Clarifications regarding certain doubts raised by certain quarters regarding allocation of Coal blocks to private companies for captive purposes during the period 1993-2009.

1. At the very outset, it is made clear that initially the demand for coal was not so high, so there was no pressure on allocation of coal blocks. As the economy grew in size, the demand for energy, and with it the demand for coal, also grew and it was increasingly being felt that Coal India Ltd. alone would not be able to meet the growing demand. Therefore, the option of giving a bigger role to the private sector was explored. It is in this background that we should appreciate the reasons why different governments during the period 1993-2009 allocated coal blocks to private parties for captive purposes. However, no coal block was allocated to a private company without the recommendation of the State Governments concerned.

2. The allocation of coal blocks to private sector companies is only for captive use and not for sale or commercial use of coal. Allocation of coal blocks for captive use commenced in the year 1993 and the system of allocation was improved over the period of time. Initially, the blocks which are not included in future production plan of coal companies and identified by the companies were being allocated. Subsequently, a system of consultation with the State Government was started. The Guidelines regarding allocation of coal blocks were issued in 2003. In 2005, a system of inviting application through advertisement in newspapers was started. The system was further improved in 2006 to identify and advertise the block separately for different sectors. Hence, the allegation that the blocks were given to the favourite companies and persons is not warranted. Since the blocks are allocated to private companies only for captive purposes for the specified end-use the question of linking the blocks to the market price of coal does not arise at all.

3. The Mines and Minerals (Development & Regulation) Act was amended in 2010 to introduce allocation of coal blocks by auction through competitive bidding. Initially a proposal to introduce competitive bidding system by amendment to the Coal Mines (Nationalisation) Act was circulated in 2005. However, after discussion at various levels and including consultations with the State Governments it was decided to amend the MMDR Act. The process of consultation took some time as it involved consultation with the State Governments, various stake holders and concerned Ministries. After due process the amendment bill was introduced in Rajya Sabha in 2008. The same was referred to Standing Committee and the Standing Committee recommended further consultations with the State Governments. After completion of the process the Parliament has passed amendment bill in 2010. Thereafter, after consultation with the stake holders, rules have been framed for allotment of blocks through auction in February, 2012. To put the country on a path of higher growth, capacities in power, steel, cement

sectors were required to be added expeditiously. This was one of the main reasons for continuation of allocation of the captive coal blocks. If the coal blocks were not made available, it would have resulted in higher imports causing outflow of foreign exchange or no large investments in these crucial sectors. Allocation of coal blocks has resulted in investment in these sectors which was the need of the times. In the meanwhile as recommended by the Energy Coordination Committee, the blocks were identified for allocation and the process for allocation was continued. The introduction of bidding system is meant for bringing in a process which is more objective and demonstrably transparent. However, after the Bill was introduced in the Parliament no fresh blocks were offered for allocation.

4. So far 195 blocks with reserves of 44.23 billion tonnes of coal stand allocated, out of which 96 blocks with 26.93 billion tonnes of reserves have been allocated to Government companies / UMPPs. It may be seen that around 60% of the reserves allocated are to Government companies / UMPPs. Further, 27

blocks with 5 billion tonnes of coal reserves are allotted to private companies in the power sector, which is a regulated sector. Two coal blocks with 3 billion tonnes of reserves are allotted for coal to liquid projects to bring in new technology into the country.

5. There has been no change in the eligibility criteria for allocation of coal blocks during the period nor were any changes made in the law to enable allotment of new category of companies which were hitherto not eligible for allocation of coal blocks. The coal blocks were allotted through the Screening Committee, which was a broad based body with representation from State Governments at the level of the Chief Secretaries, concerned Ministries of the Central Government and the coal companies. The coal blocks used to be advertised calling for the applications from interested parties. The application was to be filed in five sets. One set was to be sent to the concerned State Government, one set to the concerned line Ministry in the Central Government, viz., Power, Steel, Department of Industrial Policy and Promotion, one set to CIL/CMPDIL calling

for their recommendations. Then, the applicants used to be called for presenting their case to the Screening Committee. Thereafter, the Screening Committee used to deliberate and give recommendations regarding allocation of coal blocks to the eligible applicants. Thus, it may be seen that the procedure adopted for allocation involved wide consultations with all stakeholders. Equal opportunity was given to all prospective applicants. Fair and transparent procedure was followed which was devoid of any bias. The parameters and the guide lines for allocation were duly notified and followed by the committee while evaluating the applications. Comprehensive details about the applicant, the group, performance of the group, financial strength, readiness of the end-use plant etc were placed before the committee so as to enable it to make appropriate recommendation keeping in mind the comparative merits of the applicants.

6. The normative time frame given by the Government for the development of coal blocks ranges from 36-54 months and further period of 24 months is given in case of blocks which are not explored. The development of the blocks as

well as the end use plant is reviewed from time to time by the Government. Various difficulties are expressed by the coal block allocatees in development of coal blocks. This includes not getting timely clearances from forest department, environment clearances prospecting licence, mining lease from the State Governments and the problems encountered in acquisition of land. The Government conducts review from time to time through an inter-ministerial committee under the Chairmanship of Additional Secretary (Coal). On the basis of review, the allocatees are issued advisories, caution letters and show cause notices. On consideration of the replies furnished, action is taken against the companies including de-allocation of coal blocks. Consequent upon review meeting held in June, 2009, show causes notices were issued to 48 coal blocks allocatees and after examining their replies, three coal blocks were de -allocated. A review meeting was held in July, 2010 and after examining the progress, show cause notices were issued in 88 cases and after considering the replies given by the allocatees, 12 coal blocks were de-allocated. A review meeting was again held in January

2012. Based on the review of progress advisories were issued in 58 cases, 32 allocatees have been cautioned, and 58 allocatees have been issued show cause notices. In all 25 blocks have been de-allocated so far.

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