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STANDING COMMITTEE ON
COAL AND STEEL (2013-2014)
FIFTEENTH LOK SABHA

MINISTRY OF COAL

**"REVIEW OF ALLOTMENT, DEVELOPMENT AND PERFORMANCE OF
COAL/LIGNITE BLOCKS"**

**[Action Taken by the Government on the Observations/
Recommendations contained in the Thirty-First Report of the
Standing Committee on Coal and Steel (Fifteenth Lok Sabha)]**



FORTY-SECOND REPORT

**LOK SABHA SECRETARIAT
NEW DELHI
FEBRUARY, 2014/MAGHA, 1935(Saka)**

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Presented to Lok Sabha on 06.02.2014

Laid in Rajya Sabha on 06.02.2014



**LOK SABHA SECRETARIAT
NEW DELHI
February, 2014/Magha 1935 (Saka)**

CC&S No. 81

Price: Rs.____

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Twelfth Edition) and printed by Jainco Art India, New Delhi – 110 005.

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COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2013-14)

Shri Kalyan Banerjee - Chairman

Name of the Member

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Sanjay Bhoi
4. Shri Bansa Gopal Choudhary
5. Smt. Jyoti Dhurve
6. Shri Ganeshrao Nagorao Dudhgaonkar
7. Shri Sabbam Hari
8. Shri Vishwa Mohan Kumar
9. Shri Yashbant N.S. Laguri
10. Shri Pakauri Lal
11. Shri Babu Lal Marandi
12. Shri Govind Prasad Mishra
13. Shri Rajaram Pal
14. Kumari Saroj Pandey
15. Shri Gajendra Singh Rajukhedi
16. Shri K.R.G. Reddy
17. Shri Pashupati Nath Singh
18. Smt. Rajesh Nandini Singh
19. Shri Uday Pratap Singh
20. Shri K. Shivkumar alias J.K. Ritheesh
21. Shri Om Prakash Yadav

Rajya Sabha

22. Shri Ali Anwar Ansari
23. Dr. Pradeep Kumar Balmuchu
24. Shri Srinjoy Bose
25. Smt. Smriti Zubin Irani
26. Shri Jugul Kishore
27. Shri T. Rathinavel
28. Shri Sanjay Raut
29. Shri Dhiraj Prasad Sahu
30. Shri Nand Kumar Sai
31. Shri Dilip Kumar Tirkey

(iii)

SECRETARIAT

1. Shri Shiv Singh
2. Shri Arvind Sharma

-

(iv)

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Forty-Second Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Thirty-First Report of the Standing Committee on Coal and Steel (Fifteenth Lok Sabha) on the subject, "Review of Allotment, Development and Performance of Coal/Lignite Blocks" pertaining to the Ministry of Coal.

2. The Thirty-First Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 23rd April, 2013. Replies of the Government to all the observations/recommendations contained in the Report were received on 26th September, 2013.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 17.12.2013.

4. An analysis on the Action Taken by the Government on the observations/recommendation contained in the Thirty-First Report (Fifteenth Lok Sabha) of the Committee is given at **Annexure-II.**

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Chapter-I of the Report.

NEW DELHI;
— December, 2013
— Agrahayana, 1935(Saka)

KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel

REPORT

CHAPTER – I

This Report of the Standing Committee on Coal and Steel deals with Action Taken by the Government on the Observations/Recommendations contained in the Thirty-First Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel on "Review of Allotment, Development and Performance of Coal/Lignite Blocks" relating to the Ministry of Coal which was presented to Lok Sabha on 23.04.2013 and laid in Rajya Sabha on 25.04.2013.

2. The Action Taken replies have been received from the Ministry of Coal in respect of all the 20 Observations/Recommendations contained in the Report on 26th September, 2013. These have been categorised as follows:

- (i) Observations/Recommendations that have been accepted by the Government:
Sl. Nos. 1, 2, 3, 4, 6, 7, 10, 12, 13 and 14

Total – 10
(Chapter II)

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government:
Sl. No. 15

Total – 01
(Chapter III)

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee:
Sl. Nos. 5, 8, 11, 17, 18 and 19

Total – 06
(Chapter IV)

- (iv) Observations/Recommendations in respect of which final replies of the Government are still awaited:

Sl. No. 9, 16 and 20

Total – 03
(Chapter V)

3. The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by the Government. In case, where it is not possible for the Ministry to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that further Action Taken notes on the Observations/Recommendations contained in Chapter-I and final Action Taken Replies to the Recommendations contained in Chapter-V of this Report be furnished to them at an early date.

4. The Committee will now deal with the Action Taken by the Ministry on some of their observations/recommendations made in the Thirty-First Report.

SCREENING COMMITTEE

Recommendation Serial No. 5

5. The Committee noted that from 1993 to 2004, applicants used to identify a coal block and approach the Ministry of Coal for allocation and their applications were considered by Screening Committee consisting of Secretary (Coal) and representatives from Ministry of Steel, Ministry of Power, Ministry of Industry and Commerce, Ministry of Environment and Forest, Ministry of Railways, Coal India Limited, CIL Subsidiaries, CMPDIL, NLC and the concerned State Governments for allocation of coal blocks under certain broad guidelines framed for selection of captive blocks whereas allocation to Government companies were made by the Ministry of coal on the basis of recommendations of State Government/Administrative Ministry. The Committee observed that most non-transparent procedure was adopted from 1993 to 2010 for allocation and supply of coal blocks. Several coal blocks were allocated to few fortunate without disclosing the same to the public at large. The natural resources and state largesse were distributed to few fortunate for their own benefit without following any transparent system, was total abuse of power by the Government. The Government could not give largesse on its arbitrary discretion or its sweet will. The Government was still the Government when it acts in the matter of granting largesse and it could not act

arbitrarily. It did not stand in the same position as a private individual. It was unfortunate that no one who were responsible to run the Ministry had even applied their mind to the aforesaid extent. The Committee were also surprised to note that between 1993-2004, no data was maintained by the Ministry regarding number of applications received by the Ministry of Coal and only the minutes of the Screening Committee held to consider/reject the application of a particular company were made available to them. Though, advertisement calling for application of coal blocks were issued in 2005 and 2006 after putting the guidelines on website of the Ministry of Coal, no bidding process or auction was held. It was unfortunate that for allocating coal blocks neither any auction was held nor the Central Government earned any revenue. Natural resources were distributed without following any transparent system and without generating any revenue for the Government. Since the Ministry, could not indicate how much coal resources (either in quantum or in value) were distributed and since Committee observe that such distribution was done in a most unauthorized manner, no one knows for how much loss our country has suffered for that. The Committee observed that whole procedure adopted by the Government for distributing coal blocks betrays the confidence of the people of our country reposed in the Government. The Committee felt that entire decision making process for distribution of coal blocks needs investigation and necessary penal steps should be taken against everyone who was directly or indirectly party to such decision making process. Since Committee had come to conclusion that entire procedure for distribution of coal was unauthorized, no one should enjoy the benefit of distribution/allocation and therefore, recommended that all coal blocks allotted to the private coal companies, atleast where coal production had not yet started, should be cancelled immediately and the State and Central Government PSUs should be warned to start the mining work at the earliest. The Committee observed that distribution of coal block was greatest example of betraying public trust by the Government.

6. The Ministry of Coal in their action taken reply have informed the Committee as under:-

"The Screening Committee was a broad based body with representation from State Governments, concerned Ministries of the Central Government and the

coal companies. As per the minutes, the procedure adopted for allocation involved wide consultations with all stakeholders. All applicants were called for making a presentation before the Screening Committee. The minutes also state that comprehensive details about the applicant, the group, performance of the group, financial strength, readiness of the end-use plant etc. were placed before the committee so as to enable it to make appropriate recommendations.

As per the minutes, the Screening Committee assessed the applications having regard to the matters such as techno-economic feasibility of the end use project, status of preparedness to set up the end use project, past track record in execution of projects, financial and technical capabilities of the applicant companies and recommendations of the state governments and the administrative Ministry concerned.

The progress of development of allocated coal blocks was reviewed from time to time by the then Review Committee. On the basis of review made by the Review Committee, 20 coal blocks were de-allocated due to unsatisfactory progress and 5 coal blocks surrendered by the allocatees were de-allocated.

Further, in pursuance of the announcement of the Hon'ble Finance Minister in the budget speech for the year 2012-13, an Inter-Ministerial Group (IMG) headed by Additional Secretary, Ministry of Coal has been constituted on 21.06.2012 to undertake periodic review of the development of coal / lignite blocks allotted by the Government with following terms of reference (TOR):

- i) The IMG shall undertake periodic review and the progress of allocated coal mines / blocks and make recommendations on action to be taken including de-allocations, if required.
- ii) The IMG may consider the replies where the show cause notices have been given and recommend action against the allocate companies including de-allocation, wherever necessary.
- iii) The IMG may make its own assessment and recommend action as to deduction of Bank Guarantee, if required.
- iv) Any matter where a reference is made by the Competent Authority.

The then Review Committee for monitoring of development of captive coal blocks and Bank Guarantee stood subsumed in the IMG.

The IMG has held 21 meetings so far. It has discussed and finalized the guidelines/modalities for conduct of its business and also regarding computation of deduction of BG. The IMG has also decided to give an opportunity of giving personal hearing to the allocatee companies of coal blocks before giving its recommendations. So far, the IMG has

recommended de-allocation of 13 coal blocks allocated to 29 companies, deduction of Bank Guarantee (BG) in the cases of 14 blocks allocated to 19 companies and imposition of BG in case of 1 (one) coal block in respect of allocations made to the Private Companies. Further, the IMG took up the review of 33 coal blocks allocated to Govt. companies and after hearing the allocatees, it recommended de-allocation of 11 coal blocks, deduction of BG in 5 cases and imposition of BG in 11 cases. Based on the recommendations of IMG, 22 coal blocks have been de-allocated so far.

Thus, based on the recommendations of the then Review Committee and of IMG now, a total of 47 coal blocks have been de-allocated so far. Subsequently, de-allocation order in respect of 3 coal blocks allocated to M/s National Thermal Power Corporation (NTPC) and 2 coal blocks allocated to Damodar Valley Corporation (DVC) and Jharkhand State Electricity Board respectively were withdrawn and 2 coal blocks were allocated again in the year 1999 and 2005. Review of progress of coal block by IMG is an on-going continuous process.

The Central Bureau of Investigation (CBI) has registered 3 Preliminary Enquiry (PE) cases regarding alleged irregularities in allocation of coal blocks – relating to allocation of coal blocks to private companies during the period 2006-09, relating to allocation of coal blocks to private companies during the period 1993-2004 and relating to allocation of coal blocks to Government companies. As per information available, in the PE related to allocations of coal blocks made to private companies during 2006-09, 13 FIRs have been lodged by CBI.

Further, a Writ Petition (Criminal) No.120 of 2012 and a few PILs have been filed in the Hon'ble Supreme Court of India inter-alia challenging the allocations of captive coal blocks made. The matter is sub-judice."

7. The Committee had observed that most non-transparent procedure was adopted from 1993-2010 for allocation of coal blocks. The natural resources and State largesse were distributed to few fortunate for their own benefit without following any transparent system, was total abuse of power by the Government. The Ministry of Coal in their action taken reply have stated that the Screening Committee, a broad based body with representation from State Governments, concerned Ministries of the

Central Government and the coal companies assessed the applications having regard to the matters such as techno-economic feasibility of the end use project, status of preparedness to set up the end use project, past track record in execution of projects, financial and technical capabilities of the applicant companies and recommendations of the State Government and Administrative Ministries concerned. The Committee are dismayed to note that out of 195 allocated coal blocks from 1993 to 2010, only 35 coal blocks have been developed so far. The Committee thus observe that entire selection process of Screening Committee seems to have favoured certain individual companies without going into merits of company's track record and preparedness to setup end use projects as majority of the coal blocks could not be developed even after 13 to 15 years of allotment of coal blocks, further, the Review Committee had not undertaken the periodic reviews and progress of allocated coal mine/blocks resulting in failure of the Government policy to allocate coal blocks to private entrepreneurs for captive mining. What has further surprised the Committee is the fact that the Government have nowhere accepted the fact that both the Screening Committee and the Review Committee did not function in objective and transparent manner and had acted arbitrarily. The Committee are astonished to observe that it is only on 21.06.2012 when certain discrepancies were pointed out after the Audit observation, the Government constituted an Inter-Ministerial-Group headed by Additional Secretary, Ministry of Coal to undertake periodic review of the development of coal/lignite blocks allotted by the Government. This clearly

shows that Review Committee and Coal Controller's Organisation have totally failed to ensure implementation of the guidelines and milestone charts attached with the allocation letters and were completely ignored by these two bodies while reviewing the process and development of coal blocks. As regards the Committee's recommendation that all coal blocks allotted to the private coal companies where coal production has not yet started should be cancelled immediately, the Ministry of Coal have informed the Committee that the matter of challenging the allocation of captive coal blocks made so far is subjudice as a few PILs have been filed in the Hon'ble Supreme Court. While not further commenting on the subject matter as the same is reportedly sub-judice, the Committee conclude that both the Screening Committee and the Review Committee had miserably failed to ensure allocation and review of coal blocks after taking into account the track record of the company and the status of preparedness of the company to set up end use projects. The Committee expect the IMG to immediately complete their review of all the 195 coal blocks allocated for captive mining and would also like to be apprised of the present status of their review.

ESTIMATED VALUE OF COAL PRODUCED FROM CAPTIVE BLOCKS

Recommendation Serial No.9

8. The Committee were astonished to know that although 195 coal blocks with geological reserves of about 44.23 billion tonnes had been allocated by the Government for captive mining, the Government had stated that no estimation had been made so far as to the value of the coal extracted from 29 coal blocks and the total value of coal blocks allocated for captive mining. The Committee, therefore,

strongly recommended the Ministry to put in place a proper process or mechanism for correct evaluation and calculation of value of coal blocks with estimated geological and extractable reserves and they be apprised of the same.

9. The Ministry of Coal in their action taken reply have informed the Committee as under:-

"Ministry of Coal has initiated the process for correct evaluation and calculation of value of coal blocks (with estimated geological and extractable reserves) by appointing a consultant in May, 2012. The Consultant, after a series of deliberations with stakeholders from power sector, steel sector, cement sector, Ministries/Departments of Power, Steel, Economic Affairs and CII have submitted its final report in June, 2013. For the explored block, in which extractable reserves have been estimated, the consultant suggested use of Discounted Cash Flow (DCF) method for arriving at the intrinsic value of coal block. The intrinsic value of the coal blocks (regionally explored/explored) to be put on offer will be determined by CMPDIL based on the methodology suggested and accepted on the basis of the report submitted by the consultant M/s. CRISIL Infrastructure Advisory."

10. The Committee are dismayed to note that although decision to allocate coal blocks was taken way back in 1993 and 195 coal blocks were allocated for captive mining with estimated geological reserves of 44.23 billion tonnes, it is only in May, 2012 i.e. after 20 years, the Ministry of Coal had initiated the process for correct evaluation and calculation of value of coal blocks (with estimated geological and extractable reserves) by appointing a consultant. Though the Ministry of Coal in their reply have informed the Committee that for the explored block in which extractable reserves have been estimated, the consultant suggested use of Discounted Cash Flow (DCF) method for arriving at the intrinsic value of coal block, they are unhappy to note that no mention has been made about the exact value of coal blocks exploited so far, the benefits accrued to the private developers as a result of getting free fuel, the total revenue loss to the

Government by distributing coal blocks free of cost to the private developers and the benefits extended to the citizens by these private developers for getting natural resources free of cost. The Committee, therefore, would like the Ministry of Coal to carry out the correct evaluation and calculation of value of coal blocks with estimated and extractable coal blocks and they be apprised of the same.

PERSPECTIVE PLAN FOR DEVELOPMENT OF COAL BLOCKS BY CIL

Recommendation Serial No.11

11. The Committee noted that initially in 1993 and 1999, coal blocks were identified for captive mining after being identified and taking approval of Coal India Ltd. Board. Subsequently, in 2006 with the objective of improving the availability of power, 81 coal blocks which were reserved for Coal India for production during 12th Plan Period and beyond aggregating to 20 BT of reserves were de-reserved and allocated to power developers for captive mining. The Committee further observed that though 138 coal blocks were asked by CIL for exploitation in 2007, these were not allocated to them. Instead, the Ministry of Coal allocated 119 coal blocks to CIL in July, 2012 only after repeated recommendations made by this Committee (16th Report and 24th Report, 15th Lok Sabha). The Committee were, however, dismayed to note that project report in respect of only 2 blocks had been prepared and work for preparation of project report for 16 blocks is reported to be taken up during 12th Plan period i.e. from 2012 to 2017. With such a slow pace of work, the Committee were unable to understand when the actual production from these coal blocks allocated to CIL will be started. While strongly urging the Ministry of Coal/CIL to act swiftly to ensure that these 119 blocks allocated to CIL start production, the Committee would like to be apprised of a perspective plan for development of these blocks.

12. The Ministry of Coal in their action taken reply have informed the Committee as under:-

"The Ministry of Coal in May, 2012 has assigned 116 coal blocks to Coal India Limited. In addition to the above, three de-allocated coal blocks viz. Brahmini, Chichro Pastimal and East of Damogoria (from the de-allocated coal blocks) have been assigned to CIL for undertaking mining on priority basis. CIL has submitted its tentative perspective plan for development of the above coal blocks. As reported by Coal India Limited (CIL), project report has been prepared in respect of two blocks, geological report is available in respect of 16 coal blocks, exploration activities have been completed in 11 coal blocks, exploration activities are in progress in 24 coal blocks and exploration activities are yet to be taken up in 66 coal blocks. Once exploration is completed, CIL would plan for starting the mining operation. This would enable CIL to meet the coal requirements in long term subject to obtaining various clearances & evacuation constraints.

Soon after the allocation of the 119 coal blocks to CIL in 2012-13, a schedule of activities including exploration, Project Report (PR) preparation, etc. were prepared for development of these blocks as desired by MoC. Most of these blocks were regionally explored, requiring further detailed exploration for formulation of GR and PR. Detailed exploration of blocks, where some exploration was undertaken before the tentative allocation, has been concluded and GRs prepared in 2012-13 itself i.e., within a short period. Out of these 119 blocks, geological reports are now available for 25 blocks and detailed exploration is already in progress in 30 blocks. Out of the 25 blocks, for which GR is available, PRs have already been prepared for 2 blocks and will be prepared for 7 more blocks during 2013-14 and the rest of the blocks will be taken up for PR preparation in a phased manner during the balance period of XII Plan. PR preparation for the blocks, for which GR is not yet available, will be taken up after completion of exploration in these blocks.

Considering the urgency of development of coal blocks at faster pace, CMPDI has considerably increased the outsourcing of drilling by utilizing the capacity of MECL and other agencies. The actual drilling through outsourcing has increased from 0.07 lakh m in 2007-08 to 2.86 lakh m in 2012-13 and target for outsourced drilling in 2013-14 stands at 6.15 lakh m. However, international agencies have not been showing interests in CMPDI's global tenders for drilling and limited numbers of domestic agencies are available for carrying out this task. Also, out of these 119 blocks, 27 nos. have been assessed to be worked with Opencast methodology and 55 nos. with underground methodology, whereas, the balance 37 blocks will have mixed (OC+UG) projects. Hence production realization from underground blocks would take considerably long in comparison to the opencast blocks/projects.

Also, a large number of these 119 blocks contain forest areas, for which, forest permission to drill with adequate number of boreholes (15 to 20 boreholes per sq km) is required. It is pertinent to mention here that applications for permission to carry out detailed drilling in forest areas of 22 blocks are pending with MOEF and state level officials since 3-4 years; the no. of applications presently pending has since increased to 48. Also, the prevailing law & order condition is adversely affecting the performance of drilling. Estimated cumulative loss due to law and order problems & non-availability of forest clearance during XI plan period and 2012-13 was 2.42 lakh meter (approx.), which includes 1.08 lakh during 2012-13. In view of these, all-out effort by CMPDI to carry out the pace of drilling would not increase considerably until these constraints are removed."

13. The Ministry of Coal had allocated 119 coal blocks to Coal India Ltd. in July, 2012. The Committee were dismayed to note that project report in respect of only 2 blocks was prepared and work for preparation of project report for 16 blocks was reported to be taken up during 12th plan period i.e. from 2012-17. The Committee had urged the Ministry of Coal and CIL to act swiftly to prepare perspective plan for development of these 119 blocks. In their action taken reply, the Ministry of Coal have informed the Committee that CMPDIL has considerably increased the outsourcing of drilling by utilizing capacity of MECL and other agencies. The reasons put forward by the Ministry of Coal for not achieving the desired targets for development of these coal blocks are reported to be non-availability of domestic agencies, international agencies not showing interest in CMPDIL global tenders, large number of coal blocks having in forest areas, etc. The Committee find that non-development of captive coal blocks is one of the major contributory factors for low coal production in the country. The scarce coal resources which had been diverted for captive mining continue

to remain unutilized. The Committee feel that CIL and Ministry of Coal have not made sincere efforts to develop coal blocks allotted to it, thus hindering coal production. The Committee, therefore, desire the CIL to prepare an urgent action plan for the development of coal blocks and would like to be apprised of the specific measures taken by Ministry of Coal to address the bottlenecks hampering the development of these coal blocks.

MONITORING OF COAL BLOCKS

Recommendation Serial No.13

14. The Committee noted that the responsibility of developing the coal blocks as per the prescribed guidelines and milestones rests entirely with the allottees and in the event of willful delay in the development of coal blocks/setting up of the end use project, the Government reserves the right to take appropriate action to de-allocate the said block. The Committee further noted that systematic monitoring of the progress had been started since 2005 through a Committee under the chairmanship of Addl. Secretary (Coal) and genuine problems of allocatees were highlighted during the meeting and efforts were made to sort them out. Since State Govt. representatives were also present during these meetings, they were also requested to provide all possible help in expediting the process. As regards the major constraints being faced by the coal block allottees, the Committee had been given to understand that the coal blocks, which had not come into production so far, the allottees were in various stages of obtaining statutory clearances and mining lease, preparing mining plan, acquiring land, procuring machinery etc. for both mining as well as end-use projects. The Committee were, however, perturbed to note that though system of submission of bank guarantee by the private sector allocatees was introduced from 2005 and under this system 50% of the bank guarantee had been linked to the milestones (time schedule) set for development of captive block, and the remaining 50% to the guaranteed production, no bank guarantee was deducted from the defaulter allocatees. It was only now, the IMG

who had taken up review of the 58 cases referred to it for review had recommended the deduction of bank guarantee in the case of 14 blocks allocated to 19 companies. This clearly indicated that the monitoring committee had failed to take action against the defaulter companies since 2005 and even the loss of royalty to the exchequer due to delay in achieving milestones (time schedule) set for development of captive block as well as the rated yearly production level as per the approved mine plan which was required to be deducted from the bank guarantee were never recovered. The Committee observed that the Ministry de-allocated some of the coal blocks only recently after the receipt of C&AG Report in the matter. The Ministry, however, choose to sleep over this controversial issue rather than acting on their own. The Committee were of the firm opinion that this lackadaisical approach of the monitoring committee had led to delay in development of coal blocks and loss to the State Exchequer. Although, the committee felt that there was an urgent need to set up the institution of Coal Regulator to ensure development and regulation of coal blocks, they strongly recommended that the IMG which had now been constituted will expeditiously and transparently review all the coal blocks allocated for captive mining that had not been developed so far and take immediate and appropriate action to ensure that the infrastructure projects based on coal were not further hampered due to slow progress of development of these coal blocks.

15. The Ministry of Coal in their action taken reply have informed the Committee as under:-

"As indicated in reply to observation no.5, IMG has been monitoring the progress of development of coal blocks on a regular basis. Based on the recommendations of IMG, 22 coal blocks have already been de-allocated due to unsatisfactory progress.

Status on Coal Regulator:

The Cabinet in its meeting held on 27.07.2013 has approved the proposal for setting up a Regulatory Authority for Coal Sector. However, it has been noted by the Cabinet that the enactment of the legislation would take some time and therefore has directed that a non-statutory regulator be set up through an appropriate executive order after carrying out modifications considered necessary in consultation the Department of Legal Affairs and after vetting by the Legislative Department. Accordingly, the matter has

been referred to the Ministry of Law for advice/ consultation for framing the executive order.

Simultaneously, as per the decision taken by the Cabinet on its meeting held on 27.07.2013, the action was to be taken by the Ministry of Coal to introduce the bill in the Parliament. The Ministry of Coal has forwarded a copy of the Draft Regulatory Authority Bill, 2013, signed copy of the Statement of Object and a copy of the Recommendations of the President of India to the Ministry of Law & Justice for introduction in the Lok Sabha Secretariat. The recommendation of the President of India was received on 6th September, 2013. The last day of session of the Lok Sabha was 7th September, 2013, due to shortage of time the draft Bill could not be sent to the Lok Sabha Secretariat. Thus the Coal Regulatory Authority Bill, 2013 will now be introduced in the next session of the Parliament."

16. The Committee had recommended that there is an urgent need to set up institution of Coal Regulatory Authority to ensure development and regulation of coal blocks. The Ministry of Coal in their reply have stated that the cabinet in its meeting held on 27 July, 2013 has approved the proposal for setting up a Regulatory Authority for coal sector. As the enactment of the legislation would take sometime, the Cabinet has directed that a non-statutory regulatory be set up through an appropriate execution order after carrying out modification considered necessary in consultation with the Department of Legal Affairs and after vetting by the Legislative Department. The Cabinet also decided that the Ministry of Coal should introduce the Bill in Parliament in next Session. The Committee would like to be apprised of the present status of executive orders issued by the Government for setting up of Coal Regulatory Authority, its constitution and power. The Committee expect that the proposed Bill should also be immediately introduced in Parliament.

ROLE OF COAL CONTROLLERS ORGANISATION (CCO) IN MONITORING THE CAPTIVE COAL BLOCKS

Recommendation Serial No.17

17. The Committee are dismayed to note that the enormous work such as permission for opening and reopening of coal mines, disposal of cases under Coal Bearing Areas (Acquisition and Development) Act, 1957, collection of excise duty, inspection of coal samples, collection, compilation of coal statistics and monitoring and progress of coal blocks has been entrusted to Coal Controllers Organization (CCO) and the organization is having field offices at Dhanbad, Ranchi, Bilaspur, Nagpur and Kothagudem and each field office is to be headed by one GM/DGM level executive working in the capacity of officer on Special Duty being supported by other technical officers; yet there is only one technical officer posted in the organisation and he is holding the post of Coal Controller. The Committee fail to understand as to how without having adequate manpower, the organisation can carry out inspection for ascertaining quality in selected mines. It will be difficult to undertake regular inspections to ensure compliance with specific orders relating to coal quality and resolving statutory complaints. The Committee also observe that though Indian School of Mines, Dhanbad had reviewed the functioning of CCO and submitted a report in 2006 to strengthen the organisation, nothing has been done by the Ministry of Coal in the matter. Although, the Secretary, Ministry of Coal was candid enough to admit that the Ministry has taken note of it and will take steps to strengthen the same, the Committee are surprised the way the Government have entrusted so much work to the organisation without providing the requisite staff. The Committee, therefore, strongly recommend the Government to take immediate steps to strengthen the office of CCO to ensure that besides the various statutory functions the organisation could efficiently monitor the progress of work in allocated captive coal blocks.

18. The Ministry of Coal in their action taken reply have informed the Committee as under:-

"Ministry of Coal had engaged Indian Institute of Mines(ISM), Dhanbad to examine the issue of restructuring of Coal Controller's Organisation (CCO). The ISM, Dhanbad submitted its report in November 2006. The coal sector has undergone considerable changes since the submission of the report including allocation of Coal Blocks for captive mining. Therefore, the recommendations contained in the Report had to be modified/updated keeping in view the changes that have taken place. This task has been assigned to ISM, Dhanbad in December 2012 and the revised report is expected to be submitted shortly. The recommendations will, thereafter, be considered and implemented."

19. Taking note of the enormous work entrusted to the Coal Controller's Organisation(CCO) such as permission for opening and reopening of coal mines, disposal of cases under Coal Bearing Areas (Acquisition and

Development) Act, 1957, collection of excise duty, inspection of coal samples, collection, compilation of coal statistics and monitoring and progress of coal blocks, the Committee had failed to understand as to how without having adequate manpower, the organisation could carry out inspection for ascertaining quality in selected mines. As Indian School of Mines, Dhanbad had reviewed the functioning of CCO and submitted a report in 2006 to strengthen the organisation and nothing was done by the Ministry of Coal in the matter, the Committee were surprised the way the Government had entrusted so much work to the organisation without providing the requisite staff. In their action taken reply, the Ministry of Coal have informed the Committee that as the coal sector has undergone considerable changes since the submission of the report by ISM, Dhanbad in November, 2006 including allocation of Coal Blocks for captive mining. ISM has been asked to modify/update their Report in December, 2012. While not accepting the Government's contention, the Committee are of the view that no significant changes in coal sector have taken place after 2006 and it is only the Ministry's lackadaisical approach which is hampering the restructuring and strengthening of an important organisation like Coal Controller's Organisation. Needless to say that necessary steps be taken by the Government within next 3 months to strengthen and restructuring of Coal Controller's Organization so that the organisation could function efficiently and discharge its important statutory works including monitoring of progress of work of allocated captive coal blocks.

GUIDELINE REGARDING GOVERNMENT/PSU OFFICIALS JOINING PRIVATE COMPANIES AFTER RETIREMENT

Recommendation Serial No.18

20. Committee had been given to understand that Shri R.V. Sahi, a former Union Power Secretary, Shri N.C. Jha, former Chairman, Coal India Ltd. and others have joined private mining companies after retirement. The Committee expressed serious concern over joining of former Officers of the Ministries of Coal, Power and Mines in the companies which had been allocated coal blocks. The Ministry of coal had informed the Committee that they had not conducted any enquiry regarding employees who had retired/taken voluntary retirement from the Ministry of Coal, Coal India Ltd., CMPDIL etc. and had joined the companies which had been offered coal blocks. The Committee also found that according to the guidelines issued by Department of Public Enterprises vide their letter DPE OM No. 2(22)/99-GM-GL-91 dated 15th May, 2008, the Director level officers of the coal companies were required to intimate / took permission from the Government regarding employment after retirement/VRS. The Board level officials of PSUs were also required to seek permission from the respective companies to join the private companies after retirement. The officers in the Ministries and Public Sector Undertakings directly or indirectly connected with the allotment of coal blocks joining the private mining companies after their retirement raises serious doubt about their being impartial when they were associated with the process of allotment of coal blocks. The Committee failed to understand as to why no inquiry has been conducted so far to expose the unholy nexus between such bureaucrats and coal companies who had been allotted captive coal blocks. The Committee, therefore, strongly felt that to put a check and restraint over bureaucrat and coal companies nexus in shareholding and profit making, a strong internal vigilance mechanism is required. The Committee, therefore, desired that the Ministry of Coal should immediately conduct an enquiry into the matter and furnish details of the officers of the Ministry of Coal, CIL and its subsidiaries and CMPDIL who have joined private companies against the guidelines set for the purpose and action might be initiated against those offices who had joined the private mining companies without the prior permission of the Government or the company as provided in Department of Personnel and Department of Public Enterprises guidelines.

21. The Ministry of Coal in their action taken reply have informed the Committee as under:-

"As far as Ministry of Coal is concerned, most of the Officers are appointed on deputation under Central Staffing Scheme of Department of Personnel and Training (DoPT) for a fixed prescribed tenure and after the completion of tenure these officers repatriate to their own cadre. No such records have

been maintained as most of the officers do not go on retirement from this Ministry but only repatriate to their respective cadre.

However, as regards officers of CIL and its subsidiaries and CMPDIL, five applications were received in the Ministry seeking permission to take up post retirement assignment. Out of these, permission was given in two cases, and one case was rejected. In the remaining two cases, clarifications were sought from the concerned officers, however, no reply has been received.

In any case, Ministry of Coal had expressed concern on this issue especially with reference to time limit allowed for giving permission and cooling off period. Earlier there was a time limit of 30 days for the Ministries to give permission or otherwise to the retired officers of PSUs for taking post retirement job. However, This Ministry requested the Department of Public Enterprises (DPE) to raise this cap to 90 days. However, the DPE agreed for 60 days. This Ministry also requested the DPE to revise the time limit of the cooling off period from existing one year to at least two years. However, this was not accepted by DPE."

22. The Committee had expressed their serious concern of joining of former officers of the Ministry of Coal and its PSUs in the companies which have been allocated coal blocks. Although, the Department of Public enterprises have issued the guidelines vide their letter DPE OM No. 2(22)/99-GM-GL-91 dated 15th May, 2008 whereby the Director level officers of the coal companies are required to intimate / take permission from the Government regarding employment after retirement/VRS. The Board level officials of PSUs are also required to seek permission from the respective companies to join the private companies after retirement. As the officers of the Ministry and Public Sector Undertakings directly or indirectly connected with the allotment of coal blocks joining the private mining companies after their retirement raises serious doubt about their being impartial when they were associated with the process of allotment of coal blocks, the Committee had desired that the Ministry of Coal should

immediately conduct an enquiry into the matter and furnish details of the officers of the Ministry of Coal, CIL and its subsidiaries who have joined private companies against the guidelines set for the purpose. The Committee are surprised to note from the reply of the Ministry of Coal that no such records have been maintained as most of the officers do not go on retirement from this Ministry but only are repatriate to their respective cadre. The Committee desire that the matter may be immediately taken up with the Department of Public Enterprises to ensure that all the records of the officers who have served the Ministries of Coal, Mines and Power on deputation basis be made available to either the Ministry they have served or with their respective cadre. The Committee would like the Ministry of Coal to obtain records of all such officers who after their retirement have joined private companies especially those who were allocated coal blocks. As regards the recommendation of the Ministry of Coal to the Department of Public Enterprises to review the time limit of the cooling off period from existing one year to at least 2 years, the Committee desire that the matter may again be pursued with the Department of Public Enterprises and the Committee be apprised of the same.

CHAPTER –II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

EXTRACTABLE COAL AND LIGNITE RESERVES

Recommendation Serial No.1

The Committee have been informed that coal and lignite reserves in the country as on 1st April, 2011 are reported to be 285.86 billion tonne (upto 1200 meter depth) and 40.91 million tonne respectively. However, the Committee find that the focus of coal companies is on open-cast mining for production of coal. The Committee, in this connection, would like 'to know the actual depth from which the coal is now being extracted. The Committee would also like to be apprised of the technological know-how, economic viability, preparedness of the Government/coal and lignite companies to extract coal and lignite beyond the present extractable depth of reserves. As the production from underground mines at present is very small as compared to open cast mines, the Committee recommend that an action plan be prepared by the Government/coal companies for coal production from underground mines in the years to come keeping in view the fact that the production of coal from the open-cast mines is gradually decreasing due to exhaustion of available reserves which will result in negative growth of coal production.

Action Taken

The coal reserves in India up-to a depth of 1200 m have been estimated by the Geological Survey of India (GSI) at 293.49 Bt as on 1.4.2012. Coal deposits are mainly located at Jharkhand, Odisha, Chhattisgarh, West Bengal, Madhya Pradesh, Andhra Pradesh, Maharashtra and Assam.

Contribution of Opencast & Underground mines from CIL Sources:

The ratio of production from Opencast (OC) and Underground (UG) mines remains almost the same (91:9) as last year. However, the increase in overall production is attributed mainly to OC mines. In 2012-13, OC raw coal production was recorded as 414.43 Mt compared to 397.45 Mt in 2011-12. The corresponding figures for UG production are 37.78 Mt and 38.39 Mt respectively. Thus, production from OC mines achieved a growth of 4.27 % and decline by 1.59% in case of UG mines.

Actual depth of work

The maximum planned depth of opencast mine of CIL at present is up to 318 meter. Average depth of working at CIL underground mines is 200m to 300m.

However, coal seams lying at a depth of 600m and 650m have also been worked in Chinakuri Mine No. 1, ECL and Moonidih, BCCL respectively.

Technological Knowhow:

As the depth of the opencast mine is gradually increasing, the problem of extraction of coal from the deep seated open cast mines is anticipated. As a measure of preparedness, CIL is taking steps for working of the open cast mines at a higher depth i.e. more than 300 meters by adopting the best technology available in the world in a phased manner.

A major share of underground production in CIL comes from mines using intermediate technology (using SDLs and LHDs) where the growth every year is low and is neutralized by decrease in production by manual coal loaders. Since production of underground coal by manual loader involves exposure of many workers at the face involving more risk to safety, as such CIL has decided to phase out manual loading. Besides this, a few mines where geo-technical conditions permit, are worked through continuous miner technology to achieve high production / productivity. Efforts are also being made to identify suitable prospective sites for application of High-wall mining which is a mining method to extract coal from an exposed coal seam at the terminating line of an opencast mine.

There is a need to introduce modern technology in underground mines to accelerate the present trend of production. However, it will be extremely difficult to achieve the desired objectives due to following constraints:-

- In case of existing underground units, final extraction could not be started in a number of units because of the surface being thickly populated and related infrastructure. For new underground projects, which could be planned for exploitation of coal reserves amenable only to underground mining, require surface rights of overlying land. This is required as per statute. It is required because the present day high capacity mechanized underground mines are operated with caving options which may cause subsidence up to the surface. Hence land acquisition is also a prerequisite in such operations.
- The lack of response from international mining companies in reviving abandoned mines was also due to difficulties in obtaining required land (surface rights) for such projects as expressed during pre-bid meeting. So, land acquisition is one of the main reasons for declining underground production.
- Geo-mining conditions like co-existence of fire affected UG workings, and existence of waterlogged workings in some of the subsidiaries of CIL also affect underground coal production.

Further, taking up new underground projects, with stipulated 12% IRR, is very difficult to be feasible because of high cost of underground production, particularly at greater depth.

Economic viability

Economic viability of a project depends on cost of production vis-à-vis selling price of coal which, in turn, is a factor of grade of coal. For a particular geo-mining condition and technology, the cost of mining remains the same irrespective of grade. So, the grade is one of the factors for economic viability of the project. Some of the CIL UG mines even having shallow working depth are running in loss. Cost of production increases for deeper mines due to extra support requirement, drivage of longer inclines / deeper shafts, ventilation, longer transport network etc. So economic viability is very much project-specific and will generally be economically viable only in case of superior quality of coal.

Action Plan

There is a continuous effort to introduce mechanisation in underground mines of CIL to achieve high production / productivity, wherever, geo-technical conditions permit. Based on the geological conditions, priority is being given for adoption of Continuous Miner Technology or Long-wall Technology.

Project Reports of twenty underground mines have been approved for introduction of continuous miners having a total capacity of 10.62 Mt per year. Another six mines are being planned to produce 6.18 Mt of coal per year.

Work orders have already been issued to MDOs to operate five mines (Jhanjra in ECL, Kapuria, Moonidih (both XV & XVI seam), and Muraidih in BCCL) by long-wall technology. Likely capacity addition from these mines will be around 8.9 Mty.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

NEED FOR COAL MINING BY PRIVATE SECTOR

Recommendation Serial No.2

India, being one of the fast developing economies in the world needs production of energy at a correspondingly faster rate as it is one of the main drivers of economic development. With the rising economy coupled with the quest for improved quality of life, the energy usage in India is bound to grow tremendously. Keeping in view the growing needs of energy, unscientific mining practices and poor working conditions of labour in some of the private coal companies, the Government took a conscious decision to nationalize the private coal mines by enacting the Coking Coal Mines (Nationalization) Act, 1972 under which the coking coal mines and coke oven plants other than those with the Tata Iron and Steel Company Limited and Indian Iron & Steel Company Limited, were nationalized on 01.05.1972 and brought under the Bharat Coking Coal Limited (BCCL), a new Central Government Undertaking. Another enactment, namely the Coal Mines (Taking over of Management) Act,

1973, extended the right of the Government of India to take over the management of the coking and non-coking coal mines in seven States including the coking coal mines taken over in 1971. This was aimed at maximizing the coal production in the country which will in turn meet the ever increasing demand for power. Therefore, it is all the more important for the Government to tap all the sources of energy including the production of coal for their time bound exploration. Further, the pronouncement of the ambitious mission by the Government of India 'Power to all by 2012' which envisaged capacity addition of 100,000 MW power by 2012, has necessitated the need to increase coal production. The Committee are however, constrained to observe that there was no corresponding increase in the coal production during Xth and XIth Plan periods and the actual production in these periods, fell much short of the target raising serious doubts on the policies and strategies being pursued by the Government in this regard which is quite evident from the mismatch between supply and demand of coal. The huge gap between the demand and domestic supply of coal had prompted the Government to bring in amendment in the Coal Mines (Nationalization) Act, 1973 allowing coal mining for captive consumption for generation of power, washing of coal and other end uses. In spite of this measure, the captive coal regime has remained virtually a non-starter given the progress made in this direction. The Committee would like the Ministry to work on war footing to make the captive coal regime an effective instrument in the furtherance of energy generation at a desired level with increased coal production.

Action Taken

As per the information compiled by the Coal Controller's Organization, 35 captive coal blocks has come into production as on 30th June, 2013. During the year 2012-13, a total of 36.934 million tonnes of coal was produced from these 35 captive coal blocks against the target of 39.50 million tonnes. The target for the year 2013-2014 has been fixed at 45.69 Million Tonnes against which production upto June, 2013 was 9.91 Million Tonnes. The production from captive coal blocks is being monitored by Coal Controller.

In addition, progress of development of coal blocks is being regularly monitored through Inter-Ministerial Committee constituted for the purpose as explained in subsequent paragraphs. Further, in order to expedite various clearances at State level, coal bearing State Governments have been requested to set up a monitoring committee under the chairmanship of Chief Secretary. As per the information available, Govt. of Chhattisgarh, Jharkhand and Madhya Pradesh have already set up the monitoring committee. The first meeting of the monitoring committee constituted by Govt. of Chhattisgarh has already been held.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

ACQUISITION OF COAL MINES ABROAD BY CIL

Recommendation Serial No.3

The Committee have been given to understand that initially the coal blocks were allocated to private companies for captive use as the Government companies have failed to cope-up with the increasing demand of coal in the country. The Committee are surprised to find that Coal India Ltd. who could not undertake coal production within the country is going abroad for acquiring mining concessions/assets. The Committee note this ambiguous situation created by the Government due to the leasing out of coal mines to the private companies on the one hand and simultaneously allowing the acquisition of coal concessions by Coal India Ltd. abroad on the other hand. The only conclusion the Committee can draw from this fact is that the Government coal companies have failed to develop coal blocks which ultimately led to captive coal block regime. At the same time, the Committee desire that Ministry of Coal should have an appropriate road map for acquisition of coal blocks abroad through Coal India Ltd., for which CIL should carry out a due diligence. The Committee would also like to be informed of the detailed action plan of CIL for acquiring mining concessions abroad and desire that the data be made available to the Committee.

Action Taken

Coal India Limited (CIL) has obtained exploration licenses for two coal blocks i.e. 3450L & 3451L covering a leasehold area of 224 sq.km. in Moatize district, Tete Province in Mozambique through competitive bidding process run by Govt. of Mozambique in early 2009. Exploration licenses have been granted in the name of Coal India Africana Limitada (CIAL), a wholly owned subsidiary of CIL in Mozambique. CIL has awarded drilling contract to take up scout drilling of these blocks for a target of 76,000 meters in November, 2012 and till date 18,662 meters of drilling has been completed.

CIL has executed a Memorandum of Understanding (MoU) with organizations owned by the Provincial Government of Limpopo, South Africa to acquire coal blocks in South Africa for exploration and development. CIL Board has accorded approval for setting up a wholly owned subsidiary of CIL in South Africa and process has been initiated for registration of the same. Further in the past, Joint Venture Company, namely, International Coal Ventures (P) Ltd. (ICVL) was formed with CIL, SAIL, NTPC, NMDC & RINL as constituent members. However, after withdrawal of NTPC, CIL is also reviewing the decision regarding continuance in the ICVL. So far ICVL has not acquired any coal block abroad.

Further, in the year 2013-14, an ad-hoc provision of Rs. 4000 crores has been proposed for acquisition of coal assets abroad and development of coal blocks in

Mozambique. A global Expression of Interest (EOI) has been floated in February, 2013 to acquire coal assets abroad by way of evincing interest from owners of coal assets and investment bankers who intend to sell coal assets. Against this EOI, proposals have been received for acquiring coal assets in Indonesia, South Africa, Australia, USA, Columbia etc. The investment attractiveness of the proposals are under examination after which suitable ones shall be taken up for due diligence. If the due diligence results are in affirmative, the assets shall be acquired with the capital outlay kept for this purpose.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Recommendation Serial No.4

The Committee feel that the States, wherein Coal Mines are available, can be asked to use only Domestic Coal available within the State and the State's having coastal areas and also the requisite infrastructure for Coal Handling, can use certain quantum of Imported Coal. This would only be possible if there is a mechanism of pooling of the Coal Price for Domestic Coal as well as Imported Coal. This would help in saving Freight Charges for Transportation of Coal. The Committee, therefore, recommended that Ministry of Coal should also take steps to provide Coal throughout the country at a uniform rate and the Coal Prices should be based on Calorific Value only and a policy mechanism be evolved about the uses of domestic coal as well as imported coal by the States.

Action Taken

The Cabinet Committee on Economic Affairs (CCEA) has considered various options to augment coal supplies to various Thermal Power Projects in the country, including the proposal for Pooling of price of Domestic Coal with Imported coal. In the meeting of CCEA held on 21.6.2013, it was decided as under:-

- i) CIL would sign Fuel Supply Agreements (FSAs) with the power projects of 78,000 MW Capacity which are commissioned/to be commissioned during the period from 1.4.2009 to 31.3.2015.
- ii) Taking into account the overall domestic availability and the likely actual requirement of these power plants, FSAs be signed for the domestic coal quantity of 65%, 65%, 67% and 75% for the remaining four years of the current plan.
- iii) To meet its balance FSA obligations towards the above power plants, CIL to import coal and supply the same to the willing power plants on cost plus basis. Power plants may also directly import coal themselves if they so opt.

iv) The higher cost of imported coal to be considered for “pass through” as per the modalities suggested by Central Electricity Regulatory Commission.

A Presidential Directive has been issued to CIL on 17.7.2013 to implement decision at (i), (ii) and (iii) above.

Further Planning Commission while discussing the coal requirement for power sector have advised the Ministry of Power to think of some incentive mechanism to encourage power plants at coastal locations based on imported coal.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Recommendation Serial No.6

With regard to the procedure for allocation of coal blocks allocated for coal to liquid, the Committee find that although the selection procedure was almost the same as was followed in the Screening Committee route under Section 3(3)(A)(iii) of the Coal Mines (Nationalization) Act, 1973, exception was made that the recommendation in this case was to be made by the Inter-Ministerial Group under the chairmanship of Member (Energy), Planning Commission. The Committee have failed to understand as to why two coal blocks for coal to liquid with an estimated explorable reserves of 3000 million tonnes were allocated to private companies by ignoring the Government Companies. The Committee feel that the Inter-Ministerial Group (IMG) has not performed its duty honestly. Even though the blocks were cleared by the Screening Committee, the IMG should have studied the cases and cancelled the blocks allotted by the Screening Committee. The Committee, therefore, recommend that the allocation of coal to liquid blocks to 2 private companies be examined by the Government and the Committee may be apprised of the details of the technology applied by these private companies to exploit the reserves and also the present status of these projects. The Committee also desire the Ministry of Coal to take necessary steps for coal gasification projects and recommend that these projects should be given to State/Central PSUs only.

Action Taken

2(two) coal blocks, namely, North of Arkhapal and Ramchandi Promotional have been allocated to M/s Strategic Energy Technology Systems Limited and M/s Jindal Steel & Power Limited respectively for Coal-to-Liquid (CTL) project. These coal blocks have been allocated on experimental basis since the technology for coal to liquid is not available indigenously. Keeping in view the slow pace of development in these 2 CTL blocks, show cause notices (SCN) were issued to these allocatee companies. Replies to SCN received from allocatees have been sent to State Govt. of Odisha for comments. Further action in the matter will be taken after receiving

comments of State Govt. and consideration of the same by the IMG. However the recommendation of the Honorable committee for giving such projects to Central / State PSUs have been noted.

Coal Gasification (Underground as well as Surface) has also been notified as one of the end uses under the provisions of CMN Act for allocation of coal blocks to potential entrepreneurs. Ministry of Coal has also identified one lignite block for offer in Gujarat. Further, CIL has identified two coal blocks for development of Underground Coal Gasification (UCG) in their leasehold areas. Ministry of Coal is also working out a policy to offer unexplored areas for development of UCG through bidding route. In addition, CIL in association with GAIL and RFC is going to set up a coal gasification plant for producing ammonium nitrate as per the decision of Government of India for reviving the sick fertilizer units.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

ANALYSIS OF STATUS OF CAPTIVE COAL BLOCKS

Recommendation Serial No.7

The Committee observe that though 40 coal blocks were identified by CIL in 1993 for allocation to private captive mining and again in 1999, 49 blocks were identified, only 25 blocks were allocated for captive mining from October, 1993 to October, 2003. The Committee are perturbed to note that although normative date of production from coal blocks like Utkal B2 (Talcher, Odisha) allotted to Monet Ispat Energy Ltd. on 16.08.1999 was 16th February, 2003, it is only the stage –II forest clearance that has been obtained on 21.07.2011. Another coal block Brahmadih (Jharkhand) allocated on 01.09.1999 to Castron Mining Ltd. for steel sector, though all milestones are reported to be completed, there is synchronization problem between coal production and End use steel plant, as the company does not have its own steel plant and is trying to purchase or to acquire another steel project to synchronise with the coal production. The question that why a coal block was allotted to a company who has failed to set up end use projects for 13 years, needs to be answered. The Committee, therefore, like the Ministry to offer an explanation to them and they would also like the Ministry to furnish a list of such companies who have been allotted coal blocks without having any end use project. These instances speak volumes of the total failure on the part of the Ministry in the entire process of allotment of coal blocks and their subsequent development. From the analysis of status report of captive coal blocks and End use project linked with the blocks allocated from August, 2004 to November, 2008, the Committee observe that for 138 coal blocks allocated for captive mining for power, iron and steel, commercial purpose, etc., the normative date of production was kept more than 6 and 7 years i.e. 72 to 84 months though the guidelines provide that in respect of unexplored block, the allocatee company shall apply for a prospecting license within

3 months of date of issue of allotment. The Committee are further constrained to note that forest clearances/ Prospecting Licence has been obtained/granted only in 2010 and 2011 to those blocks which were allocated in the years 2004-2005. The Committee further find that out of 195 coal blocks allocated so far for captive mining 30 blocks have started coal production and out of 160, captive coal blocks allocated during 2004 to 2008, only 2 have started production. The Committee feel that though the guidelines and milestone charts are attached with the allocation letters, there is willful delay in the development of coal blocks and question of setting up end use projects has been completely ignored by the Review/ Monitoring Committees giving credence to the fact that the entire exercise was not objective and transparent. The Committee would therefore, like to be apprised of the concrete action taken by the Government on all such cases and expect that in future the Review Committee will function in more objective and transparent manner for the timely development of coal blocks and necessary action should be taken against non-serious coal block allottees. The Review Committee should complete their work as expeditiously as possible.

Action Taken

With regard to review and monitoring of the development of allocated coal blocks, as indicated in the reply to observation no.5, the Inter-Ministerial Group (IMG) has been reviewing the development status on a regular basis. The production from captive coal blocks is also being monitored by the Coal Controller's Organisation.

In order to further improve monitoring and expedite the process of development of coal blocks, Chief Secretaries of coal bearing states have been requested to set-up a State level monitoring committee under the chairmanship of Chief Secretary with representative of the concerned departments of the State Government such as revenue, forests, mines as well as representative of Ministry of Coal, CMPDIL and CCO. As per the information available, Govt. of Chhattisgarh, Jharkhand and Madhya Pradesh have already set up the monitoring committee.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

COAL BLOCKS OFFERED TO IPPS

Recommendation Serial No.10

The Committee are dismayed to note that although coal blocks were allocated to private sector power projects without any monetary consideration by the Government with the purpose of making available cheap power to the consumers, no specific condition was included by the Screening Committee in the allocation letter to ensure that benefit of allocating coal free of cost is passed on to the

consumer. The Committee are surprised to note that it was only in March, 2012, the Ministry of Power has pointed out and desired that for all coal blocks given for power sector, the developers must participate in the bids for procurement of power by the discoms as per bidding guidelines issued by Ministry of Power and offer the benefit of the government allotted coal blocks to the consumers failing which coal block allocation could be cancelled. The Committee have been given to understand that although, the Ministry of Power in a communication dated 27.09.2012 has requested the Ministry of Coal to issue orders without further delay, imposing the condition in the allocation letters of IPPs/CPPs that they need to participate in the bids for power procurements called by Discoms or their authorized state agency and enter into long term PPA as per bidding guidelines issued by the Ministry of Power under section 63 of the Electricity Act, 2003 within a stipulated time period or face de-allocation of the block and the issue of incorporating a new condition in the allocation letter retrospectively is reported to be examined in consultation with the Ministry of Law & Justice. The Committee fail to understand as to why this condition was not incorporated at the time of allocation of captive coal blocks offered to IPPs. Since the very purpose of making available the national property free of cost was to ensure that benefits should be passed on to the consumers, the Committee feel that there should be no legal consequences even if the condition is incorporated retrospectively. The Committee, therefore, strongly recommend that the Government should immediately ensure that IPPs who have been allocated coal blocks should participate in the bids for power procurements called by Discoms or their authorized state agency and enter into long term PPA as per bidding guidelines issued by the Ministry of Power.

Action Taken

The instructions with regard to compulsory participation by the coal block allocattees for IPPs in the bids floated by the DISCOMS or their authorized agency for procurement of power as per bidding guidelines issued by the Ministry of Power under Section 63 of the Electricity Act, 2003, have been issued. Further, concerned coal bearing State Governments have been asked to incorporate a clause to the above effect in the mining lease executed / to be executed with the concerned coal block allocattee under the Mines and Minerals (Development & Regulation) Act, 1957.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Recommendation Serial No.12

The Committee are pained to note that the scarcity of indigenous coal is badly affecting the power generation forcing the power utilities to go in for imported coal. The unduly long time being taken by coal block allottees in the development of coal blocks is further aggravating the demand and supply of coal. What is really needed

is to develop those blocks on fast track basis. The Committee, therefore, strongly recommend that Certain Coal Mines should be allocated to the State Government / State PSUs for power generation only, so that the power can be generated at a reasonable rate, on sustainable basis. The Committee, therefore, would like the Ministry to put an effective mechanism in place, as the present mechanism has abysmally failed to act in an effective and objective manner. The Committee would also like the Ministry to facilitate the coal block allottees in obtaining various statutory clearances and other requirements for the early development of these blocks.

Action Taken

In order to bring in demonstrable objectivity and transparency in the coal block allocation process, the Mines and Minerals (Development and Regulation) Amendment Act, 2010 has been enacted which provides for grant of reconnaissance permit, prospecting licence or mining lease in respect of an area containing coal and lignite through auction by competitive bidding, on such terms and conditions as may be prescribed. This, would however, not be applicable in the following cases:-

- ❖ where such area is considered for allocation to a Government company or corporation for mining or such other specified end use;
- ❖ where such area is considered for allocation to a company or corporation that has been awarded a power project on the basis of competitive bids for tariff (including Ultra Mega Power Projects).

The Government has notified the "Auction by Competitive Bidding of Coal Mines Rules, 2012" on 2nd February, 2012 and the notification on the commencement of the said Amendment Act, 2010 has also been notified by the Ministry of Mines on 13th February, 2012

The Government has also notified the "Auction by Competitive Bidding of Coal Mines (Amendment) Rules, 2012" on 27th December, 2012 regarding the allocation of coal blocks to the Government Companies. It contains detailed terms and conditions for selection of Govt. Company for allocation on the basis of pre-determined criteria and for utilization of coal.

Further, in order to facilitate development of allocated coal blocks, Ministry of Coal has been taking up the matter with the concerned authorities such as Ministry of Environment & Forests and State Governments. In addition, as stated in reply to observation no. 7, coal bearing State Governments have been requested to constitute a State level monitoring committee headed by Chief Secretary with representatives from the concerned Departments of State Govt. such as mines, forest, revenue as well as representative of Ministry of Coal, CCO and CMPDIL. The Committee is expected to monitor progress of coal block as well as end use plant and make recommendation as deemed necessary and appropriate to the Ministry of

Coal. It is expected that the monitoring of development coal block through State level monitoring committee would expedite the process as a large number of statutory clearances are to be obtained from agencies of the State Govt.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

MONITORING OF COAL BLOCKS

Recommendation Serial No.13

The Committee note that the responsibility of developing the coal blocks as per the prescribed guidelines and milestones rests entirely with the allottees and in the event of willful delay in the development of coal blocks/setting up of the end use project, the Government reserves the right to take appropriate action to de-allocate the said block. The Committee further note that systematic monitoring of the progress has been started since 2005 through a Committee under the chairmanship of Addl. Secretary (Coal) and genuine problems of allocatees are highlighted during the meeting and efforts are made to sort them out. Since State Govt. representatives are also present during these meetings, they are also requested to provide all possible help in expediting the process. As regards the major constraints being faced by the coal block allottees, the Committee have been given to understand that the coal blocks, which have not come into production so far, the allottees are in various stages of obtaining statutory clearances and mining lease, preparing mining plan, acquiring land, procuring machinery etc. for both mining as well as end-use projects. The Committee are, however, perturbed to note that though system of submission of bank guarantee by the private sector allocatees was introduced from 2005 and under this system 50% of the bank guarantee has been linked to the milestones (time schedule) set for development of captive block, and the remaining 50% to the guaranteed production, no bank guarantee was deducted from the defaulter allocatees. It is only now, the IMG who has taken up review of the 58 cases referred to it for review has recommended the deduction of bank guarantee in the case of 14 blocks allocated to 19 companies. This clearly indicates that the monitoring committee has failed to take action against the defaulter companies since 2005 and even the loss of royalty to the exchequer due to delay in achieving milestones (time schedule) set for development of captive block as well as the rated yearly production level as per the approved mine plan which was required to be deducted from the bank guarantee were never recovered. The Committee observe that the Ministry de-allocated some of the coal blocks only recently after the receipt of C&AG Report in the matter. The Ministry, however, choose to sleep over this controversial issue rather than acting on their own. The Committee are of the firm opinion that this lackadaisical approach of the monitoring committee has led to delay in development of coal blocks and loss to the State Exchequer. Although, the committee feel that there is an urgent need to set up the institution of Coal Regulator to ensure development and regulation of coal blocks,

they strongly recommend that the IMG which has now been constituted will expeditiously and transparently review all the coal blocks allocated for captive mining that have not been developed so far and take immediate and appropriate action to ensure that the infrastructure projects based on coal are not further hampered due to slow progress of development of these coal blocks.

Action Taken

As indicated in reply to observation no.5, IMG has been monitoring the progress of development of coal blocks on a regular basis. Based on the recommendations of IMG, 22 coal blocks have already been de-allocated due to unsatisfactory progress.

Status on Coal Regulator:

The Cabinet in its meeting held on 27.07.2013 has approved the proposal for setting up a Regulatory Authority for Coal Sector. However, it has been noted by the Cabinet that the enactment of the legislation would take some time and therefore has directed that a non-statutory regulator be set up through an appropriate executive order after carrying out modifications considered necessary in consultation the Department of Legal Affairs and after vetting by the Legislative Department. Accordingly, the matter has been referred to the Ministry of Law for advice/ consultation for framing the executive order.

Simultaneously, as per the decision taken by the Cabinet on its meeting held on 27.07.2013, the action was to be taken by the Ministry of Coal to introduce the bill in the Parliament. The Ministry of Coal has forwarded a copy of the Draft Regulatory Authority Bill, 2013, signed copy of the Statement of Object and a copy of the Recommendations of the President of India to the Ministry of Law & Justice for introduction in the Lok Sabha Secretariat. The recommendation of the President of India was received on 6th September, 2013. The last day of session of the Lok Sabha was 7th September, 2013, due to shortage of time the draft Bill could not be sent to the Lok Sabha Secretariat. Thus the Coal Regulatory Authority Bill, 2013 will now be introduced in the next session of the Parliament.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Comments of the Committee

(Please see para 16 of Chapter I of the Report)

REPRESENTATION OF STATES IN THE INTER-MINISTERIAL GROUP (IMG)

Recommendation Serial No.14

The Committee observe that for allocation of coal blocks a Screening Committee was constituted under the chairmanship of Additional Secretary (Coal) with representative from other Ministries, State Governments for processing applications received for captive mining. The Committee are however, pained to note that though States are the owner of minerals, their representatives are not associated/involved in de-allocation process while constituting Inter-Ministerial

Group (IMG) to review the development of coal/lignite blocks allotted. While strongly urging that the advice and consent of respective State Governments must be respected and made mandatory for allocation and de-allocation of coal/lignite blocks, the Committee recommend that the concerned State Governments must be associated in IMG meetings in future as they were associated in the Screening Committee also.

Action Taken

The above recommendation of the Hon'ble Committee was considered by the IMG in its 18th meeting and the IMG agreed that the concerned State Governments must be associated in IMG meetings in future as they were associated in the Screening Committee. IMG therefore decided to invite representative of the concerned State Government in the meeting. The above recommendation of the IMG has been accepted by the Government.

Further, the replies received from the allocatee companies against the show cause notices issued on the recommendations of the IMG, have been forwarded to the concerned State Govt. with the request to examine the reply submitted by the block allocatee and furnish comments thereon to Ministry of Coal. Further, State Govts. have been requested to nominate and communicate the name of the State Government representative to attend the meeting of IMG, as and when fixed, which would be informed to the State Government separately.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

CHAPTER – III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT’S REPLIES

Recommendation Serial No.15

The Committee are surprised to note that though the Screening Committee to identify and approve the allocatees for coal blocks allocation was headed by Secretary (Coal), the Inter-Ministerial Group constituted to review the allocations and recommend de-allocation of coal and lignite blocks is headed by Additional Secretary (Coal). The committee desire that the legality of implementation of recommendation for cancellation of coal blocks by Inter-Ministerial Group be examined by the Ministry of Coal before taking a final action in the matter as the Inter-Ministerial Group is not headed by a Secretary level officer and they be apprised of the same.

Action Taken

At the outset, it is stated that committees are generally recommendatory bodies. The recommendations of the Screening Committee for allocation of coal blocks were placed before the competent authority for approval before the blocks were allocated. Similarly, recommendations of IMG on progress of development of allocated coal blocks are also placed before the competent authority for approval. Since both the recommendations are approved by the competent authority, there is no contradiction or flaw with respect the legality of implementation of recommendations made by either of the Committee.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

CHAPTER – IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

SCREENING COMMITTEE

Recommendation Serial No.5

The Committee note that from 1993 to 2004, applicants used to identify a coal block and approach the Ministry of Coal for allocation and their applications were considered by Screening Committee consisting of Secretary (Coal) and representatives from Ministry of Steel, Ministry of Power, Ministry of Industry and Commerce, Ministry of Environment and Forest, Ministry of Railways, Coal India Limited, CIL Subsidiaries, CMPDIL, NLC and the concerned State Governments for allocation of coal blocks under certain broad guidelines framed for selection of captive blocks whereas allocation to Government companies were made by the Ministry of coal on the basis of recommendations of State Government/Administrative Ministry. The Committee observe that most non-transparent procedure was adopted from 1993 to 2010 for allocation and supply of coal blocks. Several coal blocks were allocated to few fortunate without disclosing the same to the public at large. The natural resources and state largesse were distributed to few fortunate for their own benefit without following any transparent system, was total abuse of power by the Government. The Government cannot give largesse on its arbitrary discretion or its sweet will. The Government is still the Government when it acts in the matter of granting largesse and it cannot act arbitrarily. It does not stand in the same position as a private individual. It is unfortunate that no one who were responsible to run the Ministry have even applied their mind to the aforesaid extent. The Committee are also surprised to note that between 1993-2004, no data was maintained by the Ministry regarding number of applications received by the Ministry of Coal and only the minutes of the Screening Committee held to consider/reject the application of a particular company were made available to them. Though, advertisement calling for application of coal blocks were issued in 2005 and 2006 after putting the guidelines on website of the Ministry of Coal, no bidding process or auction was held. It is unfortunate that for allocating coal blocks neither any auction was held nor the Central Government earned any revenue. Natural resources were distributed without following any transparent system and without generating any revenue for the Government. Since the Ministry, could not indicate how much coal resources (either in quantum or in value) were distributed and since Committee observe that such distribution was done in a most unauthorized manner, no one knows for how much loss our country

has suffered for that. The Committee observe that whole procedure adopted by the Government for distributing coal blocks betrays the confidence of the people of our country reposed in the Government. The Committee feel that entire decision making process for distribution of coal blocks needs investigation and necessary penal steps should be taken against everyone who was directly or indirectly party to such decision making process. Since Committee have come to conclusion that entire procedure for distribution of coal was unauthorized, no one should enjoy the benefit of distribution/allocation and therefore, recommended that all coal blocks allotted to the private coal companies, atleast where coal production has not yet started, should be cancelled immediately and the State and Central Government PSUs should be warned to start the mining work at the earliest. The Committee observe that distribution of coal block was greatest example of betraying public trust by the Government.

Action Taken

The Screening Committee was a broad based body with representation from State Governments, concerned Ministries of the Central Government and the coal companies. As per the minutes, the procedure adopted for allocation involved wide consultations with all stakeholders. All applicants were called for making a presentation before the Screening Committee. The minutes also state that comprehensive details about the applicant, the group, performance of the group, financial strength, readiness of the end-use plant etc. were placed before the committee so as to enable it to make appropriate recommendations.

As per the minutes, the Screening Committee assessed the applications having regard to the matters such as techno-economic feasibility of the end use project, status of preparedness to set up the end use project, past track record in execution of projects, financial and technical capabilities of the applicant companies and recommendations of the state governments and the administrative Ministry concerned.

The progress of development of allocated coal blocks was reviewed from time to time by the then Review Committee. On the basis of review made by the Review Committee, 20 coal blocks were de-allocated due to unsatisfactory progress and 5 coal blocks surrendered by the allocattees were de-allocated.

Further, in pursuance of the announcement of the Hon'ble Finance Minister in the budget speech for the year 2012-13, an Inter-Ministerial Group (IMG) headed by Additional Secretary, Ministry of Coal has been constituted on 21.06.2012 to undertake periodic review of the development of coal / lignite blocks allotted by the Government with following terms of reference (TOR):

- v) The IMG shall undertake periodic review and the progress of allocated coal mines / blocks and make recommendations on action to be taken including de-allocations, if required.
- vi) The IMG may consider the replies where the show cause notices have been given and recommend action against the allocate companies including de-allocation, wherever necessary.
- vii) The IMG may make its own assessment and recommend action as to deduction of Bank Guarantee, if required.
- viii) Any matter where a reference is made by the Competent Authority.

The then Review Committee for monitoring of development of captive coal blocks and Bank Guarantee stood subsumed in the IMG.

The IMG has held 21 meetings so far. It has discussed and finalized the guidelines/modalities for conduct of its business and also regarding computation of deduction of BG. The IMG has also decided to give an opportunity of giving personal hearing to the allocatee companies of coal blocks before giving its recommendations. So far, the IMG has recommended de-allocation of 13 coal blocks allocated to 29 companies, deduction of Bank Guarantee (BG) in the cases of 14 blocks allocated to 19 companies and imposition of BG in case of 1 (one) coal block in respect of allocations made to the Private Companies. Further, the IMG took up the review of 33 coal blocks allocated to Govt. companies and after hearing the allocatees, it recommended de-allocation of 11 coal blocks, deduction of BG in 5 cases and imposition of BG in 11 cases. Based on the recommendations of IMG, 22 coal blocks have been de-allocated so far.

Thus, based on the recommendations of the then Review Committee and of IMG now, a total of 47 coal blocks have been de-allocated so far. Subsequently, de-allocation order in respect of 3 coal blocks allocated to M/s National Thermal Power Corporation (NTPC) and 2 coal blocks allocated to Damodar Valley Corporation (DVC) and Jharkhand State Electricity Board respectively were withdrawn and 2 coal blocks were allocated again in the year 1999 and 2005. Review of progress of coal block by IMG is an on-going continuous process.

The Central Bureau of Investigation (CBI) has registered 3 Preliminary Enquiry (PE) cases regarding alleged irregularities in allocation of coal blocks – relating to allocation of coal blocks to private companies during the period 2006-09, relating to allocation of coal blocks to private companies during the period 1993-2004 and relating to allocation of coal blocks to Government companies. As per information available, in the PE related to allocations of coal blocks made to private companies during 2006-09, 13 FIRs have been lodged by CBI.

Further, a Writ Petition (Criminal) No.120 of 2012 and a few PILs have been filed in the Hon'ble Supreme Court of India inter-alia challenging the allocations of captive coal blocks made. The matter is sub-judice.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Comments of the Committee

(Please see para 7 of Chapter I of the Report)

REVENUE LOSS TO STATE EXCHEQUER DUE TO NON- DEVELOPMENT OF COAL BLOCKS

Recommendation Serial No.8

The Committee observe that due to a big gap in demand and supply of coal to meet power demand, coal blocks were allocated to private companies for enhancing coal production. The Committee feel that such allocation of huge natural resources has not generated sufficient revenue for the Government and instead it had only benefited the private players. Since the coal blocks allottees are requested to pay royalty / cess to the concerned State on coal production, the non-development of coal blocks will mean a big loss to the State exchequer as no royalty will be paid to the States. The commencement of coal production only from 30 coal blocks out of total allocated 218, puts a question mark over the performance and efficiency of allocatee companies, especially private companies which have a major share in allocation. In view of the inordinate delay in commissioning of these captive projects, the Committee are concerned to note that not only the delay has resulted in achieving the targets for power production and other end use products but also caused revenue loss to the concerned State on account of royalty payable to them. The Committee feels that the Screening Committee has failed to take into account state of project preparedness, track record, etc. of applicant company, which have resulted in major setback to the ambitious policy decision to exploit 44.23 BT of Coal by allocation of blocks for captive use. The Committee, therefore, strongly recommend that the present status of coal blocks must be analysed by the Government in terms of colossal failure to achieve the target set for end use of coal that was targeted to be exploited from these blocks, the resultant revenue loss to State Governments and the Committee be apprised of the same.

Action Taken

The Screening Committee was a broad based body with representation from State Governments, concerned Ministries of the Central Government and the coal companies. As per the minutes, the procedure adopted for allocation involved wide consultations with all stakeholders. All applicants were called for making a

presentation before the Screening Committee. The minutes also state that comprehensive details about the applicant, the group, performance of the group, financial strength, readiness of the end-use plant etc. were placed before the committee so as to enable it to make appropriate recommendations.

Since September, 2005, the coal blocks used to be advertised calling for applications from interested parties. The application was to be filed in five sets. One set was to be sent to the concerned State Government, one set to the concerned line Ministry in the Central Government, viz., Power, Steel, Department of Industrial Policy and Promotion, one set to CIL/CMPDIL for their examination and furnishing comments. Then, the applicants used to be called for presenting their case to the Screening Committee. Thereafter, the Screening Committee used to deliberate and give recommendations regarding allocation of coal blocks to the eligible applicants.

As per the minutes, the Screening Committee assessed the applications having regard to the matters such as techno-economic feasibility of the end use project, status of preparedness to set up the end use project, past track record in execution of projects, financial and technical capabilities of the applicant companies, recommendations of the state governments and the administrative Ministry concerned.

This explains the various procedures followed by the Screening Committee whilst making recommendations.

It may also be pertinent to mention that the Screening Committee In its fifth meeting held on 26.5.1994 decided that a regular review would be undertaken regarding the clearances obtained and action taken for setting up of thermal power stations as well as the progress in development of captive mining blocks offered and there after reviewed the progress of development of block as well as endues plant from time to time. Further, after the 36th and the last meeting of the Screening Committee, the review process was continued by the Ministry of Coal through an Inter-Ministerial Review Committee and later on through an Inter-Ministerial Group (IMG) . The review process by the IMG is still continuing. The details in this regard are given in reply to observation No.5 above.

In addition, production from the captive coal blocks is also regularly monitored by the Coal Controller as indicated in the reply to Question No.2 above.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

PERSPECTIVE PLAN FOR DEVELOPMENT OF COAL BLOCKS BY CIL

Recommendation Serial No.11

The Committee note that initially in 1993 and 1999, coal blocks were identified for captive mining after being identified and taking approval of Coal India Ltd. Board. Subsequently, in 2006 with the objective of improving the availability of power, 81 coal blocks which were reserved for Coal India for production during 12th Plan Period and beyond aggregating to 20 BT of reserves were de-reserved and allocated to power developers for captive mining. The Committee further observe that though 138 coal blocks were asked by CIL for exploitation in 2007, these were not allocated to them. Instead, the Ministry of Coal allocated 119 coal blocks to CIL in July, 2012 only after repeated recommendations made by this Committee (16th Report and 24th Report, 15th Lok Sabha). The Committee are, however, dismayed to note that project report in respect of only 2 blocks have been prepared and work for preparation of project report for 16 blocks is reported to be taken up during 12th Plan period i.e. from 2012 to 2017. With such a slow pace of work, the Committee are unable to understand when the actual production from these coal blocks allocated to CIL will be started. While strongly urging the Ministry of Coal/CIL to act swiftly to ensure that these 119 blocks allocated to CIL start production, the Committee would like to be apprised of a perspective plan for development of these blocks.

Action Taken

The Ministry of Coal in May, 2012 has assigned 116 coal blocks to Coal India Limited. In addition to the above, three de-allocated coal blocks viz. Brahmini, Chichro Pastimal and East of Damogoria (from the de-allocated coal blocks) have been assigned to CIL for undertaking mining on priority basis. CIL has submitted its tentative perspective plan for development of the above coal blocks. As reported by Coal India Limited (CIL), project report has been prepared in respect of two blocks, geological report is available in respect of 16 coal blocks, exploration activities have been completed in 11 coal blocks, exploration activities are in progress in 24 coal blocks and exploration activities are yet to be taken up in 66 coal blocks. Once exploration is completed, CIL would plan for starting the mining operation. This would enable CIL to meet the coal requirements in long term subject to obtaining various clearances & evacuation constraints.

Soon after the allocation of the 119 coal blocks to CIL in 2012-13, a schedule of activities including exploration, Project Report (PR) preparation, etc. were prepared for development of these blocks as desired by MoC. Most of these blocks were regionally explored, requiring further detailed exploration for formulation of GR and PR. Detailed exploration of blocks, where some exploration was undertaken before the tentative allocation, has been concluded and GRs prepared in 2012-13 itself

i.e., within a short period. Out of these 119 blocks, geological reports are now available for 25 blocks and detailed exploration is already in progress in 30 blocks. Out of the 25 blocks, for which GR is available, PRs have already been prepared for 2 blocks and will be prepared for 7 more blocks during 2013-14 and the rest of the blocks will be taken up for PR preparation in a phased manner during the balance period of XII Plan. PR preparation for the blocks, for which GR is not yet available, will be taken up after completion of exploration in these blocks.

Considering the urgency of development of coal blocks at faster pace, CMPDI has considerably increased the outsourcing of drilling by utilizing the capacity of MECL and other agencies. The actual drilling through outsourcing has increased from 0.07 lakh m in 2007-08 to 2.86 lakh m in 2012-13 and target for outsourced drilling in 2013-14 stands at 6.15 lakh m. However, international agencies have not been showing interests in CMPDI's global tenders for drilling and limited numbers of domestic agencies are available for carrying out this task. Also, out of these 119 blocks, 27 nos. have been assessed to be worked with Opencast methodology and 55 nos. with underground methodology, whereas, the balance 37 blocks will have mixed (OC+UG) projects. Hence production realization from underground blocks would take considerably long in comparison to the opencast blocks/projects.

Also, a large number of these 119 blocks contain forest areas, for which, forest permission to drill with adequate number of boreholes (15 to 20 boreholes per sq km) is required. It is pertinent to mention here that applications for permission to carry out detailed drilling in forest areas of 22 blocks are pending with MOEF and state level officials since 3-4 years; the no. of applications presently pending has since increased to 48. Also, the prevailing law & order condition is adversely affecting the performance of drilling. Estimated cumulative loss due to law and order problems & non-availability of forest clearance during XI plan period and 2012-13 was 2.42 lakh meter (approx.), which includes 1.08 lakh during 2012-13. In view of these, all-out effort by CMPDI to carry out the pace of drilling would not increase considerably until these constraints are removed.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Comments of the Committee

(Please see para 13 of Chapter I of the Report)

ROLE OF COAL CONTROLLERS ORGANISATION (CCO) IN MONITORING THE CAPTIVE COAL BLOCKS

Recommendation Serial No.17

The Committee are dismayed to note that the enormous work such as permission for opening and reopening of coal mines, disposal of cases under Coal Bearing

Areas (Acquisition and Development) Act, 1957, collection of excise duty, inspection of coal samples, collection, compilation of coal statistics and monitoring and progress of coal blocks has been entrusted to Coal Controllers Organization (CCO) and the organization is having field offices at Dhanbad, Ranchi, Bilaspur, Nagpur and Kothagudem and each field office is to be headed by one GM/DGM level executive working in the capacity of officer on Special Duty being supported by other technical officers; yet there is only one technical officer posted in the organisation and he is holding the post of Coal Controller. The Committee fail to understand as to how without having adequate manpower, the organisation can carry out inspection for ascertaining quality in selected mines. It will be difficult to undertake regular inspections to ensure compliance with specific orders relating to coal quality and resolving statutory complaints. The Committee also observe that though Indian School of Mines, Dhanbad had reviewed the functioning of CCO and submitted a report in 2006 to strengthen the organisation, nothing has been done by the Ministry of Coal in the matter. Although, the Secretary, Ministry of Coal was candid enough to admit that the Ministry has taken note of it and will take steps to strengthen the same, the Committee are surprised the way the Government have entrusted so much work to the organisation without providing the requisite staff. The Committee, therefore, strongly recommend the Government to take immediate steps to strengthen the office of CCO to ensure that besides the various statutory functions the organisation could efficiently monitor the progress of work in allocated captive coal blocks.

Action Taken

Ministry of Coal had engaged Indian Institute of Mines(ISM), Dhanbad to examine the issue of restructuring of Coal Controller's Organisation (CCO). The ISM, Dhanbad submitted its report in November 2006. The coal sector has undergone considerable changes since the submission of the report including allocation of Coal Blocks for captive mining. Therefore, the recommendations contained in the Report had to be modified/updated keeping in view the changes that have taken place. This task has been assigned to ISM, Dhanbad in December 2012 and the revised report is expected to be submitted shortly. The recommendations will, thereafter, be considered and implemented.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Comments of the Committee

(Please see para 19 of Chapter I of the Report)

GUIDELINE REGARDING GOVERNMENT/PSU OFFICIALS JOINING PRIVATE COMPANIES AFTER RETIREMENT

Recommendation Serial No.18

The Committee have been given to understand that Shri R.V. Sahi, a former Union Power Secretary, Shri N.C. Jha, former Chairman, Coal India Ltd. and others have joined private mining companies after retirement. The Committee express serious concern over joining of former Officers of the Ministries of Coal, Power and Mines in the companies which have been allocated coal blocks. The Ministry of coal has informed the Committee that they have not conducted any enquiry regarding employees who have retired/taken voluntary retirement from the Ministry of Coal, Coal India Ltd., CMPDIL etc. and have joined the companies which have been offered coal blocks. The Committee also find that according to the guidelines issued by Department of Public Enterprises vide their letter DPE OM No. 2(22)/99-GM-GL-91 dated 15th May, 2008, the Director level officers of the coal companies are required to intimate / take permission from the Government regarding employment after retirement/VRS. The Board level officials of PSUs are also required to seek permission from the respective companies to join the private companies after retirement. The officers in the Ministries and Public Sector Undertakings directly or indirectly connected with the allotment of coal blocks joining the private mining companies after their retirement raises serious doubt about their being impartial when they were associated with the process of allotment of coal blocks. The Committee fail to understand as to why no inquiry has been conducted so far to expose the unholy nexus between such bureaucrats and coal companies who have been allotted captive coal blocks. The Committee, therefore, strongly feel that to put a check and restraint over bureaucrat and coal companies nexus in shareholding and profit making, a strong internal vigilance mechanism is required. The Committee, therefore, desire that the Ministry of Coal should immediately conduct an enquiry into the matter and furnish details of the officers of the Ministry of Coal, CIL and its subsidiaries and CMPDIL who have joined private companies against the guidelines set for the purpose and action may be initiated against those offices who have joined the private mining companies without the prior permission of the Government or the company as provided in Department of Personnel and Department of Public Enterprises guidelines.

Action Taken

As far as Ministry of Coal is concerned, most of the Officers are appointed on deputation under Central Staffing Scheme of Department of Personnel and Training (DoPT) for a fixed prescribed tenure and after the completion of tenure these officers repatriate to their own cadre. No such records have been maintained as

most of the officers do not go on retirement from this Ministry but only repatriate to their respective cadre.

However, as regards officers of CIL and its subsidiaries and CMPDIL, five applications were received in the Ministry seeking permission to take up post retirement assignment. Out of these, permission was given in two cases, and one case was rejected. In the remaining two cases, clarifications were sought from the concerned officers, however, no reply has been received.

In any case, Ministry of Coal had expressed concern on this issue especially with reference to time limit allowed for giving permission and cooling off period. Earlier there was a time limit of 30 days for the Ministries to give permission or otherwise to the retired officers of PSUs for taking post retirement job. However, This Ministry requested the Department of Public Enterprises (DPE) to raise this cap to 90 days. However, the DPE agreed for 60 days. This Ministry also requested the DPE to revise the time limit of the cooling off period from existing one year to at least two years. However, this was not accepted by DPE.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Comments of the Committee

(Please see para 22 of Chapter I of the Report)

Recommendation Taken No.19

The Committee note that though no blocks were de-allocated on the ground that the firms misrepresented the eligibility criteria to get the blocks allocated, CBI has lodged 9 FIRs in the case related to allotments to private companies during 2006-2009 and further investigation is reportedly under progress. The Committee further observe that even the sector-wise allocation shows that out of a total of 81 blocks allocated to power sector, 27 were allocated to private companies, 12 to UMPPS and 42 to Government companies. Similarly, for iron and steel sector, only 2 blocks were allocated to Government companies whereas 61 blocks were allocated to private sector companies which shows that the allocation of coal blocks was tilted towards private sector. Taking note of the guideline that captive blocks shall commence production within 36 months from the date of allocation in respect of opencast mines and 48 months for underground mines, the Committee are unable to accept the Government's contention that the Screening Committee acted in a fair and transparent manner for allocating coal blocks during 2004-2009, as coal blocks allocatees approved by the Screening Committee have failed to start production so far which raises apprehension that they were considered without taking into account the techno-economic feasibility of the end use projects, past track record of the developers in execution of projects and their technical and financial capabilities.

The Committee, therefore, recommend the Government to re-examine and comprehensively review all the coal block allocations approved by the Screening Committee and furnish a report on action taken on the defaulter allocatees.

Action Taken

As indicated in reply to observation no.5, the development of coal blocks has been reviewed from time to time by the Review Committee earlier and the Inter-Ministerial Group now. Based on the recommendations made by these committees, actions such as de-allocation of coal blocks, deduction of bank guarantee and imposition of bank guarantee have been taken.

Further, the Central Bureau of Investigation (CBI) is already investigating the issue alleged irregularities in the coal block allocations made in the past.

A Writ Petition (Criminal) No.120 of 2012 and a few PILs have also been filed in the Hon'ble Supreme Court of India inter-alia challenging the allocations of captive coal blocks made. The matter is *sub-judice*.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

CHAPTER – V

OBSERVATIONS/RECOMMENDATION IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

ESTIMATED VALUE OF COAL PRODUCED FROM CAPTIVE BLOCKS

Recommendation Serial No.9

The Committee are astonished to know that although 195 coal blocks with geological reserves of about 44.23 billion tonnes have been allocated by the Government for captive mining, the Government have stated that no estimation has been made so far as to the value of the coal extracted from 29 coal blocks and the total value of coal blocks allocated for captive mining. The Committee, therefore, strongly recommend the Ministry to put in place a proper process or mechanism for correct evaluation and calculation of value of coal blocks with estimated geological and extractable reserves and they be apprised of the same.

Action Taken

Ministry of Coal has initiated the process for correct evaluation and calculation of value of coal blocks (with estimated geological and extractable reserves) by appointing a consultant in May, 2012. The Consultant, after a series of deliberations with stakeholders from power sector, steel sector, cement sector, Ministries/Departments of Power, Steel, Economic Affairs and CII have submitted its final report in June, 2013. For the explored block, in which extractable reserves have been estimated, the consultant suggested use of Discounted Cash Flow (DCF) method for arriving at the intrinsic value of coal block. The intrinsic value of the coal blocks (regionally explored/explored) to be put on offer will be determined by CMPDIL based on the methodology suggested and accepted on the basis of the report submitted by the consultant M/s. CRISIL Infrastructure Advisory.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

Comments of the Committee

(Please see para 10 of Chapter I of the Report)

Recommendation Serial No.16

As regards the coal blocks allocated for captive use based on wrong information and data about eligibility criteria furnished by the allocatees or subsequently sold to the new management, the Committee desire that the matter be enquired into and such

coal blocks be cancelled immediately and the companies be black-listed for future allocation of coal blocks and other minerals.

Action Taken

The Central Bureau of Investigation (CBI) has registered 3 Preliminary Enquiry (PE) cases regarding alleged irregularities in allocation of coal blocks – relating to allocation of coal blocks to private companies during the period 2006-09, relating to allocation of coal blocks to private companies during the period 1993-2004 and relating to allocation of coal blocks to Government companies. As per information available, in the cases related to allocations of coal blocks made to private companies during 2006-09, 13 FIRs have been lodged by CBI. The case is still under investigation by the CBI which is being monitored by the Hon'ble Supreme Court of India. Due action will be taken in such matters as per the law.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

IMPLEMENTATION OF MINES AND MINERALS (DEVELOPMENT & REGULATION) AMENDMENT ACT, 2010

Recommendation Serial No.20

In view of the unduly long time being taken by the Ministry in the allotment of coal blocks by bidding system despite the Mines and Minerals (Development & Regulation) Amendment Act, 2010 passed by parliament for introduction of system of auction by competitive bidding of coal blocks, the Committee in their earlier Report (15th Lok Sabha) had desired the Ministry to immediately implement the Act in letter and spirit. The Ministry have now informed the Committee that the Government has notified the auction by Competitive Bidding of Coal Mines Rules, 2012 on 2nd February, 2012 and Central Mine Planning and Design Institute Limited (CMPDIL) after calling bids has selected M/s CRISIL to look into the whole process of competitive bidding. The Committee observe that though draft Report was submitted by the M/s CRISIL on 8th October, 2012, the Ministry of coal is having consultation with State Governments and stakeholders to ensure additional safeguards especially with regard to transparency and objectivity to be brought in the linkages granted from the allocated coal blocks. The Committee cannot but deplore these prolonged consultations delaying the allocation through bidding system and strongly recommend the Government to complete the process of consultation without any further delay to ensure early allocation of identified coal blocks through competitive bidding process to boost coal production.

Action Taken

Under the amended provision of MMDR Act, Government has notified "Auction by Competitive Bidding of Coal Mines Rules, 2012. Accordingly, 17 regionally explored Coal Blocks (14 for specified end use i.e. Power and 3 for Mining) have been put on offer. Notice Inviting Applications (NIA) for these 17 coal blocks was issued on 31-12-2012. The date of receipt of application (in 5 sets) was 30-1-2013, which was subsequently extended to 8-2-2013.

One set of applications received in the Ministry regarding Power have been sent to Ministry of Power, CMPDIL, Host States and Applicant States seeking their comments. The last date of receipt of comments was 15-3-2013. Comments from Ministry of Power in context to Power Purchase Agreement and other relevant parameter and this deadline was extended upto 22-4-2013.

Meanwhile, Ministry of Coal has constituted an Inter-Ministerial Committee under the Chairmanship of Secretary (C) consisting members from D/o Economic Affairs, M/o Power, M/o Steel, DIPPI, M/o Law & Justice, Planning Commission, CIL, CMPDIL and Coal Controller to consider the applications for allocation of coal blocks, received from the Government Companies/Corporations. So far four meetings have been held by the Committee.

Further, an Inter-Ministerial Technical Committee has also been constituted by MoC under the Chairmanship of Advisor (Projects) to examine/evaluate the applications received and onward submission to the IMC for recommendation. So far five meetings have been held and the Committee has examined the application of the Power Sector on the basis of Comments received from Administrative Ministries I.e. M/o Power/CEA), CMPDIL, host States and Applicant States etc. However, the applications received for 03 Coal Blocks for Mining are under evaluation.

With regard to allocation of coal blocks through auction, M/s CRISIL has been appointed as consultant to suggest methodology for fixing floor/reserve price, model tender document and draft agreement to be entered into with the successful bidders. The Ministry is consulting various stakeholders including D/o Economic Affairs, M/o Finance in the matter.

[Ministry of Coal, OM No.13016/32/2013-CA-I dated 26th September, 2013]

NEW DELHI;
— **December, 2013**
— **Agrahayana, 1935(Saka)**

KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel

ANNEXURE- II
(Vide Para IV of Introduction)

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN THE THIRTY-FIRST REPORT
OF THE STANDING COMMITTEE ON COAL AND STEEL**

I.	Total No. of Recommendations made	20
II.	Recommendations that have been accepted by the Government (<i>vide</i> recommendation at Sl. Nos. 1, 2, 3, 4, 6, 7, 10, 12, 13 and 14)	10
	Percentage of total	50%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies(<i>vide</i> Recommendation at Sl. No. 15)	01
	Percentage of total	05%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (<i>vide</i> recommendation at Sl. Nos. 5, 8, 11, 17, 18 and 19)	06
	Percentage of total	30%
V.	Recommendations in respect of which final replies of the Government are still awaited (<i>vide</i> recommendation at Sl. Nos. 9, 16 and 20)	03
	Percentage of total	15%

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 17 DECEMBER, 2013 IN ROOM NO. '112', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1530 hrs. to 1600 hrs.

PRESENT

Shri Kalyan Banerjee - Chairman

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Ganeshrao Nagorao Dudhgaonkar
4. Shri Vishwa Mohan Kumar
5. Shri Pakauri Lal
6. Shri Babu Lal Marandi
7. Shri Govind Prasad Mishra
8. Shri Rajaram Pal
9. Shri Pashupati Nath Singh

RAJYA SABHA

10. Shri Ali Anwar Ansari
11. Dr. Pradeep Kumar Balmuchu
12. Shri Jugul Kishore
13. Shri Sanjay Raut
14. Shri Dhiraj Prasad Sahu
15. Shri Dilip Kumar Tirkey

SECRETARIAT

1. Shri Shiv Singh - Director
2. Shri Arvind Sharma - Additional Director

