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Reform Measures and Policy Initiatives

3.1 Measures related to augmenting Production and Efficiency in the Coal Sector

3.1.1 Enhanced Exploration Efforts

CMPDIL is the nodal agency for implementing the Plan scheme of Detailed Drilling in non-CIL blocks. The CMPDIL executes the job through MECL and through outsourcing. The target, actual drilling in non-CIL blocks during last two financial years and the target for the current financial year [2014-15] is as follows;

(Drilling in lakh meter)

Year	Target	Actual	Growth % w.r.t. Previous Year
2012-13	1.75	2.28	2.70
2013-14	3.62	2.38	4.39
2014-15	4.16		

Table 3.1

During the XIIth Plan-period, drilling of 15.00 lakh meters in 38 non-CIL blocks has been planned. CMPDIL envisages to increase its departmental capacity from approx. 3.5 lakh meters per annum to 4 lakh meters by 2015-16 to cater to the increased requirement for detailed drilling in CIL and non-CIL blocks.

The target for detailed drilling in CIL areas in the XII plan is 36.10 lakh meters. The actual drilling in CIL blocks during last two financial years and the target for the current financial year [2014-15] is as follows;

(Drilling in lakh meter)

Year	Target	Actual	Growth % w.r.t. Previous Year
2012-13	4.07	3.35	23.20
2013-14	5.38	4.59	37.01
2014-15	7.84		

Table 3.2

The shortfalls are due to many factors. One of the core issue pertains to serious law and order problems in many Coal blocks. Non availability of Forest clearance is another reason for shortfall in achieving the target of drilling. A total of 63 applications are pending with forest authorities at various levels for the last 4 years. Lack of skilled man power and inadequate capacities in the private sector are some of the other reasons for non-achievement of targets. To offset this, strengthening of CMPDIL in the coming years together with a policy prescription for attracting global majors in exploration is being planned. It is also expected that the process of Forest Clearance will be fast tracked.

3.1.2 Renewed Policy Thrust to Increase Coal Production

The envisaged Coal production from CIL in the terminal year 2016-17 of the XII Five Year Plan is as under:

	(Production in million tonnes)
Coal Production	2016-17
Existing mines	23.82
Completed projects	161.72
On-going projects	333.33
New projects	96.13
Total	615

Table 3.2

A major growth in production is envisaged from three Coalfields i.e. North Karanpura in CCL; Mand-Raigarh in SECL and Ib valley in MCL and is contingent upon commissioning of railway projects in these three Coalfields.

MOC has been working with its PSUs in overcoming their constraints/problems. The expected outcome is achievement of Annual Action Plan, production and off-take targets, OBR removal, lignite production and lignite based power generation targets. Increasing coal-washing capacity and close monitoring of implementation of critical rail and road links are also expected to lead to positive outcomes. As per the perspective plan of CIL the projected production in 2021-22, the terminal year of the XIII Plan is 795 million tonnes.

3.1.3 Completion of Projects and Expansion of Existing Projects

There are 116 ongoing mining projects and 25 non-mining projects under implementation in CIL. Regular system of monitoring of the projects at area level and headquarter level is in place.

Monitoring is also done at Board level on continuous basis. The Department of Programme Implementation is also monitoring the ongoing projects with cost of more than 150 crore through an online computerized monitoring system and the status is updated by the concerned subsidiary companies on a monthly basis. Major projects with the cost of Rs.500 crore and above and with a production capacity of 300 million per annum or more are being monitored quarterly.

CIL plans to take up 126 new projects in the XII Plan for an ultimate capacity of 434 million tonnes per annum with an estimated investment of Rs.50605 crore. Till date it has approved 9 projects and given in principle approval to 36 projects which need to seek EC and FC for final decision on investment. Meetings are being held on a regular basis between Secretary (MoC) and Secretary (MoEF) to address the pending EC and FC related issues to expedite implementation of the projects. In addition MoC is also taking up issues with the concerned State Governments for amicable solution of pending issues.

3.1.4 Developing Policies for Enhancing Underground Mining

Underground production has been declining over the years and is an area of great concern. The envisaged production in 2016-17, the terminal year of XII Plan is 55.89 million tonnes. However, the actual production in the recently concluded financial year 2013-14 has only been about 36 million tonnes. Out of 249 underground mines operating in CIL, almost all of them are loss making and many of them are legacy mines. The losses of underground mines are being cross subsidized by profits from the opencast mines. This is not a sustainable proposition and there is an urgent need to review the situation.

The MoC has proposed to take up a Study for enhancing underground production from the mines of CIL. The facilitating measures are expected to be zero import duty on underground equipment; cost plus approach for developing the underground mines to yield 12% IRR as per the stipulation of public investment; providing higher allowances for the technical manpower and managerial personnel employed in underground mines with fast track promotions; special skill development programmes with appropriate incentives for attracting manpower to work in underground mines etc. As things stand out of 249 mines, 199 mines are semi mechanized with SDL/LHD loading; 16 mines with both manual and semi-mechanized (SDLs/LHDS) loading; 7 mines have been provided with continuous miners; 1 mine is operating with short-wall mining technology and 4 mines are operating with long-wall mining technologies. A detailed subsidiary wise Action Plan for improvement of production is in the pipeline.

3.1.5 Monitoring of Implementation of Third Party Sampling of Coal Supplied by CIL

With a view to bringing in greater transparency into the quality of Coal supply, a third party sampling system has been put in place in all subsidiary Coal companies w.e.f. 01.10.2013. If for some reason third party sampling and analysis cannot be conducted, joint sampling and analysis is carried out in the presence of the Purchaser at the loading end. And in the event that no sample is collected either way, the weighted average grade of any immediate preceding month is adopted for such dispatches. Coal India Ltd. is going to take further steps for streamlining the quality control mechanism at the loading end in consultation with the purchaser.

3.1.6 Review of Productivity Norms

Different Committees have gone into the issue of productivity of Heavy Earth Moving Machinery (HEMM) at different points of time. The most recent committee has been setup in 2013 and work is in progress.

3.1.7 Introduction of Appropriate Technology for Benchmarking Productivity, Safety, Quality and Crushing of Coal

A number of steps have been taken to improve productivity. Deployment of continuous miner in different subsidiaries of CIL has been planned. Workorder has been issued for deployment in 4 mines. Development of mines using long wall projects is being given a major thrust. Installing of GPS to monitor dispatch of coal is a priority area. It has been decided to strengthen the available crushing capacities in all coalfield areas in such a manner that all the coal being supplied to the power sector is crushed to (-) 100 mm by Dec, 2014.

3.1.8 Thrust on Washing of Coal

CIL is supplying 83 million tonnes of coal of less than 34% ash for 54 thermal power stations located 1000 kms. away from the pitheads. It needs to supply an additional amount of 46 million tonnes of less than 34% ash coal for the thermal power plants falling in the range of 500-1000 kms. by 05.06.2016. Hence, 10 new coal washeries for raw coal of the capacity of 73.5 MTPA have been planned and are in different stages of tendering/construction. 6 new washeries for coking coal are also in the pipeline. In addition to this, efforts are being made to rationalize existing coal linkages.

3.1.9 Technology Development and Modernization of Mines in CIL

CIL/CMPDIL has engaged the KPMG advisory group [India] in association with the John T Boyd Company [USA] for studying and advising on technology development and modernization of mines in CIL. The terms of reference of the Study are as follows:

- To assess the status of existing technology for safety, production and productivity in the underground and opencast coal mines of various coal fields of CIL;
- To assess the gaps in technology upgradation in underground and opencast mines in various coalfields of CIL;
- To assess the requirements of technology and infrastructure development for mine planning and mine design and construction with regard to projected coal production plans of CIL for XII, XIII and XIV Five Year Plans;
- To assess the indigenous capabilities in meeting the projected technology upgradation requirement vis-à-vis import dependence;
- To assess the system development for meeting the projected technology upgradation coalfields-wise and to assess the barriers;
- To assess the application of IT and automation in technology development coalfields – wise in CIL;
- To prepare a road map for technology upgradation covering the different Plan periods

The study which has since been completed covers 85 units in 14 coalfields including 36 underground mines, 35 opencast mines and 14 infrastructure facilities. A detailed action plan is expected to be put in place once the recommendations are accepted for implementation in a phased manner by the CIL. Restructuring will be looked at to improve the management and HR practices, operational efficiency, and empowering the subsidiary companies. Immediate steps have already started for increasing production and productivity, improving quality to satisfy customers, rationalizing linkages to reduce cost and improve material movement.

3.2 Master Plan to address Fire, Subsidence and Rehabilitation

The Master Plan for Jharia and Raniganj Coalfields dealing with fire, subsidence and rehabilitation and diversion of surface infrastructure has been approved in August, 2009 at an estimated investment of Rs. 9657.61 crore (Rs. 7028.40 crore for Jharia Coalfield and Rs. 2629.21 crores for Raniganj Coalfield) excluding Rs. 116.23 crore sanctioned earlier for

various EMSC schemes for implementation in 10/12 years in two phases of five years each. The Jharia Rehabilitation and Development Authority (JRDA) and Asansol Durgapur Development Authority (ADDA) have been identified as implementing agencies for rehabilitation of non-ECL/non BCCL houses by the State Governments of Jharkhand and West Bengal respectively. For speedy implementation of the Master Plans, a High Powered Central Committee under the Chairmanship of Secretary (Coal) has been constituted with representatives from different Ministries and State Governments of Jharkhand and West Bengal. So far, nine meetings of this Committee have been held and the progress is being reviewed on a quarterly basis.

3.2.1 Third Party Monitoring of Mine Reclamation and Rehabilitation

Mine Closure Plan is an integral part of Mining Plan. Over the course of implementation of the project the land use pattern undergoes significant change. It is important to reclaim the mined out areas with an intention to bring back the contours of the land to more or less acceptable levels and to sustain the mining activity. Against this backdrop the Ministry of Coal has issued a set of stringent guidelines for Mine Closure and has proposed a study for third party monitoring of reclaimed mined-out areas.

3.2.2 Satellite Surveillance for Land Reclamation

Reclamation of mined out areas is important for sustainable development. Emphasis is being laid on proper reclamation (both technical and biological) and mine closure. Satellite surveillance for land reclamation is being given the requisite thrust by partnering with the National Remote Sensing Centre at Hyderabad. The company wise details of the area excavated and reclaimed are furnished below:

Company	Land Excavated (Ha.) Total	Land Reclaimed (Ha)	
		Technical	Biological
ECL	2107.71	1074.00	341.16
BCCL	2865.85	1018.73	291.00
CCL	4783.00	3837.00	996.70
WCL	5460.00	800.00	532.13
SECL	6540.00	3667.93	2498.13
MCL	3652.39	1917.09	820.12
NCL	3781.00	2978.00	2451.00
NEC	347.83	66.11	45.80
TOTAL CIL	29536.78	15358.86	7976.04

3.3 Strengthening of the Coal Controller's Organization

There have been important changes in the Coal sector in the recent past including in its policy framework and legal provisions necessitating the need for restructuring and re-orientation of the Coal Controller's Organization. Against this backdrop a study was awarded to the Indian School of Mines (ISM) with the objective that the CCO should assume a more proactive role and function as a specialized agency. Environment and safety are two major issues which the Coal sector has to contend with and the CCO needs to play the role of a judicious coordinator and be a liaising agency between the industry and the regulators like the DGMS, MoEF and the State Governments. The Indian School of Mines has submitted its report and the same is under examination in the Ministry.

3.4 PPP in Coal Sector

In the Budget speech of 2013-14 an announcement was made for Public Private Participation (PPP) with Coal India Ltd. as one of the partners for augmentation of coal production in the country. Accordingly, an IMC was set up under the chairmanship of Secretary (Coal) with representatives from Planning Commission, Ministry of Finance (DEA), Ministry of Labour and Employment and Ministry of Law & Justice (DLA) among others to recommend a framework for PPP within the framework of the Coal Mines (Nationalization) Act, 1973. The basic objective of this initiative was to attract partnerships with major mining companies to improve production and productivity of coal mines of CIL. The Committee deliberated on different models including the Mine Developer cum Operators (MDO) model. A Model Concession Agreement (MCA) for engagement of MDO in CIL has been finalized and sent to CIL for its adoption by their Board.

3.4.1 Pilot Project

An explored green field coal mine (Siarmal) in the Mahanadi Coalfields has been taken up as a pilot project under PPP. The appointment of Transaction Advisor and preparation of bidding documents is under process by MCL. The mine development of the Block would be in phases and MCL is expected to obtain the preliminary clearance in three to five months.

3.4.2 PPP for Exploration and Mining of Coal

The Planning Commission has prepared a draft Model Concession Agreement for the Exploration and Mining of Coal.

The basic objective of this initiative is to assist State Governments and Public Sector Undertakings that have been allocated coal blocks but do not possess requisite expertise for undertaking exploration and preparatory activities required for coal mining. Given that exploration and preparatory activities require a lot of time and effort, it has been proposed to give the entire job on a turnkey basis to a single entity on PPP basis in order to meet the gap between demand and domestic supply by the end of 12th Plan.

The document is being examined in consultation with CIL and CMPDIL.

3.5 Change in Policy Related to Coal Block Allocation

3.5.1 Provisions of the Amended MMDR Act

The Mines and Minerals (Development and Regulation) Amendment Act, 2010 has been notified in Gazette of India (Extraordinary) on 9th September, 2010 to provide for grant of reconnaissance permit, prospecting license or mining lease in respect of an area containing Coal and lignite through auction by competitive bidding, on such terms and conditions as may be prescribed. This, would however, not be applicable in the following cases:-

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

3.5.2 Rules Made under the Amended Act

The Government has notified Auction by Competitive Bidding of Coal Mines Rules, 2012 on 2nd February, 2012. Further the Government has notified the “Auction by Competitive Bidding of Coal Mines (Amendment) Rules, 2012” on 27th December, 2012 for allocation of coal blocks to Government Companies. It contains detailed terms and conditions for selection of government company for allocation of the basis of pre-determined criteria and for utilization of Coal.

3.5.3 Methodology of Auction

The Ministry of Coal engaged the CRISIL Infrastructure Advisory as consultant through the Central Mine Planning and Design Institute to suggest a methodology for fixing floor

price/reserve price, to draft model tender document and draft agreement to be entered into with successful bidders. The methodology was approved by the competent authority on 24.09.2013.

3.5.4 Coal Blocks under Government Dispensation

17 Coal blocks (14 blocks for specified end-use i.e. Power and 03 blocks for Mining) have been zeroed in for allocation to State Government Companies/Corporations/CPSUs. The proposed Coal Mines Production and Development Agreement to be signed by the Government with respective eligible Companies in under process.

3.5.5 Lignite Blocks

Further, the Government has offered 5 lignite blocks located in the states of Gujarat and Rajasthan for Power/Commercial mining/ Underground Coal Gasification, Applications have been invited from government companies/Corporations, specifically from the states of Gujarat and Rajasthan, keeping in view the fact that, lignite cannot be transported over long distances due to its low calorific value, high moisture and soft/brittle nature of mineral. The applications received are being screened.

3.5.6 Coal Blocks for Power Projects Awarded on Tariff-Based Bidding.

Under the provisions of the aforesaid Act, which provides for allocation of area containing coal to a company or corporation awarded a power project on the basis of competitive bids for tariff for the purpose of obtaining reconnaissance permit, prospecting license or mining lease from State Government companies/corporations, allocation is under process. Notice inviting applications has been issued on 20.12.2013, offering 4 coal blocks.

3.5.7 Auction of Coal Blocks through Competitive Bidding for Captive-End Use (other than power)

In addition to the above, process for allocation of area containing Coal through auction by competitive bidding is under process. Notice inviting application was issued on 26.02.2014, offering 3 coal blocks for mining to companies engaged in production of steel, cement and sponge iron. The Government will endeavor to auction coal blocks after detailed exploration and after obtaining necessary clearances to add value to the auction process, enhance bankability and to ensure timely production from the coal blocks.

3.5.8 Identification of Additional Coal/Lignite Blocks

An Inter-Ministerial Committee under the Chairmanship of Additional Secretary, MoC has been set up with representatives of Ministry of Coal, CIL, CMPDIL, Coal Controller Organization and Director General of Hydrocarbons for identifying additional coal blocks, de-allocated coal blocks in which there is no legal dispute. The Committee will also examine allotment of coal blocks in areas relinquished by the CBM block allottees.

3.5.9 Opening of the Coal Sector

To accelerate growth in the country's coal sector to meet the growing demand of power sector, it would be necessary to supplement the production of PSU's through the participation of private companies. Therefore, there is need to move the Coal Mines (Nationalisation) Amendment Bill, 2000 pending in the Rajya Sabha as well as to introduce a suitable amendment in the MMDR Act, removing the restriction on mining of coal by private companies for specified end uses only. It would be done in consultation with the various stakeholders including trade unions and it would be ensured that workmen in PSUs are not affected adversely. Selection of private companies will be done in a transparent manner and supply of coal to power sector will be ensured at reasonable prices to provide for lower power tariffs for common man.

3.6 Setting up of a Coal Regulatory Authority

Based on the recommendations of the Group of Ministers and after detailed inter-ministerial consultations the Government decided to set up a Regulatory Authority for the Coal Sector. Accordingly, the Coal Regularity Bill was introduced in the Lok Sabha on 13.12.2013. Due to dissolution of the Lok Sabha, the bill is required to be re-introduced in the Lower House in the upcoming session.

The Bill provides for the establishment of a Regulatory Authority with a Chairperson and four Members, namely Member (Legal), Member (Technical), Member (Finance) and Member (Consumer Interest), to be appointed, by notification, by the Central Government.

3.6.1 Major Functions Envisaged in the Coal Regulatory Authority Bill, 2013

- specify by regulation methods of testing the declaration of grades or quality of Coal;
- monitor and enforce closure of mines as per approved mine project plan towards closure of mine
- ensure adherence to approved mining plans;

- specify the principles and methodology for determination of price of raw Coal and washed Coal or any other by-product generated during the process of washing;
- call for information, record or other documents from the entities and publish statistics and other data in relation to the Coal industry;
- specify the standards of performance and norms of operational efficiency except in the area related to mines safety;
- specify procedure for automatic Coal sampling and weighment;
- play an advisory role on formulation of policies in Coal sector.

3.7 Reintroduction of the CCDA Bill

The proposed Bill is for making amendment to the provisions of Section 6 of the Coal Mines (Conservation and Development) Act 1974, for enhancing the upper limit of stowing and excise duty (SED) from the existing cap of Rs.10 per tonne to Rs.50 per tonne for all types of Coal under the provisions of CM (C&D) Act 1974.

The Bill introduced in the Lok Sabha, was referred to the Standing Committee on Coal and Steel for examination. The Standing Committee recommended the Amendment Bill which was pending consideration in the Lok Sabha. The Bill stands lapsed on dissolution of the 15th Lok Sabha. The proposal for Amendment needs to be placed before the Cabinet afresh.

3.8 Corporate Social Responsibility (CSR):

CIL and its subsidiary companies are undertaking different welfare activities, in and around the Coalfield areas, under the CSR policy. The CIL has a well-defined CSR policy introduced in June, 2010 and based on the guidelines issued by the Department of Public Enterprises for Central PSUs on CSR, which is also applicable in respect of the subsidiary companies of CIL. In addition Section 135 of the Companies Act, 2013 deals with Corporate Social Responsibility (CSR).

The details of the amount earmarked and utilized by the Coal India Limited (CIL) and its subsidiaries under the Corporate Social Responsibility (CSR) fund during each of the last three years and the current year subsidiary-wise are as under:

(Rs.in Crore)

Company	2010-11		2011-12		2012-13		2013-14 (Upto Dec.13)	
	Budget	Expendt.	Budget	Expndt.	Budget	Expndt.	Budget	Expndt.
ECL	5.00	4.74	16.50	3.14	23.89	09.42	29.35	6.09
BCCL	13.75	3.15	14.50	05.53	23.63	07.43	30.50	5.01
CCL	25.69	10.98	53.88	11.00	47.72	13.66	26.42	17.20
WCL	23.00	7.13	55.82	07.85	40.67	20.96	29.46	10.98
SECL	54.00	7.05	146.44	17.66	181.79	46.63	63.94	43.38
MCL	52.04	53.46	82.00	14.47	73.36	25.56	101.72	59.07
NCL	36.00	4.25	93.42	09.25	95.73	17.64	48.99	28.79
CMPDIL	0.20	0.19	0.77	00.49	1.63	01.06	1.82	0.51
CIL & NEC	52.60	8.71	90.00	02.59	107.32	07.19	142.16	107.36
Total	262.28	99.66	553.33	82.00	595.74	149.55	477.36	278.39