



Cabinet Committee on Economic Affairs (CCEA)

Cabinet approves Methodology for allowing the allocate of coal mines for specified end use or own consumption to sell 25% of actual production on ROM basis in open market under the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957

Flexibility to the prospective bidders/allottees of coal mines for specified end use or own consumption

To increase competitiveness and to make the future tranches of auction/allotment attractive and commercially viable leading to higher revenues for the Government

To address the issue of lack of response from bidders during earlier tranches of auction/allotments

Higher investment will create direct and indirect employment

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The Cabinet Committee on Economic Affairs, chaired by Hon'ble Prime Minister Shri Narendra Modi has approved the methodology for allowing the allocatee of coal mines for specified end use or own consumption to sell 25% of actual production on ROM basis in open market with payment of additional premium on such sale under the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957.

This new methodology provides that, in case of coal mines earmarked for specified end uses or own consumption, the allocatees are mandated to utilize a minimum of 75% of its actual production (ROM basis) in specified end use plants and are allowed to sell upto 25% in open market. In case of auctions, the successful bidder shall be required to pay an additional premium of 15% of its final bid price on per tonne

basis, for the actual quantity of coal sold in open market. The additional premium will be over and above the final bid price. In case of allotments, the successful allottee shall be required to pay an additional reserve price of 15% of the Reserve Price, for the actual quantity of coal sold in open market. The additional reserve price will be over and above the Reserve Price.

This methodology attempts to address the issue of lack of response from the bidders during the earlier tranches of auction/allotment under the Coal Mines (Special Provisions) Act, 2015.

The methodology will give certain flexibility to allocatee in cases of change in economic situation, business cycle, End Use Plant requirement etc.

It is expected to make the on-going and future tranches of auction and allotment attractive and commercially viable and may increase the competition in the auction process.

It is also expected to increase competitiveness and time higher investment should create direct and indirect employment in coal bearing areas especially in mining sector and will have an impact on economic development of these regions.

Background:

Presently, the allocatee of coal mines for specified end use or own consumption are not permitted to sell coal in open market. As per existing conditions, any coal which is extracted in excess of the requirement of the Bidder in terms of conditions of Tender Document is required to be supplied to CIL at the CIL Notified Price less 15 percent of such CIL Notified Price (to take care of CIL handling expenses with respect to such coal). Also such sale should not exceed 50% of the annual coal production from the mine.

AKT/SH

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GOVERNMENT APPROVES
SALE OF 25% OF
ANNUAL OUTPUT FROM
COAL MINES
IN THE OPEN MARKET

Ease of Doing Business for Captive Coal Miners



Increment in
Extraction Activities
in Coal Rich Areas



Boost to
Economic
Development



Employment
Opportunities in
Coal Belts Across
the Country