its third meeting held on 03.09.2012 inter-alia formulated the policy on deduction of bank guarantee as under:-

"The following guidelines / principles may be followed by the IMG while conducting its business and making recommendations regarding the deduction of BG in accordance with the terms of reference:-

- (1) The IMG will meet as and when required. The next date of the meeting may as far as possible be fixed in the IMG itself; Minutes may be confirmed in the next meeting.
- (2) All relevant materials including the allocation letter and status report of the blocks may be made available to each member of the IMG in advance.
- (3) Copies of show cause notices issued and replies to the same may be provided to the members.
- (4) The weightages to various milestones on the basis of which proportionate deduction of BG may be recommended are enclosed.
- (5) Where allocatee companies have exceeded their normative date of production and there is no provision for BG related to development of coal block, then the IMG may, only in cases where it finds that the company has made substantial progress and investment in development of the block even though they have exceeded normative date of production, recommend imposition of BG in addition to any other action.
- (6) The recommendations of the *IMG regarding* BG may be made on the basis of the above guidelines after considering all relevant material and the facts and circumstances of the case.
- (7) While the IMG has adopted above guidelines for its own recommendations, it is also recommended that the Ministry may publish these guidelines on the website of the Ministry for information of all concerned.

The IMG also formulated the following weightage for calculation of BG deduction:-

#### **WEIGHTAGES FOR DIFFERENT MILESTONES**

S.No.	Milestones	Weight (in %)
1	Purchase of Geological Report	5
2.	Submission of Bank Guarantee	8
3.	ML Application	7
4	Submission of Mining Plan	10
5	Approval of Mining Plan	10
6	Application for Previous Approval	6
7	Granting of Previous Approval	5
8	Application for Forest Clearance	8
9.	Grant of Forest Clearance	5
10	Application of EMP Clearance	8
11	Grant of EMP Clearance	5
12	Obtaining of Mining Lease	5
13	Application of Land Acquisition	8
14	Completion of Land Acquisition	4
15	Application for Coal Controller's Permission	2

16	Approval of Coal Controller	2
17	Commencement of Coal Production	2
	Total	100

In the cases where 50% of the Bank Guarantee is linked to achievement of the milestones, the amount deductible from such BG would be proportionately related to non-achievement of the milestones.

The sum of the weightages assigned to the milestones which are not achieved would be the percentage of the amount of deduction of the BG from the amount linked to the achievement of milestones. Regarding the BG related to shortfall in production, the same shall be calculated for shortfall in production from normative date of production as per the formula provided in terms and conditions of allocation."

6.4 The Committee have desired to know as to when show cause notices to 58 coal blocks and warning to 90 coal and 5 lignite blocks were issued. The Secretary, Ministry of Coal informed the Committee during evidence that it was issued in March and April, 2012 and 20 days time was given to the companies.

6.5 The witness further added:-

"This is the exercise which is going on just now. Initially we thought that we will do the examination within the Ministry itself. Then we got a reference from the Finance Ministry which brought to our notice a statement which was made by the hon. Finance Minister during the Budget speech where he had said that there will be an Interministerial Group which will examine all these issues and give a recommendation. So, to give due honour to the statement of the hon. Finance Minister we immediately deliberated upon it within the Ministry and rather than have these issues disposed of within the Ministry, we immediately issued a formal notification constituting a Interministerial Group. Earlier it was only the Ministry of Coal and the administrative Ministries like Power and Steel in the Group but now we have the Finance Ministry in it. We have the Ministry relating to Industrial Policy and Promotion."

6.6 The then existing committee for monitoring and Bank Guarantee stand subsumed in the IMG. The IMG took up for review, the 58 cases where the show cause notices were issued consequent to the Review / recommendations by the Review Committee held on 11<sup>th</sup> & 12 January, 2012. In addition 18 cases where a decision was taken, on the basis of earlier reviews, to deduct BG and were pending were also taken up.

6.7 The IMG has held 14 meetings so far. The IMG has discussed and finalized the guidelines/modalities for conduct of its business and also regarding computation of deduction of BG. The IMG has also decided to give an opportunity of giving personal hearing to the allocatee companies of coal blocks before giving its recommendations. Accordingly, the IMG has heard allocatees of 18 blocks along with other cases and has given recommendations regarding action to be taken. The IMG has recommended de-allocation of 13 coal blocks allocated to 29 companies, deduction of Bank Guarantee in the cases of 14 blocks allocated to 19 companies and imposition of BG in case of 1 coal block. No action has been recommended in cases of 3 coal blocks allocated to 2 companies. keeping in view the substantial progress and investment made in one case and in another case the block was not severable from the other block of the same allocatee which was under 'No Go' area. As regards the review undertaken by the IMG, Secretary(Coal) while deposing before the Committee submitted as under:-

"Now, there were totally 58 companies to which show cause notices were issued. For five companies, there were 27 blocks which were private blocks for which the Show Cause notices have been issued to the concerned. There were 6 blocks covering five companies for which we had issued notices for deduction of bank guarantee. So, a total of 33 blocks were first considered by the IMG covering 55 companies. All of this was in the private sector. We first covered the private sector. The recommendations of the IMG had been accepted by the Ministry, de-allocation has been done in respect of 13 blocks."

6.8 Regarding break up for 33 blocks considered by IMG, the Committee were informed as under :-

"The witness further added de-allocation was recommended in respect of 13 blocks covering 29 companies. No action was recommended in the case of 3 blocks. Bank Guarantee was recommended in respect of 14 blocks covering 19 companies. Imposition of fresh bank guarantee was recommended in the case of one block for one company. So, this is the list of 33 blocks which were considered."

6.9 The Ministry of Coal have informed the Committee that the recommendations of the IMG have been accepted by the Competent Authority and action is initiated

accordingly for implementation of the said decisions. The IMG has met on 9<sup>th</sup> and 10<sup>th</sup> October, 2012 for considering the cases of 33 coal blocks allotted to Government companies.

6.10 The details of the 13 coal blocks which have been recommended for de-allocation are contained in the minutes of the meeting of IMG which are placed at **Annexure-IV.**

6.11 The Committee were also apprised that no permission by the Central Government has been given to the coal block allocatees to sell the blocks at premium. Further, coal block are allocated for captive consumption in the specified end uses. The terms and conditions of the allocation letter are incorporated in the previous approval granted to the mining lease to be executed between the State Government and concerned allocatee company.

## CHAPTER VII

### **STATUS OF IMPLEMENTATION OF MINES AND MINERALS (DEVELOPMENT AND REGULATION) AMENDMENT ACT 2010**

With a view to introduce a system of allocation of coal blocks which is more objective and demonstrably transparent, the Government initiated process to amend the Coal Mines(Nationalisation) Act, 1973, initially and Mines and Minerals(Development and Regulation) Act, 1957, subsequently in consultation with Ministry of Law and Justice. The Statement of Objects and Reasons for seeking amendment of MMDR Act in 2008 to introduce auction by competitive bidding for allocation of coal blocks is as under:

"The Coal Mines (Nationalisation) Act, 1993 (26 of 1973) allows private companies engaged in generation of power, production of iron and steel, washing of coal obtained from mines and such other end-uses as may be specified by the Central Government by notification, to carry on coal mining for their captive end-use.

With the progressive allocation of coal blocks, the number of coal blocks available for allocation is declining, while the number of applicants per block is increasing, as the demand for coal keeps increasing. This has made selection of an applicant in respect of a block difficult and vulnerable to criticism on the ground of lack of transparency and objectivity. The Ministry of Coal have informed the Committee that while efforts were on hand to continuously add blocks to the captive list, it was also expected that the demand for blocks would remain far ahead of supply. Therefore, a necessity was arisen to bring in a process of selection that is not only objective but also transparent. Auction through competitive bidding for allocation of coal blocks to private companies was one such applicable selection process. While the Coal Mines (Nationalisation) Act, 1973, besides providing for nationalization and associated provisions, specified who can and who cannot undertake coal mining in India, the entities permitted to carry on coal mining under the said Act follow the provisions of the Mines and Minerals(Development and Regulation) Act, 1957 and the rules made thereunder, for acquiring mineral rights, mining lease and other matters related to mineral administration. Hence, selection process by auction through competitive bidding for allocation of coal blocks to private companies was sought to be introduced through an amendment in the Mines and Minerals (Development and Regulation) Act, 1957.

In the proposed arrangement, auction by competitive bidding shall not be applicable in respect of allocation of coal blocks to Government company or a Central or State Public Sector Undertaking. Further, competitive bidding shall not be applicable for allocation of coal blocks to a company or corporation that has been awarded a power project on the basis of competitive bids for tariffs, including Ultra Mega Power Projects."

7.2 The Committee have been apprised that The Mines and Minerals (Development and Regulation) Amendment Act, 2010 for introduction of competitive bidding system for allocation of coal blocks for captive use, was passed by the both Houses of Parliament on 17.08.2010 and notified in Gazette of India (Extraordinary) on 9th September, 2010. The Amendment Act seeks to provide for grant of reconnaissance permit, prospecting licence or mining lease in respect of an area containing coal and lignite through auction by competitive bidding, on such terms and conditions as may be prescribed.

7.3 The following section was inserted in The Mines and Minerals (Development and Regulation) Act, 1957 (principle act) after section 11. Namely:-

**'11A.** The Central Government may, for the purpose of granting reconnaissance permit, prospecting licence or mining lease in respect of an area containing coal or lignite, select, through auction by competitive bidding on such terms and conditions as may be prescribed, a company engaged in, -

- (i) production of iron and steel;
- (ii) generation of power;
- (iii) washing of coal obtained from a mine; or
- (iv) such other end use as the Central Government may, by notification in the Official Gazette, specify, and the State Government shall grant such reconnaissance permit, prospecting licence or mining lease in respect of coal or lignite to such company as selected through auction by competitive bidding under this section:

Provided that the auction by competitive bidding shall not be applicable to an area containing coal or lignite,-

- where such area is considered for allocation to a Government company or corporation for mining or such other specified end use;
- where such area is considered for allocation to a company or corporation that has been awarded a power project on the basis of competitive bids for tariff (including Ultra MegaPower Projects).

7.4 The Committee have been further apprised that the Government has finalised Rules for allocation of blocks through the competitive bidding and same were notified on 2.2.2012. The commencement of the Amendment Act has been notified on 13.02.2012.

7.5 In this regard, Secretary, Ministry of Coal informed the Committee during evidence on 9th July, 2012 as under:-

"To operationalise the above provisions by considering various models and to suggest an optimal structure, which would meet the requirements of the various stakeholders, a Committee was constituted under the chairmanship of Secretary, Coal and with representatives from various Ministries like Power, Steel etc. After consultations, the Committee had made recommendations which were considered by the Government; and the auctions by competitive bidding of Coal mine Rules, 2012 were notified on the 2<sup>nd</sup> February, 2012. The above rules lay down the procedure for allocation of the coal blocks and payment of floor price/reserve price by the allocatee companies. The Government had notified 54 coal blocks with total geographical reserves of about 18.2 billion tonnes. M/s. CRISIL has been appointed as a consultant in June 2012 to suggest the methodology for fixing floor/reserve price, prepare model tender document and prepare model agreements."

7.6 Taking note of the fact that "The Mines and Minerals (Development and Regulation) Amendment Act 2010, was passed in 2010 and the same was notified on 13.2.2012, the Committee have desired to know as to why there was such delay in notifying the Amendment Act. In this regard the Ministry of Coal has informed the committee in a written reply as under :-

"A Committee under Secretary (Coal) was set up on 23.11.2009 to consider and examine various structures and implementation models for implementing the competitive bidding for auction of coal /lignite blocks and to suggest the optimal structure for competitive bidding as selection process. The Committee had representatives from Ministries of Power, Mines, Petroleum & Natural Gas, Steel, DIPP, Planning Commission and CEA. The Committee asked CMPDIL to prepare draft model documents based on the policy of Ministry of Petroleum & Natural Gas for CBM. CMPDIL submitted draft bid documents on 14.12.2010 suggesting two options:

- (i) Upfront payment of bid amount in installments
- (ii) Upfront payment of bid amount as fixed by Ministry of Coal + production Capacity linked payment."

7.7 The Committee in its meeting held on 31.1.2011 discussed the options prepared by CMPDIL and after detailed discussion, it was agreed that CMPDIL will prepare bid documents containing different options (four options) as discussed in the meeting for placing the same on Ministry's Website for inviting comments from the various stakeholders. On 4.4.2011, four bidding options, as prepared by CMPDIL, were placed on the website of Ministry of Coal seeking comments from stakeholders. The comments were separately sought from the Ministries of Power, Steel, Mines, Petroleum & Natural Gas, DIPP, Planning Commission and CEA. The comments received from the stakeholders were examined in consultation with CMPDIL and a meeting with stakeholders was held on 27.6.2011. The meeting was attended by the concerned Ministries, representatives of State Govts. and most of the major companies engaged in power, steel and cement sectors. This meeting was chaired by Minister for Coal.

7.8 Thereafter, the Committee under the chairmanship of Secretary (Coal) met again on 29.08.2011 and recommended as follows:

- (i) The coal blocks to be auctioned would be earmarked sectorally.
- (ii) The blocks for power sector would be allocated in consultation with and as per the guidelines of the Ministry of Power.
- (iii) Option I, i.e upfront lump-sum bidding, is the best option, with least subjectivity and not prone to errors in judgment / process.

- (iv) Reserve price would be determined under unambiguous criteria to be developed by CMPDIL.
- (v) The qualifying criteria would be clearly defined and linked to 'net worth' and experience in development of EUP.
- (vi) The 'net worth' would be assessed as per the guidelines of Finance Ministry and SEBI. Bid amount can be recovered in 5 installments.
- (vii) Bank Guarantee/ Penalties would be stipulated in the NIT.
- (viii) A consultant would be appointed who would be entrusted with the work of preparing bid documents as well as agreement to be signed in respect of the allocation of blocks. CMPDIL would prepare TOR for appointment of consultant. The appointment of consultant may be completed in 2 months time.

7.9 Thereafter taking into consideration all factors involved the draft rules were prepared and sent to Ministry of Law & Justice, Department of Legal Affairs for their legal vetting and advice. The Department of Legal Affairs had held informal meetings/ discussions with the Ministry of Coal to understand the subject. On receipt of the Legal Vetting / Advice, the draft rules were submitted for approval of the competent authority. On approval, the same were sent for notification vide S.O. 207(E) dated 2<sup>nd</sup> February, 2012.

The Committee are further informed as under:-

"The Rules lay down the procedure for allotment of blocks under different dispensations i.e. through Auction to the Government Companies and to the companies selected through tariff based bidding in power sector. The Rules provide for notifying the floor price for the mines to be auctioned and fix a reserve price for the blocks to be allotted under other dispensations. The Rules also provide that the Government shall enter into an agreement with the allocatee company.

The Government has decided to appoint a consultant for preparing

- (a) Methodology for calculation of floor price/reserve price tag for the captive coal blocks;
- (b) Preparation of Model Tender Document for selection of successful coal block allocattee;
- (c) Preparation of model agreement between Ministry of Coal and the successful coal block allocattee."

7.10 The CMPDIL was asked to appoint consultant for this purpose through open tender. M/s CRISIL has been appointed as Consultant accordingly. M/s CRISIL has been given 3 months time for the report. M/s CRISIL has submitted an inception report as to their approach towards the allotted work. The progress of the work is being monitored from time to time by Secretary (Coal). As M/s CRISIL was asked to seek views of the stake holders and incorporate the same in the report, time has been extended by 5 weeks. The draft report by M/s CRISIL was submitted on 8<sup>th</sup> October, 2012. An Inter-Ministerial meeting was convened on 16.10.2012 to discuss the report of CRISIL.

7.11 In the meanwhile, the Ministry has been proceeding to finalize the terms and conditions of allotment to the Government companies for the purpose of mining as well as specified end uses. A draft terms conditions were prepared and were circulated to the State Government for their comments. Thereafter a meeting for consultation was held with State Governments on 10.8.2012. After taking into account the views expressed and also to ensure additional safeguards especially with regard to transparency and objectivity to be brought in the linkages, which will be granted by the State Governments from the allocated coal blocks for the purpose of mining, the draft terms and conditions are further modified. The modified terms and conditions have been circulated again to the State Governments and the concerned ministries of Central Government seeking their comments. A meeting with all the stake holders was convened on 12<sup>th</sup> October 2012 for further consultations in the matter. The Government shall be in a position to initiate the process of allocation of blocks once the terms and conditions are finalized.

## **PART-II**

### **OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE**

#### **Extractable Coal and Lignite Reserves**

**1. The Committee have been informed that coal and lignite reserves in the country as on 1<sup>st</sup> April, 2011 are reported to be 285.86 billion tonne (upto 1200 meter depth) and 40.91 million tonne respectively. However, the Committee find that the focus of coal companies is on open-cast mining for production of coal. The Committee, in this connection, would like to know the actual depth from which the coal is now being extracted. The Committee would also like to be apprised of the technological know-how, economic viability, preparedness of the Government/coal and lignite companies to extract coal and lignite beyond the present extractable depth of reserves. As the production from underground mines at present is very small as compared to open cast mines, the Committee recommend that an action plan be prepared by the Government/coal companies for coal production from underground mines in the years to come keeping in view the fact that the production of coal from the open-cast mines is gradually decreasing due to exhaustion of available reserves which will result in negative growth of coal production.**

#### **Need for Coal Mining by Private Sector**

**2. India, being one of the fast developing economies in the world needs production of energy at a correspondingly faster rate as it is one of the main drivers of economic development. With the rising economy coupled**

with the quest for improved quality of life, the energy usage in India is bound to grow tremendously. Keeping in view the growing needs of energy, unscientific mining practices and poor working conditions of labour in some of the private coal companies, the Government took a conscious decision to nationalize the private coal mines by enacting the Coking Coal Mines (Nationalization) Act, 1972 under which the coking coal mines and coke oven plants other than those with the Tata Iron and Steel Company Limited and Indian Iron & Steel Company Limited, were nationalized on 01.05.1972 and brought under the Bharat Coking Coal Limited (BCCL), a new Central Government Undertaking. Another enactment, namely the Coal Mines (Taking Over of Management) Act, 1973, extended the right of the Government of India to take over the management of the coking and non-coking coal mines in seven States including the coking coal mines taken over in 1971. This was aimed at maximizing the coal production in the country which will in turn meet the ever increasing demand for power. Therefore, it is all the more important for the Government to tap all the sources of energy including the production of coal for their time bound exploration. Further, the pronouncement of the ambitious mission by the Government of India 'Power to all by 2012' which envisaged capacity addition of 100,000 MW power by 2012, has necessitated the need to increase coal production. The Committee are, however, constrained to observe that there was no corresponding increase in the coal production during Xth and XIth Plan periods and the actual production in these periods, fell much short of the target raising serious doubts on the policies

and strategies being pursued by the Government in this regard which is quite evident from the mismatch between supply and demand of coal. The huge gap between the demand and domestic supply of coal had prompted the Government to bring in amendment in the Coal Mines (Nationalization) Act, 1973 allowing coal mining for captive consumption for generation of power, washing of coal and other end uses. In spite of this measure, the captive coal regime has remained virtually a non-starter given the progress made in this direction. The Committee would like the Ministry to work on war footing to make the captive coal regime an effective instrument in the furtherance of energy generation at a desired level with increased coal production.

#### **Acquisition of Coal Mines abroad by CIL**

3. The Committee have been given to understand that initially the coal blocks were allocated to private companies for captive use as the Government companies have failed to cope-up with the increasing demand of coal in the country. The Committee are surprised to find that Coal India Ltd. who could not undertake coal production within the country is going abroad for acquiring mining concessions/assets. The Committee note this ambiguous situation created by the Government due to the leasing out of coal mines to the private companies on the one hand and simultaneously allowing the acquisition of coal concessions by Coal India Ltd. abroad on the other hand. The only conclusion the Committee can draw from this fact is that the Government coal companies have failed to develop coal blocks

which ultimately led to captive coal block regime. At the same time, the Committee desire that Ministry of Coal should have an appropriate road map for acquisition of coal blocks abroad through Coal India Ltd., for which CIL should carry out a due diligence. The Committee would also like to be informed of the detailed action plan of CIL for acquiring mining concessions abroad and desire that the data be made available to the Committee.

4. The Committee feel that the States, wherein Coal Mines are available, can be asked to use only Domestic Coal available within the State and the State's having coastal areas and also the requisite infrastructure for Coal Handling, can use certain quantum of Imported Coal. This would only be possible if there is a mechanism of pooling of the Coal Price for Domestic Coal as well as Imported Coal. This would help in saving Freight Charges for Transportation of Coal. The Committee, therefore, recommend that Ministry of Coal should also take steps to provide Coal throughout the country at a uniform rate and the Coal Prices should be based on Calorific Value only and a policy mechanism be evolved about the uses of domestic coal as well as imported coal by the States.

#### **Screening Committee**

5. The Committee note that from 1993 to 2004, applicants used to identify a coal block and approach the Ministry of Coal for allocation and their applications were considered by Screening Committee consisting of Secretary(Coal) and representatives from Ministry of Steel, Ministry of Power,

**Ministry of Industry and Commerce, Ministry of Environment and Forest, Ministry of Railways, Coal India Limited, CIL Subsidiaries, CMPDIL, NLC and the concerned State Governments for allocation of coal blocks under certain broad guidelines framed for selection of captive blocks whereas allocation to Government companies were made by the Ministry of Coal on the basis of recommendation of the State Government/Administrative Ministry. The Committee observe that most non-transparent procedure was adopted from 1993 to 2010 for allocation and supply of coal blocks. Several coal blocks were allocated to few fortunates without disclosing the same to the public at large. The natural resources and state largesse were distributed to few fortunates for their own benefit without following any transparent system, was total abuse of power by the Government. The Government cannot give largesse on its arbitrary discretion or its sweet will. The Government is still the Government when it acts in the matter of granting largesse and it cannot act arbitrarily. It does not stand in the same position as a private individual. It is unfortunate that no one who were responsible to run the Ministry have even applied their mind to the aforesaid extent. The Committee are also surprised to note that between 1993 -2004, no data was maintained by the Ministry regarding number of applications received by the Ministry of Coal and only the minutes of the Screening Committee held to consider/reject the application of a particular company were made available to them. Though, advertisement calling for application of coal blocks were issued in 2005 and 2006 after putting the guidelines on website of the Ministry of Coal, no bidding process or auction was held. It is unfortunate that for allocating coal blocks neither any auction was held nor the Central Government earned any revenue. Natural resources were distributed without following any transparent system and without generating any revenue for the Government. Since the**

Ministry, could not indicate how much coal resources (either in quantum or in value) were distributed and since Committee observe that such distribution was done in a most unauthorized manner, no one knows how much loss our country has suffered for that. The Committee observe that whole procedure adopted by the Government for distributing coal blocks betrays the confidence of the people of our country reposed in the Government. The Committee feel that entire decision making process for distribution of coal blocks needs investigation and necessary penal steps should be taken against everyone who was directly or indirectly party to such decision making process. Since Committee have come to conclusion that entire procedure for distribution of coal was unauthorized, no one should enjoy the benefit of distribution/allocation and therefore, recommend that all coal blocks allotted to the private coal companies, atleast where coal production has not yet started, should be cancelled immediately and the State and Central Government PSUs should be warned to start the mining work at the earliest. The State and Central Government PSUs should not allow private parties to extract coal from coal mines that are allocated to them. The Committee feel that the matter of exploitation of coal blocks allocated to State/Central PSUs by any private party without following any transparent procedure and bidding process should be thoroughly examined and the Central Government may take appropriate action for that. The Committee observe that distribution of coal block was greatest example of betraying public trust by the Government. The Committee, therefore, recommend that Central Government should frame a policy for which sectors coal block should be allotted to private parties, and to ensure that Central/State PSUs get priority in the allotment.

6. With regard to the procedure for allocation of coal blocks allocated for coal to liquid, the Committee find that although the selection procedure was almost the same as was followed in the Screening Committee route under Section 3(3)(A)(iii) of the Coal Mines

(Nationalization) Act, 1973, exception was made that the recommendation in this case was to be made by the Inter-Ministerial Group under the chairmanship of Member (Energy), Planning Commission. The Committee have failed to understand as to why two coal blocks for coal to liquid with an estimated explorable reserves of 3000 million tonnes were allocated to private companies by ignoring the Government Companies. The Committee feel that the Inter-Ministerial Group(IMG) has not performed its duty honestly. Even though the blocks were cleared by the Screening Committee, the IMG should have studied the cases and cancelled the blocks allotted by the Screening Committee. The Committee, therefore, recommend that the allocation of coal to liquid blocks to 2 private companies be examined by the Government and the Committee may be apprised of the details of the technology applied by these private companies to exploit the reserves and also the present status of these projects. The Committee also desire the Ministry of Coal to take necessary steps for coal gasification projects and recommend that these projects should be given to State/Central PSUs only.

#### **ANALYSIS OF STATUS OF CAPTIVE COAL BLOCKS**

7. The Committee observe that though 40 coal blocks were identified by CIL in 1993 for allocation to private captive mining and again in 1999, 49 blocks were identified, only 25 blocks were allocated for captive mining from October, 1993 to October, 2003. The Committee are perturbed to note that although normative date of production from coal blocks like Utkal B2(Talcher, Odisha) allotted to Monet Ispat Energy Ltd. on 16.08.1999 was 16th February, 2003, it is only the stage-II forest clearance that has been obtained on 21.07.2011. Another coal block Brahmadih (Jharkhand) allocated on 01.09.1999 to Castron Mining Ltd. for steel sector, though all milestones are

reported to be completed, there is synchronization problem between coal production and End use steel plant, as the company does not have its own steel plant and is trying to purchase or to acquire another steel project to synchronise with the coal production. The question that why a coal block was allotted to a company who has failed to set up end use projects for 13 years, needs to be answered. The Committee, therefore, like the Ministry to offer an explanation to them and they would also like the Ministry to furnish a list of such companies who have been allotted coal blocks without having any end use project. These instances speak volumes of the total failure on the part of the Ministry in the entire process of allotment of coal blocks and their subsequent development. From the analysis of status report of captive coal blocks and End use project linked with the blocks allocated from August, 2004 to November, 2008, the Committee observe that for 138 coal blocks allocated for captive mining for power, iron and steel, commercial purpose, etc., the normative date of production was kept more than 6 and 7 years i.e. 72 to 84 months though the guidelines provide that in respect of unexplored block, the allocatee company shall apply for a prospecting license within 3 months of date of issue of allotment. The Committee are further constrained to note that forest clearances/ Prospecting Licence has been obtained/granted only in 2010 and 2011 to those blocks which were allocated in the years 2004-2005. The Committee further find that out of 195 coal blocks allocated so far for captive mining 30 blocks have started coal production and out of 160, captive coal blocks allocated during 2004 to 2008, only 2 have started production. The Committee feel that though the guidelines and milestone

charts are attached with the allocation letters, there is willful delay in the development of coal blocks and the question of setting up end use projects has been completely ignored by the Review/Monitoring Committees giving credence to the fact that the entire exercise was not objective and transparent . The Committee would therefore, like to be apprised of the concrete action taken by the Government on all such cases and expect that in future the Review Committee will function in more objective and transparent manner for the timely development of coal blocks and necessary action should be taken against non-serious coal block allottees. The Review Committee should complete their work as expeditiously as possible.

**Revenue loss to State Exchequer due to non-development of coal blocks**

8. The Committee observe that due to a big gap in demand and supply of coal to meet power demand, coal blocks were allocated to private companies for enhancing coal production. The Committee feel that such allocation of huge natural resources has not generated sufficient revenue for the Government and instead it had only benefited the private players. Since the coal blocks allottees are requested to pay royalty /cess to the concerned State on coal production, the non-development of coal blocks will mean a big loss to the State exchequer as no royalty will be paid to the States. The commencement of coal production only from 30 coal blocks out of total allocated 218, puts a question mark over the performance and efficiency of allocatee companies, especially private companies which have a major share in allocation. In view of the inordinate delay in commissioning of these captive projects, the Committee are concerned to note that not only the delay has resulted in achieving the targets for power production and other end use products but also caused revenue loss to the concerned State on account of royalty payable to them. The

Committee feel that the Screening Committee has failed to take into account state of project preparedness, track record, etc. of applicant company, which have resulted in major setback to the ambitious policy decision to exploit 44.23 BT of Coal by allocation of blocks for captive use. The Committee, therefore, strongly recommend that the present status of coal blocks must be analysed by the Government in terms of colossal failure to achieve the target set for enduse of coal that was targeted to be exploited from these blocks, the resultant revenue loss to State Governments and the Committee be apprised of the same.

**Estimated value of coal produced from captive blocks**

9. The Committee are astonished to know that although 195 coal blocks with geological reserves of about 44.23 billion tonnes have been allocated by the Government for captive mining, the Government have stated that no estimation has been made so far as to the value of the coal extracted from 29 coal blocks and the total value of coal blocks allocated for captive mining. The Committee, therefore, strongly recommend the Ministry to put in place a proper process or mechanism for correct evaluation and calculation of value of coal blocks with estimated geological and extractable reserves and they be apprised of the same.

**Coal Blocks offered to IPPs**

10. The Committee are dismayed to note that although coal blocks were allocated to private sector power projects without any monetary

**consideration by the Government with the purpose of making available cheap power to the consumers, no specific condition was included by the Screening Committee in the allocation letter to ensure that benefit of allocating coal free of cost is passed on to the consumer. The Committee are surprised to note that it was only in March, 2012, the Ministry of Power has pointed out and desired that for all coal blocks given for power sector, the developers must participate in the bids for procurement of power by the discoms as per bidding guidelines issued by Ministry of Power and offer the benefit of the government allotted coal blocks to the consumers failing which coal block allocation could be cancelled. The Committee have been given to understand that although, the Ministry of Power in a communication dated 27.09.2012 has requested the Ministry of Coal to issue orders without further delay, imposing the condition in the allocation letters of IPPs/CPPs that they need to participate in the bids for power procurements called by Discoms or their authorized state agency and enter into long term PPA as per bidding guidelines issued by the Ministry of Power under section 63 of the Electricity Act, 2003 within a stipulated time period or face de-allocation of the block and the issue of incorporating a new condition in the allocation letter retrospectively is reported to be examined in consultation with the Ministry of Law & Justice. The Committee fail to understand as to why this condition was not incorporated at the time of allocation of captive coal blocks offered to IPPs. Since the very purpose of making available the national property free of cost was to ensure that benefits should be passed on to the**

**consumers, the Committee feel that there should be no legal consequences even if the condition is incorporated retrospectively. The Committee, therefore, strongly recommend that the Government should immediately ensure that IPPs who have been allocated coal blocks should participate in the bids for power procurements called by Discoms or their authorized state agency and enter into long term PPA as per bidding guidelines issued by the Ministry of Power.**

**Perspective Plan for Development of Coal Blocks by CIL**

**11. The Committee note that initially in 1993 and 1999, coal blocks were identified for captive mining after being identified and taking approval of Coal India Ltd. Board. Subsequently, in 2006 with the objective of improving the availability of power, 81 coal blocks which were reserved for Coal India for production during 12<sup>th</sup> Plan Period and beyond aggregating to 20 BT of reserves were de-reserved and allocated to power developers for captive mining. The Committee further observe that though 138 coal blocks were asked by CIL for exploitation in 2007, these were not allocated to them. Instead, the Ministry of Coal allocated 119 coal blocks to CIL in July, 2012 only after repeated recommendations made by this Committee (16th Report and 24th Report, 15th Lok Sabha). The Committee are, however, dismayed to note that project report in respect of only 2 blocks have been prepared and work for preparation of project report for 16 blocks is reported to be taken up during 12th Plan period i.e. from 2012 to 2017. With such a slow pace of**

**work, the Committee are unable to understand when the actual production from these coal blocks allocated to CIL will be started. While strongly urging the Ministry of Coal/CIL to act swiftly to ensure that these 119 blocks allocated to CIL start production, the Committee would like to be apprised of a perspective plan for development of these blocks.**

**12. The Committee are pained to note that the scarcity of indigenous coal is badly affecting the power generation forcing the power utilities to go in for imported coal. The unduly long time being taken by coal block allottees in the development of coal blocks is further aggravating the demand and supply of coal. What is really needed is to develop those blocks on fast track basis. The Committee, therefore, strongly recommend that Certain Coal Mines should be allocated to the State Government / State PSUs for power generation only, so that the power can be generated at a reasonable rate, on sustainable basis. The Committee, therefore, would like the Ministry to put an effective mechanism in place, as the present mechanism has abysmally failed to act in an effective and objective manner. The Committee would also like the Ministry to facilitate the coal block allottees in obtaining various statutory clearances and other requirements for the early development of these blocks.**

#### **Monitoring of Coal Blocks**

**13. The Committee note that the responsibility of developing the coal blocks as per the prescribed guidelines and milestones rests entirely with the allottees and in the event of willful delay in the development of coal**

blocks/setting up of the end use project, the Government reserves the right to take appropriate action to de-allocate the said block. The Committee further note that systematic monitoring of the progress has been started since 2005 through a Committee under the chairmanship of Addl. Secretary (Coal) and genuine problems of allocatees are highlighted during the meeting and efforts are made to sort them out. Since State Govt. representatives are also present during these meetings, they are also requested to provide all possible help in expediting the process. As regards the major constraints being faced by the coal block allottees, the Committee have been given to understand that the coal blocks, which have not come into production so far, the allottees are in various stages of obtaining statutory clearances and mining lease, preparing mining plan, acquiring land, procuring machinery etc. for both mining as well as end-use projects. The Committee are, however, perturbed to note that though system of submission of bank guarantee by the private sector allocatees was introduced from 2005 and under this system 50% of the bank guarantee has been linked to the milestones (time schedule) set for development of captive block, and the remaining 50% to the guaranteed production, no bank guarantee was deducted from the defaulter allocatees. It is only now, the IMG who has taken up review of the 58 cases referred to it for review has recommended the deduction of bank guarantee in the case of 14 blocks allocated to 19 companies. This clearly indicates that the monitoring committee has failed to take action against the defaulter companies since 2005 and even the loss of royalty to the exchequer due to delay in achieving milestones (time schedule)

set for development of captive block as well as the rated yearly production level as per the approved mine plan which was required to be deducted from the bank guarantee were never recovered. The Committee observe that the Ministry de-allocated some of the coal blocks only recently after the receipt of C&AG Report in the matter. The Ministry, however, choose to sleep over this controversial issue rather than acting on their own. The Committee are of the firm opinion that this lackadaisical approach of the monitoring committee has led to delay in development of coal blocks and loss to the State Exchequer. Although, the committee feel that there is an urgent need to set up the institution of Coal Regulator to ensure development and regulation of coal blocks, they strongly recommend that the IMG which has now been constituted will expeditiously and transparently review all the coal blocks allocated for captive mining that have not been developed so far and take immediate and appropriate action to ensure that the infrastructure projects based on coal are not further hampered due to slow progress of development of these coal blocks.

#### **Representation of States in the Inter-Ministerial Group(IMG)**

14. The Committee observe that for allocation of coal blocks a Screening Committee was constituted under the chairmanship of Additional Secretary (Coal) with representative from other Ministries, State Governments for processing applications received for captive mining. The Committee are, however, pained to note that though States are the owner of minerals, their representatives are not associated/involved in de-allocation process while constituting Inter-Ministerial Group (IMG) to review the development of

**coal/lignite blocks allotted. While strongly urging that the advice and consent of respective State Governments must be respected and made mandatory for allocation and de-allocation of coal/lignite blocks, the Committee recommend that the concerned State Governments must be associated in IMG meetings in future as they were associated in the Screening Committee also.**

**15. The Committee are surprised to note that though the Screening Committee to identify and approve the allocatees for coal blocks allocation was headed by Secretary(Coal), the Inter-Ministerial Group constituted to review the allocations and recommend de-allocation of coal and lignite blocks is headed by Additional Secretary (Coal). The committee desire that the legality of implementation of recommendation for cancellation of coal blocks by Inter-Ministerial Group be examined by the Ministry of Coal before taking a final action in the matter as the Inter-Ministerial Group is not headed by a Secretary level officer and they be apprised of the same.**

**16. As regards the coal blocks allocated for captive use based on wrong information and data about eligibility criteria furnished by the allocatees or subsequently sold to the new management, the Committee desire that the matter be enquired into and such coal blocks be cancelled immediately and the companies be black-listed for future allocation of coal blocks and other minerals.**

**Role of Coal Controllers Organisation(CCO) in monitoring the Captive Coal Blocks**

**17. The Committee are dismayed to note that the enormous work such as permission for opening and reopening of coal mines, disposal of cases under Coal Bearing Areas(Acquisition and Development) Act, 1957, collection of excise duty, inspection of coal samples, collection, compilation of coal statistics and monitoring and progress of coal blocks has been entrusted to Coal Controllers Organisation(CCO) and the organisation is having field offices at Dhanbad, Ranchi, Bilaspur, Nagpur and Kothagudem and each field office is to be headed by one GM/DGM level executive working in the capacity of Officer on Special Duty being supported by other technical officers; yet there is only one technical officer posted in the organisation and he is holding the post of Coal Controller. The Committee fail to understand as to how without having adequate manpower, the organisation can carry out inspection for ascertaining quality in selected mines. It will be difficult to undertake regular inspections to ensure compliance with specific orders relating to coal quality and resolving statutory complaints. The Committee also observe that though Indian School of Mines, Dhanbad had reviewed the functioning of CCO and submitted a report in 2006 to strengthen the organisation, nothing has been done by the Ministry of Coal in the matter. Although, the Secretary, Ministry of Coal was candid enough to admit that the Ministry has taken note of it and will take steps to strengthen the same, the Committee are surprised the way the Government have entrusted so much work to the organisation without providing the requisite staff. The Committee, therefore, strongly**

recommend the Government to take immediate steps to strengthen the office of CCO to ensure that besides the various statutory functions, the organisation could efficiently monitor the progress of work in allocated captive coal blocks.

**Guideline regarding Government /PSU officials Joining Private Companies after Retirement**

18. The Committee have been given to understand that Shri R.V. Sahi, a former Union Power Secretary, Shri NC. Jha, former Chairman, Coal India Ltd. and others have joined private mining companies after retirement. The Committee express serious concern over joining of former Officers of the Ministries of Coal, Power and Mines in the companies which have been allocated coal blocks. The Ministry of coal has informed the Committee that they have not conducted any enquiry regarding employees who have retired/taken voluntary retirement from the Ministry of Coal, Coal India Ltd., CMPDIL etc. and have joined the companies which have been offered coal blocks. The Committee also find that according to the guidelines issued by Department of Public Enterprises vide their letter DPE OM No. 2(22)/99-GM-GL-91 dated 15th May, 2008, the Director level officers of the coal companies are required to intimate / take permission from the Government regarding employment after retirement/VRS. The Board level officials of PSUs are also required to seek permission from the respective companies to join the private companies after retirement. The officers in the Ministries and Public Sector Undertakings directly or indirectly connected with the allotment of coal blocks joining the private mining

**companies after their retirement raises serious doubt about their being impartial when they were associated with the process of allotment of coal blocks. The Committee fail to understand as to why no inquiry has been conducted so far to expose the unholy nexus between such bureaucrats and coal companies who have been allotted captive coal blocks. The Committee, therefore, strongly feel that to put a check and restraint over bureaucrat and coal companies nexus in shareholding and profit making, a strong internal vigilance mechanism is required. The Committee, therefore, desire that the Ministry of Coal should immediately conduct an enquiry into the matter and furnish details of the officers of the Ministry of Coal, CIL and its subsidiaries and CMPDIL who have joined private companies against the guidelines set for the purpose and action may be initiated against those offices who have joined the private mining companies without the prior permission of the Government or the company as provided in Department of Personnel and Department of Public Enterprises guidelines.**

**19. The Committee note that though no blocks were de-allocated on the ground that the firms misrepresented the eligibility criteria to get the blocks allocated, CBI has lodged 9 FIRs in the case related to allotments to private companies during 2006-2009 and further investigation is reportedly under progress. The Committee further observe that even the sector-wise allocation shows that out of a total of 81 blocks allocated to power sector, 27 were allocated to private companies, 12 to UMPPs and 42 to Government**

**companies. Similarly, for iron and steel sector, only 2 blocks were allocated to Government companies whereas 61 blocks were allocated to private sector companies which shows that the allocation of coal blocks was tilted towards private sector. Taking note of the guideline that captive blocks shall commence production within 36 months from the date of allocation in respect of opencast mines and 48 months for underground mines, the Committee are unable to accept the Government's contention that the Screening Committee acted in a fair and transparent manner for allocating coal blocks during 2004-2009, as coal blocks allocatees approved by the Screening Committee have failed to start production so far which raises apprehension that they were considered without taking into account the techno-economic feasibility of the end use projects, past track record of the developers in execution of projects and their technical and financial capabilities. The Committee, therefore, recommend the Government to re-examine and comprehensively review all the coal block allocations approved by the Screening Committee and furnish a report on action taken on the defaulter allocatees.**

**Implementation of Mines and Minerals (Development & Regulation) Amendment Act, 2010**

**20. In view of the unduly long time being taken by the Ministry in the allotment of coal blocks by bidding system despite the Mines and Minerals(Development & Regulation) Amendment Act, 2010 passed by Parliament for introduction of system of auction by competitive bidding of coal blocks, the Committee in their earlier Report (15th Lok Sabha)had**

**desired the Ministry to immediately implement the Act in letter and spirit. The Ministry have now informed the Committee that the Government has notified the auction by Competitive Bidding of Coal Mines Rules, 2012 on 2<sup>nd</sup> February, 2012 and Central Mine Planning and Design Institute Limited (CMPDIL) after calling bids has selected M/s CRISIL to look into the whole process of competitive bidding. The Committee observe that though draft Report was submitted by the M/s CRISIL on 8th October, 2012, the Ministry of Coal is having consultation with State Governments and stakeholders to ensure additional safeguards especially with regard to transparency and objectivity to be brought in the linkages granted from the allocated coal blocks. The Committee cannot but deplore these prolonged consultations delaying the allocation through bidding system and strongly recommend the Government to complete the process of consultation without any further delay to ensure early allocation of identified coal blocks through competitive bidding process to boost coal production.**

**NEW DELHI;  
22 April, 2013  
2 Vaisakha, 1935(Saka)**

**KALYAN BANERJEE  
Chairman  
Standing Committee on Coal and Steel**

### **PART-III**

#### **NOTE OF DISSENT**

This is to put on Record my formal protest by way of this Dissent Note that the Draft Report on "Review of Allotment, Development and Performance of Coal/Lignite Blocks" unjustly implies that allocation of coal blocks during the NDA regime were non transparent. I reiterate such an indication/allegation is untenable.

Sd/-  
Smriti Zubin Irani, MP, Rajya Sabha  
22<sup>nd</sup> April, 2013

Annexure-V

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON  
3 JANUARY, 2011 IN COMMITTEE ROOM 'B', PARLIAMENT HOUSE ANNEXE, NEW DELHI.**

The Committee sat from 1400 hours to 1630 hours.

**PRESENT**

**Shri Kalyan Banerjee** - **Chairman**

**MEMBERS**

**LOK SABHA**

- 2 Shri Hansraj G. Ahir
- 3. Shri Sanjay Bhoi
- 4 Shri Ismail Hussain
- 5 Shri Yashbant Laguri
- 6 Shri Narahari Mahato
- 7 Shri Govind Prasad Mishra
- 8 Kumari Saroj Pandey
- 9 Shri Ramesh Rathod
- 10 Shri Rakesh Sachan
- 11 Shri Adhi Sankar
- 12 Shri Pashupati Nath Singh
- 13 Shri Rajiv Ranjan Singh (Lalan)
- 14 Sardar Sukhdev Singh Libra
- 15 Dr. G. Vivekanand

**RAJYA SABHA**

- 16. Shri Mohd. Amin
- 17. Shri Kishore Kumar Mohanty
- 18. Ms. Mabel Rebello
- 19. Shri Dhiraj Prasad Sahu
- 2. Shri Jai Prakash Narayan Singh
- 3. Shri R.C. Singh

**SECRETARIAT**

- 1. Shri Raj Shekhar Sharma - Director
- 2. Smt. Sunita - Deputy Secretary
- 3. Md. Aftab Alam - Under Secretary

**Witnesses**

**Ministry of Coal**

1. Shri C. Balakrishnan, Secretary
2. Shri Alok Perti, AS
3. Shri R.K. Mahajan, Joint Secretary
4. Shri P.R. Mandal, Adv (Project)
5. Shri Kailashpathi, Economic Adviser

### **Coal Public Sector Undertakings**

1. Shri P.S. Bhattacharya, CMD, Coal India Limited
2. Shri T.K. Lahiri, CMD, Bharat Coking Coal Limited
3. Shri R.K. Saha, CMD, Central Coalfields Limited
4. Shri A.K. Singh, CMD, CMPDI
5. Shri S. Chakraborty, CMD, Eastern Coalfields Limited
6. Shri S.R. Upadhyay, CMD, Mahanadi Coalfields Limited
7. Shri V.K. Singh, CMD, Northern Coalfields Limited
8. Shri N.C. Jha, CMD, South Eastern Coalfields Limited
9. Shri D.C. Garg, CMD, Western Coalfields Limited
10. Shri S. Narsingh Rao, CMD, Singareni Collieries company Ltd
11. Shri A.R. Ansari, CMD, Neyveli Lignite Corporation Limited

2. At the outset, the Chairman welcomed the Secretary and representatives of the Ministry of Coal and Coal Public Sector Undertakings to the sitting of Committee. The Chairman mentioned that the sitting of the Committee has been convened in connection with the briefing by the representatives of the Ministry of Coal on the subject "Review of Allotment and Development of Coal Blocks".
3. Thereafter, the representatives of the Ministry of Coal briefed the Committee on the issue relating to the subject under examination especially the statutory provisions, terms and conditions of allocating captive coal blocks/monitoring of allocated coal blocks, constraints faced by the Government and private coal allocatees etc. The witnesses also attended to the various queries relating to the subject raised by the Members during the sitting.
4. The Committee directed the representatives of the Ministry of Coal to appear before the Committee again on 18.1.2011 for further clarifications on the issues raised during the sitting and to furnish the written replies to the issues/queries raised by the Members which could not be satisfactorily clarified by them.

A verbatim record of the proceedings has been kept.

***The Committee then adjourned.***

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON  
9 JULY, 2012 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI.**

The Committee sat from 1430 hrs. to 1700 hrs.

**PRESENT**

**Shri Kalyan Banerjee** - **Chairman**

**MEMBERS**

**LOK SABHA**

2. Shri Hansraj G. Ahir
3. Shri Udayanraje Bhonsle
4. Shri Bansa Gopal Choudhury
5. Smt. Jyoti Dhurve
6. Shri Vishwa Mohan Kumar
7. Sardar Sukhdev Singh Libra
8. Shri Govind Prasad Mishra
9. Shri Deoraj Singh Patel
10. Shri Pashupati Nath Singh
11. Shri K. Sugumar
12. Shri Manohar Tirkey
13. Dr. G. Vivekanand
14. Shri Pakauri Lal
15. Shri Rajiv Ranjan Singh *alias* Lalan Singh

**RAJYA SABHA**

16. Shri Jugul Kishore
17. Shri Dhiraj Prasad Sahu
18. Shri Jai Prakash Narayan Singh
19. Smt. Smriti Zubin Irani
20. Dr. Pradeep Kumar Balmuchu
21. Shri Ali Anwar Ansari

**SECRETARIAT**

1. Shri P. Sreedharan	-	Additional Secretary
2. Shri Shiv Singh	-	Director
3. Shri Arvind Sharma	-	Deputy Secretary

## **WITNESSES**

### **Ministry of Coal**

1. Shri S.K. Srivastava, Secretary
2. Smt. Zohra Chatterji, Additional Secretary
3. Shri A.K. Bhalla, Joint Secretary
4. Smt. Anjali Anand Srivastava, Joint Secretary & FA

### **Coal Public Sector Undertakings**

5. Shri S. Narsing Rao, Chairman	-	Coal India Ltd.
6. Shri N. Kumar, Director(T)	-	Coal India Ltd.
7. Shri A.K. Singh, CMD	-	CMPDIL

2. At the outset, the Chairman welcomed the Secretary and representatives of the Ministry of Coal to the sitting of Committee convened in connection with examination of the subject, "Review of Allotment, Development and Performance of Coal/Lignite Blocks".

3. Thereafter, the representatives of the Ministry of Coal gave a visual presentation on the above mentioned subject. The points discussed during the sitting broadly related to the allocation of coal blocks from 1993 to 2008, constitution of Screening Committee for allocation of coal blocks, rules, guidelines and procedure to be followed by Screening Committee, allocation of coal blocks to the State Governments/PSUs and private parties for captive mining, present status of exploitation of coal reserves allocated for captive mining and monitoring mechanism available with the Ministry, etc.

4. The Members raised their concerns on the above issues and sought clarifications from the Ministry of Coal. Some of the points were clarified by the representatives of Ministry of Coal. The Chairman directed the representatives of the Ministry of Coal to furnish written replies to the queries raised by the Members which could not be responded to.

5. The Committee, then decided to take further oral evidence of the representatives of the Ministry of Coal on the same subject in near future.

A verbatim record of the proceedings has been kept.

***The Committee then adjourned.***

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON  
19 OCTOBER, 2012 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI.**

The Committee sat from 1430 hrs. to 1730 hrs.

**PRESENT**

**Shri Kalyan Banerjee** - **Chairman**

**MEMBERS**

**LOK SABHA**

2. Shri Hansraj G. Ahir
3. Shri Sanjay Bhoi
4. Shri Ganeshrao Nagorao Dudhgaonkar
5. Shri Vishwa Mohan Kumar
6. Shri Yashbant N.S. Laguri
7. Shri Govind Prasad Mishra
8. Shri Rajaram Pal
9. Shri K.R.G. Reddy
10. Shri Pashupati Nath Singh
11. Shri Uday Pratap Singh
12. Shri Om Prakash Yadav

**RAJYA SABHA**

13. Dr. Pradeep Kumar Balmuchu
14. Shri Sanjay Raut
15. Shri Dilip Kumar Tirkey

**SECRETARIAT**

1. Shri R.S. Kambo	-	Joint Secretary
2. Shri Shiv Singh	-	Director
3. Shri Arvind Sharma	-	Deputy Secretary

**WITNESSES**

**Ministry of Coal**

1. Shri S.K. Srivastava, Secretary
2. Smt. Zohra Chatterji, Additional Secretary
3. Shri A.K. Bhalla, Joint Secretary
4. Smt. Anjali Anand Srivastava, Joint Secretary & FA

5. Shri D.N. Prasad, Advisor(Project)
6. Shri P.S.S. Reddy, Director (CA-I)
7. Shri A. Acharya, Coal Controller

**Coal Public Sector Undertakings**

8. Shri S. Narsing Rao, CMD	-	Coal India Ltd.
9. Shri A.K. Debnath, Director(T)	-	CMPDIL

**Ministry of Steel**

1. Shri Syedin Abbasi, Joint Secretary
2. Shri Sanjay Mangal, Director

**Ministry of Power**

1. Shri I.C.P. Keshari, Joint Secretary

2. At the outset, the Chairman welcomed the Secretary, Ministry of Coal and other officers of the Ministries of Coal, Steel and Power to the sitting of Committee convened in connection with examination of the subject, "Review of Allotment, Development and Performance of Coal/Lignite Blocks".

3. The Committee then broadly discussed the points related to the allocation of coal blocks, constitution of Screening Committee for allocation of coal blocks, rules, guidelines and procedure followed by Screening Committee for allocation of coal blocks to the State Governments/PSUs and private parties for captive mining, meetings of monitoring Committee to review the development of these blocks, conflict of interest and lack of transparency in allocation of coal blocks, decision of Inter Ministerial Group(IMG) regarding de-allocation of coal blocks and deduction of bank guarantee, present status of exploitation of coal reserves allocated for captive mining and the quantum and value of coal exploited, role of Coal Controller in monitoring and development of coal blocks, etc.

4. The Members raised their concerns on the above issues and sought further clarifications from the representatives of the Ministry of Coal. The Chairman directed the representatives of the Ministry of Coal to furnish within a fortnight written replies to the queries raised by the Members which could not be responded to.

A verbatim record of the proceedings has been kept.

***The Committee then adjourned.***