

New Delhi, Dated 22. June, 2013

To,

Chief Secretary of Govt. of Chhatisgarh, Odisha, West Bengal, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan* & Gujrat* (By name)* for Lignite Blocks}

Sub: Clarifications on the processing of Mining Lease applications of Coal/Lignite block allocatees-reg.

Sir/Madam,

Two references have been received from the Govt. of Chhatisgarh and Odisha respectively seeking guidance/clarification on the issues connected with the processing of applications for grant of mining lease to the allocatees of coal blocks. The issues raised are as under:-

Government of Chhatisgarh

(D.O. letter No.515/CS/2013 dated 2nd May, 2013 from Chief Secretary and Letter no. F. 7-26/2013/12 dated 8th April, 2013 from Secretary (Mineral Resources)

- (i) Should the state government continue to follow the practice of sending applications of coal block allocatees for grant of licences/leases as per the practice followed so far namely, after ascertaining the availability of the area of allocated coal block for coal mining or whether the state government needs to furnish information on development of coal block/establishment of end use project also with its proposal seeking prior approval?
- (ii) In case the Ministry of Coal desires the state government to furnish information other than the availability of the allocated area for coal mining with its proposal seeking prior approval, the Ministry may kindly specify the information to be furnished along with such proposals for each category of allocatees namely (i) Coal blocks allocated for commercial exploration, (ii) Coal blocks allocated for captive use to single companies and (iii) coal blocks allocated to consortiums of companies to be developed through an SPV.

.....2/-

Government of Odisha

[DO letter No.3288/SM IV (Coal) SM 38/12 dated 10th April, 2013 from Principal Secretary (Steel & Mines)]

“Quite a good number of aforesaid Coal Blocks have been allocated to a group of Private Companies. Even there are 5-6 numbers of Private Companies tagged to a single Coal block. However, it has been observed that there is no uniformity in the progress of setting up of End Use Plants by different Companies allotted with the same Coal Block. While one allottee-Company is about to complete its End Use Plant, the other co-allottees for the same Coal Block are either lagging far behind or are complete non-starters in setting up their End Use Plants. Since allotment of the Coal Block is for captive use in identified End Use Plants only, it is not clear whether the progress of End Use Plants should be assessed before committing the national resource to the private entrepreneur(s) and if so how. There is also no clarity as to how to process the mineral concession applications in such cases of joint allocation of Coal Blocks where some co-allottee(s) have not made any significant process in setting up the End Use Plant(s).”

2. So far as the issue at Sl. no. (i) raised by the Govt. of Chhatisgarh is concerned, this Ministry have proposed to set up a monitoring committee at the level of Chief Secretary in the coal bearing states in order to expedite development of coal mines by the coal block allocatees vide Secretary (Coal)'s D.O. letter dated 5th June, 2013 (copy enclosed). This committee may *inter alia* monitor development of associated end use plant(s)|EUPs|. The purpose of this committee is to introduce a system of monitoring at the state level in addition to monitoring by the Ministry of Coal as a number of coal block allocatees are reportedly facing problem in getting clearances at the state level. As far as processing of mining lease applications are concerned, the State Govt. may, before grant of mining lease, incorporate a condition in case of blocks allotted for captive use that the coal produced shall be consumed in the linked EUP(s) only although such condition is already included in the block allocation letter issued by this Ministry. The State Governments may, thus, continue to send proposals seeking prior approval for mining lease as was being done earlier along with statutory Form 'K' as per the provisions of MMDR Act and MC Rules. In view of the foregoing, the issue no.(ii) raised in Govt. of Chhatisgarh's letter as reproduced above does not arise.

.....3/-

3. As far as the issue raised by the Govt. of Odisha is concerned, it may be stated that in case of joint allocation of a coal block, allocatees are either required to form a JV for the purpose of coal mining and use their share of coal from the mine or one of the allocatee is made the leader responsible for development of the mine and coal produced is shared with co-allocatees. To address the situation in the case of joint allocation of a coal block to multiple allocatees, where one or more co-allocatees might not be able to develop their associated captive end use plant(s) despite coal mine having been developed, the following condition may be incorporated in the mining lease by the State Government:-

'the modalities for disposal of surplus coal/middlings/rejects by a coal block allocatee or the share of coal pertaining to a co-allocatee (s) in case of joint allocation who has (have) not been able to develop/commission associated end use plant(s) despite the commencement of production from the captive coal block jointly allocated to multiple allocatees, shall be as per the prevailing policy/ instructions of the Government of India which could also include handing over of such coal to the nearest subsidiary of Coal India Ltd. or to any person designated by it at a transfer price to be determined by the Government.'

This clause may be incorporated as one of the conditions while granting ML by the State Government in all cases.

4. Since similar issues may crop up in other coal bearing states also, this letter is being addressed to Chief Secretaries of all coal bearing states.

Yours' faithfully,


(A.K. Bhalla) 28/6/13

Joint Secretary to the Govt. of India

Encl. As above

.....4/-



S.K. Srivastava
SECRETARY

भारत सरकार
GOVERNMENT OF INDIA
कोयला मंत्रालय
MINISTRY OF COAL
शास्त्री भवन, नई दिल्ली - 110 001
SHASTRI BHAWAN, NEW DELHI-110 001

D.O. No. 13011/02/2011-CA-I (Vol. II)

5th June, 2013

Dear

As you may be aware that under the Coal Mines (Nationalisation) Act, 1973, coal mining is exclusively reserved for the public sector. Coal India Ltd. and Singareni Coal Companies Ltd. were responsible for supplying coal to all end users. However, in view of burgeoning demand, these companies were not able to meet the entire demand due to resource constraints resulting in import of non-coking coal. This necessitated allotment of captive blocks to different end users mainly to bridge the gap between demand and supply of coal.

2. The Coal Mines (Nationalisation) Act, 1973 was amended from time to time and after the amendment in 1993, mining for captive consumption was permitted for generation of power, washing of coal obtained from a mine and other end uses as may be notified by Government from time to time, in addition to the pre-existing provision for captive coal mining for production of iron and steel. Subsequently, production of cement and Synthetic-gas obtained through coal gasification (underground and surface) and coal liquefaction was also notified as an end use for coal mining. Thus, as per the provisions of Section 3 (3) (a) (iii) of the Coal Mines (Nationalisation) Act, 1973, a company engaged in production of iron and steel, generation of power, production of cement and synthetic-gas obtained through coal gasification (underground and surface) and coal liquefaction, can do coal mining in India for captive consumption only.

3. So far, 218 coal blocks with geological reserves of about 50 billion tonnes have been allocated to eligible public and private companies under the Coal Mines (Nationalisation) Act, 1973. Out of 218, 47 coal blocks have been de-allocated due to unsatisfactory development of blocks. Out of 47 de-allocated coal blocks, two coal blocks were re-allocated to eligible companies under the said Act and de-allocation letters in respect of five blocks were withdrawn. Thus, the net allocated blocks are 178 coal blocks with geological reserves of about 44 billion tonnes.

4. In order to ensure that allocatees adhere to the time schedule approved for development of coal mine, the Ministry takes various steps like monitoring of allocated blocks by the Coal Controller, keeping in view specific milestones indicated with the allocation letter as well as the mining plan. The Ministry also reviews the progress of allocated blocks from time to time. A Review Committee under the chairpersonship of Additional Secretary (Coal) was undertaking periodical reviews of the development of captive coal blocks.

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5. In pursuance of the announcement of the Finance Minister in the budget speech for the year 2012-13, an Inter-Ministerial Group (IMG) headed by Additional Secretary, Ministry of Coal has been constituted on 21.06.2012 to undertake periodic review of the development of coal / lignite blocks allotted by the Government. The IMG has, so far, held 18 meetings.
6. During the reviews undertaken by Review Committee ² (86) IMG, it has been noticed that allocatees are facing the following major constraints during the development of block: (i) Grant of mining lease, which is being executed by the allocatee and the State Govt. where the block is located (ii) Land acquisition, including forest land, revenue land, village area and resettlement and rehabilitation (R&R) issues, (iii) Environment Management Plan (EMP) clearance for coal blocks requires base line data generation, preparation of EIA/EMP based on approved terms of reference. NOC from local Panchayats, public hearing, presentation before the Expert Committee of MOEF etc. (iv) Forest clearance in respect of forest land is primarily processed in the State Government, even though final clearance is obtained from MOEF.
7. Keeping the above in view and in order to expedite the process of development of coal blocks, it is considered desirable to introduce a system of monitoring of the development of coal blocks also by a Monitoring Committee headed by the Chief Secretary of coal bearing states. Such a committee may include representatives of the Mining, Forest, Revenue, Geology, Environment Departments of the state as well as representative of Ministry of Coal/Coal Controller/CMPDI. This committee may monitor development of coal block as well as production and utilization of the coal in the concerned end use plant. The Committee may review the progress of development of coal blocks located in the state periodically alongwith the progress of setting up of the linked end use plant and make recommendations, as deemed necessary and appropriate, to the Ministry of Coal.
8. Accordingly, I request you to constitute the Monitoring Committee as suggested in para 7 above, under your chairpersonship, which would go a long way in speeding up the process of development of the captive coal/lignite blocks allocated in your state.

Yours sincerely,

Sd/-

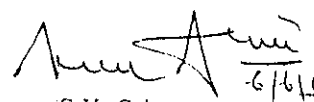
(S.K. Srivastava)

Chief Secretary of Govt. of Odisha, Chattisgarh, West Bengal, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan & Gujarat.

Copy to :

1. Coal Controller Office, Kolkata.
- ✓ 2. CMD, CMPDI, Ranchi.

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(S.K. Srivastava) 6/6/13