

Salient Features of Coal and Lignite Mine Auctioning

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Methodology for auction of coal and lignite mines / blocks for sale of coal / lignite on revenue sharing basis has been issued on 28.05.2020. Both private and government companies are eligible to participate in the auction process. Salient features of the Methodology are as under:

- Based on Revenue sharing mechanism. Floor percentage at 4%.
- Applicable to fully explored as well as partially explored coal blocks.
- Upfront amount is based on value of estimated geological reserves.
- Successful Bidder to pay monthly revenue share based on % revenue share quoted, total quantity of coal and notional or actual price whichever is higher.
- Incentives for early production, gasification and liquefaction of coal.
- Exploitation of Coal Bed Methane (CBM) is allowed.
- No restriction on the sale and/or utilisation of coal. More flexibility in coal production schedule.

Government has issued directions to the Nominated Authority for allocation of 141 coal mines through auction for sale of coal. A total of 2 tranches of auction have been successfully completed and third Tranche is currently under process. 28 coal mines have already been successfully auctioned for sale of coal.

Following steps have been taken to upgrade the coal sector:

Amendments have been made in the Coal Mines (Special Provisions) Act, 2015 [CMSP Act] and the Mines and Minerals (Development and Regulation) Act, 1957 [MMDR Act] through Mineral Laws Amendment Act, 2020 enacted on 13.03.2020 to ensure wider participation and competition in auction of coal mines. The amendments in the Acts enable the following:

- Allocation of coal blocks for composite prospecting license-cum-mining lease which will help in increasing of the inventory of coal/lignite blocks for allocation.
- Repetitive and redundant provision requiring previous approval of Central government even in cases where the allocation or reservation of coal/lignite block has been made by the Central Govt. itself has been done away with.
- Provided flexibility to the Central Govt. in deciding the end use of Schedule II and III coal mines under the CMSP Act.
- Companies which do not possess any prior coal mining experience in India can now participate in auction of coal blocks.

Mines and Minerals (Development and Regulation) Amendment Act, 2021, carried out amendments in MMDR Act 1957. The said amendments necessitated amendments in the Mineral Concession (Amendment) Rules, 1960. Hence, MCR, 1960 have been appropriately amended vide the Mineral Concession (Amendment) Rules, 2021 which have been notified vide gazette notification G.S.R 717(E) on 01.10.2021.

With insertion of Rule 24C in the MCR, 1960, mining lease for coal or lignite is now granted to a Government company or corporation for 50 years.

With insertion of Rule 27A in the MCR, 1960, lessee of captive mine is allowed to sell coal or lignite up to such percent (50%) of the total coal or lignite produced in a financial year after meeting the requirement of the end use plant linked with the mine. This provision is not applicable to a power project awarded on the basis of competitive bid for tariff including Ultra Mega Power Projects.

Rule 28 of MCR, 1960 has been amended providing for lapsing of leases where production and dispatch has not commenced within a period of two years from the date of execution of the mining lease or is discontinued for a continuous period of two years after commencement of production or dispatch. The mining lease shall lapse on the expiry of the period of two years from the date of execution of the lease or as the case may be, discontinuance of the production and dispatch.

This information was given by the Union Minister of Coal, Mines and Parliamentary Affairs Shri Pralhad Joshi in a written reply in RajyaSabha today.

MV/RKP

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