

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

UNSTARRED QUESTION NO:3081
ANSWERED ON:31.07.2014
COAL ROYALTY HYBRID FORMULA .
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Will the Minister of COAL be pleased to state:

- (a) : whether the coal royalty hybrid formula was worked out in 2007;
- (b) : if so, the details and the salient features thereof;
- (c) : whether the coal producing States are losing heavily on coal royalty due to this formula;
- (d) : if so, the details thereof along with the reasons therefor;
- (e) : whether the Government proposes to work out a new coal royalty formula with a view to provide due share to the coal producing States; and
- (f) : if so, the details thereof?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF COAL, POWER AND NEW & RENEWABLE ENERGY (SHRI PIYUSH GOYAL)

(a & b): The rates of royalty on coal and lignite were revised on 01.08.2007 on a hybrid formula, based on the recommendation the Economic Advisory Council to Prime Minister (EAC) and the Committee on Royalty set up by the Ministry of Coal. The formula stipulated was, R (Royalty Rupees/tonne)= a+bp, where 'P' (price) mean basic pithead price of ROM (run-of-mine) coal and lignite as reflected in the invoice, excluding taxes, levies and other charges and the values of 'a' (fixed component) and 'b' (variable or ad-valorem component).

The above formula provided a certain minimum royalty under the specific component plus a share in the price as a variable component.

(c to f):The Section 9(3) of the MMDR Act, 1957 empower the Central Government to enhance or reduce the royalty rates in respect of any mineral by notification in the Official Gazette with effect from such date as may be notified. The proviso to Section 9(3) of the

Act prevents the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years.

The rates of royalty was again revised w.e.f. 10.05.2012 on the recommendations of a study group constituted under the Chairmanship of Additional Secretary, MOC after due consultations with all the stakeholders, which included the State Government (both coal/ lignite producing as well as consuming States), the concerned Ministries/ Departments/ Organizations of the Central Government major Coal consumers e.g. NTPC, Cement Manufacturers and coal companies. With this revision the royalty structure migrated to ad-valorem basis mainly on the demand of coal producing states. As per the Gazette notification issued, the rate of royalty on coal has been revised @ 14% ad-valorem on the price of coal, as reflected in the invoice, excluding taxes, levies and other changes.

The rate of royalty on lignite has been revised @6% ad-valorem on transfer price of lignite as ratified by the Central Electricity Regulation Commission (CERC) and if lignite sold to other consumers the royalty shall be 6% ad-valorem on the price of lignite as reflected in the invoice excluding taxes, levies and other charges.

The details of royalty received by the Coal and Lignite producing States is as under :

(RS. IN CRORE)

SN	NAME OF STATE	2007-	2008-	2009-	2010-	2011-	2012-	2013-
		08	09	10	11	12	13	14
1.	ANDHRA PRADESH	479	561	637	708	775	1143	1042
2.	ASSAM	21	21	28	28	26	43	70
3.	CHHATTISGARH	765	888	940	1024	1101	1624	1708
4.	JHARKHAND	886	1062	1152	1274	1431	1916	2057
5.	MADHYA PRADESH	767	961	1023	864	1013	1488	1542
6.	MAHARASHTRA	410	503	513	500	526	704	733
7.	ODISHA	625	762	881	932	1028	1225	1363

8. UTTAR PRADESH 115 93 149 168 182 237 244
9. WEST PRADESH 1`0 10 9 10 9 11 11
10. RAJASTHAN # # # 3 6 8 9
11. TAMILNADU 127 137 157 158 172 216 223
12 TOTAL 4195 4998 5489 5669 6269 8615 9002

A new study group has been constituted on 21.07.2014 under the Chairmanship of Additional Secretary (Coal) for further review of royalty rates on coal and lignite.