

## CHAPTER

# 5



# AUCTION OF COAL BLOCKS FOR COMMERCIAL MINING



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## Allocation Status

The allocation of 204 coal mines de-allocated by Hon'ble Supreme Court is now made under the provisions of the Coal Mines (Special Provisions) Act, 2015. Under the provisions of the Act, a total of 98 coal mines have been allocated till date. Out of this, allocation of 12 coal mines have been cancelled. Out of

remaining 86 coal mines, 26 coal mines have been allocated through Auction whereas 60 have been allocated through Allotment. Out of 26 auctioned mines, 15 mines have got mine opening permission (11 under production). Out of 60 allotted mines, 18 mines have got mine opening permission (13 under production)

Status of 86 coal mines is as under:-

S. No.	Mode of Allocation	Schedule	End-use ‘Power’	End-use ‘NRS’	Sale of Coal	Total	Operational coal mines	Mine under production
1.	Auction	II	4	10	0	14	14	10
		III	2	9	0	11	01	01
		I	0	1	0	1	0	0
	Sub-total		6	20	0	26	15	11
2.	Allotment	II	17	0	1	18	09	07
		III	24	2	1	27	09	06
		I	3	0	12	15	0	0
	Sub-total		44	2	14	60	18	13
Total (S.No. 1+2)			50	22	14	86	33	24

- Auctioned coal mines-** Out of the 14 Schedule II coal mines (coal mines which were operational at the time of cancellation) auctioned under the provisions of the Coal Mines (Special Provisions) Act, 2015, mine opening permission has been granted in 14 coal mines. Further, out of the 11 Schedule III coal mines, 1 coal mine has been granted Mining Opening Permission and it has Started coal production.

- Allotted coal mines –** Out of the 18 Schedule II coal mines (coal mines which were operational at the time of cancellation) allotted to Public Sector Undertakings (PSUs)/Gencos, 9 coal mines are operational/ started mine operations as on date. Out of

the remaining 42 (27 Schedule III + 15 Schedule I) coal mines 9 coal mines have received mine opening permissions.

- The total revenue generated till December, 2020 is Rs. 9028.49 Crore (excluding Royalty, taxes, cess etc.).
- Total coal produced from the time of allocation of mine under CMSP Act, 2015 till December 2020 is 121.685 million ton, out of which coal produced during FY 2020-21 till December 2020 is 22.523 million ton.

## Operational Manual of National Coal Index and Representative Prices

1. The Commercial Mining of Coal Blocks has been approved by the Cabinet Committee of Economic Affairs. In the auction process, the National Coal Index (NCI) and Representative Prices (RP) would play very important role. The concept and design of the Index as well as the Representative Prices have been developed by the Indian Statistical Institute, Kolkata. The present guidelines give the technical details which are to be followed at different stages of compilation of NCI and RP in conformity with the Standard Operating Procedure (SOP) issued by the M/o Coal.

2. **Brief Ingredients of NCI and RP:** NCI is a price index combining the prices of coal from all the sales channels- Notified Prices, Auction Prices and Import Prices.

Majority of coal is sold through the Notified Prices. For Non Coking Coal, CIL fixes notified prices for each grade. There is price discrimination as to the Regulated Sector and Non- Regulated Sector (NRS). Again, due to cost considerations, different Notified Price dispensation has been made for WCL coal. Similarly, SCCL also notifies prices for different grades of coal-with price differentiation between Regulated and Non-Regulated Sectors. In respect of Coking Coal, only certain Subsidiaries of CIL are producing. The power of notifying the prices of Coking Coal has been delegated to the Subsidiaries. The Notified Prices of each grade of coal for Regulated and NRS and for CIL (Except WCL), WCL and SCCL for Non-Coking Coal and Notified Prices for Coking Coal of different Subsidiaries of different grades-for Regulated Sector as well as NRS would be taken for the purpose of NCI as well as the RP.

Apart from sales at Notified Prices, CIL and SCCL undertake e-Auction of Coal on different platforms- MSTC and mJunction. For this purpose, a set of schemes are there meant for a particular type of customer. The auction is conducted each month. Also, CIL undertakes Linkage Auction for NRS. For the purpose of NCI and RP, the Unit Value of Coal of different Grades from auction (of CIL only) would be taken into account. **The auction, for this purpose, means both e-auction and Linkage Auction.**

The third component of the NCI and RP is the Import Prices. For compilation of both, only imports of specific types of coal from specified countries would be taken into consideration. For each month, the quantity of import and its value would be collected from DGCIS and from these two values, Unit Value of Coal would be computed for its use in NCI as well as RP.

3. **Data Collection:** Duty of collection of different types of price data rests completely on the CCO. For this purpose one letter was sent to Director (Marketing), CIL and DGCIS to send the data on a regular basis. CCO has to pursue with the Officers of Marketing Division, CIL and DGCIS to make best efforts to collect the data within the expressed time limits. In order to get the Notified Prices of Coking Coal, regular interaction has to be undertaken by the CCO with BCCL, CCL, ECL and WCL, whose data are relevant for the purpose.

The NCI is being compiled by the Ministry every month. The latest NCI was published in the month of January, 2021 for the month of November, 2020.

## Commercial Mining

- The Hon'ble Prime Minister launched the scheme of first ever commercial coal mining for 38 blocks on 18.06.2020. The blocks spread over five states have total geological reserves of 16,979 million ton and an accumulative peak capacity of 225 million ton per annum.
- The auction process received a good response from the bidders. Out of 38 mines put on auction, 19 mines were successfully auctioned with a success rate of 50%.
- The winning % revenue share ranges from 9.5% to 66.75%. Average % revenue share of 27% have been received indicating strong demand for coal mines in the market.
- Total annual revenue generation from the auction is estimated at Rs. 6656 Crore considering production at aggregated Peak Rate Capacity level of 51 MTPA.
- The opening of the coal sector would help in creating a market-based coal economy in the country. While the end user industries will

benefit from securing their input coal supplies in a transparent manner, the end users will benefit from the introduction of competition in the coal sector.

- Increase in domestic coal production would help in reducing the avoidable coal imports, another step towards our journey to self-reliance for energy, and consequently help in reducing the outgo of precious foreign exchange.
- Commercial coal mining will bring in new investments and create employment, both direct and in-direct. Since the entire revenue from the auctions would be allocated to the coal bearing State Governments, it is expected to bring in

immense socio-economic benefits to coal-bearing states like Jharkhand, Chhattisgarh, Madhya Pradesh, Maharashtra and Odisha.

- Huge investments are being made into clean coal technologies to achieve the target of 100 million ton of coal gasification by the year 2030. Also, incentives have been offered in the auction process for adoption of clean coal technologies such as coal gasification and liquefaction.
- Initiatives are being taken for optimal utilisation of our vast coal reserves, while simultaneously working on diversification projects to shape our future.



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