

Report Summary

Review of Allotment, Development and Performance of Coal/Lignite Blocks

- The Standing Committee on Coal and Steel submitted its 31st report on the “Review of Allotment, Development and Performance of Coal/Lignite Blocks” on April 23, 2013. The Committee dealt with the functioning of the Screening Committee, guidelines on allocation of coal blocks, the monitoring mechanism and the review of the coal blocks by the Inter Ministerial Group (IMG).
- The Screening Committee is responsible for making recommendations for the allotment of coal blocks, the Monitoring Committee reviews the development of the coal blocks and the milestones achieved, and the IMG is reviewing the allotment of coal blocks that were made.
- **Need for coal mining by the private sector:** The Committee recommended that the Ministry work on making the captive coal regime (mining by the private sector) an effective instrument of increased production of coal.
- **Acquisition of coal mines abroad by CIL:** Coal India Ltd (CIL) is acquiring mining assets abroad even though it could not undertake coal production within India and was leasing out coal mines to private companies. The Committee concluded that the government coal companies failed to develop coal blocks, which led to the captive coal block regime. The Committee would like to be informed of the detailed action plan of CIL for acquiring mining concessions abroad.
- **Price pooling of domestic and imported coal:** Domestic coal can be used in states where coal mines are available, while those along the coast, with infrastructure for coal handling, can use a certain quantum of imported coal. To make imports viable, CIL planned to mix domestic and international coal. They would sell this at a pooled price to power producers, which are mostly private firms. A mechanism of pooling coal price for domestic and imported coal would make this possible.
- Coal should be available throughout India at a uniform price and the price should be based on the calorific value of the coal. A policy mechanism should be evolved by the states for the use of domestic and imported coal.
- **Allotment:** During 1993 and 2010, natural resources were distributed without following a transparent system and without generating revenue for the central government. The Committee recommended that the central government frame a policy for allocating coal blocks to private parties. Public Sector Undertakings (PSUs) should get priority in allotment.
- The Committee recommended that the coal blocks allocated for captive use based on wrong information about the eligibility criteria furnished by the allottees should be cancelled immediately and the companies be black listed for future allocation of coal blocks and other minerals.
- Certain coal block allottees, approved by the Screening Committee, have failed to start production. The Committee was of the view that this indicated that the blocks were allotted without taking into account the techno-economic feasibility of the end use projects (generation of power, manufacture of cement, etc.), past track record of the developers in execution of the projects and their technical and financial capabilities. The Committee recommended that the government review all the allocations and report on the action taken on the defaulter allottees.
- The Review/Monitoring Committee allotted coal blocks to companies that did not have any end use project. The Committee suggests that in the future the Review Committee should function in a more objective and transparent manner for the timely development of coal blocks and necessary action should be taken against non-serious coal allottees.
- Coal blocks allotted to the private coal companies, atleast where coal production has not started, should be cancelled immediately.
- **Development of coal blocks:** Due to the inordinate delay in commissioning of the captive projects, the Committee was concerned to note that not only has the country been unable to achieve the targets for power production and other end use products, but has also

resulted in revenue loss to the state on account of royalty payable to the state.

- The Ministry of Coal allocated 119 blocks to CIL in July, 2012. However, project reports have been prepared only in respect of two blocks. The Committee strongly urges the Ministry 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 the development of these blocks.
- The central government should take appropriate action against the exploitation of coal blocks allocated to government PSUs by a private party, without following a transparent procedure and bidding process.
- **Performance:** The Committee recommended that there is a need for a Coal Regulator to be established to ensure the development and regulation of coal blocks. Until then, the IMG should expeditiously and transparently review the development of all coal blocks that have been allocated.
- The states are the owner of minerals found in the state. However, the Committee noted that they are not associated with the IMG meetings for the deallocation of coal blocks. Receiving consent of the state government must be made a requirement for the allocation and deallocation of coal blocks.
- The Committee noted that the IMG is not headed by a Secretary level officer. The Committee recommended that the legality of implementation the recommendations of the IMG for the cancellation of coal blocks should be examined by the Ministry of Coal.
- The government should take immediate steps to strengthen the office of the Coal Controllers Organisation, by ensuring there is enough technical staff to monitor the progress of work in allocated captive coal blocks besides other statutory functions.
- **Blocks allocated for coal to liquid:** The Committee failed to understand why two coal blocks for coal to liquid with estimated explorable reserves of 3 billion tonnes were allocated to private companies ignoring the government companies. The Committee recommends that the allocation of coal to liquid blocks to the private companies should be examined by the government and the Committee should be apprised of details of the technology used to exploit the reserves and the present status of these projects. The Committee also recommended that these projects should be given only to PSUs.
- **Participation of IPPs in Discom bids:** The Committee noted that there was no condition included by the Screening Committee in the allocation letter of coal to private sector power projects, that the benefit of allocating coal free of cost should be passed on to the consumer. The Committee was of the view that the government should ensure that Independent Power Producers (IPPs) who have been allocated coal blocks should participate in the bids for power procurements called by Discoms and enter into long term Power Purchase Agreements (PPAs).
- **Miscellaneous:** The production of coal from underground mines is very small in comparison with open cast mines. The production of coal from open cast mines is gradually decreasing due to exhaustion of available reserves. The Committee recommended that an action plan be prepared by the government for coal production from underground mines.
- The Committee recommended that the Ministry of Coal enquire into the officers of the Ministry of Coal, CIL, etc. who are joining private mining companies after retirement against guidelines set for this purpose.
- The government should complete the process of consultation to implement the competitive bidding process for allocation of coal without delay.

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