

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

STARRED QUESTION NO:262
ANSWERED ON:11.12.2014
COAL LINKAGES
Kamaraaj Dr. K.

Will the Minister of COAL be pleased to state:

- (a) the criteria laid down for allocation of coal linkages to consumers in power, steel and coal sectors;
- (b) the details of coal linkages allocated by the Standing Linkage Committee during the last three years and the current year;
- (c) whether the Government had granted coal linkages to power projects which was in excess of coal availability in the country, if so, the details thereof and the reasons therefor;
- (d) whether the public sector banks grant credit against the coal linkages and if so, the details thereof; and
- (e) whether the Government has formulated the policy for automatic transfer of coal linkages in respect of public sector power plants and if so, the details thereof?

Answer

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

(a)to(e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Q.No.262 for answer on 11.12.2014 asked by DR. K. KAMARAJ.

(a): After the introduction of New Coal Distribution Policy (NCDP) in October, 2007, the earlier linkage system has been replaced with a system of issuance of Letters of Assurance (LoA) which are converted into Long Term Fuel Supply Agreements (FSA) after achievement of prescribed milestones. The requests received from the applicant companies are forwarded to the Administrative Ministries for their recommendations and on receipt of the same, these are placed before the Standing Linkage Committee (Long-Term) for Power, Sponge Iron & Cement Sectors for authorization of LoA.

The criteria for allocating coal linkages to power projects were issued by the Ministry of Power. The order of priority for allocation of coal linkages was:

- i) Power projects of Central Sector, CPSUs, state sector and projects to be bid out by states on tariff based competitive bidding (Case II)
- ii) IPP Projects
- iii) Captive Power Projects

Power projects needed to have prequalification criteria like water allocation, identification of location, availability of land, Terms of Reference issued by Ministry of Environment and Forests, defined financial prequalifications, etc. The prioritisation was based on points allocated as below:

S.No.	Parameter	Points
1.	Projects proposing installation of units with super critical technology	20
2.	Projects at pit-head or in state where no major power projects have been planned in 11th /12th Plan	20
3.	Projects using sea water instead of fresh water	10
4.	Progress of land acquisition	50
	Total	100

The criteria for allocating coal linkages to sponge iron / steel plants issued by the Ministry of Steel was based on scrutiny of applications to determine the seriousness of applicant about setting up of the plant. Documentary evidences like Industrial Entrepreneur's Memorandum issued by DIPP, Land possession, Power connection, NOC for pollution clearance, Engineering Consultant Certificate, Financial tie up with the banks, Installed capacity, Central Excise Duty / Sales Tax paid, etc. were called for.

After getting satisfied about the progress of the implementation of the project, quantity of coal was assessed based on the norms of consumption of coal and thereafter the applications were referred to the Ministry of Coal for confirmation of availability of coal.

(b): Keeping in view the negative coal balance reported by subsidiary coal companies of CIL, new Long Term Linkage/LoA have not been granted to any of the sectors since 2010.

(c): Coal linkages/LoAs were granted to various sectors in anticipation of increase in coal production. However, the growth in production of coal in India was only 0.2% in 2010-11 and 1.3% in 2011-12 as against 6.1% in 2007-08, 7.8% in 2008-09 and 8.0% in 2009-10. Hence, the production of coal in the country was not commensurate with the projections of availability of coal. Thus, availability of coal in the country was not sufficient to cater to requirements of coal linkages granted to all the power projects.

(d): As per information received from Department of Financial Services, 11 banks have exposure to the tune of Rs. 51203.96 Cr against coal linkages, 10 banks have no exposure, whereas 6 banks have not given information.

(e): Vide decision of the Standing Linkage Committee (Long-Term) dated 27.06.2014,LoA / linkage granted to the old power plants shall be automatically transferred to the new power plant of nearest supercritical capacity. If the capacity of the new supercritical plant is higher than the old plant, additional coal may be accorded priority subject to availability, on the best effort basis from CIL, provided;

(i)at least 50% of capacity of new supercritical plant has been retired; and

(ii)the new plant is set up within the State in which the old plant was located and the old plant is actually scrapped.

This policy is applicable to pre-NCDP plants in public sector only.