

**GOVERNMENT OF INDIA  
COAL  
LOK SABHA**

UNSTARRED QUESTION NO:1618  
ANSWERED ON:10.12.2008  
NEW COAL DISTRIBUTION POLICY  
Khairi Shri Chandrakant Bhaurao

**Will the Minister of COAL be pleased to state:**

- (a) whether the Government has announced a new coal-distribution policy;
- (b) if so, the salient features of the policy;
- (c) the benefits that are likely to accrue as a result thereof; and
- (d) the details of the repercussions of the new policy on other sectors?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF COAL (SHRI SANTOSH BAGRODIA)

(a)&(b): Yes, Sir. The New Coal Distribution Policy was announced by the Government on 18th October, 2007. The salient features of the new policy are given below:-

(i) The existing classification of consumers into Core & Non-core has been reviewed and it has now been decided to dispense with the same. Instead, each sector/consumers would be treated on merit keeping in view, inter-alia, the regulatory provisions applicable thereto and other relevant factors.

(ii) Requirements of defence sector and Railways will be met in full at notified price, as at present.

(iii) While 100% of the quantity as per the normative requirement of the Power Utilities including Independent Power Producers (IPPs)/Captive Power Plants (CPPs) and Fertilizer Sector consumers would be considered for supply of coal, through Fuel Supply Agreement (FSA) by Coal India Limited (CIL), 75% of the quantity as per the normative requirement of the Other consumers/actual users would be considered for supply of coal through FSA at fixed prices to be declared/notified by CIL.

(iv) Enhancement of present cap of 500 tonnes per annum to 4200 tonnes per annum for the small & medium sector consumers. The earmarked quantity would be distributed through state government agencies, central government agencies or industry associations as notified by the State Governments. The quantity earmarked for distribution to these agencies would also be increased to 8 million tonnes annually, to start with.

(v) The linkage system will be replaced with a more transparent bilateral commercial arrangement of enforceable Fuel Supply Agreement FSAs.

(vi) The Letter of Assurance (LoA) to be issued to new consumers now pursuant to the new policy will have a validity of 24 months for consumers/applicants of Power Utilities, CPPs & IPPs and 12 months for other consumers instead of 30 months as earlier. The allottee of LoA would be required to fulfill certain stipulated conditions and meet the milestones within this period and there upon approach coal companies for entering into FSA.

(vii) E-auction scheme for distribution of coal to introduced to provide access to such consumers, who are unable to source coal through available institutional mechanisms,

(viii) CIL would undertake verification of such consumers of erstwhile non-core sector consumers, in a time bound manner, either directly or through an agency, so as to check the veracity of their claim of being bonafide consumers of coal and thereafter act accordingly.

(c)&(d): The policy aims at providing assured quantity of coal to all segments of consumers on a sustained basis at a pre determined price. The concept of core and non-core sector was done away with and each sector/consumers would be treated on merit keeping in view, inter alia, the regulatory provisions applicable thereto and other relevant factors. The policy also envisaged that coal would be supplied to all consumers through commercially enforceable Fuel Supply Agreements (FSAs). The New Coal Distribution Policy has been by and large welcomed by consumers as may be seen from the fact that out of 1188 units, 1110 units have already signed Fuel Supply Agreements and are drawing coal through FSA.