LEGISLATION

Legislative History Of Coal Mining since 1971 and latest status

Coal mines were nationalized in early seventies in view of the then existing dissatisfactory mining conditions e.g. slaughter mining, violation of mine safety laws, industrial unrest, failure to make investments in mine-development, reluctance to mechanise etc. and in order to meet the long range coal requirements of the country.

The 1973 Act was amended on 27.5.1976 terminating all the mining leases on coal held by the private lessees to allow captive mining by private companies engaged in the production of iron and steel and sub-leasing to private parties of isolated small pockets not amenable to economic development and not requiring rail transport. In 1993 the Act was further amended to allow captive coal mining in the private sector for power generation, washing of coal obtained from a mine and such other end uses as may be notified by the Central Government from time to time. Cement production was subsequently notified as a specified end-use for the purposes of captive coal mining. For details visit Captive Mining Blocks at http://coal.nic.in

COAL INDIA (REGULATION OF TRANSFERS AND VALIDATION) Act, 2000

The private coal mines of the country were nationalized in two phases during 1971-1973. In the first phase coking coal mines were nationalized. In the second phase non-coking coal mines were nationalized. Even since the nationalization of the coal industry, though the land or right in or over such land acquired under various Acts and the rights, title and interest in relation to a coal mine or a coke oven plant were directed to be vested in the Coal India Limited or its predecessor in title, its subsidiary companies were de facto managing such land, coal mines, or plants.

The absence of a formal legal title to the land or the right over such land or the right, title and interest in relation to a coal mine or coke oven plant, in the subsidiary companies has exposed them to litigation and other legal infirmities. While the Companies Act, 1956 contains provisions for reconstruction and amalgamations, such reconstruction or amalgamation could be given effect to prospectively only under that Act.

It was, therefore, considered necessary to empower the Central Government to direct the transfer of land or the rights in or over such land or the right, title or interest in relation to a coal mine or coke oven plant vested in the CIL to a subsidiary company, or where such land or mine are vested in a subsidiary company, to another subsidiary company. It was also considered necessary to validate all purported transfers of land or the rights in or over such land or the right, title and interest in relation to a coal mine or coke oven plant from CIL to a subsidiary company and from one subsidiary company to another subsidiary company before the commencement of the proposed Legislation.

The Bill was introduced in the Rajya Sabha on 14.2.95 and thereafter it was referred to the Standing Committee on Energy for consideration. The Committee
after detailed deliberations recommended adoption of the Coal India (Regulation of Transfers and Validation) Bill, 2000 and submitted their report on 27.7.2000 in the Parliament. The Bill was passed by Parliament during the Winter Session 2000. The President has given his assent to the Bill. Thus the Act has come into force, with effect from its publication in the Gazette of India on 8.12.2000.

Amendment to the Coal Mines (Nationalization) Act, 1973 to promote non-captive mining of coal.

The proposal of Ministry of Coal to amend the Coal Mines (Nationalisation) Act, 1973 to allow non-captive coal mining was approved by the Cabinet on 11.2.97 and subsequently on 27.5.97 after the change of Government in April 1997. The draft Bill for the amendment was got vetted from the Legislative Department, Ministry of Law and Justice on 8.7.97. Before the Bill could be introduced in the Parliament, this Ministry received a strike notice from the trade unions demanding withdrawal of the Bill. The matter was discussed with them on several occasions. While the unions recognized that a demand supply gap will remain at the end of the IX Plan, they insisted that increased production by the nationalized coal companies should be made possible by increasing budgetary support to them. It was explained to them that provision of budgetary support to Coal India Ltd. has been stopped since 1995-96 and it is not possible for the Government to restore the support. Unfortunately, despite several rounds of discussion with the trade unions, they did not appreciate the need for amendment to the Act.

In 1998, the matter was examined afresh and it was felt that certain standards would have to be maintained in non-captive coal mining by the private sector so that the pre-nationalization ills of the nature of unscientific mining, environmental degradation, exploitation of labour etc. observed in private coal mining do not recur. A proviso to the Bill providing for powers of the Central Government to lay down such standards for the private companies in terms of location and minimum size of the coal and lignite mines having regard to the rational, coordinated and scientific development and utilization of the coal and lignite resources, was evolved.

On 4.2.99 a fresh Note for the Cabinet was submitted to the Cabinet Secretariat seeking approval of the Cabinet to this Ministry's proposal to introduce the Bill with the proviso in the Parliament. The Cabinet in its meeting held on 17.2.99 approved the proposal of the Ministry of Coal to amend the Coal Mines (Nationalization) Act, 1973 for allowing non-captive coal mining by Indian companies. The Coal Mines (Nationalization) Amendment Bill, 1999 for amending the Nationalization Act was got vetted from the Legislative Department, Ministry of law, Justice and Company Affairs and all the procedural requirements of introduction of this Bill in the Parliament during the last Budget Session were completed. However, the Bill could not be introduced in the Parliament since the Parliament was adjourned sine-die on account of dissolution of the Lok Sabha. As per the latest instructions of the Cabinet Secretariat, the proposals for legislation approved by the previous Cabinet which are yet to be introduced as Bill in the Parliament are required to be submitted before the new Cabinet for obtaining fresh approval of the Government. Accordingly, approval of the new Cabinet was obtained to introduce the Coal Mines (Nationalization) Amendment Bill in the Parliament. After completing all the formalities the Bill was introduced in the Rajya Sabha on 24.4.2000. The Bill was referred to the Standing Committee on Industry for examination and report. However, since the Ministry of Coal was subsequently brought under the Standing Committee on Energy, the Bill was referred to this Committee. The Standing Committee on Energy after detailed hearings and examination of the Bill submitted its report to the Parliament 31.8.01 recommending for passing of the bill by Parliament. Notice of the motion for taking up the Bill for consideration and Passing by the Rajya Sabha will be required to be given before the Bill is taken up for consideration.
The Trade Unions operating in the coal industry have been demanding the withdrawal of the Bill in addition to a number of other demands. These are being looked into by a Group of Ministers constituted for the Department of Coal to look into various problems of the coal industry. The GOM has convened a number of meetings and it has met last on 9.4.2002. No final decision has been taken by the GOM on the issue of whether to pursue the Coal Mines (Nationalization) Amendment Bill 2000 in the Parliament in view of the threat of strikes by the Trade Unions. The GOM has been reconstituted a number of times in view of changes in incumbencies of the Minister-in-charge of Department of Coal. Because of the current change in the incumbent Minister for the Ministry of Coal, GOM will again require reconstitution before the matter is considered and a decision is taken.

A Memorandum of Settlement has been signed between the Coal India Management and the five central trade union organizations representing the workers of the coal industry on 1.8.2002. Based on the assurance given in the said Memorandum a meeting between the representatives of the Trade Unions and the Government (Department of Coal) was held at the level of the Minister for Coal and Mines on 27.1.2003. As per another assurance given in the Memorandum of Settlement the Trade Union representatives of the workers would have a discussion with the Group of Ministers on the Bill. This can take place only after the GOM is reconstituted.
COLLIERY CONTROL ORDER, 2000

In exercise of the powers conferred by section 3 read with section 5 of the Essential Commodities Act, 1955 (10 of 1955) and in supersession of the Colliery Control Order, 1945, except as respects things done or omitted to be done before such supersession, the Government of India has issued a Gazette Notification on 1.1.2000 to publish the Colliery Control Order, 2000. The content of the Colliery Control Order, 2000 is given below.

1. Short title and commencement. (1) This Order may be called the Colliery Control Order, 2000.
   (2) It shall come into force on the 1st day of January, 2000.

2. Definitions. In this Order, unless there is anything repugnant in the subject or context, -

   (a) `coal' includes anthracite, bituminous coal, lignite, peat and any other form of carbonaceous matter sold or marketed as coal and also coke;

   (b) `Coal Controller' means the person appointed as such by the Central Government under the provisions of the Coal Controller's Organisation (Group 'A' Posts) Recruitment Rules, 1986;

   (c) `colliery' means any mine or open working where winning or extraction of coal is the principal object of the mining, quarrying or any other operation carried on therein, and includes a plant for the production of coke or for the washing of coal;

   (d) `disposal' includes agreeing or offering to dispose of, and the disposal of ownership or any proprietary interest, the right of possession and possession whether or not accompanied by any disposal of ownership or of any proprietary, interest or of the right to possession;

   (e) `agent', `manager' and `owner' when used in relation to a colliery shall have the meanings respectively assigned to them in the Mines Act, 1952;

   (f) `size' when used in relation to coal shall have the same specification as given, from time to time, by the Bureau of Indian Standards in their specification number IS:437-1979.

3. Categorisation of coal. The Central Government may, by notification in the Official Gazette, prescribe the classes, grades and sizes into which coal may be categorised and the specifications for each such class, grade or size of coal.

4. Procedure for categorisation of coal. (1) On the basis of the categorisation notified by the Central Government under clause 3, the Coal Controller shall lay down the procedure and method of sampling and analysis of coal for the purpose of declaration and maintenance of grades of coal mined in a colliery.
(2) The owner, agent or manager of a colliery shall declare the classes, grades or sizes of the coal of any seam or section of a seam in a colliery in accordance with the procedure specified in sub-clause (1).

(3) The owner, agent or manager of the colliery shall allow the inspection of the colliery undertaken by the Coal Controller or any officer authorised by him in this regard so as to ensure the correctness of the class, grade or size declared. During inspection if the Coal Controller or the officer authorised by him decides to draw sample, the owner, agent or manager of the colliery shall provide all reasonable facilities and assistance for drawing such sample.

(4) If after inspection or from the sample drawn, the Coal Controller is satisfied that the grade as declared by the owner, agent or the manager of the colliery does not conform to the grade notified under clause 3, the owner, agent or manager of the colliery shall be bound to revise the grade as per the directions issued by the Coal Controller.

(5) If any dispute arises between a consumer and a owner of a colliery regarding the declaration of grades of coal, the same may be referred to the Coal Controller whose decision shall be binding on the owner of the colliery. A memorandum of reference to the Coal Controller regarding such dispute shall be accompanied by a fee of rupees two thousand and five hundred and in such manner as may be specified by the Coal Controller, from time to time.

5. Submission of returns and information to Coal Controller. Every owner of a colliery and every person engaged in the business of production, supply and distribution of, or trade and commerce in coal, on being directed to do so by the Coal Controller shall submit such returns and other information, within such time, as may be specified in the direction.

6. Directions to regulate the disposal of coal stocks. The Central Government may, from time to time, issue such directions as it may deem fit to any owner of a colliery regulating the disposal of stocks of coal or of the expected output of coal in the colliery during any period.

7. Power of the Coal Controller for quality surveillance. The Coal Controller or any other officer authorised by him in writing shall be competent to-

(a) cause the owner, agent or manager of a colliery or any person engaged in or in charge of the loading of coal in wagons, trolleys or trucks in a colliery, to adjust the loading according to the procedure laid down by the Coal Controller regarding grades and size of coal and to remove impurities like shales and stones from the wagons, trolleys or trucks loaded with coal;

(b) detain the wagons, trolleys or trucks at the colliery or weighbridge for adjustment of loading after inspection; and

(c) return the wagons, trolleys or trucks to the colliery from weighbridge for unloading and reloading with the specified quantity and quality of coal.

8. Power to prohibit or limit the mining or production of coal. The Central Government may issue such directions as it may deem fit to any colliery
owner prohibiting or limiting the mining or production of any grade of coal and the colliery owner shall comply with such directions.

9. Requirement of prior permission to open a coal mine, seam or section of a seam. (1) No owner of a colliery shall open a coal mine, seam or a section of a seam without the prior permission in writing of the Central Government.

(2) No owner of a colliery shall also commence mining operations in a colliery or seam or a section of a seam, in which the mining operation has been discontinued for a period exceeding one hundred and eighty days, without the prior permission in writing of the Central Government.

10. Notice of suspension or closure. If the mining operations in a coal mine or seam or a section of a seam is suspended or closed temporarily or permanently, as the case may be, for any reason whatsoever, then, a notice of such suspension or closure shall be given by the owner, agent or manager of the colliery within a period of thirty days from the date of such suspension or closure to the Coal Controller.

11. Power to restrict sub-division of a coal mine. No owner of a colliery or a group of collieries which has been permitted under clause 9 to work as a single mining unit or which has been working as a single unit at the time of commencement of this order, shall be allowed to sub-divide his mining unit or to work as a separate unit without the prior permission of the Central Government.

12. Power to inspect collieries. The Coal Controller or any other Officer authorised by him in writing, may with a view to securing compliance of this Order,-

(i) require any owner or agent or manager of a colliery to give any information in his possession relating to the production of coal in the coal mine or seam or section of a seam showing full boundaries of the leasehold area and plan of abandoned area, flooded area and area which has been or is on fire,

(ii) ask for production of any document, register and working plan,

(iii) inspect any mine plan in the possession of owner or agent or manager of a colliery, and

(iv) enter and inspect any colliery.

13. Delegation of powers to Coal Controller. The powers of the Central Government specified under clauses 6, 9, and 11 may be delegated by notification in the Official Gazette to the Coal Controller.

14. Power to exempt. Notwithstanding anything contained in this Order, the Central Government may, if it deems proper for avoiding any hardship or for any other just and sufficient reason, by notification in the Official Gazette, exempt any colliery owner or any class or category of person.
GUIDELINES FOR SETTING UP COAL WASHERY ON COAL COMPANY'S LAND

Coal washeries may be set up by coal consumer or by an operator on his behalf for obtaining coal of desired quality to meet the demand-supply gap of washed coal. Possible location of the washeries may be near pithead in general. If the washery is to be set up on coal company's land, coal company shall have to work as a 'Facilitator'. There is a need of policy guidelines to have a systematic growth of coal washeries in the country.

In light of the above, the following guidelines are approved for adherence by the coal companies:

1. **Entitlement of the Washery Operator (on behalf of coal consumers)**
   Any consumer with a Fuel supply agreement (FSA) or long term coal linkage with the coal company may set up a washery for his own consumption of washed coal or any private or public sector enterprise may set up and operate washery on behalf of such consumer on the land of any subsidiary company of CIL, subject to the following:

   i) If the lands acquired under the Coal Bearing Areas (Acquisition & Development) Act, 1957, are vested completely in the Coal Companies, the land can be leased for a maximum period of 30 years;

   ii) if the sought land or rights over it are co-terminus with the mining lease which the coal company holds, then the lease to a washery applicant shall have to be co-terminus with the mining lease, subject, however, to extension, should the mining lease be renewed;

   iii) washery operator shall give an undertaking that in the event of use of the leased land by the washery company for the purpose other than washing of coal, the land will revert back to the concerned coal company.

   The lease rent of the land allocated to a washery operator will be fixed by the Board of the Coal Company.
2. Qualifying Requirements of Washery Operator
The washery operator should meet the Qualifying Requirements stipulated hereunder:

2.1 Washery operator shall have MOU with the consumer or group of consumers, who has an FSA or long term coal linkage with a coal company, for production of predetermined quantity of washed coal, middling if any and rejects.

2.2 The washery operator shall have an Indicative Financing Plan for setting up of Coal Washery Project, supported with a 'comfort letter' from Banks / Financial Institutions.

However, a 'Firm Financing Plan' substantiating the tie-ups / commitments from Banks / Financial Institutions shall have to be furnished to coal company before physical possession of land is handed over.

3. Technology
While selecting technology for the washery, due consideration shall be given to the coal conservation. The technology should be such that the recovery of washed coal and middling, if any, shall be of such optimum level that the reject produced have minimum heat value and dumped or stacked as per approved environment management plan.

4. Life of washery
Normally, the life of the washery shall not be less than 20 years.

5. Optimum Capacity of the washery
The minimum throughput capacity of a washery should be 2.0 Mty.

6. Utilities provision
   a. Water and electricity during construction period shall be provided by respective coal companies at one point on chargeable basis, if available.
   b. Water for operation of the washery shall, in general, be arranged by the washery operators. However, the same may be provided by respective coal company, if available and possible, on chargeable basis.
   c. The washery operator shall arrange electricity for operation of the washery on his own.

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7. **Raw Coal Linkage**

In case of the washeries of the consumers with FSA or long term coal linkage with coal company, or their operators, the coal company will supply agreed quality and quantity of raw coal in terms of its long term fuel supply agreement.

In case of the washery of CIL under BOO Scheme, entire raw coal produced from the identified mine will be linked with the proposed washery for supply of washed coal to the consumers as decided by the coal company.

8. **Railway siding**

Railway siding facilities will be provided by the coal companies to the washeries of the consumers or their washery operators on chargeable basis (including maintenance cost) subject to its availability. In case railway siding can not be made available by the coal company, the washery operator will have to develop its own siding for which assistance may be provided by the coal company.

9. **Environment Consideration**

a. The prospective Washery operator shall prepare EMP in line with the guidelines set by Govt. time-to-time and shall get the same approved by the authority concerned. The washery shall be operated in conformity with the same.

b. The Washery operator shall ensure close-water-circuit operation so that no effluent is discharged in the natural streams.

10. **Right to Access**

The prospective Washery operator shall provide basic technological features of the washery to coal companies prior to set up. During operation of the plant the coal companies shall have right to access the plant to ascertain the suitability and maintainability of the plant for providing the desired products output.

11. **Safeguard:**

To avoid any chance of malpractice:

a. monthly returns shall have to be submitted by the washery operator to the coal companies concerned in respect of:
   i. details of the parties for whom the coal washing was undertaken;
   ii. quantity & quality of receipt of raw coal;
   iii. quantity of raw coal processed;
iv. volume of washed coal and dispatched to consumers;
v. quantity of rejects generated, dumped, stacked or disposed off; and

b. Road for transport of coal from the pithead to the proposed washery shall be different from the normal route of coal transport, and the trucks conveying coal to the washery shall have a separate distinct colour.
Royalty Rates on Coal and Lignite

LEGAL PROVISIONS ON ROYALTY

Royalty is an amount payable by a lessee to the lessor for removing or consuming a mineral. Section 9 (1) of the Mines and Minerals (Development & Regulation) Act requires the holder of a mining lease or his agent, manager, employee, contractor or sub-lessee to pay royalty in respect of any mineral removed or consumed from the leased area at the rate specified in the Second Schedule of the Act. Section 9(3) of the MMRD Act empowers the Central Government to enhance or reduce the royalty rates in respect of any mineral by notification in the Official Gazette with effect from such date as may be specified in the notification. This revision is done by amending the particular entry of the royalty rate for the respective mineral in the Second Schedule of the Act. The proviso to Section 9(3) of the Act prevents the Central Government from enhancing the rate of royalty in respect of any mineral more than once during any period of three years. The Act also does not mandate that royalty on coal should be revised after every three years.

Rates of Royalty on Coal since 1971

The coal royalty rates fixed in 1971 ranged from Rs. 1.50 per tonne for low quality coal to Rs. 2 per tonne for high quality coal. The royalty rates on coal were subsequently revised in July, 1975, February, 1981, August, 1991, October, 1994 and August, 2002. A comparative statement of coal royalty rates fixed on 13.2.81, 1.8.91, 11.10.94 and the existing royalty rates fixed on 16.08.02 is given below:-
Coal Royalty rates w.e.f. 16.8.2002

<table>
<thead>
<tr>
<th>Coal Group</th>
<th>Coal Royalty Rates w.e.f.</th>
<th>Coal Royalty Rates w.e.f.</th>
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<th>Coal Royalty Rates w.e.f.</th>
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<tr>
<td></td>
<td>13.2.81</td>
<td>1.8.91</td>
<td>11.10.94</td>
<td>16.8.2002</td>
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<tr>
<td>Group-I Coking Coal SG-I,II WG-I</td>
<td>7.00</td>
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<td>Group-II Coking Coal WG-II,III Non-coking A,B Semi-coking Gr.-I Semi-coking Gr.-II</td>
<td>6.50</td>
<td>120.00</td>
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<td>165.00</td>
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<td>75.00</td>
<td>95.00</td>
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<td>Group-IV Non-coking D,E</td>
<td>4.50</td>
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<td>85.00</td>
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<td>Group-V Non-coking F,G</td>
<td>2.50</td>
<td>25.00</td>
<td>50.00</td>
<td>65.00</td>
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<tr>
<td>Group-VI Coal produced in Andhra Pradesh</td>
<td>5.00</td>
<td>70.00</td>
<td>75.00</td>
<td>90.00</td>
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</table>

(* the 1981 coal royalty rates are still continuing for the State of West Bengal on the ground that the Government of West Bengal is continuing to levy cesses on coal which have been withdrawn by other State Governments.)

**Royalty rate on lignite** was revised from Rs.2.50 per tonne to Rs.50/- per tonne w.e.f. 15-3-2001.

**COMMITTEE TO CONSIDER REVISION OF RATES OF ROYALTY ON COAL – CONSTITUTION OF.**
In order to consider the question of revision of rates of royalty on coal and lignite in all its aspects, a Committee has been constituted by the Government on 2.6.2005 with the following composition:

i) Addl. Secretary, Ministry of Coal  Chairman

ii) Joint Secretary (Coal)  Member

iii) Representative of Ministry of Mines  Member

iv) Representative of Ministry of Power  Member

v) CMD, CMPDIL  Member

vi) Representative of CIL  Member

vii) Representative of FICCI  Member

viii) Representative of FIMI  Member

ix) Director, Ministry of Coal  Convener

The terms of reference of the Committee will be as under:

i) What should be the basis of fixation of rates of royalty on coal – whether it should be ad valorem or on tonnage basis?
ii) To what extent a revision in rates of royalty should be allowed keeping in mind the impact of the proposed rates of royalty on the consumers of coal, revenues of coal producing State Governments and other relevant factors?

iii) If the preference is to fix the royalty rates on ad valorem basis, the Committee may also recommend royalty rates on tonnage basis as a second option.
Pricing of Coal

Prior to 1.1.2000 the Central Government was empowered under section 4 of the Colliery Control Order, 1945, as continued in force by the Essential Commodities Act, 1955, to fix the grade-wise and colliery-wise prices of coal. The prices of the administered grades of coal were last revised w.e.f. 17.6.94. The price notification had been amended in December 1995, January 1996 and April 1996 to enhance the differential between run of mine, steam and slack coal, to meet the increase in transportation charges and also to provide for additional prices for coal produced from Ramagundam OCP of SCCL and Rajmahal OCP of Eastern Coalfields Limited, respectively.

Following the recommendations of Bureau of Industrial Costs and Prices (BICP), a decision was taken by the Government to deregulate the prices of all grades of coking coal and A, B, & C grades of non-coking coal and this decision was implemented with effect from 22.3.96. Subsequently in consideration of a recommendation of the Committee on Integrated Coal Policy, the Government decided to de-regulate the prices of soft coke, hard coke and D grade of non-coking coal and this decision was implemented with effect from 12.3.97.

The Government also decided to allow CIL and SCCL to fix prices of E, F and G grades of non-coking coal once in every six months by updating the cost indices as per the escalation formula contained in the 1987 report of the BICP and necessary instructions to this effect were issued to CIL and SCCL on 13.3.97.

The pricing of coal was fully deregulated after the Colliery Control Order, 2000 was notified with effect
Pricing of coal

from 1st January 2000 in suppression of the Colliery Control Order, 1945. Under the Colliery Control Order, 2000 the Central Government has no power to fix the prices of coal.

5 However, the Ministry of Power has been writing to the Department of Coal that in the absence of a regulatory mechanism, the prevailing monopoly situation in the coal market will lead to arbitrary increase in price levels affecting adversely the cost of generation and thereby electricity tariff which has direct impact on the national economy. The Ministry of Power has been pressing for appointing an independent regulatory body for price determination. Several State Governments and State Electricity Boards/Undertakings have also raised the issue.

6 In view of the above, the Tariff Commission is being involved in pricing of coal for the Power Sector and to suggest modalities for pricing of coal for other sectors.
OFFICE MEMORANDUM

Subject: New Coal Distribution Policy

In supersession of existing coal distribution policy for core and non-core sector and other instructions issued in this regard from time to time, the Government is pleased to approve the New Coal Distribution Policy. The new policy is as follows:

1. Classification of Consumers:

   The existing classification of consumers into Core & Non-core has been reviewed and it has now been decided to dispense with the same. Instead, each sector/consumers would be treated on merit keeping in view, inter-alia, the regulatory provisions applicable thereto and other relevant factors.

2. Distribution and Pricing of coal to different consumers/sector(s):

2.1 Requirements of defence sector and Railways will be met in full at notified price, as at present.

2.2 Power Utilities including Independent Power Producers (IPPs)/ Captive Power Plants (CPPs) and Fertilizer Sector

   100% of the quantity as per the normative requirement of the consumers would be considered for supply of coal, through Fuel Supply Agreement (FSA) by Coal India Limited (CIL) at fixed prices to be declared/notify by CIL. The units/power plants, which are yet to be commissioned but whose coal requirements has already been assessed and accepted by Ministry of Coal and linkage/ Letter of Assurance (LOA) approved as well as future commitments would also be covered accordingly.

2.3 Other consumers

   75% of the quantity as per the normative requirement of the consumers/actual users would be considered for supply of coal through FSA by CIL at notified prices to be fixed and declared by CIL. The balance 25% of
coal requirement of the units will be sourced by them through e-auction / import of coal etc., as per their preference. The units which are yet to be commissioned but whose coal requirement has already been assessed and accepted by Ministry of Coal and linkage/LOA approved as well as future commitment finally made would also be covered accordingly.

All the existing linkage holders of erstwhile core and non core sector and not having FSAs would be required to enter into FSA with coal companies. At present small and tiny consumers in non core sector, whose annual consumption is less than 500 metric tonnes are eligible to get coal through State nominated agencies/NCCF etc. The scope of coverage through State nominated agencies is now being increased upto 4200 tonnes per annum. It means that now the distribution of coal to units whose requirement is upto 4200 tonnes per annum will be done through the agencies nominated by State Government. Units whose requirement is more than 4200 tonnes per annum will take coal directly from Coal India Limited/Subsidiary companies through FSAs. As far as the linked consumers of erstwhile non core sector, whose annual requirement is less than 4200 tonnes are concerned, they would be given the option to either entering into FSA with the coal company as per the terms and conditions, including satisfaction level applicable to the other consumers or they may opt out of FSA regime and access their coal requirement through agencies nominated by State Governments.

2.4 Coking Coal to Integrated Steel plants:

Supply of coal to Steel plants would be based on Fuel Supply Agreements (FSAs). The price of coal would be on the basis of import parity pricing with suitable adjustment for quality. This system is already in vogue.

3. Consumers in small & medium sector

3.1 The State Governments are requested to work out genuine requirement of such units in small and medium sector like Smokeless fuel, brick kiln, coke oven units etc. on a transparent and scientific basis and distribute coal to them accordingly. The State Governments may take appropriate steps to evaluate the genuine consumption and monitor use of coal. The present cap is also enhanced to 4200 tonnes per annum for the targeted consumers under this category. In order to meet the enhanced cap fixed for such consumers, the quantity earmarked for distribution to these agencies would also be increased to 8 million tonnes annually, to start with. This quantity would be allocated for distribution to those units/consumers in small and medium sector across the country whose requirement is less than 4200 tonnes per annum and are otherwise not having any access to purchase coal or conclude Fuel Supply Agreement (FSA) for coal supply with coal companies.

G. Srivastava

..3/-
The earmarked quantity would be distributed through agencies notified by the State Governments. These agencies could be State Govt. Agencies / Central Govt. Agencies (National Co-operative Consumer Federation/NCCF/ National Small Industries Corporation/NSIC) etc or industries associations, as the State Govt. may deem appropriate. The agency so notified will continue to distribute coal until the State Govt. chooses to denotify it.

The agency/association so notified by the State Govts., would be required to enter into FSA with coal company to be designated by the Coal India limited. The FSA will continue to remain in force till either the State Govt. denotifies the agency/association or CIL shifts the obligation to some other coal company due to production, transportation logistics etc. In the latter case, a fresh FSA would be signed with the new coal company. The FSA would be based on firm commitment and compensation for default in performance on either side. These State Government/Central Govt. agencies would be free to devise their own distribution mechanism. However, the said mechanism should inspire public confidence and should result in distribution of coal in a transparent manner.

The price charged to such agencies would be same notified price as applicable to other consumers entering into FSA. The agency would be entitled to charge actual freight and upto 5% margin as service charge, over and above the basic price charged by the coal company, from their consumers. The concerned State Governments and Central Govt. Deptt. having administrative control over the agencies would be responsible to ensure that coal allotted for targeted consumer is distributed in a fair and transparent manner and appropriate action taken to prevent its misuse.

3.2 The quantity to be allocated to this sector may be reviewed on the basis of their performance in the beginning of every year. Allocation of this quantity amongst the states would be done on the basis of their consumption pattern in the past.

4. Replacement of Linkage System by Fuel Supply Agreement (FSAs)

The linkage system will be replaced with a more transparent bilateral commercial arrangement of enforceable FSAs. All the existing valid linked consumers whose linkage/MPQ during the year 2006-07 was 4200 tonnes or more would have to enter into FSAs with coal companies not later than six months from a date to be notified by CIL. The other valid linked consumers will have the option to opt out of FSA regime or enter into FSA within six months. On opting out, they may access their coal requirement through various channels like e-auction, distribution network of State nominated agencies etc. Failure to enter into FSA will result in discontinuation of supplies at fixed prices. All existing
FSAs, as prevailing on the date of introduction of this policy, will continue. However, they would need to be modified in view of the new provisions.

5. Policy for New Consumers

5.1 The Letter of Assurance (LoA) to be issued now pursuant to the new policy will have a validity of 24 months for consumers/applicants of Power Utilities, CPPs & IPPs and 12 months for other consumers instead of 30 months as earlier. The allottee of LoA would be required to fulfill certain stipulated conditions and meet the milestones within this period and thereupon approach coal companies for entering into FSA. Such FSA would be completed within three months. Further, with a view to ensure that only serious and committed consumers approach for LoA, they would be required to furnish an "Earnest Money Deposit" (EMD). EMD can be in the form of Bank Guarantee and would stand discharged once FSA is concluded within the stipulated period. However, on failure, the EMD will be forfeited. The amount of EMD could be initially kept at 5% of the value of Annual coal requirement. However, CIL may decide a different level, based on various relevant facts, with the approval of Board of Directors of Coal India Limited.

5.2 For new commitments including short-term tapering commitment to consumers having captive coal block, Power Utilities, CPPs, IPPs, Fertilizer units, and others would be issued an enforceable Letter of Assurance for supply of coal and thereafter they would be entitled to enter into FSA within a stipulated time subject to fulfillment of certain conditions to be stipulated therein. For Power Utilities including Independent Power Producers (IPPs) and Captive Power Plants (CPPs), cement sector and sponge iron sector, the present system of linkage committee at the level of Government would continue. CIL will issue LoA after approval of applications by the Standing Linkage Committee (Long-term). However, for other sectors the task of issuing letter of assurance, will be the responsibility of CIL.

In order to meet the domestic requirement of coal, CIL may have to import coal as may be required from time to time, if feasible. CIL may adjust its overall price accordingly. Thus, it will be the responsibility of CIL/Coal companies to meet full requirement of coal under FSAs even by resorting to imports, if necessary.

6. Letter of Assurance for New Consumers

6.1 New consumers from State/Central power utilities, CPPs, Independent Power Producers (IPPs), Fertilizer, Cement and Sponge Iron units may be issued LOA, based on prevailing norms and recommendation of Administrative Ministry, which may inter alia have regard to LoA/Linkage already granted.

G. Singh
to the consumer of specific sector, existing capacity, requirement for capacity addition during a plan period etc.

6.2 All other consumers may be issued LOA by CIL, based on the prevailing norms and on the recommendation of the administrative ministry. CIL may also engage an independent Govt. or recognized agency/institution, if required, for the purpose of processing/certification of coal requirement of individual consumers, if there is no prevailing norm for such category of consumers/sector.

6.3 LOA will be issued by the CIL to the applicant consumers consequent upon payment of EMD to the coal company. The amount of EMD could be initially kept at 5% of the value of annual coal requirement. However, CIL may decide a different level, based on the various facts, with the approval of Board of Directors of Coal India Limited.

6.4 LOA will be valid for a period of 12/24 months as applicable, during which the applicant consumer will be required to achieve the milestones pertaining to his projects/plant as stipulated in the LOA, failing which LOA will stand terminated automatically and the EMD would be forfeited.

7. FSAs with New Consumers

7.1 On successfully achieving the milestones stipulated in LOA coal companies would execute FSA with the applicant consumer covering commercial arrangement for supply of coal. FSAs would be, inter-alia, based on 'Take or Pay' principle.

7.2 The FSAs would cover 100% of normative coal requirements of the Power Utilities, including Independent Power Producers (IPPs) and Captive Power Plants (CPPs), Fertilizer units and 75% of normative coal requirement of other consumers.

7.3 As and when Fuel Supply Agreements come into existence, both parties viz. coal companies and consumers would endeavour to enter into Fuel Supply and Transport Agreement (FSTA) which would be a tripartite agreement involving the coal supplier, the coal consumer and the logistic provider i.e. railways. The FSTA may firstly be made applicable to major consumers like power, cement and steel sector and could be extended to other consumers in a phased manner.

8. Role of Standing Linkage Committee

The existing SLC (LT) will continue to recommend issuing of LoA in respect of Power Utilities including CPPs & IPPs, Cement and Sponge iron
including steel, as is being done at present. It may also perform other functions as per its terms of reference for coal sector as a whole. The issuance of LoA to consumers of other sectors will be directly dealt with by CIL on the basis of recommendation of nodal Ministry.

9. Discipline and economy in coal use

Coal is no longer an essential commodity but it is still considered a scarce fuel and hence it must be used efficiently and economically. The consumers getting coal through FSA would be expected to use it efficiently so as not to waste this scarce resource and hence norms and efficiency compliance should be carried out diligently by the concerned designated authority/agencies. This would also require that coal supplied should not be misused or diverted by FSA holder to others. The existing norms, wherever being made applicable for deciding linkage quantity etc., would be reviewed in consultation with the nodal Ministry concerned, and revised norms would be made applicable for working out the satisfaction level, wherever applicable.

10. E-auction of Coal

Coal distribution through e-auction was introduced with a view to provide access to coal for such consumers who are not able to source coal through the available institutional mechanisms for reasons like the seasonality of coal requirement, limited requirement of coal not warranting long-term linkage etc. In the long run, it is expected that e-auction may help in creating spot as well as future market of coal in the country.

Thus, a fresh scheme of E-auction will be introduced subject to, inter-alia, following conditions:-

(i) Any buyer will be entitled to buy coal under e-auction

(ii) There shall not be any "Floor Price" in e-auction. However, coal companies may be allowed to fix an undisclosed Reserve Price not below the notified price.

(iii) Programme of e-auction should be announced well in advance and be given wide publicity to all consumers who intend to participate.

(iv) At the beginning of the financial year, CIL shall declare a programme on sale of coal through e-auction indicating the quantity and quality of coal to be made available through auction during all the four quarters from different coal companies/coalfields.

G. Sircar

..71-
(v) In order to address the concerns of such industrial consumers who wish to have an assured supply over a long period, say one year, under e-auction so as to plan their annual production etc., CIL will earmark a fixed quantity which will be provided to highest bidder/bidders as per bidder's requirement over the period of the bid.

Based upon above guidelines and modalities, a revised e-auction scheme would be introduced by CIL within one month. Around 10% of estimated annual production of CIL would initially be offered under e-auction and the quantity to be offered under e-auction would be reviewed from time to time by Ministry of Coal.

11. **Transitional provisions and implementation schedule**

The new distribution policy envisages implementation of revised distribution policy in which there will be departure from the existing policy of distribution based on inter-alia norms, FSAs, price, distribution mechanism, administrative allocation etc. As these modalities will have to be tailor made accordingly to the new distribution policy, transitional provisions have been made for implementing new coal distribution policy and to avoid any disruption in coal distribution to various categories of consumers, as under:

<table>
<thead>
<tr>
<th>Para Number</th>
<th>Implementation schedule</th>
<th>Transitional provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Para 2</td>
<td>Upto Six months</td>
<td>Distribution as per existing FSA/SLC(ST). For non core linked consumers the present system of offer by CIL.</td>
</tr>
<tr>
<td>Para 3</td>
<td>Upto Six months</td>
<td>The existing system of allocation of coal to State nominated agencies and NCCF to continue. However, recommendations regarding enhancement of cap to 4200 tonnes per annum will be given immediate effect.</td>
</tr>
<tr>
<td>Para 4</td>
<td>Six months</td>
<td>Allocation in terms of existing FSA/SLC(ST). For non core linked consumers the present system of offer by CIL.</td>
</tr>
</tbody>
</table>
Para 5 & 6

<p>| | | |</p>
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</thead>
</table>
| Para 5 & 6 | a) Two months | For power utilities/IPP's LoA to be recommended by SLC(LT) subject to deposit of applicable EMD and modified LoA containing stipulated terms and conditions. For other categories similar interim/conditional LoA can be issued by CIL, if required.
|   | b) One Year (For meeting the requirement of FSA commitment through import, if required.) | Existing system of meeting the FSA quantity would continue. |
| Para 7.1 | Two months |   |
| Paras 10 | One month | E-booking to be extended in the interim. |

**Verification of erstwhile non core sector consumers**

CIL would undertake verification of such consumers of erstwhile non-core sector consumers, in a time bound manner, either directly or through an agency, so as to check the veracity of their claim of being bonafide consumers of coal and thereafter act accordingly. This exercise should be carried out keeping in view the observations and directions of Hon'ble Supreme Court in the case of M/s. Ashoka Smokeless Coal India Limited and Ors. In respect of those consumers who are not found to be bonafide, Coal companies can cancel their allocation.

The above policy guidelines will also be applicable to distribution of coal from Singareni Collieries Company Limited (SCCL).

CIL/SCCL/Coal Companies are advised to take further appropriate action for implementation of this policy in respect of provisions relevant to them.

(G. Srinivasan)
Under Secretary to the Government of India
Tele. No. 2338 4285

To
2. Dr. Surya Sethi, Principal Advisor, Planning Commission, Yojana Bhawan, New Delhi.
3. Shri Arvind Mayaram, Joint Secretary, Ministry of Economic Affairs, Ministry of Finance, North Block, New Delhi.
4. Shri K.A. Singh Deo, Joint Secretary, Ministry of Steel, Udyog Bhawan, New Delhi.
5. Shri Shashi Ranjan Kumar, Director, Deprt. Of Industrial Policy and Promotion, Ministry of Commerce & Industry, Udyog Bhawan, New Delhi.
7. Shri Chandan Saha, Director, O/o Development Commissioner, Ministry of Small Scale Industries, Udyog Bhawan, New Delhi.
8. Shri P.S. Bhattacharyya, Chairman, CIL, 10-NS Road, Kolkata.
9. Shri S. Ghosh, CMD, CMPDIL, Ranchi.
10. Shri K. Ranganath, Director (Marketing), 15-Park Street, Kolkata.
11. Shri Narsing Rao, CMD, SCCL, Kothagudem, Hyderabad (AP).

Copy for information to:

a) CMDs of BCCL, ECL, CCL, SECL, MCL, WCL, NCL.
b) PS to MoS (Coal) (c) Sr. PPS to Secretary (Coal)
(d) PS to AS (Coal) (e) PS to AS (LA)

Copy also for information and necessary action to: All Chief Secretaries of all State Governments/Union Territories

Copy also for information to: Shri Ashish Gupta, Director, PMO, South Block, New Delhi.

Copy to NIC, Ministry of Coal with a request to place this on the website of Ministry of Coal for wide publicity.

[Signature]
Areas for foreign participation

Scope of Foreign Investment in the Coal Sector

The private Indian companies setting up or operating power projects as well as coal or lignite mines for captive consumption in such projects may be allowed foreign equity up to 100% provided that the coal or lignite produced by them is meant entirely for captive consumption in power generation.

100% foreign investment in the equity of an Indian subsidiary of a foreign company or in the equity of an Indian company for setting up of coal processing plants in India may be allowed subject to the conditions that such an Indian subsidiary or the Indian company (a) shall not do coal mining and (b) shall not sell the washed coal or sized coal from their Coal Processing Plants in the open market and shall supply the washed coal or sized coal from their Coal Processing Plants to the respective parties sending raw coal to such Coal Processing Plants for washing or sizing.

The other private Indian companies engaged in exploration or mining of coal and lignite for captive consumption for production of iron and steel and production of cement may be allowed foreign equity up to 100%.

The Government has reviewed the above policy on Foreign Direct Investment (FDI) and decided to permit it under the automatic route for coal and lignite mining for captive consumption by power projects, iron & steel, cement production and other eligible activities permitted as per the provisions of the Coal Mines (Nationalisation) Act, 1973.
No. 38035/2/97-CA
Government of India
Ministry of Coal and Mines
Department of Coal

New Delhi, dated 12th December, 2001

To,
The Chief Secretary,

Subject:- Coal mining by the State Governments.

Sir,

I am directed to refer to this Department’s letter No. 20(5)/79 – CL dated 30.7.79 (copy enclosed) and to state that the coal mining policy communicated by the Central Government in the said letter has been reviewed and is hereby revised by the Government. Under the revised policy, the State Government companies or undertakings are allowed to do mining of coking and non-coking coal or lignite reserves, either by opencast or underground method, anywhere in the country, subject to the following conditions:

i) The State Government company or undertaking (referred to as the ‘company’ hereafter) is authorised to do coal or lignite mining by its Memorandum and Articles of Association.

ii) The company will do coal or lignite mining in accordance with the provisions of the Coal Mines (Nationalisation) Act, 1973, the Mines & Minerals (Development & Regulation) Act, 1957, the Contract Labour (Regulation & Abolition) Act, 1970, and all other mineral, environmental and labour laws and other regulations governing the Indian coal industry.

iii) For coal the company shall obtain a certificate from Coal India Limited to the effect that the latter has no plan or willingness to undertake mining operations for coal in the concerned area. For lignite, the company shall obtain a certificate from Neyveli Lignite Corporation.

iv) The proposed mining area has not been allotted to a captive mining company under the provisions of Section 3(3)(a)(iii) of the Coal Mines (Nationalisation) Act, 1973.

v) No financial assistance from the Central Government or Coal India Limited or Neyveli Lignite Corporation shall be provided to the company for coal or lignite mining in the concerned area.

vi) None of the coal or lignite mines operated by the company will be taken over by the Central Government or Coal India Limited or Neyveli Lignite Corporation in the event of closure of such a mine or otherwise.
vii) No employee of the company, engaged in a coal or lignite mine operated by it, will be absorbed in Coal India Limited or Neyveli Lignite Corporation at any point of time.

2. Under the revised policy, a State Government company/undertaking can now work non-coking coal and coking coal reserves or lignite by opencast/underground method, without the restriction of ‘isolated small pockets’.

3. This supersedes this Department’s letter No. 20(5)/79-CL dated 30.07.1979.

Yours faithfully,

(K.S. KROPHA)
DIRECTOR

Copy forwarded to: -

1. The Chairman, Coal India Limited, 10- Netaji Subhas Road, Kolkata.
2. The CMD, CCL, Darbhanga House, Ranchi, Jharkhand.
3. The CMD, WCL, Bisesar House, Temple Road, Nagpur.
4. The CMD, BCL, Sanctoria.
5. The CMD, NCL, Singrauli Collieries, Distt. Sidhi, Madhya Pradesh.
6. The CMD, SECL, Seepat Road, Bilaspur, Chhattisgarh.
7. The CMD, MCL, Anand Bihar, Sambalpur.
8. The CMD, BCCL, Dhanbad.
9. The CMD, CMPDIL, Ranchi.
10. The CMD, NLC, P.O. Neyveli, South Arcot, Tamil Nadu.
11. The Coal Controller, 1- Council House Street, Kolkata.
13. Cabinet Secretariat, Rashtrapati Bhawan, New Delhi.

Copy also forwarded to: -

1. PS to Minister for Coal & Mines, Shastri Bhawan, New Delhi.
2. PS to Minister of State for Coal & Mines, Shastri Bhawan, New Delhi.
3. All officers/sections of the Department of Coal.

(S.K.KAKKAR)
UNDER SECRETARY TO THE GOVERNMENT OF INDIA
Note on trial e-marketing by Coal Companies of CIL

Consequent to High Court of Kolkata order dated 13.5.2004 setting aside the existing policy of Govt. on sale of coal to non-core sector consumers based on the linkages and sponsorship, the Govt. had approved, in principle, sale of coal to non-core sector through electronic marketing on Internet on trial basis in BCCL.

To expand the scope of e-marketing sale of coal based on the experience gained from the initial e-marketing conducted in BCCL and NEC, the Govt. decided to sell 20 million tonnes of coal by CIL subsidiaries through e-marketing for the year 2005-06 on trial basis. This would be in addition to the quantity sold to non-core sector consumers during 2004-05 which would be available for non-core consumers based on their past linkages and Maximum Permissible Quantity(MPQ) at average e-marketing price of the preceding month. Further a total of 5 million tonnes of coal has been earmarked for State Govt. undertakings and M/s NCCF for distribution to SSI and tiny consumers. On this coal floor price would be charged. The floor price of a particular grade of coal would be above 20% of the notified price of that grade of coal.

The scheme is open to consumers and traders who can participate and bid for the quantity as per their requirement from their preferred sources. The system would further eliminate the unscrupulous traders and black marketers. The matter is under judicial review in Supreme Court and at various High Courts where WPs are pending for final disposal.

As regards pricing of coal is concerned, the notified price of a particular grade of coal is more or less uniform in all the subsidiaries and the difference in price of a particular grade may be the auction floor price of various subsidiaries which is based on the demand and supply and market forces. The floor price of coal would be limited to 20% above the notified price of coal.
PRESENT POLICY REGARDING COAL LINKAGE

The Linkages of coal demand is primarily done with the objective of planning of coal supplies, keeping in view indigenous coal resources as well as the need to supply fuel of appropriate quality to the consumers and at the same time making the most economic use of the available capacity for production and of coal.

The system of Linkages as in vogue, both for core and non-core sector consumers (as it has been evolved over the years) has proved to be immensely useful in fulfilling its objectives. The usefulness and effectiveness of the linkage system is best diverse coal consuming sector, spread over the country, from coalfields having differential growth in production. The Linkage Policy as applicable for different consuming sector is detailed in all its related aspects as follows:

CORE SECTOR

STANDING LINKAGE COMMITTEE (LONG TERM) FOR POWER & CEMENT SECTORS

The consumers desiring linkage for supply of coal should apply for linkage to the SLC (long Term). The consumers should route the application through the concerned Ministry to the Chairman, SLC (LT). For example, for setting up a Power Plant, the application has to be routed through the Central Electricity Authority and Ministry of Power. In case of cement unit, it has to be routed through the Ministry of Industry, Ministry of Industrial Policy & Promotion. The SLC (LT) has the Additional Secretary in the Ministry of Coal as the Chairman. Other members of the SLC (LT) are representatives of CIL, representatives of SCCL, CMPDIL, Railways, Planning Commission, Central Electricity Authority, Ministry of Power and representative of Ministry of Industry, Dept. of Industrial Policy & Promotion (as the case may be). The Committee decides the linkage of coal for source of supply, quantum of coal and the mode of transportation.

STANDING LINKAGE COMMITTEE (SHORT TERM) FOR POWER AND CEMENT SECTORS

The Additional Secretary in the Ministry of Coal, Govt. of India is the Chairman of the Committee. Representatives of Coal India Limited, Central Electricity Authority, Ministry of Power, Railways, Representatives of Singareni Collieries Co. Ltd. are the member of SLC (ST) for power sector. In SLC (ST) for cement sector besides Chief of Marketing of CIL, representatives of SCCL, Railways, Ministry of Industry, Dept. of Industrial Development are the other members.

The committee meets in March, June, September and December each year to review the coal supplies to Power and Cement Sectors in the quarter and finalise the linkage to consumers in Power and Cement Sectors for the next quarter. Time to time adjustment/incorporation in the quarterly linkages is done by the Chairman, SLC (ST). Minutes of the meetings are drawn and circulated to all concerned for implementation.

DISTRIBUTION OF COKING COAL TO STEEL PLANTS:
COAL LINKAGES

Every year requirement of indigenous coking coal is being determined on the basis of the target of hot metal production fixed by the ministry of Steel collectively as well as individually for every Steel Plant in the Country. Requirement of coal coal is being derived proportionately and with the help of prescribed norms in relation with the hot metal production. Accordingly, Ministry of Steel advise Coal India about their total requirement of indigenous coking coal for the year. CIL then indicates to Steel Authority the total quantity of coking coal that could be supplied during the year.

Allocation of coking coal was earlier made by the Coal controller on month to month basis according to CIL offers for the same period. However vide amendment carried out by the Central Government to the Colliery Control Order 1945, the Government had exempted the prices and distribution of coking coal from the provisions of Colliery Control Order. Consequently the supply of coking coal are being made by the coal companies themselves on the basis of linkages established by a competent linkage committee or on the basis of then existing commitments.

NON CORE SECTOR INDUSTRIES

At the time of nationalisation there was not system of obtaining confirmation of CIL by any consumer with regard to coal availability and of coal specifications on which the burning equipments were to be designed by the new industries. The consumers were drawing coal supply from the sources convenient to them.

In 1978, it was agreed that CIL should decide the linkage to consumers who are falling under non-core sector category keeping in view the rationalisation of wagon movement, proximately to the coal field, the design of the burning equipment and availability of coal in various coal fields. To this effect, a circular was sent to all the State Governments informing them accordingly. Since them, 'linkage Cell' has been functioning at CIL. Later on, it was decided that such linkages should be discussed and decided by a Committee called "Non-core sector Linkage committee" (NCLC). This system was adopted in October, 1982 which still continues.

Non core sector consumers approach CIL in advance for granting linkage of coal to their units, before installation of their burning equipments. The consumers have to design the same keeping in view qualitative availability of coal. However, this system had not been rigidly adhered to as a number of consumers approached CIL for granting linkages only after installation of their burning equipments.

Consumers having a projected requirement upto 5000 MT of coal per month and desiring drawal of coal from CIL are required to submit linkage application, in the prescribed proforma. Based on the scrutiny of technical data, linkage is issued. Linkage issued remains valid for a period of two years by which time the consumers are expected to start drawing supplies.

Normally movement of coal by rail is encouraged, although where ever necessary, movement by road is resorted to. Consumers whose requirements are more than 500 Tonnes per month and are located beyond 250 Km from the linked source are accorded linkage for supply by rail.

However, depending on operational/loading convenience relaxations are also considered. Consumers located in the vicinity of coalfield are given coal by road irrespective of quantity.

Linkage are granted for a range of grades suiting consumer’s requirements, so that desired flexibility in planning and execution of coal supplies can be maintained. It
is important to note that many of the supplying coal pilots/colleries load coal of more than one grade in a rake.

In case any consumer does not draw supplies continuously for 24 consecutive months, the linkage is treated as `snapped' Restoration of snapped linkages is done by the concerned contact sales office.

Linkages are not granted to the seasonal industries like manual brick manufacturing units.

Consumer requiring coal, more than 5000 tonnes per month are required to obtain a clearance from the ministry of coal before obtaining formal linkage by CIL which is granted as per the above procedure as specified for consumers requiring less than 5,000 tonnes per month.

Requirements of consumers of Southern States like Tamilnadu, Karanataka, Kerala, Andhra Pradesh, Pondicherry and Goa are normally met by the SCCL. In the event any consumer located in these stated desire to obtain linkage from CIL source, the same is allowed.

The above procedure is not applicable in case of manufacture of special smokeless fuel (SSF) and cokery units (manufacturers of BH hard coke) for which separate norms/ system exists, as follows:

**SPECIAL SMOKELESS FUEL**

Prospective entrepreneurs desiring to set up SSF plant based on patented technology of CMPDIL, Ranchi are required to obtain recommendation from the High level Committee (HLC) of the concerned State and if the HLC is not functioning, from the concerned DI/DIC and formally apply to CIL-Marketing Division in specified format for issuance of Coal Clearance. CIL-marketing, after scrutiny of the application, and on confirmation from the supplying coal company about availability of coal for proposed plant, issues coal clearance certificates in favour of the unit. Coal linkages are granted by the subsidiary coal companies after meeting the requirements of operation of project report and for acquiring of design packages etc., from CMPDIL-Ranchi on deposition of necessary fee to that office.
EXPORT OF COAL

Coal is under Open General Licence (OGL) list. India exports coal to the neighbouring countries to meet their demand of coal. The traditional buyers of Indian coal are Nepal, Bangladesh and Bhutan. Export to Nepal and Bhutan is done in rupee exchange as per the protocol between the two countries and with Bangladesh it is done in US Dollar. Export of coal to the neighbouring countries was earlier canalised through the Mineral and Metal trading Corporation, but for the last few years it has been decanalised. Export of coal by CIL is made through tender route. The quantum of coal exported by CIL during 2002-03 to the neighbouring countries was 12,650 tonnes. During 2003-2004 the quantity of coal exported by CIL was 35,831 tonnes (Provisional).

IMPORT OF COAL

As per the present Import policy, coal can be freely imported (under Open General Licence) by the consumers themselves considering their needs and exercising their own commercial judgments.

Coking coal is being imported by Steel Authority of India Limited (SAIL) and other steel sector manufacturers mainly to bridge the gap between the requirement and indigenous availability and to improve the quality of overall blend for technological reasons. Coal-based power plants, cement plants, captive power plants, sponge iron plants, industrial consumers and coal traders are importing non-coking coal on consideration of transport logistic and commercial prudence as well as against export entitlements. Coke is imported mainly by Pig-Iron manufacturers and Iron & Steel sector consumers using mini-blast furnace.

Details of import of coal and products during the last five years (as reported by Coal Controller’s Organization) as under:

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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coking Coal</td>
<td>10.99</td>
<td>11.06</td>
<td>11.11</td>
<td>12.95</td>
<td>12.00</td>
<td>14.57</td>
</tr>
<tr>
<td>Non-coking Coal</td>
<td>8.71</td>
<td>9.87</td>
<td>9.44</td>
<td>10.31</td>
<td>9.50</td>
<td>11.56</td>
</tr>
<tr>
<td>Coke</td>
<td>2.41</td>
<td>2.42</td>
<td>2.28</td>
<td>2.25</td>
<td>2.00</td>
<td>2.51</td>
</tr>
<tr>
<td>Total Import</td>
<td>22.11</td>
<td>23.35</td>
<td>22.83</td>
<td>25.51</td>
<td>23.50</td>
<td>28.64</td>
</tr>
</tbody>
</table>
* Provisional and estimated.

The current duty on imported coal as amended on 28.2.2004 is as under:-

<table>
<thead>
<tr>
<th>Type of coal</th>
<th>Import Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coking Coal, Having upto 12% ash</td>
<td>0%</td>
</tr>
<tr>
<td>Coke, Having ash 12% and more</td>
<td>5%</td>
</tr>
<tr>
<td>Non-Coking Coal</td>
<td>5%</td>
</tr>
</tbody>
</table>

Note: With effect from 9.1.2004 the Central Government has withdrawn the Special Additional Duty.
Government of India has amended the Colliery Control Order, 1945 and the new Colliery Control Order, 2000 has been notified according to which the price and distribution of all grades of coal have been deregulated with effect from 1.1.2000.

Coal Companies/Coal India Limited are allocating coking coal to steel plants for their requirements. For core sector, sale of coal is guided by linkages and allocations by the competent authorities.

For non-core Sector consumers, with a view to reaching the benefit of decontrol of coal as per Colliery Control Order, 2000, Coal India Limited has decided to authorize its subsidiary companies to formulate their own system and procedure for sale of coal to this sector. The new policy of Coal India Limited is aimed at providing a simplified, transparent and customer-friendly system and procedure. In the new policy framework the system of linkage and sponsorship for the purpose of coal supply to non-core sector is being done away with. In the emerging new policy framework for coal sale to non-core sector, stress is being given on bilateral agreement between supplying subsidiary company and consumer for well defined commitment on the part of both buyer and seller.
EXPLORATION AGENCIES

Exploration of coal reserves in the country is carried out in two stages. In the first stage, Geological Survey of India (GSI) undertakes Regional Exploration for locating potential coal bearing areas on a continuous basis. In order to supplement the efforts of Regional Exploration, services of GSI and Mineral Exploration Corporation (MECL) have also been engaged for carrying out Promotional Regional Exploration.

In the second stage, Detailed Exploration is carried out. Central Mine Planning and Design Institute Ltd. (CMPDI) directly as well as through Mineral Exploration Corporation, State Govts. and private agencies carry out detailed exploration, for the purpose of mine planning and exploitation of coal reserves for meeting the demand of different sectors of the economy. The detailed exploration in the command area of SCCL is carried out departmentally. Priorities of various projects/blocks, taken up for Detailed Exploration, are decided taking into account factors like emerging demand and its location, availability of infrastructure for coal evacuation and techno-economics of the mine development including coal quality.
Amendments to Coal Mines (Nationalisation) Act, 1973 already done to facilitate captive mining.

Under the Coal Mines (Nationalisation) Act, 1973 Coal mining was mostly reserved for the public sector. By an amendment to the Act in 1976, two exceptions to policy were introduced viz. (i) captive mining by private companies engaged in production of iron and steel and (ii) sub-lease for coal mining to private parties in isolated small pockets not amenable to economic development and not requiring rail transport. Considering the need to augment thermal power generation and to create additional thermal power capacity during the VIII Plan period, the Government decided to allow private participation in the power sector.

The Coal Mines (Nationalisation) Act, 1973 was amended with effect from 9th June, 1993 to allow coal mining for captive consumption for generation of power, washing of coal obtained from a mine and other end uses to be notified by Government from time to time, in addition to the existing provision for captive coal mining for production of iron and steel. The amendment was carried out in Section 3(3)(a)(iii) of the Act by a Gazette Notification dated 9.6.93. Under the powers conferred on the Central Government by Section 3 (3) (a) (iii)(4) of the Act, another Gazette Notification has been issued on 15.3.96 to allow production of cement as an end use for captive mining of coal.

The June, 1993 amendment to the Act as well as the Gazette Notification of 15.3.96 apply to both the public sector and private sector companies desiring to mine coal for captive consumption. The restriction of captive mining does not apply to the Government-owned Coal Companies and mineral development like CIL and SCCL and the Mineral Development Corporations of the State Governments.

**ELIGIBILITY**

The eligibility to do coal mining in the country has been laid down in the provisions in Section 3 (3) of the Coal Mines (Nationalisation) Act, 1973. The parties eligible to do coal mining in India without the restriction of captive consumption are:-

1. The Central Government, a Government company (including a State Government company), a Corporation owned, managed and controlled by the Central Government.

2. A person to whom a sub-lease has been granted by the above mentioned Government, company or corporation having a coal mining lease, subject to the conditions that the coal reserves covered by the sub-lease are in isolated small pockets or are not sufficient for scientific and economic development in a coordinated manner and that the coal produced by the sub-lessee will not be required to be transported by rail.
2. As per the provisions in Section 3 (3) (a) (iii) of the Coal Mines (Nationalisation) Act, 1973, a company engaged in the following activities can do coal mining in India only for captive consumption:-

- production of iron and steel
- generation of power
- washing of coal obtained from a mine, or
- such other end use as the Central Government may, by notification, specify.

2.1 Under the powers vested with the Central Government by virtue of Section 3 (3)(a) (iii)(4) of the Coal Mines (Nationalisation) Act, 1973, a Gazette Notification was issued on 15.3.96 to provide cement production as an approved end-use for the purpose of captive mining of coal. Therefore, the cement producing companies are now eligible for undertaking coal mining for captive consumption.

2.2 In addition to Coal India Limited (CIL) and Singareni Collieries Company Limited (SCCL), the following companies are also doing coal mining in India now:-

- Tata Iron & Steel Company Limited (a captive coal mining company in the private sector)
- Damodar Valley Corporation (a captive coal mining company in the public sector)
- Indian Iron & Steel Company Limited (a captive coal mining company in the public sector)
- Bihar State Mineral Development Corporation Limited (a non-captive coal mining company, a Government company under the control of Government of Bihar)
- Jammu & Kashmir Minerals Limited (a non-captive coal mining company, a Government company under the control of Government of J&K)
- Bengal Emta Coal Mines Limited (a captive coal mining company in the private sector)
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Jindal Steel and Power Limited (a captive coal mining company in the private sector)

3. Special dispensations provided for setting up of associated coal companies by the end-user parties offered captive coal blocks.

Any of the companies engaged in any of the approved end-uses indicted in paras 2 and 2.1 above can itself mine coal from a captive coal block. Some of the private companies who were offered captive coal blocks expressed their difficulties to do coal mining in the country on the ground of lack of experience in coal mining. Keeping in view the difficulties experienced by such companies, the Government have now allowed the following dispensations:-

(a) A company engaged in any of the approved end-uses can mine coal from a captive block through an associated coal company formed with the sole objective of mining coal and supplying the coal on exclusive basis from the captive coal block to the end-user company, provided the end-user company has at least 26% equity ownership in the associated coal company at all times.

(b) There can be a holding company with two subsidiaries i.e. (i) a company engaged in any of the approved end-uses and (ii) an associated coal company formed with the sole objective of mining coal and supplying the coal on exclusive basis from the captive coal block to the end-user company, provided the holding company has at least 26% equity ownership in both the end-user company and the associated coal company.

Coal Mining Lease under the Mines and Minerals (Regulation & Development) Act, 1957.

Under the provisions of Section 5 (2) of the Coal Mines (Nationalisation) Act, 1973, the Coal India Limited enjoys the status of becoming the deemed lessee of the concerned State Governments in relation to all the nationalised coal mines. Under the provisions of Section 11 (2) of the Coal Bearing Areas (Acquisition & Development) Act, 1957 also, the Coal India Limited acquires the same status of becoming deemed lessee of the concerned State Governments in relation to the lands over the coal bearing areas acquired under this Act. The deemed leases being in the nature of statutory leases, the Coal India Limited does not have to obtain separate leases under the MMRD Act, 1957 from the concerned State Government in respect of the nationalised mines and the coal bearing lands acquired under the CBA Act. However, in case any of the companies eligible to do coal mining in the country including CIL and the other Government and private coal companies want to acquire coal bearing lands under the Land Acquisition Act, 1894, they will be required to obtain coal mining leases from the concerned State Governments under the MMRD Act, 1957. Coal being a mineral listed in the First Schedule of the MMRD Act, 1957, the State Governments can grant coal mining leases only with the previous approval of the Central Government accorded under the proviso to Section 5 (1) of MMRD Act. Before the previous approval of the Central Government is accorded, the coal mining company is required to get the mining plan for the proposed coal mining area approved from the Central Government. The coal mining leases under the MMRD Act are now granted for 20-30 years initially and can be renewed for a further period of 20 years with the previous approval of the Central Government. The coal mining leases
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under the MMRD Act, 1957 are ordinarily subject to the a ceiling of 10 sq. kms. of area.