

F. No. 43020/19/2020-CPIAM (e- 346190)

भारत सरकार/ Government of India

कोयला मंत्रालय/ Ministry of Coal

(CPIAM Section)

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Room No. 622A, Shastri Bhawan,  
New Delhi, dated: 16<sup>th</sup> February, 2022

### MEETING NOTICE

**Subject: Stakeholder consultation on revenue sharing model for discontinued/ closed/ abandoned mines in CIL on 24.02.2022 at 11.30 AM.**

I am directed to inform that a meeting under the Chairmanship of Secretary (Coal) is scheduled to be held on **24th February, 2022 at 11.30 AM in the Scope Complex, New Delhi** with stakeholder on revenue sharing model for discontinued/ closed/ abandoned mines in CIL.

2. CMPDI will make detailed presentation on the above subject. The PPT may be shared in advance with this Ministry at [hitlar.singh85@nic.in](mailto:hitlar.singh85@nic.in).
3. CIL, Delhi Office is requested to make all necessary arrangements of the meeting [including booking of the aforesaid venue and arranging appetizer for around 100 people].
4. Draft Consultation Note on Revenue Sharing Model through Private Sector participation in development of Discontinued/Closed/Abandoned Mines is enclosed for perusal.
5. It is requested to make it convenient to attend the meeting physically.

Encl.: As above.



(Hitlar Singh)

Under Secretary to the Government of India

Email id: [hitlar.singh85@nic.in](mailto:hitlar.singh85@nic.in)

Tel. no. 011-23382269

To,

1. CMD CIL/SCCL/ NLCIL/ CMPDI
2. Stakeholder List (As per list annexed)

Copy to:

1. PSO to Secretary, Coal
2. PPS to AS(VKT)/ AS(MN) & NA, MoC
3. PPS to JS(CPD)/JS(Estt.)/JS&FA/JS(P&S)/Project Advisor/EA/DDG, MoC
4. Shri Arvind Kumar, CM, MoC/Smt. Poonam Singhal, Manager, MoC

**Distribution list:**

## i. List of Allocatee of Coal Block/Mine-

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**ii) LIST OF PROSPECTIVE BIDDERS**

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## **Ministry of Coal**

### **Draft Consultation Note on Revenue Sharing Model through Private Sector participation in development of Discontinued/Closed/Abandoned Mines**

#### **Background:**

1. Coal India Limited – “a Maharatna company” is single largest coal producer in the world and one of the largest corporate employer with manpower of 2,59,016 (as on 1<sup>st</sup> April’2021). CIL and its subsidiaries spread over 8 states of India and working in 85 mining areas. CIL has 345 mines of which 151 are underground, 172 open cast and 22 mixed mines. CIL produced ~596 MT in FY 2020-21 around 83% of India Overall coal production in India where approximately 57% of primary commercial energy is coal dependent. CIL alone meets to the tune of 40% of primary commercial energy requirement.
2. Even the High Level Committee (HLC) formed by NITI Aayog has in its recommendations at Para 10.2 recommended that CIL may consider outsourcing non-operational and loss making mines through bidding process on production/revenue sharing basis. Ministry of Petroleum is already successfully operationalizing such a Policy for outsourcing the oilfields of ONGC/OIL on revenue sharing basis by private operators.
3. Many mines after extraction of coal by CIL subsidiaries which are not in operation at present due to viability and other issues may be presently considered under the proposed revenue sharing mechanism. As a first step, CIL and its subsidiaries have identified 10 discontinued /closed/abandoned coal mines having reserve ~20 MT or more and which be re-operated on revenue sharing model whose mining leases were vested under Coal Mines Nationalization Act 1973/Coking Coal Mines Nationalization Act 1972 or CBA (A&D) Act 1957. Subsequently, more such mines will be identified by CIL to be added to the list.
4. There are numerous abandoned mines with sufficient mineable reserve at suitable depths, which were previously used to extract coal. However, these

mines were closed for different reasons and primarily due to unprofitable operations which posed challenging in providing for the wages of the employees. The mines had difficult geological mining conditions, questions around their economic viability and a lack of suitable technology to extract deeper reserves. Discontinued/closed/abandoned mines pose as a national loss because large amounts of reserves cannot be extracted. It is notable that with the recent steep hike in international price of coal, many non-power coal consumer dependent on imported coal may find it viable to mine and consume coal from these mines that were unviable for CIL in the past.

5. Re-operationalizing these mines will prevent illegal mining, frequent accidents and unauthorized encroachments of coal mine lands. This may also provide another opportunity to close the mine in sustainable manner. Moreover, they may already have FC, EC and other approvals, which may be revived without need for going through the entire process again. Such areas have already been broken down and tree cover removed. It will also bring revenue to CIL through a transparently discovered revenue share percentage.

**Proposal:**

6. To promote an optimum utilisation of coal resources in the national interest, the Government is eager to include the private sector in operating closed/abandoned/discontinued mines through a mechanism that would benefit both the government and the private sector. The Ministry of Coal is attempting to build a vision that includes private sector participation in order to bring these abandoned mines back into operation. The fundamental premise is that the private sector will bring in much needed efficiency through lower overhead expenses and state-of-the art technology, allowing coal to be produced at commercially viable rates. Also, sub-contracting mining operations to private players in these discontinued and abandoned mines is a more capital efficient way forward to increase coal production.
7. A simple and easy to administer contractual model in line with Government's efforts to promote 'Ease of Doing Business' requiring minimum regulatory

burden for monetizing these discontinued/abandoned mines and encourage private sector participation will be developed. The Coal Ministry already has a tried and tested contractual model and bid invitation methodology for commercial mining, which can be the template for inviting bids for these closed mines.

8. As part of an effort to enhance domestic output and reduce imports, CIL will start with identifying 20-25 abandoned/closed coal mines where it aims to revive production. These 20-25 abandoned/discontinued mines will be discovered and auctioned off in a competitive bidding process. It will also be ensured that the selected mines have sufficient reserves, a reasonable PRC, and no rehabilitation or resettlement concerns.
9. The bid parameter will be based on Revenue sharing model, with bidders being obliged to bid for a percentage share of revenue that will be paid to the CIL. The revenue sharing floor percentage will be set at 4%. The successful bidder will be the one that submits the highest percentage of revenue sharing in the bidding process. The auction will be conducted in an open and efficiently transparent manner.

#### **The Process:**

10. In this Revenue sharing mechanism, the concerned CIL subsidiary will select a mine operator to mine the coal through a transparent bidding process, and the bidder will have marketing freedom to sell the coal at market determined price. On the lines of commercial mining auction process, the sole criterion for award of mines will be revenue share quoted on per tonne basis after fulfilling the liability of paying all the statutory dues. The revenue generated from the coal produced will be shared with the concerned subsidiary at the bid percentage share of the value of coal on per tonne basis which the Bidder has already quoted in their Bid.

11. The bidder will mine the coal and deliver it to buyer. The CIL will be paid the revenue share amount by the bidder as the first charge, and the bidder would retain the remainder of the net proceeds, if any. The contractual arrangements will be structured in such a way as to protect the interest of subsidiary company, payment of taxes to the government and protection of investment by the private sector entity. There will be suitable provisions for discovering the price of the coal at ex-mine basis in a free and transparent basis so that the subsidiary of CIL gets the highest revenue on market determined basis.
12. Since Mining lease (deemed in the case of CBA lands/as per statute) will be in the name of CIL, all taxes/duties/charges for operating the mine will be the liability of the CIL subsidiary. As the bidder will have full right to the coal, these statutory liabilities will have to be discharged by the bidder only and CIL will not be responsible for paying any taxes/royalty/land rent etc. The revenue share payable by him to the CIL subsidiary will be bid and payable on the price discovered for coal on ex-royalty/statutory levies basis. Hence, the taxes/royalty etc. will not be a part of the coal price discovery but payable over and above the coal price.
13. The Discontinued Mine including existing facilities/infrastructure shall be handed over to the Mine Operator 'as is where is' basis. Any infrastructure that is installed in the coal mine will be deemed to be leased to the bidder and will be listed in the bidding documents. If any new infrastructure is to be installed for fulfillment of the contracts, they will be at the cost of the bidder and CIL shall not reimburse the same at any stage of the contract. The discovered revenue share is expected to represent the usage value of the CIL owned infra and no additional rent etc. will be payable by the bidder to the CIL subsidiary. If any additional facility is used by the bidder from an operating mine, the charge for such use will be independently discovered by CIL and be payable additionally.
14. The Mine Operator is responsible for reopening, developing, and operating the Mines, as well as excavating and extracting coal for delivery, for the

duration of the Mine's life or as specified in the contract. The Mine Operator shall have full liberty to choose the mining method, requisite technology, and deployment of mining machinery for the Mine's functional operation. He will have the right to remove any of the moveable infrastructure/machinery installed by him at the end of the contract.

15. The statutory permissions for opening of the mine such as EC, FC, CTE etc. will be in the name of the CIL subsidiary. Wherever it is required to obtain/renew the same to bring these closed mines into operation, it will be the responsibility of the subsidiary to do the needful. It will, however, be the responsibility of the bidder to carry out the compliances so as to keep CIL subsidiary absolved of any wrong-doing. The compliances of CCO will also be addressed by the bidder. However, the pre-existing liabilities of CIL subsidiary towards mine closure or any statutory dues will remain with the latter.

**Proposed Way forward:**

16. A stakeholders' consultation will be organized in the month of February 2022 by the Ministry to involve the private sector.
17. The initial draft tender document for revenue sharing model for development of discontinued/abandoned/closed mines shall be prepared by CMPDI and then submitted to the Ministry of Coal for review. The bidding process will be conducted by CIL and the contract will also be signed by them. As far as possible, the same will be drafted on the basis of existing documents of commercial mining/MDO as vetted/approved by MOC.
18. Mine Development and Revenue Sharing Agreement also will be prepared by the Transaction Advisor/CMPDI. It will be based on MOC's CBPDA and MDO Model Agreement as approved by NITI Aayog.
19. Appointment of a Transactional Adviser like SBI Caps, to oversee the process of tendering and auction can also be taken into consideration. The bidding

process as followed by MOC for commercial coal block auction may serve as a template. A third-party auction platform, mutually agreeable may be engaged to conduct auction on regular basis.

20. As the revenue payable to CIL would be on Rupee per tonne of coal sold by the successful bidder, it would be desirable to ensure that the sale price of coal is discovered in a transparent process. CIL will provide adequate safeguards in the contract and also provide for minimum price to be as per the NCI determined value and higher where the sale of coal is at a price higher than the NCI value..

21. Terms & Conditions of auction, sale, quantity, delivery including fixation of reserve price and right to choose third party sampling agency etc. shall be as per the Model contract to be finalized by CIL.

**22. It may require amendment in the NCDP by the Ministry or a new policy on revenue sharing over riding the NCDP may be made to give marketing rights over the coal mined to the private sector entity.**

23. CIL may also provide for suitable provision for measurement and audit of the sale/production volume to ensure the corrections of the sum payable to it from these contracts.