

# 3

## CHAPTER

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## POLICY INITIATIVES AND REFORM MEASURES



# Policy Initiatives and Reform Measures

## Measures related to augmenting Production and Efficiency in the Coal Sector

### Enhanced exploration efforts

CMPDI is the nodal agency for implementing the Plan scheme of Detailed Drilling in Non-CIL blocks. CMPDI executes the job through MECL and through outsourcing. The actual drilling vis-a-vis specified targets in non-CIL blocks during last three financial years and the target for the financial year (2015-16) is as follows:

#### (Drilling in Lakh Metre)

Year	Target	Actual	Growth % w.r.t. Previous Year
2012-13	1.75	2.28	2.70
2013-14	3.62	2.38	4.39
2014-15	4.16	2.85 (Anticipated)	19.75 (Anticipated)
2015-16	4.82		

During the XII Plan-period, drilling of about 19.03 lakh meters in 58 Non-CIL blocks has been planned. CMPDI plans to increase the departmental capacity from approx. 3.5 lakh metres/annum to 4.00 lakh metres/annum by 2015-16 to cater to the increased requirement of detailed drilling in CIL & Non-CIL blocks.

The target for detailed drilling in CIL areas in the XII plan is about 30.52 lakh meters. The actual drilling in CIL blocks during the last three financial years and target for the current financial year (2015-16) is given below in next table:

#### (Drilling in Lakh Metre)

Year	Target	Actual	Growth % w.r.t. Previous Year
2012-13	4.07	3.35	23.20
2013-14	5.38	4.59	37.01
2014-15	7.84	5.25 (Anticipated)	14.38 (Anticipated)
2015-16	10.18		

The shortfalls are due to many factors. One of the core issue pertains to serious law & order problems in many coal blocks. Non availability of Forest clearance is another reason for shortfall in achieving the target of drilling. Lack of skilled manpower and inadequate capacities in the private sector are some of the other reasons for non-achievement of targets. To offset this, strengthening of CMPDIL in the coming years together with a policy prescription for attracting global majors in exploration is being planned. It is also expected that the process of Forest Clearance will be fast tracked.

### Renewed policy thrust to increase coal production

The envisaged Coal production from CIL in the terminal year 2016-17 of the XII Five Year Plan is as under:

#### (Production in million tonnes)

	2016-17
Existing mines	23.82
Completed projects	161.72
On-going projects	333.33
New projects	96.13
<b>Total</b>	<b>615</b>

A major growth in production is envisaged from three Coalfields i.e. North Karanpura in CCL; Mand-Raigarh in SECL and Ib valley in MCL and is contingent upon commissioning of railway projects in these areas.

MOC has been working with its PSUs in overcoming their constraints/problems. The expected outcome is achievement of Annual Action Plan, Coal production and off-take targets, OBR removal, lignite production and lignite based power generation targets. Increasing coal-washing capacity and close monitoring of implementation of critical rail and road links are also expected to lead to positive outcomes. As per the perspective plan of CIL, Coal production is expected to reach the momentous milestone of one billion tonnes by 2020.

### Completion of projects and expansion of existing projects

There are 154 ongoing projects at different stages of implementation. Projects of ₹.500 crores and above and with capacity of 3 Mty and above are reviewed by the Secretary, Ministry of Coal on Quarterly basis. Performance of all projects of ₹.150 crores and above is consistently monitored by Ministry of Statistics and Programme Implementation (MOSPI). Further, the Ministry monitors ongoing projects of CIL through updated information received on its portal at the CABSEC/PMG website.

CIL has also identified 129 new/future projects, with estimated capacity of 451.68 Mty and estimated capital requirement of ₹.79213.76 crores. Till date, 19 projects have been approved subject to finalization of Fuel Supply Agreements. Further, 37 projects, with estimated capacity of 105.27 Mty, have been accorded in-principle approval for obtaining forest and environmental clearances.

To expedite the implementation of projects, regular inter-ministerial meetings are held. The Ministry of Coal also regularly interacts with State officials to pursue critical issues such as land acquisition/possession, environment & forest clearances, relief and rehabilitation issues, and law and order situation amongst a gamut of related areas.

### Monitoring of Implementation of Third Party sampling of Coal supplied by CIL

To address the festering issue of dispute between coal companies and power utilities/developers and to bring about improvement in the quality of coal supply, a system of Third Party Sampling was introduced w.e.f 01.10.2013 by selection of agencies through a

transparent bidding process at the subsidiary coal companies. Now, in addition to the Agency engaged by CIL a panel of reputed third party samplers[25] has been jointly drawn up by a Committee consisting of representatives from power utilities and CEA. Power utilities/developers would be able to select and appoint a third party sampler from this panel. For billing purposes, sampling and analysis shall be done at the loading end by the Agency and payment for sampling shall be made by power utilities/developers.

### Rationalization of Coal Linkages

An Inter-Ministerial Task Force (IMTF) constituted on 13<sup>th</sup> June, 2014 by the Ministry [Coal] to review rationalization of linkages has completed its task. The objective of the exercise of rationalization is to undertake a comprehensive review of existing sources of coal and consider feasibility for rationalization of these sources with a view to optimize transportation cost and materialization at thermal power plants. The recommendations of the IMTF comprise three stages. The first stage, which is under implementation is likely to result in savings of approximately ₹.1000 crores in logistics costs.

### Automatic transfer of coal linkage/LoA granted to the old plants while scrapping and replacing them with new plants

LoA / linkage granted to an old plant shall be automatically transferred to a new plant of nearest supercritical capacity. If the capacity of a new supercritical plant is higher than the old plant, additional coal would be accorded priority subject to its availability. At least 50% of capacity of new supercritical plant would be retired. Old plants would be clubbed together to achieve minimum benchmark of 50% of proposed-supercritical capacity. This policy shall be applicable to pre-NCDP plants in public sector only, which have already been granted long term Linkages/ LoAs. Automatic transfer of LoA shall be permissible only when a new plant is set up within the State in which an old plant was located was scrapped. The old plant however would continue to operate till the Commercial Operation date (CoD) of new plant.

### Proposed auction of Coal linkages/LoAs through competitive bidding.

An Inter-Ministerial Committee (IMC) has been constituted to examine the feasibility of allocation of coal linkages/LoAs through a market based mechanism. The need for the same has been felt in view of the desirability of providing a level playing field for supply of coal to different stakeholders.

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### Review of productivity norms

Different Committees have gone into the issue of productivity of Heavy Earth Moving Machinery (HEMM) at different points of time. CIL constituted a committee in June 2013 to review the productivity norms of Side Discharge Loaders (SDLs) and Load haul Dumpers (LHDs) being used in Underground Mines. In addition CMPDIL formed a committee in May 2013 to review the productivity norms of Heavy Earth Moving Machinery (HEMM). Reports of both these committees are expected to be finalized shortly.

### Thrust on Washing of Coal

CIL is currently supplying 83 million tonnes of coal of less than 34% ash for 54 thermal power stations located 1000 kms. away from the pitheads. It needs to supply an additional amount of 46 million tonnes of less than 34% ash-coal for thermal power plants falling in the range of 500-1000 kms. by 05.06.2016. Hence, 10 new coal washeries for raw coal of the capacity of 73.5 MTPA have been planned and are in different stages of tendering/construction. 6 new washeries for coking coal are also in the pipeline. In addition to this, efforts are being made to rationalize existing coal linkages

### Technology development and Modernization of Mines in CIL

CIL/CMPDIL has engaged the KPMG advisory group [India] in association with the John T Boyd Company [USA] for studying and advising on technology development and modernization of mines in CIL. The terms of reference of the Study are as follows:

- To assess the status of existing technology for safety, production and productivity in the underground and opencast coal mines of various coal fields of CIL;
- To assess the gaps in technology upgradation in underground and opencast mines in various coalfields of CIL;
- To assess the requirements of technology and infrastructure development for mine planning and mine design and construction with regard to projected coal production plans of CIL for XII, XIII and XIV Five Year Plans;
- To assess the indigenous capabilities in meeting the projected technology upgradation requirement vis-à-vis import dependence;
- To assess the system development for meeting the projected technology upgradation coalfields-wise and to assess the barriers;
- To assess the application of IT and automation in technology development

- To prepare a road map for technology upgradation covering different Plan periods

The study which has since been completed covers 85 units in 14 coalfields including 36 underground mines, 35 opencast mines and 14 infrastructure facilities. The final report on "Technology Development and Modernization of Mines of Coal India Limited" has been submitted on 30.11.2014. An action plan for implementation is under preparation. Immediate steps have already started for increasing production and productivity, improving quality to satisfy customers, rationalizing linkages to reduce cost and improve material movement.

### Master Plan to address Fire, Subsidence and Rehabilitation areas

The Master Plan for Jharia and Raniganj Coalfields dealing with fire, subsidence and rehabilitation and diversion of surface infrastructure has been approved in August, 2009 at an estimated investment of ₹ 9657.61 crore (₹. 7028.40 crore for Jharia Coalfield and ₹. 2629.21 crores for Raniganj Coalfield) excluding ₹. 116.23 crore sanctioned earlier for various EMSC schemes for implementation in 10/12 years in two phases of five years each. The Jharia Rehabilitation and Development Authority (JRDA) and Asansol Durgapur Development Authority (ADDA) have been identified as implementing agencies for rehabilitation of non-ECL/non BCCL households by the State Governments of Jharkhand and West Bengal respectively. For speedy implementation of the Master Plans, a High Powered Central Committee under the Chairmanship of Secretary (Coal) has been constituted with representatives from different Ministries and State Governments of Jharkhand and West Bengal. So far, ten meetings of this Committee have been held and the progress is being reviewed regularly.

### Satellite Surveillance for land reclamation

Reclamation of mined out areas is important for sustainable development. Emphasis is being laid on proper reclamation (both technical and biological) and mine closure. Satellite surveillance for land reclamation is being given the requisite thrust by partnering with the National Remote Sensing Centre at Hyderabad. The company wise details of the area excavated and reclaimed as on 31-03-2014 are furnished in the table on the following page:

Company	Land Excavated (Ha.)	Land Reclaimed (Ha)	
		Technical	Biological
ECL	2357.25	1200.46	362.77
BCCL	2887.15	1256.06	974.40
CCL	8311.55	3837.00	3282.41
WCL	8847.34	2953.69	1858.756
SECL	6540.00	3667.93	2498.13
MCL	4282.82	1629.096	1164.38
NCL	5557.869	2510.13	1757.09
NEC	649.51	44.28	38.865
<b>TOTAL CIL</b>	<b>39433.489</b>	<b>17098.646</b>	<b>11936.801</b>

### Strengthening of the Coal Controller's Organization

There have been important changes in the Coal sector in the recent past including in its policy framework and legal provisions necessitating the need for restructuring and re-orientation of the Coal Controller's Organization. Against this backdrop a study was awarded to the Indian School of Mines (ISM) with the objective that the CCO should assume a more proactive role and function as a specialized agency. Environment and safety are two major issues which the Coal sector has to contend with and the CCO needs to play the role of a judicious coordinator and be a liaisoning agency between the industry and the regulators like the DGMS, MoEF and the State Governments. The Indian School of Mines has submitted its report and the same is under examination in the Ministry.

### PPP in Coal Sector

In the Budget speech of 2013-14 an announcement was made for Public Private Partnership (PPP) with Coal India Ltd. as one of the partners for augmentation of Coal production in the country. Accordingly, an IMC was set up under the chairmanship of Secretary (Coal) with representatives from Planning Commission, Ministry of Finance (DEA), Ministry of Labour and Employment and Ministry of Law & Justice (DLA) among others to recommend a framework for PPP within the framework of the Coal Mines (Nationalization) Act, 1973. The basic Objective of this initiative was to attract partnerships with major Mining companies to improve production and productivity of coal Mines of CIL. The Committee deliberated

on different models and recommended a model Mine Development cum Operators agreement for consideration of CIL. The Board of CIL recently adopted a Model Contract Agreement for engaging MDOs for mining of Coal.

### Change in Policy Related to Coal Block Allocation

#### Provisions of the Amended MMDR Act

The Mines and Minerals (Development and Regulation) Amendment Act, 2010 has been notified in Gazette of India (Extraordinary) on 9th September, 2010 to provide for grant of reconnaissance permit, prospecting license 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. This, would however, not be applicable in the following cases :

- 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 projects on the basis of competitive bids for tariff (including Ultra Mega Power Projects).

#### Rules Made under the Amended Act

The Government has notified Auction by Competitive Bidding of Coal Mines Rules, 2012 on 2nd February, 2012. Further the Government

has notified the "Auction by Competitive Bidding of Coal Mines (Amendment) Rules, 2012" on 27th December, 2012 for allocation of coal blocks to Government Companies. It contains detailed terms and conditions for selection of government company for allocation of the basis of pre-determined criteria and for utilization of Coal.

### Identification of Additional Coal/Lignite Blocks

An Inter-Ministerial Committee under the Chairmanship of Additional Secretary, MoC has been set up with representatives of Ministry of Coal, CIL, CMPDIL, Coal Controller Organization and Director General of Hydrocarbons for identifying additional coal blocks, de-allocated coal blocks in which there is no legal dispute. The Committee will also examine allotment of coal blocks in areas relinquished by the CBM block allottees.

### Action taken in respect of coal mines/blocks cancelled/ de-allocated by Hon'ble Supreme Court of India

The Hon'ble Supreme Court, vide its judgment/order dated 25.08.2014 and 24.09.2014 in Writ Petition (Criminal) No. 120 of 2012 and other connected matters, has cancelled the allocation of 204 coal blocks out of 218 blocks allocated since 1993.

For the management and reallocation of 204 coal blocks cancelled/ de-allocated by the Hon'ble Supreme Court of India, Government has promulgated the 'Coal Mines (Special Provisions) Ordinance, 2014' on 21-10-2014, followed by the Coal Mines (Special Provisions) Second Ordinance, 2014 on 26-12-2014 to ensure smooth transfer of rights, titles and interests in the mines/blocks to new allottees selected through auction or allotment to government company, as the case may be. The Coal Mines (Special Provisions) Rules, 2014 have also been notified on 11-12-2014.

The allocation of coal blocks would be governed by the provisions of the Ordinance and Rules made thereunder. Auction of coal blocks shall be in the e-auction mode in order to keep the process transparent. The methodology for fixing Floor/Reserve Price for auction and allotment of these coal mines/blocks has also been approved by the Government. 110 coal mines/blocks were earmarked with specified end-use for auction and allotment. The process of e-auction commenced with the publication of a Notice Inviting Tenders (NIT) on 25.12.2014 for 23 running coal mines appearing in Schedule-II.

- Out of these 23 coal mines/blocks, e-auction of 19 coal mines has been successfully completed in the first tranche. Vesting order for 14 coal mines have already been issued.

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- In the 2<sup>nd</sup> tranche, another 23 coal blocks from Schedule III have been put for auction with the publication of a NIT on 07-01-2015. Out of these, e-auction of 14 coal blocks in 13 packages has been completed as on 10-03-2015.
- In addition 38 coal blocks have been approved to coal companies for specified end uses.

The total estimated amount of revenue likely to be raised in respect of 33 coal mines/blocks already auctioned is ₹. 171962.39 Crores. The auction proceeds shall be transferred to the respective State Governments.

In order to replace the Ordinance, the Coal Mines (Special Provisions) Bill, 2014 with certain modifications, was introduced in the winter session of the Lok Sabha, and passed on 12.12.2014. The said Bill was transmitted to Rajya Sabha on 18.12.2014, but it could not be taken up for consideration. Since the Parliament was not in session and the said Ordinance would cease to operate w.e.f. 05.01.2015, the Coal Mines (Special Provisions) Second Ordinance, 2014 was promulgated by the President on 26.12.2014. A Bill to replace the Second Ordinance has already been introduced in the Lok Sabha during the budget session.

### Reintroduction of the CCDA Bill

The proposed Bill is for making amendment to the provisions of Section 6 of the Coal Mines (Conservation and Development) Act 1974, for enhancing the upper limit of stowing and excise duty (SED) from the existing cap of ₹.10 per tonne to ₹.50 per tonne for all types of Coal under the provisions of CM (C&D) Act 1974.

The Bill introduced in the Lok Sabha, was referred to the Standing Committee on Coal and Steel for examination. The Standing Committee recommended the Amendment Bill which was pending consideration in the Lok Sabha. The Bill stands lapsed on dissolution of the 15<sup>th</sup> Lok Sabha. The proposal for Amendment is being considered afresh.

### Corporate Social Responsibility (CSR)

Coal India Limited (CIL) and its subsidiary companies and Neyveli Lignite Corporation Limited (NLC) are undertaking different welfare activities under the CSR policy. The allocations of funds under CSR are as per DPE guidelines effective from 1.4.2014. These guidelines are based on Section 135(1) of Companies Act, 2013 which stipulates to spend at least 2% of the average net profit of the company for the three immediate preceding financial years. While Neyveli Lignite Corporation Limited (NLC) has allocated CSR funds

as above, Coal India Limited (CIL) has formulated its own policy and allocated funds based on 2% of the average net profit of the company for the three immediate preceding financial years or Rs.2 per tonne of coal production of previous year whichever is higher.

The details of the amount earmarked and utilized by the Coal India Limited (CIL) and its subsidiaries under the Corporate Social Responsibility (CSR) fund during each of the last three years and the current year subsidiary-wise are as under:

(Figures in Crores)

Company	2011-12		2012-13		2013-14		2014-15	
	allocated	utilised	allocated	Utilized	allocated	utilised	allocated	Utilised up to Sept., 14
1.Coal India and its subsidiaries								
ECL	16.50	13.14	23.89	09.42	29.35	---	37.90	0.72
BCCL	14.50	05.53	23.63	07.43	30.50	20.00	30.00	0.91
CCL	53.88	11.00	47.72	13.66	26.42	26.94	48.00	12.69
WCL	55.82	07.85	40.67	20.96	29.46	23.80	7.95	7.59
SECL	146.44	17.66	181.79	46.63	63.94	43.91	129.00	7.54
MCL	82.00	14.47	73.36	25.56	101.72	111.48	112.48	58.47
NCL	93.42	09.25	95.73	17.64	48.99	39.72	80.28	14.82
CMPDIL	0.77	00.49	1.63	01.06	1.82	01.82	2.00	0.28
CIL & NEC	90.00	02.59	107.32	07.19	142.16	141.70*	24.04	8.20
<b>Total</b>	<b>553.33</b>	<b>81.98</b>	<b>595.74</b>	<b>149.55</b>	<b>474.36</b>	<b>409.37</b>	<b>471.65</b>	<b>111.22</b>
2.Neyveli Lignite Corporation Limited (NLC)	13.00	11.53	13.00	14.26	26.04	26.30	41.42	30.60 (Up to Dec, 14)

MOC is committed to the Swachh Bharat / Swachh Vidyalaya Abhiyan. For this, CIL and its subsidiaries have earmarked 50% of the total CSR budget for the F.Y. 2014-15 to be used for construction of school toilets. The budget allocated is approximately ₹. 235 crores.

Seven subsidiaries of CIL are constructing 52,036 School toilets in 35,224 schools in six states viz. Chattisgarh, Jharkhand, Madhya Pradesh, Odisha, Uttar Pradesh and West Bengal. The survey work for construction of toilets is going on in full swing in these states and tenders have been floated to kick start the construction expected to start by March 15, 2015.

#### Measures being taken to increase coal production

In respect of the CIL, major increase in production is envisaged mainly from ongoing & future projects of four subsidiaries, SECL, MCL CCL & NCL. Out of 154 ongoing projects, clearances are available for 93 projects with the total output capacity of 230 Mt, out of which a contribution of 154 Mt is expected in 2014-15. A total of 61 projects with a total capacity of 337 Mte will require clearances to reach to their planned capacity, however with part clearances obtained in forest land these projects are expected to produce 135 Mt. in 2014-15.

## POLICY INITIATIVES AND REFORM MEASURES

### The CIL has taken following steps to increase production of coal

- All new mines are being planned with mechanization and modernization.
- Increasing productivity both in underground & opencast mines.
- Persistent efforts to augment production level to meet the rise in demand of coal. The increase in the production from existing mines is being achieved by improving capacity utilization through efficiency improvement and modernization.
- Action is also being taken to implement ongoing projects in time bound manner to achieve targeted production as per schedule.
- Efforts are being made by all the subsidiaries for obtaining EC/FC within the scheduled time frame so that projects are able to start production in time.
- Serious efforts have been maintained to acquire land for identified & expansion projects.

### SCCL's roadmap to increase the production includes following measures:

- Planning of new mines with mechanization.
- Introduction of High capacity Longwall for extraction of deeper deposits.
- Introduction of Continuous Miner.
- Extension of the existing Opencast workings to further dip side upto optimum level.
- Optimum utilization of resources to enhance productivity.
- Speeding up implementation of ongoing projects.

