Report of the
Comptroller and Auditor General of India
on

Allocation of Coal Blocks and Augmentation of Coal Production

For the year ended March 2012

Union Government
Ministry of Coal
Report No. 7 of 2012-13
(Performance Audit)

Contents


HYUNDAI

Preface

The Report has been prepared for submission to the President of India under Article 151 of the Constitution.

This Report of the Comptroller & Auditor General of India contains the results of the Performance Audit on "Allocation of coal blocks and Augmentation of coal production". The widening gap between the demand and domestic supply of coal and consequently the progressively increasing imports has assumed a critical situation warranting a study to examine the effectiveness of the processes adopted in allocation of coal blocks to increase coal production and in terms of transparency and objectivity. The performance by CIL in augmenting coal production to meet the demand of the core infrastructure sectors like Power, Steel and Cement has also been analysed. The issue of competitive bidding for allocation of captive coal blocks in the light of the Ministry of Coal's initiatives starting from 2004 and the likely benefits passed on to the private allottees by not resorting for Competitive Bidding has also been brought out.

Audit wishes to acknowledge the cooperation received from CIL and the Ministry of Coal at each stage of the audit process.

Executive Summary

Coal is the most important indigenous source of energy for Indian economy with a geological reserve of 2,85,863 million tonne and more than half of the current commercial energy is met by coal. The widening gap between the demand and domestic production of coal and consequent increase in coal imports to fill up the gap warranted a study to examine the adequacy and effectiveness of the action taken by Coal India Limited (CIL) and the Ministry of Coal (MOC) for augmentation of coal production. This assumes significance as there are instances where capacities in the power sector have been lying idle or facing difficulties in augmentation of capacity for want of coal. Further, though the Government of India (GOI) has notified certain sectors which may undertake captive mining of coal, the process of allocation of coal mines should be objective and transparent.

In the backdrop of the above factors, a Performance Audit on "Allocation of Coal Blocks and Augmentation of Coal Production" has been conducted. Significant audit findings are narrated below:

- For increasing the production of coal, the Expert Committee, chaired by Shri T.L. Sankar, on Road Map for Coal Sector Reforms (December 2005) had recommended that the drilling capacity of Central Mine Planning and Design Institute Limited (CMPDIL) be enhanced to at least 15 lakh metre per annum. As against it, the expected drilling capacity of CMPDIL was only 3.44 lakh metre in 2011-12. **(Para 3.2)**

- The rate of increase in production of coal by CIL during XI plan period remained far below the target envisaged by the Planning Commission. The low production was due to inadequate drilling capacities, backlog in overburden removal, mismatch between excavation and transportation capacities, low availability and under-utilisation of Heavy Earth Moving Machinery (HEMM) etc. Efforts of the MOC to increase production by de-reservation of 48 coal blocks of CIL and allocating the same to captive consumers did not yield the desired results as no production could commence from these blocks. **(Para 3.3)**

- New Coal Distribution Policy 2007 envisaged better distribution of coal to small and medium consumers. However, no monitoring mechanism was put in place in CIL for verification of end use of coal. **(Para 3.4)**

- The guidelines for allocation of captive coal blocks clearly stated that "the blocks offered to private sector should be at reasonable distance from existing mines and projects of CIL in order to avoid operational problems". Audit, however, observed that de-reservation of Moher and Moher-Amlohri Extension from NCL in September 2006 and allocation to Sasan UMPP resulted in sharing of boundary of Amlohri Opencast Project of NCL with the private party. As such NCL could not access coal reserve of 48 million tonne of its Amlohri OCP. This also reduced its project life from 24 to 20 years. Similarly, the sharing of boundary of Nigahi Opencast Project of NCL with Moher-Amlohri Extension resulted in reduction of mineable reserves by 9 million tonne. **(Para 3.5)**

- There has been a continuous rise in production of coal from the opencast mines by CIL. However, there was an aggregate shortfall of production in ECL by 9.1 million tonne, CCL by 5.88 million tonne and MCL by 22.86 million tonne during 2006-07 to 2010-11. **(Para 3.6)**

- The production from underground mines has stagnated around 43 million tonne from 2006-07 to 2009-10 and decreased to 40 million tonne in 2010-11, which was 9.28 per cent of the total production of CIL in 2010-11. **(Para 3.7)**

- The Screening Committee recommended the allocation of coal block to a particular allottee / allottees out of all the applicants for that coal block by way of minutes of the meeting of the Screening Committee. However, there was nothing on record in the said minutes or in other documents on any comparative evaluation of the applicants for a coal block which was relied upon by the Screening Committee. Minutes of the Screening Committee did not indicate how each one of the applicant for a particular coal block was evaluated. Thus, a transparent method for allocation of coal blocks was not followed by the Screening Committee. **(Para 4.1)**

- The concept of allocation of captive coal blocks through competitive bidding was first made public on 28 June 2004 at an interactive meeting held with the stake holders under the chairmanship of Secretary (Coal). Following the meeting, a comprehensive note on "Competitive Bidding for allocation of coal blocks" was submitted (16 July 2004) by the then Secretary (Coal) before the Minister of State, Coal and Mines highlighting that **"………**since there is a substantial difference between price of coal supplied by Coal India and coal produced through captive mining, there is a **windfall gain** to the person who is allotted a captive block**……..**". It was, therefore, felt necessary by MOC to adopt a selection process which could be acceptable as demonstrably more transparent and objective. Auctioning of blocks was considered as one of the widely practised and acceptable selection process which was transparent and objective. The note further indicated that the **"…….**the bidding system will only tap part of the **windfall profit** for the public purposes**……..".** Despite these facts, the GOI is yet (February 2012) to finalise the *modus operendi* of competitive bidding. **(Para 4.2)**

- As of June 2004, 39 coal blocks (net) stood allocated. During the period from July 2004 to September 2006 (till the time the matter was referred to the Ministry of Mines for taking action on the issue of amendment of MMDR Act for introduction of competitive bidding), 71 more blocks (net) were allocated. In all, since July 2004, 142[i] coal blocks (net) were allocated to various Governments and private parties following the existing process of allocation. This allocation lacked transparency and objectivity. While admitting the above facts, the Ministry stated in March 2012 that the view that the system

[i] ***Out of 216 blocks (Para 5.1) allocated, 22 blocks (net) were de-allocated, 39 blocks were allocated prior to June 2004, 12 blocks were allocated to UMPP and one block pertains to SCCL.***

of bidding could be introduced through administrative instructions was given by the Ministry of Law and Justice (MoLJ) on 28 July 2006 for the first time and in the light of the conflicting opinions, a reference was again made. MoLJ in its opinion dated 30 August 2006 after clarifying rationale for earlier opinion, finally opined that the administrative ministry may initiate measures for amendment in the MMDR Act. Pending amendment in the Act, it proceeded to allocate coal blocks on the advice of the ECC of July 2006. Finally with the amendment in the MMDR Act, rules for auctions by competitive bidding of coal mines were notified on 2 February 2012 after inter ministerial consultations. **(Para 4.2)**

- Most importantly, the contention of MOC in 2004-2006 when it was making attempts to introduce transparency/ competition in allocation of coal blocks was exactly along the lines of the conclusions of audit. The Hon'ble Supreme Court, in the judgement on 2G spectrum, has also directed to introduce transparency/competition in allocation of scarce natural resources. **(Para 4.3)**

- Delay in introduction of the process of competitive bidding has rendered the existing process beneficial to the private companies. Audit has estimated financial gains to the tune of ₹ 1.86 lakh crore likely to accrue to private coal block allottees (based on average cost of production and average sale price of Opencast mines of CIL in the year 2010-11). A part of this financial gain could have accrued to the national exchequer by operationalising the decision taken years earlier to introduce competitive bidding for allocation of coal blocks. Therefore, audit is of strong opinion that there is a need for strict regulatory and monitoring mechanism to ensure that benefit of cheaper coal is passed on to the consumers. **(Para 4.3)**

- Captive coal mining is a mechanism envisaged to encourage private sector participation in coal mining. CIL has not been able to increase production to meet the growing demand for coal for core infrastructure sectors like Power, Steel and Cement etc. With the declared objective for "Power to all by 2012", the Government allocated 194 (net) coal blocks with aggregate geological reserves of 44,440 million tonne to Government and private parties as of 31 March 2011. The procedure followed for allocation of coal blocks to captive consumers lacked transparency as the allotments of coal blocks to prospective captive consumers were made merely on the basis of recommendation from State Governments and other administrative ministries without ensuring transparency and objectivity. **(Para 4.1 and 5.1 read with Para 1.1 and 1.6)**

- Production of coal from captive mining was not encouraging. Out of 86 such coal blocks which were to produce 73.00 million tonne of coal during 2010-11, only 28 blocks which included 15 blocks allocated to private sector, could start production by 31 March 2011 and produce only 34.64 million tonne of coal during 2010-11. **(Para 5.2)**

- Coordinated and planned approach by the State Governments and the Central Government towards commissioning of end-use projects based on coal and the commencement of production from the captive coal blocks is called for. The abnormal time taken for obtaining mining leases, surface rights and the subsequent land acquisition, resettlement/ rehabilitation issues as also enormous delays in obtaining forest and environmental clearances from the Central and State Governments have severely hindered the commencement of production from captive coal blocks. There is a need of a High Powered Committee as a single window mechanism to expedite actions towards granting of various approvals. **(Para 5.5)**

- Mines and Minerals (Development and Regulation) Act, 1957 (MMDR) provides that the Coal Controller's Organisation (CCO) may enter and inspect any colliery with a view to securing compliance of rules. However, CCO has not conducted any physical inspection of allocated coal blocks to ascertain the actual progress/production vis-à-vis the progress/production reported by the allottees. The correctness of the data furnished by the allottees, therefore, could not be vouched. The Monitoring Committee of MOC was to review the progress of allocated coal blocks which met quarterly instead of every month. **(Para 5.6)**

- MOC introduced (March 2005) the system of bank guarantee (BG) to ensure timely production from the coal blocks. MOC de-allocated 24 blocks upto June 2011 for lack of initiative for development of coal blocks by the allottees. The Monitoring Committee also recommended (January and February 2011) for deduction of BG from 15 allottees for delay in development of coal blocks. However, MOC could not encash the BG, wherever applicable, from these allottees as the modalities for such encashment were still to be worked out (November 2011). The Expert Committee also recommended for encashment of BG in full in such cases. As of November 2011, amount of lapsed BG worked out by audit was ₹ 311.81 crore against 15 blocks which needed to be renewed. **(Para 5.7)**

Recommendations:

MOC should

- With the declared objective of "Power to all by 2012", Government has taken many steps inter-alia allocating coal blocks for captive mining for power and other sectors in a big way. It would be worthwhile to make an assessment of the level of success of this declared objectives so as to make mid course corrections. The need for power in the economic development of the country will continue to be paramount. Hence, the criticality of such an assessment and further road map to advance the objective of "Power to all". There is a need to constitute an empowered group along the lines of Foreign Investment Promotion Board (FIPB) as a single window mechanism with representatives of Central nodal ministries and State Governments to grant the necessary clearances such as mining lease, mining plan, forest clearance, environment management plan and land acquisition for accelerating the procedures for commencement of production.

- In order to bring 'objectivity' and 'transparency' in the allocation and for tapping of a part of benefit accruing to the allottees of captive coal blocks, MOC should urgently work out the modalities to implement the procedure of allocation of coal blocks for captive mining through competitive bidding.

- MOC should evolve a system of giving 'incentives' to encourage production performance from captive coal blocks and 'disincentives' to discourage non/poor performance.

CCO should

- Conduct physical inspection of allotted blocks on regular basis.

CIL should

- Fix its production targets in line with the targets fixed by the Planning Commission.
- Expedite setting up of coal washeries as washing capacities of coal are grossly inadequate in CIL subsidiaries in view of the fact that Indian coal contains higher percentage of ash and washing of coal is of utmost significance, both for the efficiencies in the user plants and from the point of view of environmental concerns besides fetching higher returns.
- Synchronise its excavation and transportation capacities.

Chapter 1 Coal – An Overview

1.1 Background

Coal is the most valuable and reliable source of energy to the Economy and more than half of the current commercial energy requirement is met by coal. With the passage of time, the Power sector has emerged as the main consumer of coal for thermal power generation in India. Metallurgical and Cement sectors are other major consumers of coal.

The production of coal assumed greater significance after 2003 when Government of India (GOI) pronounced a mission "Power to all by 2012". Accordingly, the GOI envisaged capacity addition of 1,00,000 MW of power by 2012 and in order to meet this increased capacity, corresponding increase in the coal production was required in the X to XI Plan periods (i.e. 2002-12).

The roles and responsibilities of various agencies involved in exploration, production and allocation of coal are indicated below:

Ministry of Coal (MOC)

The Ministry of Coal (MOC) has the overall responsibility of framing policies and strategies for exploration and development of coal reserves. It also lays down general guidelines for production, supply and distribution of coal.

Coal Controller's Organisation (CCO)

The Coal Controller's Organisation (CCO) is a subordinate office of MOC having its headquarters at Kolkata. The CCO discharges various statutory functions such as inspection of collieries for ensuring class, grade and size of coal, adjudicating claims of consumers on grade and size of coal; collection and publication of statistical information on coal and to grant opening/ reopening of coal mines. In 2005, MOC appointed CCO as the nodal agency for monitoring the production of coal blocks allocated for captive mining.

Coal India Limited (CIL)

Coal India Limited (CIL), a Maharatna Company, under MOC, was incorporated in November 1975. CIL has seven wholly owned coal producing subsidiaries, i.e. Bharat Coking Coal Limited (BCCL), Central Coalfields Limited (CCL), Eastern Coalfields Limited (ECL), Mahanadi Coalfields Limited (MCL), Northern Coalfields Limited (NCL), South Eastern Coalfields Limited (SECL), Western Coalfields Limited (WCL) and one mine planning and consultancy company *viz.* Central Mine Planning and Design Institute Limited (CMPDIL).

CIL is the largest coal producing company in the world. It produced 431.32 million tonne of coal and earned a net profit of ₹ 10,867 crore during 2010-11. As on 31 March 2011, CIL operates 471 mines across eight states in India. Of these, 163 were open cast mines, 273 underground mines and 35 mixed mines.

Central Mine Planning and Design Institute Limited (CMPDIL)

CMPDIL provides technical support to the seven producing subsidiary companies in the area of geological exploration and drilling, project planning and designing, engineering services, research and development, environmental services etc.

Besides, Geological Survey of India (GSI) and Mineral Exploration Corporation Limited (MECL) undertake prospecting in areas that could potentially have coal reserves. Such prospecting is funded by the GOI. Detailed exploration is entrusted to CMPDIL, which based on the results of detailed drilling, prepares geological reports for a block area. After the result of regional/ promotional drilling has been analysed, it in turn, forms the basis of planning and designing of mines, preparation of mine plans and deciding on the mine capacity that can be sustained for the reserves in the block.

1.2 Coal reserves in the country

The table below indicates the quantum of Geological Reserves (GR) of coal available in the country:

(Figures in million tonne)

As on	Geological reserves of coal in the country			
	Proved[1]	Indicated[2]	Inferred[3]	Total
1 January 2006	95,866	119,769	37,666	253,301
1 April 2007	99,060	120,177	38,144	257,381
1 April 2008	101,829	124,216	38,490	264,535
1 April 2009	105,820	123,470	37,920	267,210
1 April 2010	109,798	130,654	36,358	276,810
1 April 2011	114,002	137,471	34,390	285,863

As may be seen from the above, the total GR of coal in India as of 01 April 2011, stood at 2,85,863 million tonne, of which 1,14,002 million tonne was in the 'Proved' category, 1,37,471 million tonne was in the 'Indicated' category and 34,390 million tonne was in the 'Inferred' category. Over the last five years, the coal reserves have increased by 32,562 million tonne.

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[1] *Represents resource base with the highest confidence level of 90%.*
[2] *Represents resource base with confidence level of 70%.*
[3] *Represents resource base with confidence level of 40%.*

1.3 National coal demand

The Planning Commission projected a demand of 731.10 million tonne of coal for the terminal year of the XI Plan, i.e. 2011-12, based on a cumulative annual growth rate (CAGR) of 9.7 per cent. In the mid-term appraisal, the Planning Commission revised the demand for coal to 713.24 million tonne for the terminal year based on a CAGR of 8.98 per cent. The sector-wise demand forecasts for 2011-12, as per the original projections and mid-term appraisal of the XI Plan are given in table below.

(Figures in million tonne)

Sector	Demand projection by Plannning Commision	
	Original	Revised
Power	483.00	473.00
Captive Power Plants	68.50	68.50
Steel	31.90	33.35
Cement	57.06	47.00
Others	90.54	91.39
Total	**731.00**	**713.24**

1.4 Domestic production of coal

The Planning Commission envisaged coal production to reach 680 million tonne (520.50 million tonne for CIL) in 2011-12. The incremental production envisaged was 247.50 million tonne as against 104.71 million tonne in the X Plan. CIL was expected to add 156.70 million tonne, Singareni Collieries Company Limited (SCCL) 3.30 million tonne and captive blocks 86.53 million tonne.

In the mid-term appraisal, the Planning Commission revised coal production target from 680 million tonne to 629.91 million tonne (520.50 million tonne to 486.50 million tonne for CIL) for 2011-12, mainly because 17 major projects of CIL, which were to contribute 100.65 million tonne were expected to contribute only 46.72 million tonne due to delays in getting necessary forest and environmental clearances.

1.4.1 Coal production by CIL

At present, CIL contributes about 81.10 per cent of the total supply of coal to various consumers in the country as per the New Coal Distribution Policy (NCDP) 2007 which came into force from 18 October 2007. The new policy envisages distribution of coal mainly through two channels – Fuel Supply Agreements (FSAs)[4] at notified

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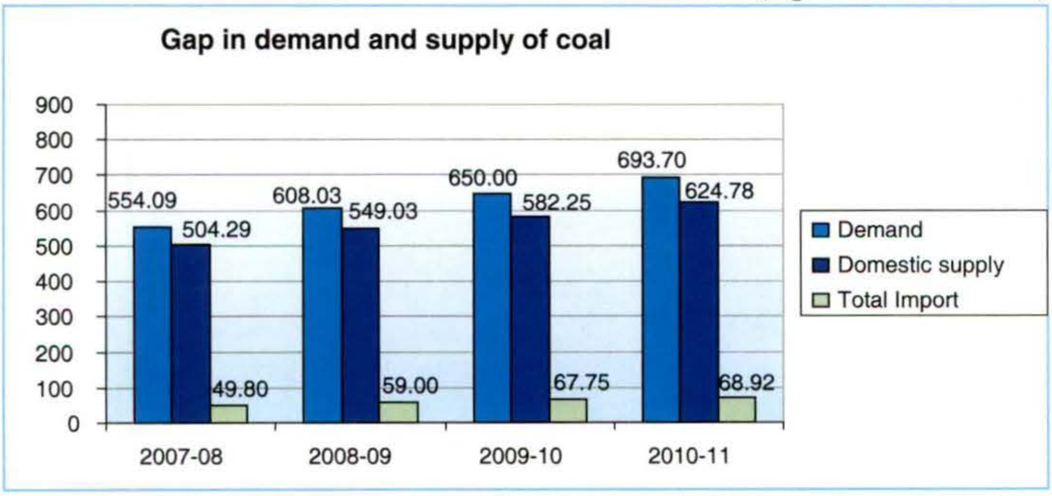
[4] ***All the existing linkage holders of erstwhile core and non-core sectors not having FSAs were required to enter into FSA with the coal companies. The concept of core and non-core sector was discontinued after NCDP 2007.***

prices to be fixed and declared by CIL and e-auction. The balance for consumers with requirements upto 4,200 tonne per annum, is through the agencies nominated by the State Governments at notified prices of CIL plus actual freight and service charge.

1.5 National demand - supply gap of coal

Discussion paper on Annual Plan 2012-13 furnished by MOC to the Planning Commission indicated that gap between demand and supply of coal will be met by import. The import policy allows coal to be freely imported under Open General License by the consumers themselves considering their need and exercising their own commercial prudence. Gap between demand and supply of coal vis-à-vis actual import, as worked out by the Planning Commission, is shown in Chart below.

(Figures in million tonne)



It may be seen from above graph that due to the gap in demand supply of coal, the quantum of import increased from 49.80 million tonne in 2007-08 to 68.92 million tonne in 2010-11 which had an adverse impact on the country's foreign currency outgo.

1.6 Allocation of coal blocks

Under the Coal Mines (Nationalisation) Act 1973, coal mining was exclusively reserved for the public sector. However, Coal Mines (Nationalisation) Amendment Act, 1976 allowed the following exceptions to the above policy, *viz.,*

- Captive mining by private companies engaged in production of iron and steel, and
- Sub lease for coal mining to private parties in isolated small pockets not amenable to economic development and not requiring rail transport.

The process was carried further by another amendment to the Coal Mines (Nationalisation) Amendment Act in 1993 which allowed coal mining for captive consumption for power generation and other end uses to be notified by the Government from time to time. Thus, mining of coal by Indian private companies was allowed in phases for their end use in iron and steel production, generation of power, and cement production.

In July 1992, Government of India constituted a Screening Committee[5] for screening proposals received for captive mining by the private power generation companies. The significant events are listed in ***Annexure-I***.

Till 2004, there was no clearly spelt out criteria for allocation of coal mines and most of the mines were allocated to the applicants who had produced only a letter of recommendation from the concerned State Government indicating that the party was planning to set up a permitted end use project of specified capacity.

Meanwhile, GOI constituted (December 2004), an Expert Committee on Road Map for Coal Sector Reforms (Expert Committee) headed by Shri T. L. Sankar, Chairman, Energy Group Administrative Staff College of India to prepare a comprehensive roadmap for modernisation of the coal sector. The major recommendations (2005) of the Expert Committee are included at ***Annexure-II.***

Major recommendations of Expert Committee (2005)

- Continue to regulate price of coal to ensure least cost of supply of coal for power generation while allowing a competitive and transparent coal market to supply the needs of other consumers.
- Emphasis on the role of captive mining to contribute significantly to the production of the coal in the short to medium term.
- The procedure and processes of allocation of coal blocks needed to be improved to expedite the allotment of captive coal blocks in a transparent and effective manner.
- Production from captive mines during mine development or periodic surpluses during mine operations must be sold to CIL/SCCL at negotiated price.
- Encashment of bank guarantees of non-serious players.
- De-reservation of CIL coal blocks that cannot be put into production before 2026-27.
- Setting up a permanent special task force for monitoring progress of clearances and project implementation to enhance the domestic coal capacity.

[5] *Under the chairmanship of the Additional Secretary, MOC, and Advisor(Projects), MOC, Joint Secretary, and Financial Adviser, Representatives of the Ministry of Railways, Power and the concerned State Government as members.*

The GOI framed (1993) the guidelines for allocation of coal blocks which, in order to improve the system and bring transparency for deciding the *inter se* priority amongst the competing applicants, were modified by the MOC in 2005, 2006 and 2008. Brief of these guidelines is given below:

➢ MOC in consultation with public sector coal companies would identify and prepare a list of such coal blocks for allocation.

➢ From the blocks so identified, MOC would invite applications for a few blocks at a time through advertisements in important national and regional newspapers.

➢ For allocation under Government dispensation, the list of identified blocks would be circulated inviting applications from the concerned Government companies.

➢ These applications would be scrutinised by a Screening Committee under the Chairmanship of Secretary (Coal) and recommended for allocation of the blocks.

Till March 2011, the MOC has allocated 194 coal blocks (net)[6] (44,440 million tonne) for captive mining of which 142 were explored blocks (GR: 23,391 million tonne) and the balance 52 were either regionally explored or unexplored coal blocks (GR: 21,049 million tonne).

[6] ***After taking into consideration de-allocation and re-allocation of coal blocks.***

Chapter 2 Audit Framework

2.1 Audit objectives

Gap between demand and domestic supply of coal is widening in the country and consequently imports are progressively increasing. On the other hand there are instances where capacities in power plants are either lying idle or facing difficulties in augmentation in capacity for want of coal. In the backdrop of these concerns, Performance Audit on ' Allocation of Coal Blocks and Augmentation of Coal Production' has been undertaken to obtain assurance that:

- CIL augmented its production capacities as planned:

- Procedures followed for allocation of coal blocks for captive mining ensured objectivity and transparency;

- Coal blocks allocated for captive mining augmented production of coal as envisaged.

2.2 Scope of audit

Performance Audit has covered the period 2006-07 to 2010-11 and allocation of coal blocks by MOC from 2004 onwards. Records of MOC, CCO, CIL and its subsidiaries were test-checked during September to November 2011. Entry Conference with CIL and its subsidiaries was held on 16 September 2011 and with MOC on 13 October 2011. Two Exit Conferences were held on 9 February 2012 and 9 March 2012.

2.3 Audit criteria

The main criteria followed by audit were:

- Projections of the Planning Commission regarding demand and supply of coal and related parameters for the XI Plan and in the mid-term appraisal of the XI Plan.

- Performance parameters fixed by MOC and CIL for various activities related to production, supply and distribution of coal.

- Policies, procedures and guidelines regarding
  - Allocation and monitoring of coal blocks,
  - Production, supply, distribution and pricing of coal.

- Results Framework Document (RFD) for MOC and Memorandum of Understanding (MoU) of CIL and its subsidiaries with MOC.

Audit wishes to acknowledge active cooperation and assistance provided by MOC, CIL and CCO at all levels of management which facilitated the completion of this Performance audit.

Chapter 3 Augmentation of Coal Production

3.1 Estimation of Coal Reserves

In India, estimation of coal reserves is computed by GSI on the basis of the Indian Standard Procedure (ISP) code of 1956. It is a geological reserve classification system which addresses only the volume and tonnage, i.e. the reserve of coal and not the actual structural delineation. The structural delineation provides valuable information so that the reserves are economically and technically amenable to extraction.

Though GOI took a decision in May 2001 to do away with ISP and implement the internationally accepted system of United Nations Framework Classification (UNFC) for minerals which lays down a standard procedure for calculating the size of reserves and resources based on a three-dimension system with technical feasibility, economic viability and geological estimate, no action was taken till the PMO directed (April 2007) the MOC to examine the issue. Consequently, CMPDIL undertook (November 2011) a study for converting the existing system of coal reserve classification to UNFC. The draft report has since been submitted (March 2012) by CMPDIL to the GOI. Final decision in the matter is awaited.

3.2 Inadequate drilling capacities for proving reserves

The Expert Committee (December 2005) had suggested that MOC should make all possible efforts to enhance the drilling capacity of CMPDIL from 3 lakh metre per annum to at least 15 lakh metre per annum.

Audit noticed that target for exploratory drilling by CMPDIL and others in the XI Plan period was 7.50 lakh metre for CIL blocks and 13.70 lakh metre for non-CIL blocks against which the achievements were 5.88 lakh metre and 7.82 lakh metre respectively, leading to a shortfall by 1.62 lakh metre (CIL blocks) and 5.88 lakh metre (non-CIL blocks) vis-à-vis the targets of the XI Plan. As of March 2011, 1828 million tonne of coal reserve was established. The drilling capacity of CMPDIL was expected to be only 3.44 lakh metre in 2010-11 as against the target of 15 lakh metre per annum as suggested by the Expert Committee.

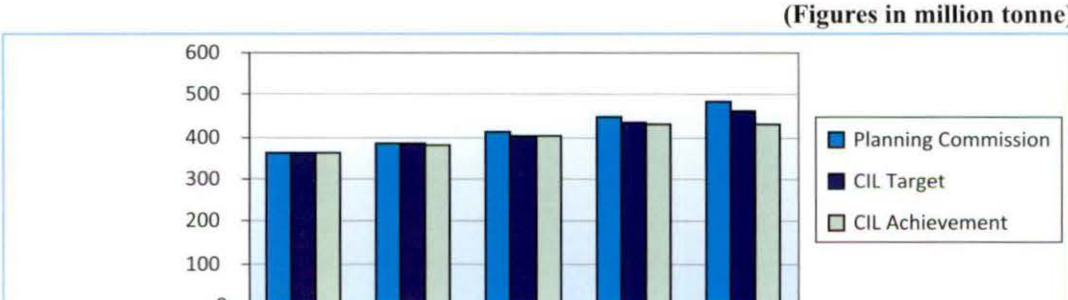
The Ministry stated (February 2012) that in case of regional exploration against a target of 7.47 lakh metre of drilling (revised estimate), 5.30 lakh metre was achieved upto January 2012. The expected achievement at the end of XI Plan is 5.69 lakh metre. The shortfall of 1.78 lakh metre in drilling is stated to be non availability of forest clearance despite active persuasion by CMPDIL. The Ministry further added that as regards detailed exploration in non-CIL blocks, CMPDIL has submitted a *scheme to undertake 13.50 lakh metre of detailed drilling. The likely achievement (other than outsourcing) was 7.62 lakh metre of drilling against the target of 7.12 lakh metre (revised estimate). Outsourcing of drilling work of 18 blocks involving 7.28 lakh metre of drilling was proposed to be completed in three years after awarding the contract in 2008-09 as against which the achievement (upto January 2012) was 4.97 lakh metre. Thus a balance of 2.31 lakh metre of drilling was required to be completed in the last two months of the terminal year of XI Plan. Low progress in drilling was due to non-clearance of forest land. It was further stated that enhancement of departmental capacity through expansion and modernisation was taken by introduction of mechanical equipment and additional drills. In respect of drilling in CIL areas, it was proposed to drill 5 lakh metre in the XI Plan against which 11.2 lakh metre of drilling was likely to be achieved.*

In brief, CMPDIL needs to increase its drilling capacity of non-CIL blocks as also engage other agencies for accelerated exploration, assessment of coal reserves and preparation of geological reports.

3.3 Production of Coal by CIL

Production by CIL against its internal targets and the targets fixed by the Planning Commission for five years ending 31 March 2011 is given below:

(Figures in million tonne)



	2006-07	2007-08	2008-09	2009-10	2010-11
Planning Commission	360.93	384.51	411.36	449.49	482.38
CIL Target	363.80	384.51	405.00	435.00	460.50
CIL Achievement	360.92	379.46	403.73	431.26	431.32

As would be seen from the above, the annual production of CIL has been more or less in line with its internal targets during the period from 2006-07 to 2010-11. The annual production ranged between 99.21 *per cent* and 99.14 *per cent* of the targeted production during 2006-07 to 2009-10, but, decreased to 93.66 *per cent* in 2010-11. However estimated production (April 2011) for 2011-12 were short of targets fixed by the Planning Commission by 73.50 million tonne and 39.50 million tonne as per the original and revised targets respectively. Against an envisaged growth rate of 43.07 *per cent* (original) and 33.73 *per cent* (revised) for XI Plan, the actual growth in production was only 19.51 *per cent* in four years till 2010-11. Even the reduced target of production by the Planning Commission in the mid-term appraisal, was further lowered by 8.12 *per cent* by CIL for 2011-12.

The main grounds for fixation of lower production targets were delays in environment and forest clearances and non-availability of sufficient number of railway wagons.

Non achievement of targets by CIL resulted in the following:

- CIL failed to supply 54.41 million tonne of coal as per the Fuel Supply Agreements (FSA) during the period 2008-09 [7] and 2010-11.

- Planning Commission suggested sale of at least 20 *per cent* of the non-coking coal production through e-auction for effective discovery of market price of coal. The Expert Committee (December 2005) also recommended e-auction sale for a minimum of 10 *per cent* of domestic production initially and thereafter increase the same to 20 *per cent* by the third year and to reach 30 *per cent* over a period of 5 to 7 years. New Coal Distribution Policy 2007 (NCDP) envisaged that around 10 *per cent* of annual production would initially be offered for e-auction. The percentage of e-auction of non-coking coal production was 12.96, 11.57 and 11.94 during 2008-09, 2009-10 and 2010-11 respectively. Although e-auction prices were above the notified prices by 58.10 to 80.70 *per cent*, higher e-auction sales could not be resorted to as CIL failed to meet its commitments under the FSA.

The Ministry stated (February 2012) that the production target was fixed by Planning Commission on the basis of assessed demand of coal from various stakeholders (Power, Steel and other sectors) whereas CIL's production target was fixed keeping in view the actual performance of previous years with an expected growth rate. However, the projected level of power generation reduced from 1,00,000 MW in the beginning of the XI Plan period to about 70,000 MW, causing decrease in demand of coal. Even with reduced rate of production, the accumulation of stock within the X plan period increased from 45.60 million tonne (as on 1 April 2008) to 69.17 million tonne by the end of 2010-11, giving no room for further production. Besides, there were other reasons[8] also which acted as an impediment for expansion of new projects resulting in the variations of the targets from original XI Plan document and Mid Term Appraisal.

The reply of the Ministry is to be viewed in the light of the following:

- CIL failed to meet the FSA commitments, which gradually increased over the years.

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[7] ***The earlier years of XI Plan have not been mentioned as the system of linkage was replaced by FSA in October 2007 as per NCDP 2007.***

[8] ***Embargo imposed in view of Comprehensive Environmental Pollution Index (CEPI), delay in forestry and environmental clearance, evacuation problem, law and order problem mainly in Jharkhand and Orissa, delay in land acquisition and rehabilitation and resettlement problems.***

- There were large imports of non-coking coal over the years.

- Even after mid- term corrections by Planning Commission, there was further down scaling of the targets/production by CIL.

3.4 Absence of mechanism for monitoring end use of Coal

New Coal Distribution Policy, 2007 (NCDP) envisages distribution of coal to small and medium consumers an effective manner. However, no mechanism is in place in the subsidiaries of CIL to monitor supply of coal through state nominated agencies and to verify the end use of coal. Non-verification of credentials not only defeats the objectives of NCDP for distribution of coal to small and medium consumers, but is also fraught with the risks of diversion and sale in the black market.

The Ministry stated (February 2012) that CCL, one of CIL subsidiaries introduced the system of verification of documents from such consumers and it was decided that the efficacy or implementation of this system would be obtained from the subsidiary. Based on the same, a decision on the system of verification of consumers would be decided by the Ministry.

3.5 De-reservation of CIL coal blocks

CIL carried out an exercise in 2004 for identification of coal blocks required for maintaining the production at the XI Plan level upto 2036-37 and 289 additional blocks were identified. The total reserves to be retained by CIL, together with the then existing mines and projects, worked out to around 93,000 million tonne.

Energy Coordination Committee[9] (ECC) constituted by the Hon'ble Prime Minister of India, in July 2005, decided (February 2006) that since out of 289 coal blocks (229 explored and 60 unexplored) reserved for CIL till then, only 150 blocks were planned for production by CIL upto 2011-12, in the interest of increasing the supply of coal in the country, some of the 79 coal blocks which were explored in detail should also be made available to others for mining.

MOC advised CIL to retain only those blocks which were projected for production by the terminal year of the XI Plan and relinquish the remaining blocks for captive allocation. Accordingly, MOC de-reserved (May 2006) 48 CIL blocks with 9217.27 million tonne of coal reserves (40 explored with GR of 5831.27 million tonne and 8 unexplored with GR of 3386 million tonne) for captive allocation. This, together with 5 CIL Blocks allotted (January 2006) to NTPC Limited and three blocks (Moher and

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[9] ***Chaired by the Hon'ble Prime Minister, with Ministers of nodal Ministries (Finance, Power, Petroleum), Planning Commission etc.***

Moher Amlohri allotted in September 2006 and Chhatrasal allotted in October 2008) to Sasan UMPP, led to a further release of 3780 million tonne of coal reserves from CIL. After the de-reservation of the above blocks, CIL was left with around 81500 million tonne of coal reserves.

Audit examined the status of these 48 blocks de-reserved from CIL as of June 2011 and found the following:

- Nine blocks remained un-allocated.
- Three were de-allocated after allocation.
- Nine blocks were yet to commence production. In these, the normative production date was over.
- In the balance 27 blocks, normative production schedules were from July 2011 to April 2014.

Further, the guidelines for allocation of captive coal blocks clearly stated that "the blocks offered to private sector should be at reasonable distance from existing mines and projects of CIL in order to avoid operational problems". Audit, however, observed that de-reservation of Moher and Moher-Amlohri Extension from NCL in September 2006 and allocation to Sasan UMPP resulted in sharing of boundary of Amlohri Opencast Project of NCL with the private party. As such NCL could not access coal reserve of 48 million tonne of its Amlohri OCP. This also reduced its project life from 24 to 20 years. Similarly, the sharing of boundary of Nigahi Opencast Project of NCL with Moher-Amlohri Extension resulted in reduction of mineable reserves by 9 million tonne.

Contrary to the expectations of the Energy Coordination Committee for early realisation of production potential offered by these proven coal reserves, no production could take place. While CIL had to relinquish these coal blocks, no production could materialize from these blocks. Thus, the expectation of early realisation of coal reserves by de-reservation of coal blocks from CIL on urgent basis and re-allocation of the same to other parties remained unfulfilled.

CIL has been engaged in working on an 'Emergency Production Plan' in the Xth Plan to meet the rising demand of coal by advancing the production schedule in 12 existing mines/ ongoing projects and by taking up four new projects through outsourcing production of coal and removal of overburden. With de-reserving of CIL coal blocks for captive mining, it was imperative that the requests of CIL for additional blocks are considered on priority.

Audit, however, noted that requests of CIL for additional blocks were not acceded to/acted upon by MOC as discussed below:

- CIL requested (August 2008) MOC to allocate 138 blocks with reserves of 57570 million tonne. This was revised (September 2011) by CIL to 116 blocks with 49790 million tonne of GR. Final decision of MOC is however awaited. This would adversely affect the production plans of CIL.

- MOC allocated (November 2008) Rajhara North block for captive mining by de-reserving from CIL despite the request made (January 2008) by CIL for not de-reserving the block, which had created a surplus of more than 400 employees.

- MOC allotted (October 2009) Moira Modhujore North block for captive mining which was inadvertently included in the list of blocks for allotment to other players and the request of ECL not to de-reserve was turned down (January 2008) by MOC. At the time of de-reservation, ECL had already worked partially in the block and it was also necessary for ECL to increase its production substantially under the revival package (November 2004) of BIFR.

- The Behraband North and Vijay Central coal blocks under mining lease of SECL were de-reserved from CIL. These blocks were to be developed as a highly mechanized high capacity underground mine for SECL. The Behraband North block was operated by SECL before de-reservation. The above blocks had not been allocated by MOC till November 2011, thereby defeating the purpose of de-reservation of these blocks from SECL.

The Ministry stated (February 2012) that the proposal to de-allocate the coal blocks which were not part of the plans of CIL till 2026-27 is only a recommendation of the Expert Committee constituted to give a report on the reforms in coal sector whereas identifying the blocks which are to be mined by CIL in the 12th Plan period and beyond for allocation is the decision of Energy Coordination Committee (ECC), which was meant to improve the availability of power. The Ministry further added that the revised list of blocks requested by CIL for allocation is under consideration of the Government and that these blocks are not likely to come into production during 12th or 13th Plan periods. As far as coal blocks- Rajhara North, Moira Modhujore, Behrabandh North and Vijay Central are concerned, it added that these blocks were identified by CIL/CMPDIL themselves in pursuance of the decision of ECC, which were not likely to come into production by 12th Plan, for allocation for captive purposes. Further, there is delay in allocation of Behrabandh North and Vijay Central coal blocks due to court cases. The Vijay Central coal block has been allotted to CIL/SECL as leader in leader-associate model on 01.11.2011. On transfer of land from NCL to Sasan Power Ltd., consultations were held in the MOC. NCL has been asked to resolve the matter as per the legal opinion given by Department of Legal Affairs on the issue of transfer of land acquired under Coal Bearing Act.

The contention of the Ministry is not appreciated in view of the following:

- CIL had stated (March 2006 and August 2008) that the idea of releasing blocks not required by CIL for production purpose upto the end of XI^{th} Plan was not in the best interest of CIL or the country.

- Study carried out by CIL in 2006 depicted that the production from the blocks available with CIL would attain a peak of 664 million tonne in 2016-17 and thereafter, would decline to 642 million tonne in 2021-22 and 619 million tonne in 2026-27. The decline would accelerate after 2026-27 due to exhaustion of existing mines and reserves of completed projects.
- De-reservation of CIL blocks was against the recommendation of the Expert Committee on Road Map for Coal Sector Reforms (December 2005) which advocated de-reservation of CIL blocks that cannot be put into production before 2026-27.
- ECC decided (February 2006) the basis on which the said 48 blocks were taken out from CIL after the submission (December 2005) of the report by the Expert Committee with a view to improve the availability of power. However, as observed above, de-reservation has not yielded any result so far.
- As per NCDP 2007, CIL has to meet the coal demand of all the customers in India as per the extant rules given in the policy even by resorting to imports. In fact, CIL had stated (August 2008) that even import of coal arising from widening gap between demand and domestic availability of coal would not be feasible due to constraints of port, infrastructure and availability of coal in international market. The several explored blocks with substantial reserve were taken away from CIL. CIL would now have to increase production from unexplored blocks which would take longer time to develop. After de- reservation of 48 CIL blocks, CIL demanded for additional 138 unexplored blocks (approximately 57570 million tonne geological reserves) in August 2008. This is still under the consideration of MOC.

3.6 Production Performance of open cast mines

During the period from 2006-07 to 2010-11, open cast mines contributed 88 to 90 percent of the total production of CIL. The production of the open cast mines of CIL during the above period was as below:

(Figures in million tonne)

Company	2006-07		2007-08		2008-09		2009-10		2010-11	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
ECL	22.57	22.20	23.18	15.74	20.34	19.74	21.75	21.83	24.20	23.43
BCCL	19.59	19.30	20.62	20.75	21.50	21.38	23.45	23.61	24.75	25.31
CCL	39.97	39.36	42.00	42.32	44.74	41.68	46.05	45.61	48.34	46.25
NCL	52.00	52.16	58.00	59.62	61.25	63.65	66.50	67.67	72.00	66.25
WCL	32.10	33.30	32.39	33.53	32.75	34.59	34.85	36.12	36.35	34.95
SECL	71.00	72.30	74.04	77.05	78.00	83.58	88.50	90.18	93.50	95.90
MCL	77.59	78.03	85.60	85.89	96.11	94.19	107.20	101.88	114.46	98.11
NEC	0.90	0.94	1.70	1.01	1.02	0.96	1.20	1.11	1.25	1.10
CIL	**315.72**	**317.59**	**337.53**	**335.91**	**355.71**	**359.77**	**389.50**	**388.01**	**414.15**	**391.30**

It would be seen from the above that there has been continuous rise in production of coal from the open cast mines by CIL. However, there was an aggregate shortfall of production in ECL by 9.1 million tonne, CCL by 5.88 million tonne and MCL by 22.86 million tonne during 2006-07 to 2010-11.

The Ministry stated (February 2012) that the aggregate shortfall in production in the mines of ECL, CCL and MCL was mainly due to severe land acquisition and rehabilitation problems. Moreover, evacuation problems (supply of rakes) in some growing coalfields i.e., North Karanpura, Talcher, IB Valley and Mand Raigarh, caused build up of pit head stocks which resulted in restrictions of production in some subsidiaries. However, action would be taken to increase production in opencast and underground mines by introduction of appropriate technology, infrastructure and proper monitoring at every level.

3.6.1 Backlog in removal of overburden hindering production

In the open cast mines, coal can be accessed only when overburden[10] (OB) is removed. Backlogs in OB removal have adverse effect on the production of coal. The shortfall in OB removal ranged from 5 to 12.5 *per cent*.

Reasons for shortfall in OB removal as analysed in audit in the four subsidiaries (ECL, CCL, NCL and WCL) were as follows:

- Failure of departmental equipments in Rajmahal and labour problems in Sonepur Bazari and Kottadih (ECL);
- Delays in forest clearance and release of land at Konar, North Urimari, Karo and Rohini; law and order problems (CCL);
- Sliding of OB benches in Umrer (WCL);
- Delays in award of contracts for removal of OB in Dudhichua, Nigahi, Amlohri and Bina; delays in supply of equipment, poor performance of shovels and dumpers, release of land at Khadia (NCL) etc.

The Ministry stated (February 2012) that backlog of OB is generally calculated on the basis of average Stripping Ratio (SR). The project report specified only one ratio for the entire life of the project which was not correct and needed to be broken down in different stages of working. The present methodology is to calculate the actual requirement of OB to be removed depending upon the situation and as such may not tally with one single figure of SR mentioned in the Project Report.

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[10] ***The rock, soil and eco-system that lies above a coal seam or ore body which is removed during surface mining.***

The method adopted by CIL to ascertain the performance in OB removal at the end of a particular year is the quantity by which the actual removal of OB falls short of targeted removal in that year. However, the actual backlog in OB removal on a particular date should be worked out on the basis of cumulative backlog of OB removal. Cumulative OB removal backlog in any specific year is calculated by subtracting total quantity of OB removed till that year from total quantity of OB required to be removed up to that year as per average stripping ratio mentioned in the project report. The cumulative backlog in removal of OB would exceed the backlog as calculated by CIL since the targeted removal is generally lower as it is based on the existing excavation and transportation capacities and not on the average SR (OB to coal) given in the project report. The cumulative backlog also indicates the exact status of mining in an open cast mine.

Management should rectify the methodology to break down the stripping ratio in different stages of working instead of adopting one single ratio under the existing system.

3.7 Production performance of underground mines

In underground mining, holes are drilled and blasted in the exposed coal seams. The blasted materials are mined by conventional or though mechanised/ semi-mechanised method and loaded manually or mechanically and brought to the surface from the underground by conveyors and transported for crushing, eventual storage and despatch.

During 2006-07 to 2010-11, seven underground projects with a capacity addition of 2.36 million tonne were completed with a capital outlay of ₹ 253.01 crore. The production performance of underground mines of CIL subsidiaries from 2006-07 to 2010-11 is given in table below:

Targets and achievements of underground mines

(Figures in million tonne)

Subsidiaries/ CIL	2006-07		2007-08		2008-09		2009-10		2010-11	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
ECL	10.43	8.27	10.23	8.32	10.66	8.39	9.25	8.23	9.50	7.37
BCCL	5.61	4.90	4.58	4.46	5.00	4.13	4.55	3.90	4.25	3.70
CCL	2.03	1.96	2.00	1.83	2.26	1.56	1.95	1.47	1.66	1.27
NCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WCL	9.90	9.92	10.01	9.98	10.30	10.11	10.15	9.62	10.15	8.71
SECL	17.50	16.20	17.46	16.74	18.00	17.57	17.50	17.83	18.50	16.80
MCL	2.41	1.97	2.40	2.12	2.89	2.15	2.10	2.20	2.29	2.17
NEC	0.20	0.11	0.30	0.09	0.18	0.05	0.00	0.00	0.00	0.002
CIL	**48.08**	**43.32**	**46.98**	**43.54**	**49.29**	**43.96**	**45.50**	**43.25**	**46.35**	**40.02**

As would be seen from table that production from underground mines has stagnated around 43 million tonne from 2006-07 to 2009-10 and decreased to 40 million tonne in 2010-11, which was 9.28 per cent of the total production of CIL in 2010-11.

3.8 Washing of coal

Indian coal contains higher percentage of ash as compared to coal of major coal exporting countries. Hence, washing of coal becomes necessary to ensure a more consistent fuel supply to the steel (coking coal) and power (non-coking coal) sectors. The existing washeries of CIL were not able to cater the coal washing requirements and were depending on private washeries.

In order to bridge the gap, CIL decided to set up 20 coal washeries with a total throughput capacity of 111 million tonne per year, out of which seven were coking coal washeries with a total capacity of 21.1 million tonne per year and 13 were non-coking washeries with a total capacity of 90 million tonne per year. The washeries were to be developed on 'Build Operate and Maintain' mode. CIL's efforts for proposed augmentation of production of washed coal were still under process (Feburary 2012).

The Ministry attributed (February 2012) delay in implementing the washery projects to forestry/ environment clearance, land acquisition, re-tendering, evaluation of tender etc.

3.9 Mismatch between excavation and transport capacities

Excavation and transport capacities require synchronisation. Mine capacity of an individual project is assessed by CMPDIL with reference to the population of Heavy Earth Moving Machinery (HEMM) and their capacity both for Excavation Transportation.

CMPDIL reported (March 2011) that in 31 projects, the excavation capacity was more than the transportation capacity and in 12 projects excavation capacity was lower than transportation capacity. Such mismatch adversely affects production on one hand where excavation capacity was more but could not be utilised leading to accumulation at pit head. On the other hand, where the transport capacity was more, CIL could not utilise its dumpers and shovel for increasing production.

The Ministry stated (February 2012) that bridging the mismatch of excavation and transport capacities was an ongoing process as far as feasible. This was achieved by shifting of existing equipment from one mine to another to the extent possible, surveying off of equipments which covered their rated life and providing replacement for equipments.

3.10 Lower availability and lower utilization of HEMM

In order to achieve the original XI Plan target of 520.50 million tonne of coal production by CIL in 2011-12, MOC envisaged certain population of HEMM for CIL in its Report on 'Overview on Coal Industry in India' (June 2007). Actual population of HEMM in CIL during the period from 2006-07 to 2010-11 vis-à-vis those envisaged in the above report is as below.

Name of equipment	As on 31 March 2007	As on 31 March 2008	As on 31 March 2009	As on 31 March 2010	As on 31 March 2011	Population envisaged by MOC as on 31 March 2012
Dragline	41	41	40	40	40	**119**
Shovel	686	687	703	747	754	**843**
Dumper	3364	3240	3293	3366	3217	**3555**
Dozer	989	998	1025	991	981	**805**
Drill	**696**	**744**	**754**	**713**	**709**	**655**

As would be seen from table, there is significant shortfall in the population of Dragline, followed by Shovels and Dumpers. The population of Dumpers and Dozers are on the decline.

Norms for availability and utilisation percentage of HEMM were fixed by CMPDIL way back in 1986 and have not been revised till date (November 2011). With the improvement in technology and performance of HEMM, any comparison of actual percentage of availability and utilization vis-a-vis such norms would not depict the realistic position of availability and utilisation of HEMM.

Audit further observed that CIL depicts availability and utilisation of HEMM as percentage of CMPDIL norms, instead of depicting the actual percentages. Audit re-calculated the actual percentage of availability and utilisation of HEMM in CIL as a whole and compared the same with the CMPDIL norms. The results are shown in table below.

No.	Equipment	Availability percentage		Utilisation percentage	
		CMPDIL norms	Actual during 2006-07 to 2010-11	CMPDIL norms	Actual during 2006-07 to 2010-11
1	Dragline	85	78-85	73	66-78
2	Shovel	80	72-74	58	45-49
3	Dumper	67	66-67	50	35-37
4	Dozer	70	64-65	45	27
5	Drill	78	75-77	40	29-31

It would be seen from the above, the percentage of availability was generally below the norms for all the five equipments and the percentage of utilisation was also below the norms, except in the case of Dragline.

The Ministry stated (February 2012) that the matter pertaining to review of CMPDIL norms for availability and utilization would shortly be taken up with CMPDIL. The Ministry further admitted (February 2012) that the utilisation of equipment was affected mainly due to land acquisition problems resulting in shortage of working space, law and order problems resulting in stoppage of work, difficult geo-mining conditions – presence of faults, working on developed under ground pillars, which makes operation slow and increase in breakdown, presence of active fire in working faces, restricted blasting due to nearby habitants etc.

3.11 Delays in Execution of New Projects

In order to bridge the demand supply gap of coal, new coal projects are required to be completed in a time bound manner. The Expert Committee emphasised (December 2005) the setting up of a permanent Special Task Force to monitor progress of clearances and project implementation of all projects required to be completed by the end of the XI Plan to fully realise CIL's production plans including the Emergency Production Plan to enhance domestic coal production capacity. In the Action Taken Note, MOC stated (January 2012) that response from the Ministry of Environment & Forest is awaited.

In fact, the compliance of recommendation of the Expert Committee is yet to be effected as there had been instances of delays in implementation of projects.

Audit studied the delay in implementation of projects and impact thereof on production of coal as on 31 March 2011. It was noticed that in 32 projects under different subsidiaries of CIL, the delay in execution was ranging from 1 to 12 years due to problems of land acquisition, forest clearance, adverse geo-mining condition, tender finalization for equipment and construction of Coal Handling Plant (CHP) & railway siding, entailing loss of production by 115.95 million tonne.

Chapter 4 Allocation of Captive Coal Blocks

Captive coal mining is a mechanism envisaged to encourage private sector participation in coal mining on account of the perceived limitations of the CIL to increase production to meet the growing demand for coal. Captive coal mining would also ensure assured supply of coal to the core infrastructure areas like Power, Steel and Cement. Coal sector needs substantial investments to increase production and meet the fuel requirements of a growing economy. With the declared objective for "Power to all by 2012", the Government embarked on the task of allocating coal blocks for captive mining for power and other sectors in a big way.

This chapter analyses the efforts of the Government in ensuring 'objectivity' and 'transparency' in the procedures adopted for allocation of captive coal blocks.

4.1 Allocation procedure for captive coal blocks

Till 1993, there were no specific criteria for allocation of coal blocks. Most of the allocations were done based on letters of recommendation from the concerned State Government indicating that the party was planning to set up a permitted end use project of specified capacity. From 1993 onwards, MOC, in consultation with CIL/ CMPDIL and SCCL, identifies coal blocks, which can be allocated for captive mining to the eligible coal using companies. The allocation of coal blocks is made by MOC based on the recommendations of an Inter-Ministerial Screening Committee under the chairmanship of Secretary (Coal) or through direct allocation. The latter is made for PSEs only for captive use or commercial mining. Such allocation is termed as Government Dispensation route while the allocation through Screening Committee is termed as Captive Dispensation. Besides, blocks are allocated for UMPPs as per the competitive bidding guidelines of the Ministry of Power (tariff based bidding).

The following are the criteria for selection by the Screening committee:

- Captive blocks can be applied for additional requirements, of end-users without affecting the linkages, which were in force with Coal India Limited (CIL)/ Singareni Collieries Company Limited (SCCL);
- Allowing captive mining in Joint ventures with CIL/SCCL as lead partner;
- Allowing coal produced during the mine development phase to be sold to CIL and/or SCCL at a transfer price to be determined by the Government;

- Specifying the period for implementation of the mine plan duly backed by a bank guarantee;

- Specifying provisions for cancellation of the allocation for non-adherence to milestones laid down for achieving various steps leading to coal production;

- Providing for monitoring of the progress by the MOC and by the Coal Controller.

Test check of file/ documents maintained by MOC in respect of Fatehpur and Rampia & dip side of Rampia by audit in April, 2012 revealed that:

- In case of Fatehpur coal block, 69 applications were received against the advertisement for allocation of coal blocks. Out of these 69 applicants only 36 applicants were scheduled for making presentation before the Screening Committee. The Screening Committee recommended S K S Ispat & Power Limited and Prakash Industries Limited for allocation of Fatehpur coal block.

- Similarly in case of Rampia and dip side of Rampia coal block, 108 (67 + 41) applications were received against the advertisement for allocation of coal blocks. Out of these 108 applicants only 2 applicants were scheduled for making presentation before the Screening Committee. The Screening Committee, however, recommended six companies (viz. Sterlite Energy Limited, GMR Energy Limited, Lanco Group Limited, Navbharat Power Limited, Mittal Steel India Limited and Reliance Energy Limited) for allocation of Rampia and Dip side of Rampia coal blocks.

It was also noted that the Screening Committee recommended the allocation of coal block to a particular allottee / allottees out of all the applicants for that coal block by way of minutes of the meeting of the Screening Committee. However, there was nothing on record in the said minutes or in other documents on any comparative evaluation of the applicants for a coal block which was relied upon by the Screening Committee. Minutes of the Screening Committee did not indicate how each one of the applicant for a particular coal block was evaluated. Thus, a transparent method for allocation of coal blocks was not followed by the Screening Committee.

4.2 Evolution of policy on competitive bidding of coal blocks

In the X Plan and thereafter, the number of applicants for coal blocks increased as compared to the availability of blocks due to increased demand of coal in the country. There was an urgent need to bring in a process of selection that was not only objective but also demonstrably transparent. Allocation through competitive bidding was considered as one such acceptable selection process. The concept of allotment through competitive bidding was first made public by the Government on 28 June 2004. Further, sequence of events in this regard till 2012 is indicated below:

Date	Events on the issue of competitive bidding
28.06.2004	The concept of allocation of captive coal blocks through competitive bidding was first made public.
16.07.2004	Comprehensive note on 'Competitive Bidding for allocation of coal blocks' placed by then Secretary (Coal) to MoS (Coal and Mines), mentioning that "...........since there is a substantial difference between price of coal supplied by Coal India and coal produced through captive mining, there is a **windfall gain** to the person who is allotted a captive block.........". The note further indicated that "..............the bidding system will only tap part of the **windfall profit** for the public purposes.........".
30.07.2004	Secretary (Coal) mentioned that the present system of allocation in the changed scenario, even with modifications would not be able to achieve the objectives of transparency and objectivity in the allocation process.
20.08.2004	Minister (Coal and Mines) directed that a draft Cabinet Note be prepared for placing the same before the Cabinet for consideration and decision.
11.09.2004	A note was initiated from the PMO detailing certain disadvantages of allocation of coal blocks through competitive bidding.
25.09.2004	In response, Secretary (Coal) submitted draft Cabinet Note to MoS with the remarks that there was hardly any merit in the objections raised. Different kinds of pulls and pressures experienced by the Screening Committee during the decision-making process was also highlighted. The note stressed on the desirability of taking decision in respect of all pending applications on the basis of competitive bidding.
04.10.2004	MoS stated that the proposal for competitive bidding may not be pursued further as it would invite further delay in the allocation of blocks, considering that the Coal Mines (Nationalisation) Amendment Bill 2000 envisaging competitive bidding as a selection process for allocation of blocks for commercial purposes was pending in the Rajya Sabha with stiff opposition from Trade Unions and others concerned. MoS disagreed with the views that the Screening Committee could not ensure transparent decision-making and added that this alone was not an adequate ground for switching over to a new mechanism.
15.10.2004	Secretary (Coal) stated that the policy of allotment of coal blocks through competitive bidding was discussed in the PMO and it was felt that since a number of applicants requested for allotment of blocks based on the current policy, it would not be appropriate to change the allotment policy through competitive bidding in respect of applications

	received on the basis of existing policy. Accordingly, the policy of allotment through competitive bidding could be made prospective and pending applications might be decided on the basis of the existing policy. Therefore, the cut-off date for considering applications as per the current policy and the proposed revised policy was taken as 28 June 2004.
01.11.2004	The PMO directed Secretary (Coal) to amend the draft Cabinet Note for approval of the Minister (Coal and Mines) after taking into account the following: • the cut-off date for competitive bidding • the fact that the MOC had already moved the Coal Mines (Nationalisation) Amendment Bill 2000 envisaging competitive bidding as a selection process for allocation of coal blocks for commercial purposes. • the change in the policy of allocation of coal blocks for captive mining will be made effective prospectively. The PMO stated, "........The change in the policy of allocation of coal blocks for captive mining will be made effective prospectively. Therefore, there is no urgency in the matter. Accordingly, there is no need to bring in the required amendment in the Coal Mines (Nationalisation) Act through an Ordinance. It would be appropriate to bring in the required amendment through a Bill to be moved in the coming Parliament Session.........".
25.02.2005	On resubmission (23 December 2004) of the revised draft Cabinet Note, Minister (Coal) opined that he was in complete agreement with the views expressed by MoS in his note dated 04 October 2004 and as such the proposal need not be proceeded further.
07.03.2005	The Secretary (Coal) put up a note for approval of the Draft Cabinet Note to the Minister (Coal) , stating that decision on all applications received as on 28 June 2004 would have been taken by the end of March 2005 and if the revised procedure for allocation of coal blocks was not put in place quickly enough, pressures would again mount on the Government for continuing with the present procedure, which might not be desirable in the interests of bringing about total transparency in allocation of coal blocks.
16.03.2005	The PMO communicated that the draft Cabinet Note be updated and sent back urgently.
24.03.2005	The PMO communicated the approval of the updated draft Cabinet Note by the Minister (Coal).
21.06.2005	The draft Cabinet Note incorporating the views of various States and

	comments of the Ministries and Departments with the observations of the Minister of Coal was placed by the Secretary (Coal) before the MoS for approval of the Minister (Coal), stating that it was desirable that decision on allocation of captive block through bidding route was taken at the earliest so that the process of allocation of coal blocks could continue unhindered.
04.07.2005	MoS in his note to the Minister (Coal), *inter alia*, stated that the implications of such a decision by the Cabinet needed to be considered in great detail and that there was a general reluctance on the part of power utilities to participate in the competitive bidding due to cost implications.
25.07.2005	A meeting was taken by the PMO wherein it was decided that MOC would amend the Cabinet Note to take into account the concerns of the State Governments, where the coal blocks were located. The Coal Mines (Nationalisation) Act, 1973 would need to be amended before the proposed competitive bidding became operational. Since this was likely to take considerable time, it was decided that MOC would continue to allot coal blocks for captive mining through the extant Screening Committee procedure till the new competitive bidding procedure became operational. In the meeting, Secretary (Coal) stated that ".......the competitive bidding procedure will only tap part of the **windfall profit** that accrued to the companies which were allocated captive coal blocks under the Screening Committee procedure for public purposes......".
09.08.2005	The PMO requested MOC to take urgent action as per the decisions taken in the meeting held on 25 July 2005.
12.01.2006	MoS stated that the PMO had taken a view to amend the Coal Mines (Nationalisation) Act which was a time consuming exercise and as such allowed the Department to proceed with the allocation of captive coal blocks under the extant mechanism. MoS stated that ".......several applications were received in respect of coal and lignite blocks already put on offer and which were under process and as such there was no immediacy in the matter and that the Note be resubmitted at an appropriate time keeping in view the issues involved.....".
07.02.2006	Secretary (Coal) submitted a note to the Minister (Coal) through MoS, stating that the PMO had been pressing for expeditious submission of the Cabinet Note. The matter was seen by the Minister (Coal) on 07 March 2006.
16.03.2006	Secretary (Coal) approved the submission of the final note to the Cabinet Secretariat.
07.04.2006	A meeting was held in the PMO wherein it was generally felt that it

	would be more appropriate to make an amendment in the Mines and Minerals (Development and Regulation) Act, (MMDR Act) 1957 so that the system of competitive bidding could be made applicable to all minerals covered under the said Act.
20.04.2006	Secretary (Coal) approved a draft note to the Ministry of Mines with a request to obtain the comments of the Department of Legal Affairs on the legal feasibility of the proposed amendment to the MMDR Act, 1957 to address competitive bidding.
27.04.2006	MoS opined that the issue to amend the MMDR Act should be revisited as it involved withdrawing the current powers of the State Governments and it had the potential to become a controversial issue. Minister of Coal stated that the views expressed by the MoS were appropriate and MOC should refrain from making suggestions which had implications for federal polity.
02.05.2006	The advice of the Minister (Coal) was sent to the Ministry of Mines to suggest appropriate modifications in the tentative draft. The draft with the suggestions of the Ministry of Mines was referred to the Ministry of Law and Justice, Department of Legal Affairs for their views on the legal feasibility of the proposed amendment.
15.09.2006	MOC communicated to the PMO and the Cabinet Secretariat that the Ministry of Law and Justice has advised MOC to initiate suitable measures for amendment of the MMDR Act, 1957 for addressing the Competitive Bidding.
17.10.2008	A Bill to amend the MMDR Act, 1957 was introduced in the Parliament by the Ministry of Mines.
31.10.2008	The Amendment Bill was referred to the Standing Committee on Coal and Steel for examination and report.
19.02.2009	The Standing Committee submitted its report to the Parliament and made certain recommendations.
10.08.2009	MoS held a meeting with the State Ministers of Mining and Geology of coal and lignite bearing States.
18.02.2010	The Minister (Mines) moved the motion for passage of the MMDR Amendment Bill, 2008 in the Budget Session of Parliament (2010) after the Cabinet approved (28 January 2010) the Cabinet Note.
09.09.2010	The MMDR Amendment Act, 2010 was notified in the Gazette of India (Extraordinary) after the same was passed by both the Houses of the Parliament in the Monsoon Session (26 July 2010 to 31 August 2010).

22.09.2010	The Secretary (Coal) chaired a meeting with the representatives of the Ministries of Power, Mines, Petroleum and Natural Gas, Steel, Department of Industrial Policy and Promotion and the Planning Commission to discuss various issues on finalisation of the modalities for competitive bidding as the selection process for allocation of coal and lignite blocks.
31.01.2011	Draft bid documents were discussed in the meeting of the Committee.
25.07.2011	A meeting with the stakeholders was convened by the Minister (Coal) to have further discussions on competitive bidding.
02.02.2012	Amendment in the MMDR Act, rules for auctions by competitive bidding of coal mines were notified.

In the above perspective the following audit observations emerge.

- The Government decided to bring in transparency and objectivity in the allocation process of coal blocks, with 28 June 2004 taken as the cut-off date. This process kept getting delayed at various stages. Even after a lapse of seven years, the same is yet to materialize (February 2012). As per the note of the Secretary (Coal), steps could have been taken to allocate coal blocks through competitive bidding as of September 2004. The revised procedure needed to be in place at the earliest so that the next round of allotment of captive coal blocks, after the cut- off date was through competitive bidding.

- MOC referred the matter of introduction of competitive bidding process for allocation of coal blocks to the Department of Legal Affairs (DLA) in June 2004 for seeking an opinion whether coal blocks could be allocated through auction/ competitive bidding route by making rules under the Coal Mines (Nationalisation) Act, 1973 (CMN Act) read with Mines and Minerals (Regulation and Development) Act (MMDR Act), 1957 and Mineral Concession Rules, 1960. After a series of correspondences and after two years DLA stated (28 July 2006) that it was open to the government to introduce the auctioning of coal mining blocks for captive use through competitive bidding as the selection process for allocation was possible by amending the existing administrative instructions and such a process could be governed by the provisions of the Indian Contract Act, 1872. **Thus, competitive bidding could have been introduced in 2006 (as per the advice of DLA in July 2006).** DLA also stated that the course which was to be adopted in the instant case, *i.e.,* to amend the Act or to effect changes in the administrative instructions, was a matter of policy to be decided by the referring Ministry. The same opinion was reiterated by the Law Secretary in August 2006 also.

- **Despite such clear advice, MOC went ahead for allocation of coal blocks through Screening Committee and advertised in September 2006 for allocation of 38 coal blocks and continued with this process till 2009.**

- Notwithstanding the clear advice of DLA (28 July 2006) that MOC might introduce the auctioning of coal mining blocks for captive use through competitive bidding as the selection process for allocation by amending the existing administrative instructions, there was prolonged legal examination of the issue which delayed the decision making process to move ahead with competitive bidding for allocation of coal blocks.

- **As of June 2004, 39 coal blocks (net) stood allocated. During the period from July 2004 to September 2006 (till the time the matter was referred to the Ministry of Mines for taking action on the issue of amendment of MMDR Act for introduction of competitive bidding), 71 more blocks (net) were allocated. In all, since July 2004, 142[11] coal blocks (net) were allocated to various Governments and private parties following the existing process of allocation which lacked transparency, objectivity and competition. The position is shown in table below:**

Allottees	OC/MixedMines		UG Mines		Total	
	No. of blocks	GR in million tonne	No. of blocks	GR in million tonne	No. of blocks	GR in million tonne
Govt.	49	19014.075	18	3435.967	67	22450.04
Pvt.	57	12105.181	18	2417.747	75	14522.93
Total	106	31119.256	36	5853.714	142	36972.97

While admitting the above facts, ***the Ministry stated in March 2012 that the view that the system of bidding could be introduced through administrative instructions was given by the Ministry of Law and Justice (MoLJ) on 28 July 2006 for the first time and in the light of the conflicting opinions, a reference was again made. MoLJ in its opinion dated 30 August 2006 after clarifying rationale for earlier opinion, finally opined that the administrative ministry may initiate measures for amendment in the MMDR Act. Pending amendment in the Act, it proceeded to allocate coal blocks on the advice of the ECC of July 2006. Finally with the amendment in the MMDR Act, rules for auctions by competitive bidding of coal mines were notified on 2 February 2012 after inter ministerial consultations.***

[11] *Out of 216 blocks (Para 5.1) allocated, 22 blocks (net) were de-allocated, 39 blocks were allocated prior to June 2004, 12 blocks were allocated to UMPP and one block pertains to SCCL.*

Audit is not in agreement with the Ministry's contention as MoLJ had categorically mentioned on 28 July 2006 itself that the competitive route could be adopted through administrative arrangements. In fact, it was left to the MOC to take action for introduction of competitive bidding through administrative instructions. Amendment in the Act was advised by MoLJ (August 2006) on the request of the MOC that the process may be given legal footing.

4.3 Financial gains to the private parties

Delay in introduction of process of competitive bidding has rendered the existing process beneficial to a large number of private companies as had been observed by the then Secretary (Coal) in July 2004 itself.

Audit has attempted to estimate the financial impact of the benefit to the coal blocks allottees restricting itself to private parties. Briefly, the methodology adopted for estimating the benefit passed on to the allottees is as under:

- Captive coal blocks allocated to private parties can be mined either as Opencast (OC) mines, Underground (UG) mines or Mixed mines (i.e. partly as Opencast and partly as Underground).

- Out of 75 private allottees, 57 allottees were allotted blocks with OC/ Mixed mines. The financial impact of the benefit to the private allottees has been estimated confining to Open Cast (OC)/ OC reserve of Mixed mines only.

- Underground mines are mostly loss making as per available data regarding average cost of production from CIL's underground mines. However, underground mines are rich with superior grades of coal and private allottees may have an advantage over the cost of production by introducing new mining technology etc. In absence of reliable data regarding operating cost of UG mines by private parties, the UG mines have been excluded from the computation of financial benefit.

- In case of joint ventures of PSUs with the private parties, the allottee has been considered as Government parties and not included in the calculation of benefit.

- 12 coal blocks (GR: 4,846.26 million tonne) allocated for UMPPs were not considered as the same were allocated on the basis of tariff based bidding, where the coal blocks were included in the bids.

- Geological Reserve (GR) figure for each coal block has been taken from Mine Plans (MP) where available. In other cases figures available from the Status Report prepared by Coal Controller's Organisation or website of MOC have been considered.

- Where MP is available, the Extractable Reserve (ER) has been taken from MP. Where MPs are not available, the ER has been considered at 73 per cent[12] of GR in cases of OC blocks based on the Expert Committee Report on Road Map for Coal Sector Reforms (Chaired by Shri T.L. Sankar). The MOC had also stated that Mineable Reserve (MR) for OC would range between 75 and 80 per cent of GR. Thus the audit norm is conservative.

- In Mixed mines, where MPs were not available, the OC extractable reserve has been considered at 37 per cent[13] of GR on conservative basis.

- Average per tonne cost of production of all grades of coal produced in open cast mines of CIL and its subsidiaries pertaining to the year 2010-11 as per Final Cost Sheet have been considered.

- Sale price has been taken on average basis of all grades of coal produced in OC mines of CIL for the year 2010-11 as per Final Cost Sheet.

- As per MOC, the Financing Cost ranges from ₹ 100 to ₹ 150 per tonne over and above CIL's cost of extraction. Therefore, an additional financing cost of ₹ 150 per tonne has been considered.

- Total extractable reserve of a coal block could be extracted over the lifetime of a block as per its mining plan. In the absence of future year wise quantity of coal extracted, sale price, cost price, financing cost etc pertaining to a coal block over its lifetime, Audit has taken the currently available audited figures (sale price, cost price, financing cost) of Coal India Limited (since CIL accounts for majority of coal production in the country) as reference values in order to arrive at financial gain to allottees on indicative basis.

Based on the above method, financial gain of ₹ 185,591.34 crore to private parties in respect of 57 OC /Mixed mines as on 31 March, 2011 has been calculated by audit and summarized in the table below:

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[12] ***Working of 73 per cent : Let, Gross GR = 100 MT, Net GR = 90 MT (Gross GR – 10% of Gross GR), MR = 81 MT (Net GR – 10% of Net GR). The Extraction or Recovery Ratio of MR in OC mines = 72.9 MT, say 73 MT (90% of 81 MT). As per the Expert Committee, the Extraction or Recovery ratio is as high as 90-95 % of mineable reserve in OC mines.***

[13] ***37% has been worked out based on the average quantity of Extractable OC reserves of Mixed mines where Mine Plans were available.***

Particulars	Extractable Reserves of OC (Figure in million tonne)	Average Sale Price of all grades of CIL OC Mines for 2010-11 (₹ per tonne)	Average Cost Price of all grades of CIL OC Mines for 2010-11 (₹ per tonne)	Financing Cost as stated by MOC (₹ per tonne)	Net Gain (₹ per tonne)	Financial Benefit (₹ in Crore)
Opencast Mines allocated to Private Parties *(Annexure-III)*	3,969.890	1028.42	583.01	150	295.41	117,274.52
Mixed Mines allocated to Private Parties where Mining Plans are available *(Annexure-IV)*	1,010.575	1028.42	583.01	150	295.41	29,853.40
Mixed Mines allocated to Private Parties where Mining Plans are not available *(Annexure-V)*	1,302.035	1028.42	583.01	150	295.41	38,463.42
Total	**6,282.500**					**185,591.34**

A part of this financial gain could have been tapped by the Government by taking timely decision on competitive bidding for allocation of coal blocks.

The Ministry stated (February and March 2012) that:

- *The inference that the Government wanted to tap a part of it through competitive bidding appeared to be based on incomplete appreciation of the circumstances prevailing then and sequence of events thereafter;*

- *The coal produced from captive blocks was not available for commercial sale. Further 17 coal blocks were allotted to power sector where tariff is regulated on the basis of input costs and the transfer price of coal is assessed on actual cost basis;*

- *In the case of steel and cement sector, though prices of end products are not regulated but a competitive market ensures the best benefit for the consumers;*

- *Allocation through screening committee route was in vogue for 15 years and allocation was not looked as potential source of revenue for central government but* *with the intent to induce rapid development of infrastructure. There would not be any gain to allottees as CIL was not in a position to supply additional coal to the allottees.*

The contention of the Ministry is not acceptable to Audit in view of the following:

➢ In the meeting held in the PMO on 25 July 2005 to discuss competitive bidding as a selection method for allocation of coal and lignite blocks for captive mining, it was observed that the rational method would ensure that the cost of coal through the competitive bidding route is less than that of coal sourced from CIL or imports. **Secretary (Coal) had then stated that the competitive bidding procedure will only tap part of the profit that accrued to the companies which were allocated captive coal blocks under the screening committee procedure for public purposes.** It was further deliberated in the said meeting that CIL and SCCL should address the national concerns of energy security. While private captive blocks would be available to the allottees for their own needs alone they would not require to carry a huge cost of social overheads and excessive manpower like that of CIL or SCCL. It was thus clear that MOC itself had acknowledged that there was gain to the allottees of coal blocks.

➢ Most importantly, the contention of MOC in 2004-2006 when it was making attempts to introduce transparency/ competition in allocation of coal blocks was exactly along the lines of the conclusions of audit. The Hon'ble Supreme Court, in the judgement on 2G spectrum, has also directed to introduce transparency/competition in allocation of scarce natural resources.

Therefore, audit is of the strong opinion that there is a need for strict regulatory and monitoring mechanism to ensure that the benefit of cheaper coal is passed on to the consumers.

Chapter 5 Production Performance of Captive Coal Blocks

The production performance of captive coal blocks is crucial for narrowing the gap between domestic demand and supply of coal which is the prime source of energy of the nation.

This chapter analyses the production performance of coal blocks during XI plan period and steps taken by the MOC for facilitating the production from captive coal blocks. The monitoring mechanism put in place to address various bottlenecks which are hindering the desired production of coal from the captive coal blocks and the system of 'incentives' and 'disincentives' adopted to ensure performance by these coal blocks are also analysed.

5.1 Allocation of captive coal blocks during the XI Plan

The year-wise allocation of captive coal blocks to the Government companies, private companies and Ultra Mega Power Projects (UMPPs) as on 31 March 2011 is given in table below.

Year-wise allocation of coal blocks for captive mining

Year of allocation	Govt. Companies		Private Companies		Ultra Mega Power Projects		Total	
	No. of Blocks	GR (in million tonne)	No. of Blocks	GR (in million tonne)	No. of Blocks	GR (in million tonne)	No. of Blocks	GR (in million tonne)
1993 to 2005	29	6294.72	41	3336.88	0	0	70	9631.60
2006	32	12363.15	15	3793.14	6	1635.24	53	17791.53
2007	34	8779.08	17	2111.14	1	972	52	11862.22
2008	3	509.99	20	2939.53	1	100	24	3549.52
2009	1	337	12	5216.53	3	1339.02	16	6892.55
2010					1	800.00	1	800.00
Total	**99**	**28283.94**	**105**	**17397.22**	**12**	**4846.26**	**216**	**50527.42**

(GR – Geological Reserves)

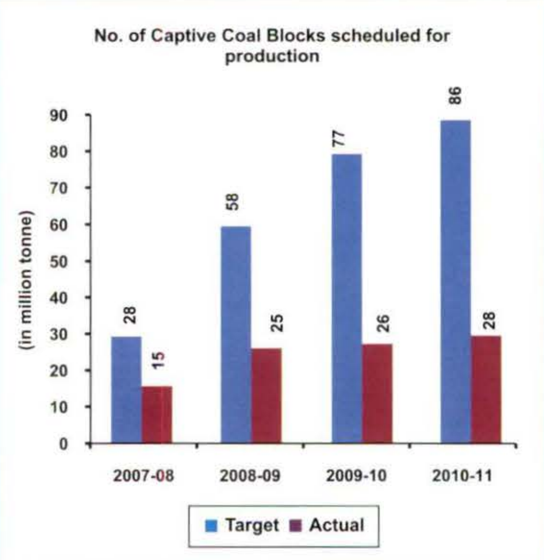
Out of the above 216 blocks, 24 blocks were de-allocated (three blocks in 2003, two blocks in 2006, one block in 2008, one block in 2009, three blocks in 2010 and 14 blocks in 2011) for non-performance of production by the allottees[14] and two de-allocated blocks were subsequently re-allocated (2003 and 2005) to others.

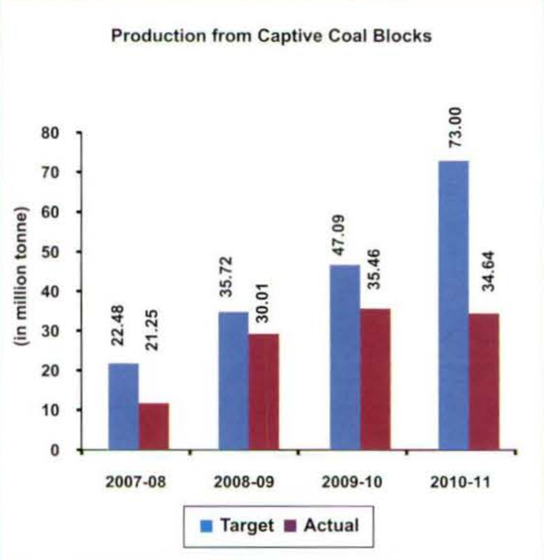
Hence, 194 coal blocks, with aggregate geological reserves of 44,440 million tonne, stood allocated as of 31 March 2011.

5.2 Production from Captive Coal Blocks during the XI Plan

The production of coal from the coal blocks allocated for captive mining was expected to play a significant role in meeting the demand for coal in the country.

The year-wise targets and achievements in respect of 86 captive coal blocks which were expected to produce in the XI Plan period are given in Charts.





It would be seen from the above that out of 86 coal blocks with targeted coal production of 73.00 million tonne which were scheduled to produce in the XI Plan period (upto 2010-11), only 28 blocks (including 15 blocks allocated to private sector) started production as of 31 March 2011. They produced only 34.64 million tonne of coal during 2010-11. This resulted in a shortfall of 38.36 million tonne (52.55 per cent) of coal production from the captive coal blocks.

The Ministry stated (February 2012) that development of coal blocks involves a gestation period of three to seven years for reaching the production stage and allottees who had not started production so far, were in various stages of obtaining statutory clearances and mining lease. In case of wilful delays appropriate action was

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[14] *Term used for a party to whom a coal block has been allocated for captive mining*

taken to de-allocate the blocks and so far 25 coal blocks had been de-allocated. The Ministry further added (March 2012) that 24 months given for exploration and six months for forest clearance envisaged earlier were not found adequate and that the average time taken by CIL for getting forest and environment clearance was more than four years. The performance of allocated captive coal blocks was reviewed in January 2012 and a series of steps had been contemplated to ensure that intended benefits from private captive coal blocks do get realized in the quickest possible time.

The scheduled production plans of blocks were formulated after considering the time required for pre-production clearances and activities. A shortfall of 52.55 per cent in the production targets reflects the objective of enhancing production through allocation of captive coal blocks remained unachieved.

5.3 Coal blocks allocated without tying up exploration and development

In order to ensure that the coal blocks are allocated in an informed manner and that there are no hurdles to their commencement of production, basic issues related to exploration and development should have been tied up in advance. The approval of Mining Plan is a pre-requisite for implementation of the coal mining project. MOC decided (October 2003) that no allocation of a captive block would be done unless the block was explored to facilitate assessment of ER and preparation of a Mining Plan. This would help the Screening Committee to take decisions on allocation of coal blocks in a more informed and accurate manner. Audit, however, observed as under:

- Out of 194 blocks allocated by MOC for captive mining till 31 March 2011, only 142 were explored blocks (GR: 23391 million tonne) and the balance 52 were either regionally explored or were unexplored coal blocks (GR: 21049 million tonne), which required further exploration for preparation of Mining Plan;

- The Geographical Coordinates System, practised internationally, expresses coordinates of a block in terms of longitudes and latitudes. The earlier blocks which were identified for the captive list, were either surveyed by CMPDIL in local rectangular grids with assumed values or were not surveyed by CMPDIL and these blocks were only regionally explored by GSI/MECL. Hence, precise coordinates i.e. longitudes and latitudes for the blocks were not available with MOC at the time of allocation. This could delay production on account of demarcation disputes, such delays occurred in Gare IV/6 Block (Jindal Steel and Power Limited and Nalwa Sponge Iron Limited jointly), Gare IV/7 Block (Raipur Alloys) and Ramchandi Block (Jindal Steel and Power Limited);

- There were disputes due to overlapping of coal blocks with Coal-Bed Methane (CBM)[15] blocks. Biharinath Block was allocated (February 2007) for captive coal mining to Bankura DRI Mining Manufacturing Private Limited and the same was also allocated to GEECL[16] by the Ministry of Petroleum and Natural Gas for CBM extraction. Though a co-development plan was worked out, GEECL obtained a stay order from the Hon'ble Delhi High Court restricting the coal allottees from the development of the coal block. Similarly, in the case of Patal East Block (allocated in November 2007) to Bhushan Power & Steel Ltd. and Moira Madhujore Block (allocated in October 2009) to Ramswarup Lohh Udyog Ltd. there were overlapping of coal blocks with CBM blocks. This adversely affected the development of these coal blocks.

The Ministry stated (February 2012) that exploration takes a fairly long time and it would not be possible to consider allocation of only explored blocks due to their limited availability. Meetings of all the stake holders were held to resolve the disputes in consultation with CMPDIL and concerned coal company.

Audit is not in agreement with the reply of the Ministry as the system of firming of the reserves to provide data to the Screening Committee for allocation of coal blocks in an informed and rational manner was not followed. This was also observed by Expert Committee that only explored blocks were to be offered to the allottees.

5.4 Excess allocation of coal

There is a possibility of production of surplus coal from the captive coal blocks, if the coal production materializes before the commissioning of the End-Use Project (EUP) or if the coal production outpaces requirement in EUP.

Audit observations in respect of Sasan UMPP have been discussed in other CAG's Audit Report on 'Ultra Mega Power Projects under the Special Purpose Vehicles' for the year ended March 2012.

5.5 Delays in Commencement of Production and reasons thereof

As per the guidelines of MOC, the allocated captive blocks should commence production within 36 months (42 months for forest land) in case of open cast mines and 48 months (54 months for forest land) for underground mines from the date of issue of letter of allocation. Besides, additional two years is allowed for commencement of production for unexplored and regionally explored captive blocks.

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[15] *Coal bed methane is a form of natural gas extracted from coal beds*
[16] *Great Eastern Energy Corporation Limited*

It was seen in Audit that out of 28 producing blocks as on 30 June 2011, there was time overrun ranging from one to ten years from the normative production schedules in thirteen blocks.

Similarly, out of 68 non-producing blocks where normative date of production was due by 30 June 2011, there was time overrun ranging from one to five years in 47 blocks and more than five to ten years in 4 blocks from the normative production schedule.

Audit analyzed the factors responsible for delays in respect of these 68 coal blocks and found that it was largely on account of delays in land acquisition (LA), forest clearance (FC), Mining Lease (ML), Mining Plan (MP) and Environment Management Plan (EMP).

Audit also noted that out of above 68 blocks, different milestones were awaited e.g. FC in 53 blocks, LA in 62 blocks, ML in 58 blocks, MP in 4 blocks and EMP in 26 blocks were pending as on 30 June 2011. There was lack of coordinated approach by the State Governments and the Central Government towards commissioning of end-use projects and the commencement of production from the coal blocks. The abnormal time taken for obtaining mining leases, surface rights, land acquisition, resettlement/ rehabilitation, environmental clearances from the Central and State Governments have severely hindered the commencement of production from captive coal blocks. Some states have adopted a single window system for grant of various approvals though progress in this regard is slow.

The Ministry stated (February 2012) that review meetings were held to evaluate the development of allocated coal blocks in which the representatives of the State governments and Central Ministries also participate and were requested to expedite all clearances.

In this connection, it is noted that the Expert Committee (2005) had also observed that major delays occur in most cases in obtaining environmental clearance, approval for land, mining leases from the concerned State Governments and the subsequent land acquisition process. The Committee had suggested that MOC should take a proactive role in monitoring the approvals and clearance by the State authorities. It was, therefore, recommended that an empowered High Powered Committee chaired by Secretary (Coal) be constituted with the members from the nodal Ministries e.g. MoEF, Mine, etc. and the State Governments with a view to monitor and review the progress of clearances and approvals necessary to expedite commencement of production. There is a need to constitute an empowered group along the lines of Foreign Investment Promotion Board (FIPB) to grant the necessary licenses for accelerating the procedures for commencement of production.

5.6 Inadequate monitoring by CCO

Since 1993, MOC has been monitoring the production of coal blocks. In January 2005, the Coal Controller's Organisation (CCO) was made the nodal agency for the purpose. MOC constituted (October 2009) a Committee under the chairmanship of the Additional Secretary (Monitoring Committee) to monitor the development of allocated coal blocks/end use projects.

The responsibility of developing the coal block as per the prescribed guidelines and milestones of allocation letter rests entirely with the allottees and in the event of wilful 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 Government in line with this, periodically monitors and reviews the development of coal blocks in the review meetings. Wherever delays are noticed, show-cause notices and advisories are issued to such allottees cautioning them to bring the coal blocks into production as per the guidelines/milestones chart failing which de-allocation of the block is done. CCO prepares a quarterly status report on development of coal blocks and associated end-use projects, on the basis of information furnished by the block allottees, which is placed before the Monitoring Committee for review and for recommending suitable remedial action.

Audit observed that:

- As per MMDR Act, 1957, the Coal Controller with a view to ensuring compliance of rules, may enter and inspect any colliery. However, CCO did not conduct any physical inspection of allocated coal blocks to ascertain the actual progress/production vis-à-vis the progress/production reported by the allottees. The correctness of the data furnished by the allottees, therefore, could not be vouched for.

- CCO did not have adequate sanctioned strength or men-in position for effective monitoring of coal blocks. It was noticed that the process of creation of 17 technical posts proposed by the CCO in 2007 was still under consideration of the MOC (November 2011);

- MOC directed (July 2010) that the nine blocks which had achieved the peak rated capacity would not be reviewed further at MOC, but their progress would be monitored by CCO. CCO, however, failed to comply with these directives of MOC (November 2011); and

- The Monitoring Committee was to review the progress of allocated coal blocks every month. The same was, however, not strictly followed and the meetings were held on quarterly basis.

It was further noted that MOC issued show cause notices and de-allocated 24 blocks upto June 2011 for lack of initiative for development of coal blocks by the allottees.

The proposed competitive bidding procedure was intended to increase financial stakes of the allottees in the allocated blocks to bring the required sense of urgency in developing the blocks/end use projects, but that is yet to commence. There is also the issue of diversion of coal produced from the captive coal blocks to the black market. In such a scenario, effective monitoring is required to ensure development of coal block as per the prescribed milestones as also to keep a watch on the use of produced coal.

The Ministry accepted (February 2012) that there was a need to strengthen the CCO, Kolkata and stated that a proposal for creation of additional posts was under consideration.

5.7 Non-encashment of bank guarantees in case of default

MOC introduced (March 2005) the system of bank guarantee (BG) to ensure timely production from the coal blocks. The Expert Committee on Road Map for Coal Sector Reforms (December 2005) recommended for submission of BG, 50 per cent of which linked to guaranteed production and 50 per cent to setting up of end use projects. MOC modified (January 2007) the system of BG and linked 50 per cent of BG amount with the milestones to be achieved before the start of production and balance 50 per cent of BG with guaranteed production. The furnishing of BG was also made applicable (July 2007) for the coal blocks allocated to Government Companies under the Government Dispensation. Since October 2009, the Monitoring Committee was to assess and recommend deduction of BG for encashment in case of laxity in development of coal blocks or end use plants as per the terms and conditions of the allocation letters/milestone timelines.

The Expert Committee has also recommended for legal measures to cancel licenses issued earlier if the allottee failed to take adequate steps to bring the allotted mines to production or in setting up of end use plants.

In this connection Audit observed as follows:

- There was delay in introducing BG and linking it with the milestones. As a result, the furnishing of BG by the MOC could not be made applicable to 46 blocks allocated prior to 2005. Further, achievement of milestones in respect of 118 blocks allotted prior to July 2007 was not linked with the BG and hence imposition of penalty for non-compliance of milestones could not be implemented;

- CCO/MOC could not collect BG from five blocks viz, Pindrakhi, Puta Parogia, Mourya, Bhivkund and Bankui, as per the terms and conditions of allocation, allocated during July 2008 and June 2010 (as of 15 August 2011). This included BG amounting to ₹ 247.98 crore in respect of Bhivkund, Bankui and Mourya Blocks;

- As per the terms and conditions of allotment of coal blocks, the BG amount would be modified based on the final peak rated capacity of the mine. However, the same is yet to be done (November 2011);

- There was also no methodology for accounting of BG. No proper head of account was earmarked for deposit of encashed BG. As a result, MOC/CCO could not encash BG amounting to ₹12.94 crore against six blocks (Ansettipalli:₹ 0.59 crore, Punukula Chilaka: ₹ 0.80 crore, Pengedappa: ₹ 7.50 crore, Mandla South: ₹ 1.14 crore, Semaria/Piparia: ₹ 0.91 crore and Ravanwara North: ₹ 2.00 crore);

- MOC de-allocated 24 blocks upto June 2011 for lack of initiative for development of coal blocks by the allottees. The Monitoring Committee also recommended (January and February 2011) for deduction of BG from 15 allottees for delay in development of coal blocks. However, MOC could not encash the BG wherever applicable from these allottees as the modalities for such encashment was still to be worked out (November 2011). The Expert Committee also recommended for encashment of BG in full in such cases; and

- As of November 2011, lapsed BG worked out by audit was ₹ 311.81 crore against 15 blocks which needed to be renewed.

The Ministry accepted (February 2012) that there were no guidelines in place for calculation of the amount for encashment of bank guarantee and added that the same were under consideration.

5.8 Framework for augmentation of coal production

Audit analysis of the extant framework for allocation of coal blocks revealed the following:

(i) Government of India does not charge any money for allocation of coal blocks for captive mining except the cost of exploration. The allottee has to pay mainly royalty to the State Government. Thus, the difference between the market price of the coal and the cost of production is a direct/incentive gain to the allottee; and

(ii) In case of delayed production of coal, the allottee is under the risk of deallocation of the coal block or penal action by the MOC *viz*., encashment of part or full bank guarantee besides depriving of the benefits of the coal production.

Thus, there is a scope for improvement in the system to facilitate augmentation of coal production to meet the demand of coal by the following:

(i) Speedy approval like mining lease, mining plan, forest clearance and environmental management plan from the various Ministries/Departments as also land acquisition from the concerned State Government through the mechanism of the High Powered Committee recommended in *para 5.5* above;

(ii) There should be incentives for timely production of coal, even in cases of production prior to commencement of the end use plant as also for production of surplus coal more than the requirement for the end use project. A well laid down policy for reasonable return over the cost of production, including support for speedier creation of infrastructural facilities is required;

(iii) In case of unjustified delays by the allottees, timely penal action (including de-allocation of blocks) for non/ poor performance needs to be enforced; and

(iv) Amount of the bank guarantee needs to be enhanced to increase the stake of the allottee to restrict/ penalise non-serious players.

Chapter 6 Conclusion and Recommendations

Conclusion

The production of coal has assumed greater significance after the Government of India announced its mission "Power to all by 2012". Coal being the most important indigenous energy source with GR of 2,85,863 million tonne in India, the roles of various agencies involved in exploration, production and allocation of coal has, thus, increased correspondingly. Performance Audit on allocation of coal blocks and augmentation of coal production, however, revealed the following inadequacies/ shortcomings:

- In order to increase the coal production in the country, the Expert Committee on Coal Sector Reforms in December 2005, had recommended enhancing the per annum drilling capacity of CMPDIL at least to 15 lakh metre per annum. Against the recommendation, the CMPDIL is expected to achieve a drilling capacity of 3.44 lakh metre per annum;

- CIL also, could not match with the rate of increase in coal production envisaged by the Planning Commission as there were delays in execution of various capacity addition projects due to lack of coordinated and planned approach by various government agencies involved in statutory clearances and land acquisition. Further, there were mismatches in excavation and transportation capacities of mines and the Heavy Earth Moving Machinery engaged in production of coal was not being utilised optimally and gainfully;

- New Coal Distribution Policy notified by MOC 2007 envisages distribution of coal to small and medium consumers in effective manner. However, no monitoring mechanism is in place in CIL for verification of end use of coal;

- The existing washeries of CIL were not able to cater the washed coal requirements of the country and hence consumers had to depend on private washeries;

- With a view to increase supply of coal in the Country, the MOC de-reserved 48 coal blocks of CIL, out of which, three coal blocks were de-allocatted later and nine blocks remained un-allocated. Out of remaining 36 coal blocks allocated to various parties, in nine blocks production is yet to commence even though normative production date is over. In balance 27 blocks, normative production schedules were beyond July 2011. Thus, the de-reservation of CIL blocks did not yield desired results;

- Captive coal mining is a mechanism envisaged to encourage private sector participation in coal mining on account of the limitations of the CIL to increase production to meet the growing demand for coal besides to ensure assured supply of coal to the core infrastructure sectors *viz.* Power, Steel and Cement. Till 1993, there were no specific criteria for allocation of coal blocks. Most of the allocations were done based on letters of recommendation from the concerned State Government. The process of bringing in transparency and objectivity in the allocation process of coal blocks, which commenced from 28 June 2004, got delayed at various stages and the same is yet to materialize (February 2012) even after a lapse of seven years. In the mean time, 194 net coal blocks with aggregate GR of 44,440 million tonne were allocated to different Government and private parties up to 31 March 2011. The financial impact of the benefit to the private allottees has been estimated to the tune of ₹ 1,85,591.34 crore as on 31 March, 2011 for Opencast (OC) mines/ OC reserves of Mixed mines. The Government could have tapped a part of this financial benefit by expediting decision on competitive bidding for allocation of coal blocks;

- Out of 28 producing blocks as on 30 June 2011, in case of ten blocks, there was time overrun ranging from one to ten years from the normative production schedules. In case of 68 non-producing blocks where normative date of production was on or before 30 June 2011, there was time overrun ranging from one to five years in 47 blocks and more than five to ten years in four blocks from the normative production schedules. There were abnormal delays in commencement of production from captive coal blocks too due to delay in obtaining mining leases and other statutory clearances as pointed out earlier;

- The Coal Controller's Organisation, a nodal agency for this purpose, did not conduct any physical inspection of allocated coal blocks to ascertain the actual progress/production vis-à-vis the progress/production reported by the allottees as per the MMDR Act, 1957. The correctness of the data furnished by the allottees, therefore, remained unverified; and

- To ensure timely production from the coal blocks MOC introduced the system of bank guarantee (BG) only in March 2005 which was modified in January 2007 and linked to 50 per cent of BG amount with the milestones to be achieved before the start of production and balance 50 per cent with guaranteed production. Audit observed that there was delay in introducing BG and linking it with the milestones. Resultantly, in case of 46 coal blocks allocated prior to 2005, the furnishing of BG could not be made applicable and in case of 118 blocks allotted prior to July 2007 imposition of penalty for non-compliance of milestones could not be implemented. Further, in the absence of any methodology for accounting of BG, MOC could not encash BG amounting to ₹ 12.94 crore against six blocks. Audit also noticed that as of November 2011, the BGs amounting to ₹ 311.81 crore in respect of 15 blocks had lapsed and were not renewed.

Recommendations

MOC should

- In order to bring 'objectivity' and 'transparency' in the allocation and for tapping of a part of benefit accruing to the allottees of captive coal blocks, MOC should urgently work out the modalities to implement the procedure of allocation of coal blocks for captive mining through competitive bidding.

- With the declared objective of "Power to all by 2012", Government has taken many steps inter-alia allocating coal blocks for captive mining for power and other sectors in a big way. It would be worthwhile to make an assessment of the level of success of this declared objectives so as to make mid course corrections. The need for power in the economic development of the country will continue to be paramount. Hence, the criticality of such an assessment and further road map to advance the objective of "Power to all". There is a need to constitute an empowered group along the lines of Foreign Investment Promotion Board (FIPB) as a single window mechanism with representatives of Central nodal ministries and State Governments to grant the necessary clearances such as mining lease, mining plan, forest clearance, environment management plan and land acquisition for accelerating the procedures for commencement of production.
- Evolve a system of giving 'incentives' to encourage production performance from captive coal blocks and 'disincentives' to discourage non/poor performance.

CCO should

- Conduct physical inspection of allotted blocks on regular basis.

CIL should

- Fix its production targets in line with the targets fixed by the Planning Commission.
- Expedite setting up of coal washeries as washing capacities of coal are grossly inadequate in CIL subsidiaries in view of the fact that Indian coal contains higher percentage of ash and washing of coal is of utmost significance, both for the efficiencies in the user plants and from the point of view of environmental concerns besides fetching higher returns.
- Synchronise its excavation and transportation capacities.

New Delhi

Dated : 11 May, 2012

(A.K. PATNAIK)
Deputy Comptroller and Auditor General and Chairman, Audit Board

Countersigned

New Delhi

Dated : 11 May, 2012

(VINOD RAI)
Comptroller and Auditor General of India

Annexures

Annexure-I

Date	Milestones in Coal sector
1972 and 1973	Nationalisation of coal mines was done in two phases. In the first phase (1972), coking coal mines were nationalised. In the second phase (1973) non-coking coal mines were nationalised. Coal mines that could not be nationalised were allowed to be worked by private lease holders.
November 1975	Coal India Limited (CIL), a holding company, under the Ministry of Coal (MoC), was set up.
1976	The Coal Mines (Nationalisation) Amendment Act, 1976 was enacted which *inter alia* terminated all the mining leases with the private lease holders, except those of iron and steel producers who were allowed by the Act to carry on coal mining for captive use.
14 July 1992	In order to implement the provisions for captive mining of coal contained in Coal Mines (Nationlisatoin) Amendment Act, 1976, a Screening Committee was set up by MoC under the chairmanship of Secretary (Coal) through an administrative order to consider applications made by various companies interested in captive mining and to allocate coal blocks for development, subject to the provisions of statutes governing coal mining. A number of coal blocks, which were not in the production plan of CIL and the Singareni Collieries Company Limited (SCCL), were identified in consultation with CIL/SCCL and a list of 143 coal blocks were prepared and placed on the website of the MoC for information of public at large.
June 1993	The Coal Mines (Nationalisation) Amendment Act, 1993 was passed which allowed Indian companies engaged in generation of power, in addition to the iron and steel producers, to carry out coal mining for their captive use. It also allowed washing of coal obtained from a mine at the pit head by private companies.
15 March 1996	Cement sector was notified as an end use by inserting an enabling provision in the Coal Mines (Nationalisation) Act.
February 1997	The Cabinet approved a proposal to amend the Coal Mines (Nationalisation) Act, 1973 to allow non-captive coal mining by an Indian Company.
24 April 2000	The Coal Mines (Nationalisation) Amendment Bill 2000 was introduced in the Rajya Sabha, seeking allocation of coal blocks to Indian companies

	for commercial mining. The said bill met with stiff opposition from the trade unions, who expressed concerns over the possibility of unscientific mining and labour exploitation. The bill is pending in the House.
28 December 2005	A seven member Expert Committee on Coal sector Reforms (headed by Shri T. L. Sankar, Chairman Energy Group Administrative Staff College of India) constituted by the GoI to prepare a comprehensive roadmap for the modernisation of the coal sector submitted its report to the Prime Minister.
February 2006	The Government permitted 100 per cent Foreign Direct Investment under the Automatic Route for captive coal mining by companies in the power, iron and steel and cement sectors and other eligible activities permitted under the Coal Mines (Nationalisation) Act.
12 July 2007	Production of synthetic gas obtained through coal gasification (underground and surface) and coal liquefaction were notified as specified end uses for the purpose of captive mining.
17 October 2008	The Mines and Minerals (Development and Regulation) Act (MMDR Act), 1957 Amendment Bill was introduced in the Parliament. It envisaged making the system of competitive bidding applicable to all minerals covered under the said Act.
08 September 2010	The MMDR Amendment Act, 2010 was enacted.
02 February 2012	MoC notified the Auction by Competitive bidding of Coal Mines Rules, 2012.

Annexure-II

Major Recommendations of the Expert Committee Report on Road Map for Coal Sector Reforms (Chaired by Shri T.L. Sankar) 2005

Government of India, MoC constituted a seven member committee under the Chairmanship of Shri T.L. Sankar on December 2004. The Expert Committee was to prepare a comprehensive road map for the modernization of the coal sector. The committee submitted Part-I of the Report in December 2005 which basically covered issues of immediate relevance i.e. short to medium term (2011-12) issues. The present Performance Audit Report has considered the recommendations of the Expert Committee vis-à-vis the actions taken by MoC in this regard. The salient features of the recommendations are given below:

- To keep the import option functioning as an essential supply option along with the regulation of price in the Indian coal industry which would ensure least cost supply of coal for power generation while allowing a competitive and transparent coal market to supply the needs of other consumers.
- Railways should in consultation with Planning Commission and Ministries of Coal and Power to determine the main corridors through which coal would move in very large quantities to power plants and examine the cost and feasibility of setting up of dedicated trunk-routes for coal transport.
- Organisation having long experience in importing coal be co-opted in implementing short term supply management programme.
- Elevation of status of CIL.
- Emphasise on the role of captive mining to contribute significantly to production of coal in the short to medium term..
- The procedures and processes of allocation of coal blocks needed to be improved to expedite the allotment of the captive coal blocks in a transparent and effective manner.
- Releasing coal blocks with inferred and indicated categories of reserves for captive mining would not likely to achieve the objective of increasing the number of players in coal mining in the short to medium term.
- Production from captive blocks during mine development or periodic surpluses during mine operations must be sold to CIL / SCCL at a negotiated price with a band of plus or minus 10 percent of CIL price for the same quality of Coal.
- Major delays occur, in most cases, in obtaining environmental clearance, approval for land and mining leases from the concerned State Governments and the subsequent land acquisition process. MoC should take a proactive role in monitoring the approvals and clearance by the State authorities. An empowered high powered committees of Secretaries

should be set up for the purpose to consider the application for environment clearances within a time frame of four to six months.

- Submission of Bank Guarantee, 50 per cent of which linked to guaranteed production and 50 per cent to setting up of end use projects.
- Legal measures to cancel licenses issued earlier if the allottee failed to take adequate steps to bring the allotted mines to production or in setting up of end use plants and encashment of BG in full in such cases.
- To launch a programme of detailed exploration and drilling in the XIth Plan, aimed at increasing 'proved' category reserves by increasing the drilling capacity of CMPDIL from 3 lakh metres per annum to at least 15 lakh metres per annum by involving all eminent agencies within the country and outside.
- E-auction sell for a minimum of 10 per cent of domestic production initially and thereafter to 20 per cent by the third year and to reach 30 per cent over a period of 5 to 7 years.
- De-reservation of CIL blocks that cannot be put into production before 2026-27.
- Railways, Coal and Power Ministry have to work together to draw up a well-conceived model of FSTA. GoI should ensure that all the concerned Ministries and agencies accept the FSTA and perform as per its provisions.
- Setting up of a permanent Special Task Force to monitor progress of clearances and project implementation of all projects required to be completed by the end of the XIth Plan to fully realise CIL's production plans including the Emergency Production Plan to enhance domestic coal production capacity.

Annexure – III

Extractable Reserve in case of Opencast Mines allocated to Private Parties

Sl. No.	Company Name	State	Block Name	Producing/ Non Producing	Date of Allotment	Sector	GR (100 %) in million tonne	Whether MP available (Y/ N)	Extractable Reserve (ER) (in million tonne)	Extractable Reserve on actual where MP available/ 73 per cent of GR where MP not available) (in million tonne)
a	b	c	d	e	f	g	h	i	j	k
1	Abhijeet Infrastructure Ltd.	Jharkhand	i) Brinda	Non Producing	26-May-05	Sponge Iron	77.000	N		56.210
2	Abhijeet Infrastructure Ltd.	Jharkhand	ii) Sasai	Non Producing	26-May-05	Sponge Iron		N		
3	Abhijeet Infrastructure Ltd.	Jharkhand	iii) Meral	Non Producing	26-May-05	Sponge Iron		N		
4	Usha Martin Ltd.	Jharkhand	Lohari	Non Producing	24-Aug-05	Steel	11.765	Y	9.045	9.045
5	Neelachal Iron & Power Generation & Bajrang Ispat	Jharkhand	Dumri (Explored)	Non Producing	13-Jan-06	Sponge Iron	55.988	Y	40.854	40.854
6	Bhusan Steel & Strips Ltd. & Others	Orissa	New Patrapara	Non Producing	13-Jan-06	Sponge Iron	433.000	N		316.090
7	Electrosteel Castings & Others	Jharkhand	North Dhadu	Non Producing	13-Jan-06	Sponge Iron, Steel	923.945	Y	340.054	340.054
8	Essar Power Ltd. & Hindalco	Madhya Pradesh	Mahan	Non Producing	12-Apr-06	Power	144.208	Y	121.958	121.958
9	Rungta Mines Ltd.	Jharkhand	Bundu	Non Producing	25-Apr-06	Sponge Iron	102.268	Y	32.167	32.167
10	Rungta Mines Ltd. & Others	Orissa	Radhikapur West	Non Producing	25-Apr-06	Sponge Iron	288.440	N		210.561

Sl. No.	Company Name	State	Block Name	Producing/ Non Producing	Date of Allotment	Sector	GR (100 %) in million tonne	Whether MP available (Y/ N)	Extractable Reserve (ER) (in million tonne)	Extractable Reserve on actual where MP available/ 73 per cent of GR where MP not available) (in million tonne)
a	b	c	d	e	f	g	h	i	j	k
11	Essar Power Generation Ltd.	Jharkhand	Chakla	Non Producing	20-Feb-07	Power	83.101	Y	71.140	71.140
12	JSPL	Jharkhand	Jitpur	Non Producing	20-Feb-07	Power	81.095	Y	65.535	65.535
13	Hindalco & TATA Power Ltd.	Jharkhand	Tubed	Non Producing	1-Aug-07	Power	189.823	Y	130.000	130.000
14	DB Power Ltd.	Chattisgarh	Durgapur II/ Sariya	Non Producing	6-Nov-07	Power	91.672	N		66.921
15	Adani Power Ltd.	Maharashtra	Lohara West Extn.	Non Producing	6-Nov-07	Power	169.832	Y	140.000	140.000
16	CESC Ltd. & JAS Infrastructure	Jharkhand	Mahuagarhi	Non Producing	9-Jan-08	Power	220.000	N		160.600
17	Monnet Ispat & Energy Ltd, Tata Power and Jindal Photo Ltd.	Orissa	Mandakini-A	Non Producing	9-Jan-08	Power	322.796	Y	287.886	287.886
18	JSPL & Gagan Sponge Iron Ltd.	Jharkhand	Amarkonda Murgadangal	Non Producing	17-Jan-08	Power	410.000	N		299.300
19	SKS Ispat & Power Ltd. & Prakash Industries.	Chattisgarh	Fatehpur	Non Producing	6-Feb-08	Power	120.000	N		87.600

20	Rungta Mines Ltd. & Sunflag Iron & Steel Ltd.	Jharkhand	Choritand Taliya	Non Producing	14-May-08	Pig Iron	97.000	N		70.810
21	JSW Steel Ltd. Bhusan Steel & Power, Jai Balaji Ind.	Jharkhand	Rohne	Non Producing	5-Jun-08	Steel	242.000	Y	191.000	191.000
22	Mukund Ltd. Vini Iron & Steel Udyog Ltd.	Jharkhand	Rajhara North (Central & Eastern)	Non Producing	20-Nov-08	Steel	22.525	Y	15.609	15.609
23	Strategic Energy Tech. System Ltd.	Orissa	North of Arkhapal	Non producing	27-Feb-09	CTL	1500.000	N		1095.000
24	Tata Steel Ltd. & Adhunik Thermal Energy Ltd.	Jharkhand	Ganeshpur	Non Producing	28-May-09	Power	137.000	N		100.010
25	Himachal EMTA / JSW Steel Ltd.	West Bengal	Gourangdih ABC	Non Producing	10-Jul-09	Power	129.150	Y	61.540	61.540
									Total	**3,969.890**

Annexure – IV

Extractable Reserve in case of Mixed Mines allocated to Private Parties where Mining Plans are available

Sl. No.	Company Name	State	Block Name	Producing/ Non Producing	Date of Allotment	Sector	GR (100 %) in million tonne	GR as per MP for OC (in million tonne)	Extractable Reserve (ER) on actual as per MP (in million tonne)
a	b	c	d	e	f	g	h	i	j
26	Jayaswal Neco Ltd.	Jharkhand	Moitra	Non Producing	13-May-05	Steel	215.780	38.160	29.910
27	Electrosteel Castings Ltd.	Jharkhand	Parbatpur A to C	Producing	7-Jul-05	Pig Iron	235.718	7.150	5.720
28	Tata Steel Ltd.	Jharkhand	i) Kotre Basantpur	Non Producing	11-Aug-05	Steel	148.399	NA	93.052
29	Tata Steel Ltd.	Jharkhand	ii) Panchmo	Non Producing	11-Aug-05	Steel	101.992	80.418	61.276
30	Corporate Ispat & Alloys Ltd	Jharkhand	Chitarpur	Non Producing	2-Sep-05	Sponge Iron	174.623	NA	58.660
31	Topworth Urja & Metals Ltd. (Formerly known as Shri Virangana Steels Ltd.)	Maharashtra	Marki Mangli- III	Non Producing	6-Sep-05	Sponge Iron	6.190	NA	4.200
32	Topworth Urja & Metals Ltd. (Formerly known as Shri Virangana Steels Ltd.)	Maharashtra	Marki Mangli-II	Non Producing	6-Sep-05	Sponge Iron	11.540	NA	6.730
33	Topworth Urja & Metals Ltd. (Formerly known as Shri Virangana Steels Ltd.)	Maharashtra	Marki Mangli-IV	Non Producing	6-Sep-05	Sponge Iron	4.890	NA	3.035

34	Bhusan Power & Steel Ltd.	Orissa	Bijahan (Unexplored Block)	Non Producing	13-Jan-06	Sponge Iron	327.046	185.113	161.200
35	JSPL & Nalwa Sponge Iron Ltd.	Chattisgarh	Gare Palma IV/6	Non Producing	13-Jan-06	Sponge Iron	158.097	73.985	66.371
36	Jayaswal Neco Ltd.	Chattisgarh	Gare Palma IV/8	Non Producing	13-Jan-06	Steel	107.204	14.819	11.750
37	Ultratech & Others	Chattisgarh	Madanpur North	Non Producing	13-Jan-06	Power, Sponge Iron	213.460	113.820	94.960
38	Madanpur South (JVC of Hindustan Zinc Ltd.)	Chattisgarh	Madanpur South	Non Producing	13-Jan-06	Power, Sponge Iron	180.490	146.170	115.740
39	Chhattisgarh Captive Coal Mining Ltd. (JVC of Ispat Godavari & Others)	Chattisgarh	Nakia I	Non Producing	13-Jan-06	Sponge Iron	359.850	105.030	98.320
40	Chhattisgarh Captive Coal Company Ltd. (JVC of Ispat Godavari & Others)	Chattisgarh	Nakia II	Non Producing	13-Jan-06	Sponge Iron			
41	Tata Sponge & Others	Orissa	Radhikapur East	Non Producing	7-Feb-06	Sponge Iron	183.429	172.083	105.240
42	BALCO	Chattisgarh	Durgapur II/ Taraimar	Non Producing	6-Nov-07	Power	211.366	96.990	70.120
43	Sova Ispat & Jai Balaji Sponge Ltd.	West Bengal	Ardhagram	Non Producing	6-Dec-07	Sponge Iron	25.600	2.143	1.863
44	Birla Corporation Ltd.	Madhya Pradesh	Bikram	Non producing	12-Aug-08	Cement	20.975	4.655	3.758
45	Electrotherm (India) Ltd, Grasim Industries	Chattisgarh	Bhaskarpara	Non Producing	21-Nov-08	Sponge Iron	46.910	NA	18.670
								Total	**1010.575**

Annexure – V

Extractable Reserve in case of Mixed Mines allocated to Private Parties where Mining Plans are not available

Sl. No.	Company Name	State	Block Name	Producing/ Non Producing	Date of Allotment	Sector	GR (100 %) in million tonne	Extractable Reserve at 37% of GR[1] (in million tonne)
a	b	c	d	e	f	g	h	i =h*37/100
46	Domco Smokeless Fuel Pvt Ltd.	Jharkhand	Lalgarh North	Non Producing	8-Jul-05	Pig Iron	27.088	10.023
47	Essar Power Ltd.	Jharkhand	Ashok Karkata Central	Non Producing	6-Nov-07	Power	110.000	40.700
48	Bhusan Power & Steel Ltd.	Jharkhand	Patal East	Non Producing	6-Nov-07	Power	200.000	74.000
49	AES Chhattisgarh Energy Pvt. Ltd	Chattisgarh	Sayang	Non Producing	6-Nov-07	Power	150.000	55.500
50	Arcelor Mittal India Ltd. & GVK Powers (G.Sahib)	Jharkhand	Seregarha	Non Producing	9-Jan-08	Power	150.000	55.500
51	Sterlite Energy, GMR Energy, Arcelor Mittal India Ltd, Lanco Group, Navabharta Power (IPP), Reliance Energy	Orissa	Dip Side of Rampia	Non Producing	17-Jan-08		645.235	238.737
52	Sterlite Energy, GMR Energy, Arcelor Mittal India Ltd, Lanco Group, Navabharta Power (IPP), Reliance Energy	Orissa	Rampia	Non Producing	17-Jan-08	Power		

53	JLD Yavatmal Energy, RKM Powergen, Vandana Vidyut, Visa Power, Green Ifrastructure	Chattisgarh	Fatehpur East	Non Producing	23-Jan-08	Power	500.000	185.000
54	Bihar Sponge Iron Co. Ltd.	Jharkhand	Macherkunda	Non Producing	5-Aug-08	Sponge Iron	23.860	8.828
55	Jindal Steel & Power Ltd.	Orissa	Ramchandi Promotional Block	Non producing	27-Feb-09	CTL	1500.000	555.000
56	Rungta Mines Ltd./ Kohinoor Steel Pvt. Ltd.	Jharkhand	Mednirai	Non Producing	28-May-09	Power & Sponge Iron	80.830	29.907
57	IST Steel & Power, Gujarat Ambuja Cements, Lafarg India Ltd.	Chattisgarh	Dahegaon Makardhokra	Non producing	17-Jun-09	Steel/ Cement/ Cement	132.000	48.840
							Total	**1,302.035**

[1] 37% has been worked out based on the average quantity of Extractable OC reserves of Mixed mines where Mine Plans were available.


300