Ministry of Coal Notifies Acceptance of Insurance Surety Bonds for MMDR Coal Blocks

Posted On: 02 JUL 2026 2:44PM by PIB Delhi

The Ministry of Coal has introduced a key reform to provide greater financial flexibility to coal block allocates and further strengthen ease of doing business in the coal sector. Through the Coal Blocks Allocation (Amendment) Rules, 2026, the Ministry has enabled the use of Insurance Surety Bonds (ISBs) in place of Performance Bank Guarantees (PBGs) for coal blocks allocated under the Mines and Minerals (Development and Regulation) Act, 1957.

The amended framework allows coal block allocates to choose between a Performance Bank Guarantee and an Insurance Surety Bond for fulfilling their performance security obligations. It also extends this flexibility to existing allocates, enabling them to replace Performance Bank Guarantees already furnished with Insurance Surety Bonds, in accordance with the prescribed conditions.

The measure is expected to ease the financial burden associated with conventional bank guarantee arrangements and enable coal block allocates to deploy their capital more efficiently for mine development and operational activities. It will also help improve access to financial instruments while ensuring that the Government's interests remain fully protected through appropriate performance security mechanisms.

The Coal Blocks Allocation (Amendment) Rules, 2026 has been published in the Gazette of India vide G.S.R 508(E) dated the 22nd June, 2026 and may be seen at web link https://egazette.gov.in/(S(lymuax4zcvs2ntquyuz4zhzb))/ViewPDF.aspx

The facility of Insurance Surety Bonds will be introduced initially for coal blocks allocated under the MMDR Act. The Ministry will also process for extending the provision to coal blocks allocated under the Coal Mines (Special Provisions) Act, 2015.

This initiative reflects the Ministry of Coal's continued focus on regulatory reforms that encourage investment, support the timely operationalisation of coal blocks and create a more transparent, efficient and investor-friendly ecosystem for commercial coal mining in the country.

****

Shuhaib T