

CHAPTER III

REFORM MEASURES AND POLICY INITIATIVES

3.1 Policy Initiatives

Supply of coal to consumers in small and medium sector

The New Coal Distribution Policy formulated in compliance of the directions of the Supreme court of India came in force w.e.f 18.10.2007. Under this Policy, each sector/consumer have been treated on merit, keeping in view the regulatory provisions applicable thereto. The Policy specifically addresses the issue of supply of coal to consumers in small and medium sector. As per this policy, small and tiny consumers in the erstwhile non-core sectors, whose annual consumption is less than 4200 metric tonnes per annum and are otherwise not having any access to purchase coal or conclude FSA for coal supplies with coal companies, are eligible to get coal through agencies nominated by the State Governments.

So far 24 States / Union Territories have nominated their agencies for distribution of coal to the small scale industries, out of which 14 States have already signed FSA. Six States / Union Territories namely Delhi, Haryana, Tripura, Chandigarh, Andaman & Nicobar Islands and Daman & Diu indicated nil requirement of coal.

3.2 **Supply of coal on “cost plus basis”**

In the past, some of the consumers were accorded linkage by SLC(LT) on “cost plus basis”. Under this formula, coal company was to develop a specific project for supply of coal to the consumer and the cost of supplies was to be worked out by the coal company, based on IRR of the project. In recent time also, coal companies have agreed to provide coal on “cost plus basis” subject to grant of LoA in accordance with the provisions under New Coal Distribution Policy 2007 on “cost plus basis” . Further, in order to ensure allocation of coal on “cost plus basis” in a fair and transparent manner, comprehensive guidelines have been issued by the Ministry.

3.3 E-auction of coal

Coal distribution through e-auction was introduced by CIL with a view to provide access to coal for such consumers who are not able to source coal through the available institutional mechanisms for reasons like the seasonality of coal requirement, limited requirement of coal not warranting long-term coal linkage etc. Under NCDP, about 10% of estimated annual production of CIL has been earmarked for offer under e-auction. During the period from April 2008 to March 2009, CIL offered a quantity of about 91.96 Million Tonnes of coal as compared to 33.92 Million Tonnes offered during the same period of the previous year under e-auction/e-booking.

3.4 Measures being taken to increase coal production:

Coal India Limited has taken the following steps to increase indigenous production:

- 127 mining projects are envisaged to be undertaken during XIth Plan with envisaged capacity of 300.05 Mty and by the terminal year (2011-12) of XIth Plan period, capacity addition would be order of 133.53 Mty.
- Improvement in equipment utilization
- Timely implementation of projects
- All new mines being planned with mechanization.
- Increasing productivity in both underground and opencast mines.

SCCL has taken the following steps to increase the coal production:

- 38 new mining projects are envisaged to be undertaken during XIth Plan.
- Conversion of Underground mines to Opencast mines wherever feasible.
- Introduction of High capacity Longwalls for extraction of deeper deposits.
- Improvement in capacity utilization of HEMM and other equipment.
- Opencast mines will continue to contribute major share of production. Underground Mechanization is stabilized with gradual decline in conventional Board and Pillar Mines; new mines being opened with mechanization only.
- Improvement in the productivity of underground mines.

3.5 Emergency Coal Production Plan

In view of increase in demand of coal, CIL has prepared an Emergency Coal Production Plan. Salient features of this plan are given below:

16 opencast projects / mines have been identified (3 in CCL, 6 in NCL, 3 in SECL & 4 in MCL) where production from existing mines / projects can be enhanced at a higher level yielding additional production of 71.30 Mt.

Details of Projects under Emergency Coal Production Plan are given below:

(Status as on March 2009)

Sr No	Project	Sanc. Capacity (Mty)	Enhanced Capacity Proposed (Mty)	Incremental Prod Capacity Under ECPP (Mty)	Likely Capital for Incr. Capacity (Rs Crore)	Remarks
1	Lakhanpur Open Cast Expansion, MCL	10	15	5	116.54	Expn PR for 15 Mty (Incr. 5 Mty) has been approved in Sept-08 for a Sanc. Capital of Rs. 116.54 Crs. EMP clearance obtained. Land acquisition proposals are under preparation.
2	Asoka Open Cast, CCL	6.5	10	3.5	341.63	Expn PR for 10 Mty has been approved in Dec-07. EMP cleared in Apr-08. Forestry clearance and R&R activities under progress.

Sr No	Project	Sanc. Capacity (Mty)	Enhanced Capacity Proposed (Mty)	Incremental Prod Capacity Under ECPP (Mty)	Likely Capital for Incr. Capacity (Rs Crore)	Remarks
3	Kaniha Open Cast Expansion, MCL	3.5	10	6.5	457.77 (Incl 96.18 – existing capital)	Expn PR for 10 Mty (Incr. 6.5 Mty) approved in Dec-07 for a capital of Rs. 457.77 Crs. EMP cleared in Oct-07. Forestry clearance and R&R activities under progress.
4	Bhubaneshwari Expansion, MCL	10	20	10	490.10 (Incl 336.68 – existing capital)	Expn PR for 20 Mty (Incr. 10 Mty) approved in Dec-07 for a capital of Rs. 490.10 Crs. EMP clearance for incr. 10 Mty awaited. Forestry clearance and R&R activities under progress.
5	Dipka Open Cast Expansion, SECL	20	25	5	634.92 (UCE-July-08)	On-going Project (20 Mty). PIB meeting for Expn. PR (25 Mty) held on 25-08-08. Final EMP (25 Mty) submitted in Dec-08. Land and R&R activities under progress. Processing of CCEA Note held up for approval of EMP.

Sr No	Project	Sanc. Capacity (Mty)	Enhanced Capacity Proposed (Mty)	Incremental Prod Capacity Under ECPP (Mty)	Likely Capital for Incr. Capacity (Rs Crore)	Remarks
6	Gevra Open Cast Expansion, SECL	25	35	10	780.11	Ongoing Project (25 Mty) PIB meeting for Expn PR (35 Mty) held on 23-07-07. Final EMP (35 Mty) submitted in Dec-08. Land and R&R activities under progress. Processing of CCEA Note held up for approval of EMP.
7	Krishnashila Open Cast NCL	4	4	-	-	Ongoing Project (4.00 Mty) Expn PR not required. Coal production started during 2007-08. HEMM procurement in progress.
8	Amlohri Open Cast Expansion, NCL	4	5	1.0		Completed project (4.00 Mty). Expn PR for 10 Mty (Incr. 6 Mty) sanctioned in May-06 for an incremental capital of Rs 1352.04 Crs. EMP for 10 Mty obtained in Feb-06. Land and R&R activities under progress.

Sr No	Project	Sanc. Capacity (Mty)	Enhanced Capacity Proposed (Mty)	Incremental Prod Capacity Under ECPP (Mty)	Likely Capital for Incr. Capacity (Rs Crore)	Remarks
9	Kusmunda Open Cast Expansion, SECL	10	15	5	450.66	Expn PR for 15 Mty (Incr. 5 Mty) approved in June-08 for an Incr. Capital of Rs. 450.66 Crs. Final EMP (15 Mty) submitted in Dec-08. Land and R&R activities under progress.
10	Block B Open Cast , NCL	3.5	3.5	-	-	Ongoing Project (3.5 Mty) Expn PR not required. Coal production started during 2007-08. Land and R&R activities under progress.
11	Magadh Open Cast Expansion, CCL	12	20	8	706.40 (Total OS Option)	Expn PR for 20 Mty approved in Aug-08 for a capital of Rs. 706.40 Crs. EMP (20 Mty) obtained in Oct-08. Land and R&R activities under progress.
12	Bharatpur Open Cast Expansion, MCL	11	20	9	131.39 Coal & Incr OB-OS for 5 years	Ongoing Project (20Mty) Expn PR approved by CIL Board on 12.02.07. EMP (20 Mty) obtained in Oct-08. Land and R&R activities under progress.

Sr No	Project	Sanc. Capacity (Mty)	Enhanced Capacity Proposed (Mty)	Incremental Prod Capacity Under ECPP (Mty)	Likely Capital for Incr. Capacity (Rs Crore)	Remarks
13	Khadia Open Cast Expansion, NCL	4	4.8	0.8	-	Expn PR (10 Mty – Incr 6 Mty) cleared by PIB on 30.11.2005. Processing of CCEA Note held up for want of forestry clearance.
14	Piparwar Open Cast, CCL	6.5	10	3.5	21.87	Expn PR (10 Mty – Incr. 3.50 Mty) has been approved by Company Board, under delegated powers.
15	Jayant Open Cast, NCL	10	12	2.0	-	Expn PR (12 Mty – Incr. 2 Mty) has been approved by Company Board, under delegated powers.
16	Dudhichua Open Cast, NCL	10	12	2.0	-	Expn PR (12 Mty – Incr. 2 Mty) has been approved by Company Board, under delegated powers. Expn PR for a Capacity of 15 Mty (Incr. 5 Mty) at an incremental investment of Rs.326.75 Crs, approved by NCL Board in July-08.

3.6 Coal Videsh

Coal India Limited's initiatives for acquiring coal mines abroad is being pursued through two modes; through internal "Coal Videsh Division" and participation in Joint Venture Company "International Coal Ventures Limited".

The initiatives taken by "Coal Videsh Division" during the year has yielded the following results.

- (i) CIL has emerged as the successful bidder in the global tender process run by Govt. of Mozambique, for allocation of prospecting licenses for coal concessions in Mozambique. CIL has been awarded prospecting license for two coal concessions namely A-1 & A-2 in Mozambique. CIL will shortly undertake the activities of exploration and formation of a company in Mozambique.
- (ii) A high level team under the leadership of Hon'ble MOS (Coal) consisting of Chairman, CIL and Director-in-Charge (Coal Videsh), CIL visited USA in October, 2008. The team held meeting with Investment Bankers on issues related to acquisition of coal properties abroad.
- (iii) CIL also created a panel of 10 Investment/Merchant Bankers for identifying opportunities abroad and assist in due diligence.
- (iv) CIL has short listed several opportunities in Indonesia. However, with enactment of the New Mining Law in Indonesia, its implications are being examined prior to making any investment decision.

Government has approved participation of CIL in a Joint Venture Company with SAIL/RINL/NMDC & NTPC for acquisition of coal resources abroad. The Joint Venture Company is proposed to be registered as International Coal Ventures Limited (ICVL). The equity contribution of CIL in this Joint Venture will be Rs.1000 Crores, out of initial paid up capital of Rs. 3500 Crores. International Coal Ventures Limited (ICVL). The following are the activities undertaken by CIL for ICVL :-

(i) CIL Board in its 247th meeting held on 11.12.2008 approved Joint Venture Agreement (JVA) to be signed between partner companies of ICVL. Subsequently, the JVA approved by the Board of all partner PSUs was signed on 14.01.2009. The Memorandum / Articles of Association of ICVL was finalized. International Coal Ventures Private Limited has been formally incorporated on 20th May, 2009 by Registrar of Company, Delhi and Haryana.

(ii) Coal Videsh Division, CIL is actively involved in the activities of ICVL. The division also worked extensively in the selection process of Investment Banker (IB) for ICVL and a panel consisting of 10 (ten) Investment bankers of international repute have been constituted.

(iii) ICVL is pursuing acquisition opportunities in Mozambique, Australia, Canada and USA.

3.7 Measures to improve financial viability of public sector enterprises

Revival of Bharat Coking Coal Ltd. (BCCL): BCCL was formed in 1971 pursuant to the nationalization of coal mines in the country and became one of the subsidiaries of Coal India Limited w.e.f. 01.11.1975. Since its inception, BCCL has been incurring losses. A revival plan for BCCL was submitted to BIFR. In its 19th meeting, Board for Reconstruction of Public Sector Enterprises (BRPSE), inter-alia, directed that the revival plan be vetted by an independent consultant. M/s Credit Analysis and Research Ltd. (CARE) was appointed as the consultant by BCCL. Based on the appraisal report of the consultant, a modified Revival Package for BCCL was submitted to BRPSE. BRPSE has approved the proposal and the same has been sent to BIFR for concurrence.

3.8 Captive Mining

- The Coal Mines (Nationalization) Amendment Act, 1973 was amended from time to time to allow private sector participation in coal mining for manufacturers of steel & iron, generation of power, washing of coal obtained from a mine and for other end uses to be notified by Government from time to time.
- Subsequently, captive mining of coal for production of cement was also permitted vide notification-dated 15.03.1996 and production of syn-gas obtained through coal gasification (underground and surface) and coal liquification was also notified as end use vide notification dated 12.07.2007.
- Further, the State Government companies or undertakings are allowed to do captive mining of coking and non-coking coal reserves, either by opencast or underground method, anywhere in the country, subject to certain conditions under the revised Coal Mining Policy, 1979 (New State Coal Mining Policy 2001), dated 12th December, 2001.
- In order to implement the aforesaid framework, an administrative mechanism was devised whereby a ‘ Screening Committee’ was constituted in the Ministry of Coal.
- The Screening Committee is headed by Secretary (Coal). It is an inter- Ministerial and inter- Governmental body by nature.
- The Committee comprises representatives from the concerned State Governments, concerned nationalized coal companies and Central Ministries/Departments etc.
- It does the selection of companies eligible for allocation of coal blocks for captive mining.
- It follows the process of discussion and deliberation and decides allocation on relative merits of the applicants.
- Govt. has further identified 47 coal blocks with a Geological Reports (GR) of 17.72 BT and 38 lignite blocks with reserves of about 6.24 BT. Also, 25 coal blocks with GR of about 7.26 BT from the old list of 148 blocks are available to be allocated. The process of earmarking these blocks is under active consideration.
- 201 coal blocks (3 blocks have been de-allocatted and mining lease in case of one

block has been declared void) have so far been allocated out of which 97 coal blocks with 27592.99 MT GR have been allotted to Government companies and 100 coal blocks with GR of 17931.37 MT have been allotted to private companies.

- So far, production has commenced in 23 blocks. Production of coal from captive coal blocks has been 21.17 million tonnes during 2007-2008 and 27.829 million tonnes during 2008-2009 (upto Feb., 2009 - Provisional). Many more coal blocks are likely to come into production in the 11th plan and the production from these blocks in the terminal year of the 11th plan would be approximately 104 MT.

3.9 Measures to address Environmental Concerns:

A Coal-mining project is approved only after the Environment Impact Assessment/Environment Management Plan(EMP) clearance is obtained from Ministry of Environment and Forests. Strict compliance of Environmental mitigation measures as laid down in the EMP is a regular activity during and after completion of mining activity. The compliance is also monitored by MoEF and other concerned authorities. Massive plantation of saplings in and around the mines, monitoring of ambient air & water quality, land reclamation, treatment of effluent from mines, workshops, coal handling plants, washeries etc are regular activities in a mining project. In addition, Coal India Limited has taken up monitoring of afforestation, land reclamation & Mine Closure activities through Remote Sensing techniques.

Environmental awareness programme, observation of World Environmental Day/ Environmental Protection Week are held regularly to educate the work force and various stakeholders.

The unscientific mining carried out by erstwhile mine owners in Jharia & Raniganj coalfields has led to fire and subsidence problems in these areas endangering the lives and property. Continuous efforts made in addressing the issue have resulted in extinguishing 10 numbers. of fires in Jharia Coalfield since nationalization. However, population in the endangered areas has increased manifold. A high level committee of Government of India in

1996 had made certain recommendations to address the problems. On the basis of this a Master Plan has been prepared covering both Jharia & Raniganj coalfields.

Meanwhile, late Shri Haradhan Roy, Ex-M.P filed a writ petition (PIL) in the Hon'ble Supreme court in 1997 praying for initiation of immediate steps for control of subsidence and fire in BCCL & ECL and mitigation of its impact on surface in a specified time frame. The Hon'ble Supreme Court in its order-dated 03.05.2005 directed DGMS to verify the actions taken by BCCL and ECL so far and submit a report. Accordingly, DGMS submitted its report in August 2005. One of the observations of the committee was to evacuate the affected areas instead of planning for stabilization of the same as there was no scientific method available to check long term stability of the areas filled through sand stowing. Accordingly, the Master Plans for Jharia & Raniganj coalfields dealing with fire, subsidence & rehabilitation of people from endangered areas have been revised in July/August 2006 and the capital cost further updated in March 2008 (Rs.6358.45 crores for Jharia Action Plan and Rs.26661.73 crores for Raniganj Action Plan).

Based on the recommendations of the High Level Committee, two demonstration schemes one each in Jharia Coal Field (JCF) and Raniganj Coal Field (RCF) were taken up under the plan head of Environmental Measures & Subsidence Control (EMSC) of MoC on 19.05.1998 for a capital investment of Rs. 61.09 crores and Rs. 32.52 crores respectively for rehabilitation of inhabitants from unstable and endangered locations in the coalfields. Further, 5 number of fire control schemes under the leasehold of BCCL, were approved for a total capital of Rs.81.26 crores, out of which Rs. 14.88 crores has since been cleared by CIL & disbursed to BCCL till date.

For implementing the rehabilitation of Non-BCCL/Non-ECL houses, the state governments of Jharkhand & West Bengal have already entrusted the job to Jharia Rehabilitation & Development Authority (JRDA) and Asansol Durgapur Development Authority (ADDA) respectively.

The State Governments of Jharkhand & West Bengal have conveyed their acceptance to the R & R package contained in the Master Plans. The combined proposal of Master Plan is in advance stage of approval by the Government. Implementation of the fire control measures and rehabilitation of CIL employees residing in the endangered areas will be the responsibility of the concerned subsidiaries whereas the rehabilitation of non-CIL houses/structures from the endangered areas will be the responsibility of the concerned State Governments.

3.10 Measures for Welfare of Employees:

Welfare Measures	At the time of Nationalization	As on 31.03.2008
Number of Houses available	1,18,366	4,13,022
Housing satisfaction (%)	21.07 %	96.93 %
Population covered under water supply scheme	2,27,300	22,93,063
Hospitals (Nos)	49	85
Dispensaries (Nos)	197	424
Ambulance (Nos)	42	667
Hospital Beds	1482	5835
Educational Institutions who have been provided grant-in-aid/Infrastructure/Occasional help	287	584
Canteen (Nos)	210	481
Co- operative (Nos)	177	336

CIL has a well-defined Resettlement and Rehabilitation policy (R & R Policy-2000), which has provision of Employment against land acquired in exceptional circumstances only to fill vacancies subject to the land losers meeting the eligibility criteria and further subject to approval of the Board of Directors of the subsidiary company concerned.

In 2005, CIL has proposed revision of the existing R & R Policy, which has not been ratified by the committee of Secretaries on the ground that all Ministries should adopt the existing National Policy on R & R (NPRR-2003). A national rehabilitation & resettlement policy 2007 (NRRP 2007) has been formulated by Ministry of Rural Development, Govt. of India dated 31.10.2007.

R & R policy has since been modified by CIL Board in its 242nd meeting held on 29.04.2008 and has been circulated to all subsidiaries of CIL. The modified R & R policy has been modified to make it more PAP friendly and for facilitating quicker and easy possession of land and ensuring a decent and satisfactory livelihood to the Project Affected Persons (PAPs).

3.11 Notification of coal gasification and coal liquefaction as specified end uses

Government of India has notified Coal Gasification (Surface & Underground) as end uses under Captive Mining Policy for allotment of Blocks to potential entrepreneurs. 5 Lignite Blocks & 2 Coal Blocks have been identified for offer in this regard. Offer/allotment of these blocks is under consideration.

3.12 Declaration of Navratna Status

CIL has been conferred with Navratna status by the Government of India on 24.10.2008, considering its importance in the country's economy and its achievements. As Navratna Company, CIL has now been delegated with higher financial powers and greater autonomy in its functioning. The enhanced powers delegated to CIL under its Navratna status also includes incurring capital expenditure on each new project upto Rs. 1,000 crore for making investment abroad, etc. without Government approval.

3.13 Regulator for Coal Sector

A Cabinet Note on setting up of a Coal Regulatory Authority, along with the draft Bill, was circulated to various Ministries/Departments for obtaining their comments. The comments of all the Ministries/Departments have been received and are being examined. Meanwhile the Ministry of Law has suggested some major modifications in the draft Bill, which are being studied for their suitability of incorporation in the Bill.

3.14 Revision of rates of coal royalty on coal/lignite.

Royalty on coal and lignite is payable under Section 9(1) of the Mines and Minerals (Development and Regulation) Act. Section 9(3) of the MMDR Act, 1957 empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral. The proviso to Section 9(3) of the Act prevents the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years.

The royalty rates in respect of coal were last revised on 16.08.2002 and the royalty rate in respect of lignite was revised on 15.03.2001.

Ministry of Coal constituted a Committee under the Chairmanship of the Additional Secretary (Coal) on 02.06.2005 to examine the issue of revision of royalty rates on coal. The Committee after detailed deliberations with all stake holders submitted its report on 14.7.2006.

The Government after considering all facts has revised the royalty rates on coal and lignite w.e.f 01.08.2007 on the basis of a formula consisting of advalorem + a fixed component. The rates of royalty, which shall be a combination of specific and ad valorem rates of royalty be as follows :

$$\mathbf{R \text{ (Royalty Rupees/tonne)} = a+bP}$$

Where 'P' (price) shall mean basic pithead price of Run of Mine(ROM) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges and the values of 'a' (fixed component) and 'b' (variable or ad-valorem component); "b" has been fixed at 5% of the invoice price, excluding taxes etc, and the fixed component is different as per the grade of coal.

The coal producing States are likely to be benefited by the revision in rates of royalty on coal and lignite.

3.15 Expert Committee:

The Expert Committee under the chairmanship of Shri T.L. Shankar, constituted by the Govt, to draw a road map for coal sector had submitted its report. The recommendations of the Expert Committee included long term demand and supply prospects of Coal and Lignite, improving the procedures for approval of coal mines, Regulation and Governance in coal sector, restructuring of Coal India Limited, improvement in productivity, technology up-gradation in coal sector and human resource management in coal sector. The Govt. has initiated action on the recommendations which have been accepted. A road map indicating the timelines for implementation of the same has been prepared and coal companies have been directed to implement the recommendations.

3.16 MASTER PLAN FOR JHARIA & RANIGANJ COALFIELDS

A combined proposal on Master Plan for Jharia and Raniganj Coalfields dealing with fire, rehabilitation and diversion of surface infrastructure in the lease hold of BCCL & ECL with a total outlay of Rs. 9773.84 crore (Rs. 7112.11 crore for Jharia Action Plan and Rs. 2661.73 crore for Raniganj Action Plan) is in advance stage of approval by the Government.