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Title: Statutory Resolution regarding Disapproval of Coal Mines (Special Provisions) Ordinance, 2014 and motion for consideration of Coal Mines (Special Provisions) Bill, 2014.

SHRI C.N. JAYADEVAN (THRISSUR): I beg to move

"That this House disapproves of the Coal Mines (Special Provisions) Ordinance, 2014 (No.5 of 2014) promulgated by the President on 21 October, 2014."

...(Interruptions)

*m02

THE MINISTER OF STATE OF THE MINISTRY OF POWER, MINISTER OF STATE OF THE MINISTRY OF COAL AND MINISTER OF STATE OF THE MINISTRY OF NEW AND RENEWABLE ENERGY (SHRI PIYUSH GOYAL): I beg to move:

"That the Bill to provide for allocation of coal mines and vesting of the right, title and interest in and over the land and mine infrastructure together with mining leases to successful bidders and allottees with a view to ensure continuity in coal mining operations and production of coal, and for promoting optimum utilization of coal resources consistent with the requirement of the country in national interest and for matters connected therewith or incidental thereto, be taken into consideration."

HON. SPEAKER: Motions moved:

"That this House disapproves of the Coal Mines (Special Provisions) Ordinance, 2014 (No.5 of 2014) promulgated by the President on 21 October, 2014."

"That the Bill to provide for allocation of coal mines and vesting of the right, title and interest in and over the land and mine infrastructure together with mining leases to successful bidders and allottees with a view to ensure continuity in coal mining operations and production of coal, and for promoting optimum utilization of coal resources consistent with the requirement of the country in national interest and for matters connected therewith or incidental thereto, be taken into consideration."

...(Interruptions)

HON. SPEAKER: Now, Shri C. N. Jayadevan.

...(Interruptions)

SHRI C.N. JAYADEVAN : Madam, I would ...(Interruptions)

शहरी विकास मंत्री, आवास और शहरी गरीबी उपशमन मंत्री तथा संसदीय कार्य मंत्री (श्री एम. वैकैय्या नायडू) : मोदी सरकार को इतना बहुमत दिया है लोगों ने। ... (व्यवधान)

HON. SPEAKER: The House stands adjourned to meet again at 3 o'clock.

...(Interruptions)

14.16 hrs

The Lok Sabha then adjourned till

Fifteen of the Clock.

15.00hrs

The Lok Sabha reassembled at Fifteen of the clock

(Hon. Speaker in the Chair)

श्री ज्योतिरादित्य माधवराव सिंधिया (गुना) : अध्यक्ष जी, मेरा निवेदन है कि अगर आप अभी अनुमति दें, तो आज इस महत्वपूर्ण मुद्दे पर चर्चा शुरू की जा सकती है।

शहरी विकास मंत्री, आवास और शहरी गरीबी उपशमन मंत्री तथा संसदीय कार्य मंत्री (श्री एम. वैकैय्या नायडू) : अध्यक्ष जी, मैंने शुरूआत में ही कह दिया था कि सरकार इस विषय में बहस करने के लिए तैयार है। इसके साथ मैंने यह भी कहा था कि नियम के अंतर्गत नोटिस दिया जाना चाहिए था। हमें दो बजे नोटिस प्राप्त हुआ है। मैंने यह भी कहा कि बेहतर होता कि गृहमंत्री जी सदन में उपस्थित होते, तो वे विस्तार से इस बारे में समाधान दे सकते। बाद में मुलायम सिंह जी, जिनका मैं बहुत आदर करता हूँ, उन्होंने भी कहा कि अगर अभी चर्चा होती है, तो आपको क्या आपत्ति है। मैंने मुलायम सिंह जी को बताया कि अभी उत्तर प्रदेश सरकार से जानकारी प्राप्त करनी है। अगर फिर भी माननीय सदस्य अभी चर्चा कराना चाहते हैं तो तीन बजे से पांच बजे तक चर्चा की जा सकती है। इस संबंध में जितना संभव होगा, उतनी जानकारी इकट्ठा कर रहा हूँ। मुझे जितनी जानकारी प्राप्त होगी, संसदीय कार्य मंत्री होने के नाते सदन में उत्तर दूंगा।

इस चर्चा के बाद कोल बिल और रेग्यूलर बिल बिजनेस लेने चाहिए। इतनी अंडर स्टैंडिंग दोनों पक्षों में होगी, तो सदन की कार्यवाही सुचारु रूप से चल सकेगी।

माननीय अध्यक्ष : अगर आपस में यह अंडरस्टैंडिंग हो गई है, तो इससे अच्छी कोई बात नहीं है। I have received a notice under Rule 193 from Shri Jyotiraditya M. Scindia on this subject. As a special case, I am allowing this discussion without any entry in the List of Business, and the discussion will start now. मुझे बहुत खुशी है कि सदन इस चर्चा के लिए सहमत है, इसलिए मेरे असहमत होने का कोई सवाल ही नहीं है।

*m03

SHRI FEROZE VARUN GANDHI (SULTANPUR): Madam, before I start speaking about the promulgation of the said Ordinance which has now become a Bill, it is important to understand why coal reforms are so significant and so intrinsic to our nation's economic growth index moving forward.

Coal shortfall in India is beginning to have macro economic implications with nearly 37 power plants almost out of coal and practically shutting down, exhausting their coal supply. There is a large scale power rationing both for industries and for consumers all across the country. I was reading an article yesterday which said that the smaller States, States like Telangana are cutting supplies for almost two days a week particularly for small scale industries. Particularly for small-scale industries, they are almost facing an economic debt spiral. According to the International Energy Agency, coal's share of India's total energy supply is about 43 per cent, which will rise to about 46 per cent in 2020, while comprising 68 per cent of electricity production fuel. When we talk about renewables, which is wind and solar, together they are just eight per cent of India's electricity in 2020.

According to the Working Group of Coal and Lignite for the 12th Five Year Plan, the coal demand in India is expected to grow at a compound annual growth rate of approximately seven per cent, and reach almost a thousand metric tonnes annually under realistic demand. It shows that the demand for coal is only increasing year on year and the demand is getting more and more urgent.

Madam, India's urbanisation lacks steel. While in China we have almost 52 per cent urbanisation, in India we stand at approximately 32 per cent. We are looking at 15 million people swelling into cities every year. Madam, cities are built on the back of coal through cement, power, electricity and steel. Without coal it is simply not possible.

Indian steel makers used 40 million tonnes of Metallurgical Coal, which is high quality coal used for steel and iron making, and the amount will swell up to 110 million tonnes by 2025. It shows that not only are declining supplies going to turn critical, but when we look at things like massive coal-fired Ultra Mega Power Projects (UMPPs) we look at the expansion reaching up to 4,000 MW.

But what do we have, Madam? We do not have cheap, reliable base load power at the moment. We have brownouts, which are intentional or unintentional load shedding to keep the grid going. And this is reducing our GDP, Madam, by 65 billion dollars a year. The UMPPs now need higher quality coal imports to achieve full loads.

Madam, coal supply is our biggest economic constraint to faster growth. We have the fifth highest reserves in the world but nearly 88 per cent of non-coking coal reserves mostly characterised by high ash content and a low sulphur content, which in layman's terms means you need much more to burn than if you had good quality coal. The growth in coal mining has stagnated from a focus on cheap opencast mining. Nearly 60 per cent of India's coal mines are underground, but they account for just 10 per cent of total production. There are institutional legacies and technical problems which have limited the use of mechanised long wall technology for improving productivity.

The size of India's coal reserves remain largely unknown because they remain under forests and under fields, which means we do not exactly know how much we have until we cut all these down which again leaves us with woeful choices.

Coal India remains the Sword of Damocles for the Indian economy. Whereas it is the world's largest producer with 465 million tonnes a year, its production shortfalls have made India the world's third largest coal importer despite having these fifty largest reserves.

We are looking at productivity which is characterised by low mechanisation. I agree that capital expenditure is much less, about 800 million, whereas if you look at China you have billion dollar investments for most domestic Chinese firms. And you look at the output per employee per year which is about 1200 tonnes compared to 10,000 tonnes in places like Australia.

I would like to go into a bit about why the situation emerged which led to the court quashing 204 out of 218 coal blocks. Madam, with the country's economic future looking imperilled, the previous Government tried to look at the 24-hour electricity problem by allocating 44 million metric tonnes of coal across 142 blocks. Even accounting for the coal reserves' inaccessibility in marginal economics, this led to private firms having hundreds of years of coal supply at a very nominal fee. The scam which is now talked about by everybody and which is one of the reasons for the dramatic loss of election was essentially the discretionary opaqueness. It had these subjective overlapping guidelines providing favoured firms potentially large amounts of coal reserves under subjective criteria without any sort of competitive bidding at all. The windfall gains looked at almost

\$ 170 billion. Even after present value discounting and looking at smaller reserves, it is a huge sum.

As noted by the CAG, the Government had the legal authority to auction these coal blocks through a simple administrative action. Despite enough economic evidence to the contrary, the captive mine route was taken over an auction mechanism. The Government claimed at that point that the reason that the auction process is better is that it would lead to lower input cost which would render these industries like cement, steel etc. commercially viable. But if we actually look at this reasoning, this was the exact reasoning given for tele-density being given at cheaper price for spectrum to be distributed to telecom companies at rock bottom prices. We saw what happened with that.

Let us see what actually happened in the coal issue. The discretionary allocation of coal blocks to a handful of companies encouraged crony capitalism. It led to no significant increase in coal production, consequently starving the power plants of fuel, reducing the output and indirectly causing huge stresses to Nationalized Banks balance sheets. You look at the windfall gains which resulted with these coal blocks. All it did was create disparities between intentions and outcome because where producers were incentivized to maintain *status quo* on an official front, they were also encouraged for clandestine mining which led to disastrous consequences.

Because of these legal wrangles that happened, when the Government finally did have the first coal block auction in February, it was an absolute disaster. If done correctly, coal market reform and liberalisation would have resulted in marked improvement in coal production efficiencies. In the end-user segment, they would have unleashed a manufacturing fuel-saving gadgets and a lot of efficiencies leading to better long-term results. Coal blocks auction would have incentivized entities to fast-track production.

I just want to talk about what the NDA Government have done since they came in. The hon. Minister is sitting here. I think he has done an extremely commendable job. I would like to talk about three or four things in short. One is, opening up the industry to commercial mining. We had a 42-year policy of maintaining State monopoly via Coal India Limited. All of us know how well State-run monopoly is panned out. The fact that we allowed private players into the competition, signals a paradigm shift and a shift towards efficiency and accountability. The Government has been proactive enough to plan for enhancing the efficiency of its largest coal miner and double production to one billion tonne by 2019 and all India coal output by 2019 to feed the coal-hungry power plants. A Coal India Limited stake sale will rise between three and four billion dollars which will not only help in disinvestment targets but what it will do is it will improve the accountability and also improve add market exposure to these plants.

A potentially ruinous miner's strike was averted with the good grace of the Minister giving a sound labour management practice and open channels for communication in place. If you remember, a similar strike had thwarted a stake sale plan by previous Government. To resolve logistics issues, the Government is planning to spend \$ 1 billion by 2019 to buy railway wagons and transport coal from remote mines. The Bill in question looks to ensure smooth transfer of rights in interest and title in mines alongwith their land and assorted mining infrastructure to the new allottees to be settled through an auction or an allocation.

It also looks to amend two Acts – the Coal Mine Nationalization Act, 1973 and the Mines and Minerals (Development and Regulation) Act, 1957, which removes the restriction of end-use from the eligibility to undertake coal mining in the national interest and it will be carried out in e-auction mode. That means, it is entirely transparent and completely open.

I would like to say that the prior coal block allottees, which is the major concern that the Opposition had, have been asked to declare the details of permits and licenses that they had obtained; they have been asked to disclose the bank-wise credit facilities with respect to coal blocks that they already have. It is a competitive bidding event, which means that it will eliminate corrupt forces to favour group of bidders and ensure transparency at every step.

This Bill is a step in the right direction because it will ensure that the coal supply is not interrupted after March 2015.

There are certain concerns with this Bill, which have been looked into. One of them is whether we are replacing a monopoly with an oligopoly which basically means that you replace the control by one party with maybe 3-4 parties which act in consonance with each other, but the Government is proposing rejection criteria to separate good and bad companies. It will limit a company's ownership in the number of block and geological reserves while catering to breaches made by concealing and false submission of information about partially and subsidiary ownership, which is a big scam earlier on.

The Government, most importantly, is promoting a market based regime for natural resources which will attract private investment in both capital and technology. Continuing captive production has drawn concerns from some. However related issues can be mitigated by giving the responsibility of mining operations to a company of the same parent group and ensuring arms length pricing between the concerned entities. Of course, all this assumes that the wheels of our regulatory framework moves swiftly. We would like to congratulate the Prime Minister and the Environment Minister with the speed and alacrity with which environment and forest clearances are being fast-tracked and are being put on the Internet so that entire transparency is taking place. This assumes that the wheels move more swiftly and it avoids the multitude of clearances, which is a huge stumbling block particularly in UPA-II.

The challenges remain – how do you attract private investors, given the track record of litigation in coal mining, the regulatory barriers that might make captive coal production uneconomic by genuine means. However, this is a major step towards what was seen as a huge crisis and now what is being seen as an opportunity.

I just want to say that this is an attempt to fix the very dangerous situation where the Government and the country can look forward to energy security, accountability and transparency. It has been done; it is an incremental step; it is one step; it is not a final solution; but it is a major step in the right direction. I want to compliment the Minister and congratulate the Government for doing so. Thank you.

HON. SPEAKER: The discussion will continue tomorrow.

15.02 hrs

DISCUSSION UNDER RULE 193