MINISTRY OF COAL

1. COAL MINES ALLOCATION BY AUCTION & ALLOTMENT FOR SPECIFIED END USE

In order to lay down robust & transparent system after the Supreme Court order, an Ordinance was promulgated by the Government to re-allocate 204 coal mines cancelled by the court to ensure smooth transfer of right, title and interests in the mine along with its land and other associated mining infrastructure to the new allocatee to be selected through an auction or allotment to Government companies, as the case may be. Subsequently, the Coal Mines (Special Provisions) Bill 2015 was passed by the Parliament which was notified as an Act on 30th March, 2015. The said Act provided for allocation of coal mines by way of auction to a company or their JV and allotment to a Government Company or their JV, without auction.

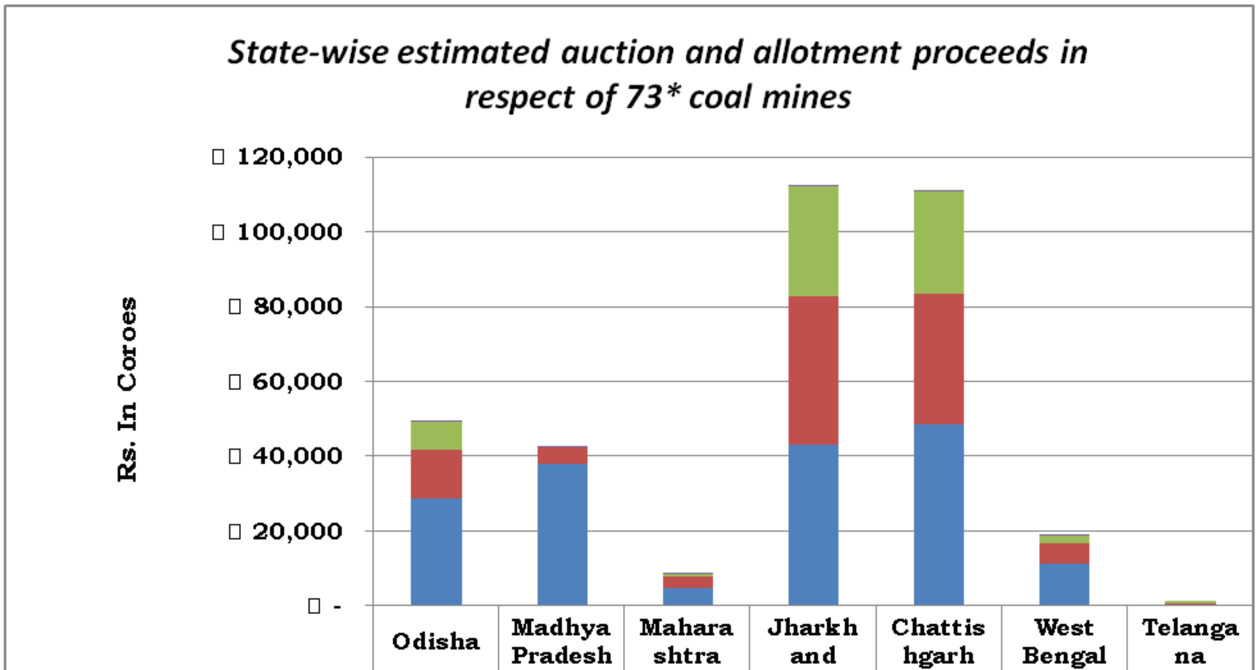
There was no global precedence of e-auction for allocation of minerals, therefore, no established model to achieve the desired results. Further, there was no repository of knowledge on the subject available in Government or outside. Thus, the auction model and methodology was to be developed from scratch.

Auction was conducted in an electronic platform through a transparent mechanism. Forward e-auction was adopted for non regulated sector and Reverse–cum-Forward e-auction was adopted for regulated sector. The online bidding process comprised of two stages – Stage I was e-tendering system and Stage II was e-auctioning system.

So far, **74 coal mines have been allocated.** These 74 coal mines have been successfully allocated to regulate sector i.e. power (48) and non-regulated sector i.e. iron & steel, cement and captive power (26) both in Government and private sector.

Revenue which would accrue to the coal bearing State Government concerned comprises of Up-front payment as prescribed in the tender document, Auction/Allotment proceeds and Royalty on per tonne of coal production. The estimated auction and allotment proceeds from 73 coal mines (31 Coal blocks through auction & 42 coal blocks through allotment) have been estimated at more than Rs 3.44 lakh crores over the life of the mine/lease period, which shall be devolving entirely to the coal bearing States. Out of this, the estimated revenue which would accrue to coal bearing state during the life of mine/lease period from the Auction of 31 Coal Mines is Rs. 1,96,698 crore. In addition, an estimated amount of Rs. 1,48,275 crore would accrue to coal bearing States from allotment of 42 coal mines to Central and State PSU's.

Further, the benefit to consumers in terms of reduction of electricity tariffs from auction of 9 coal blocks to 'Power' Sector is likely to be about Rs. 69,310.97 crore.

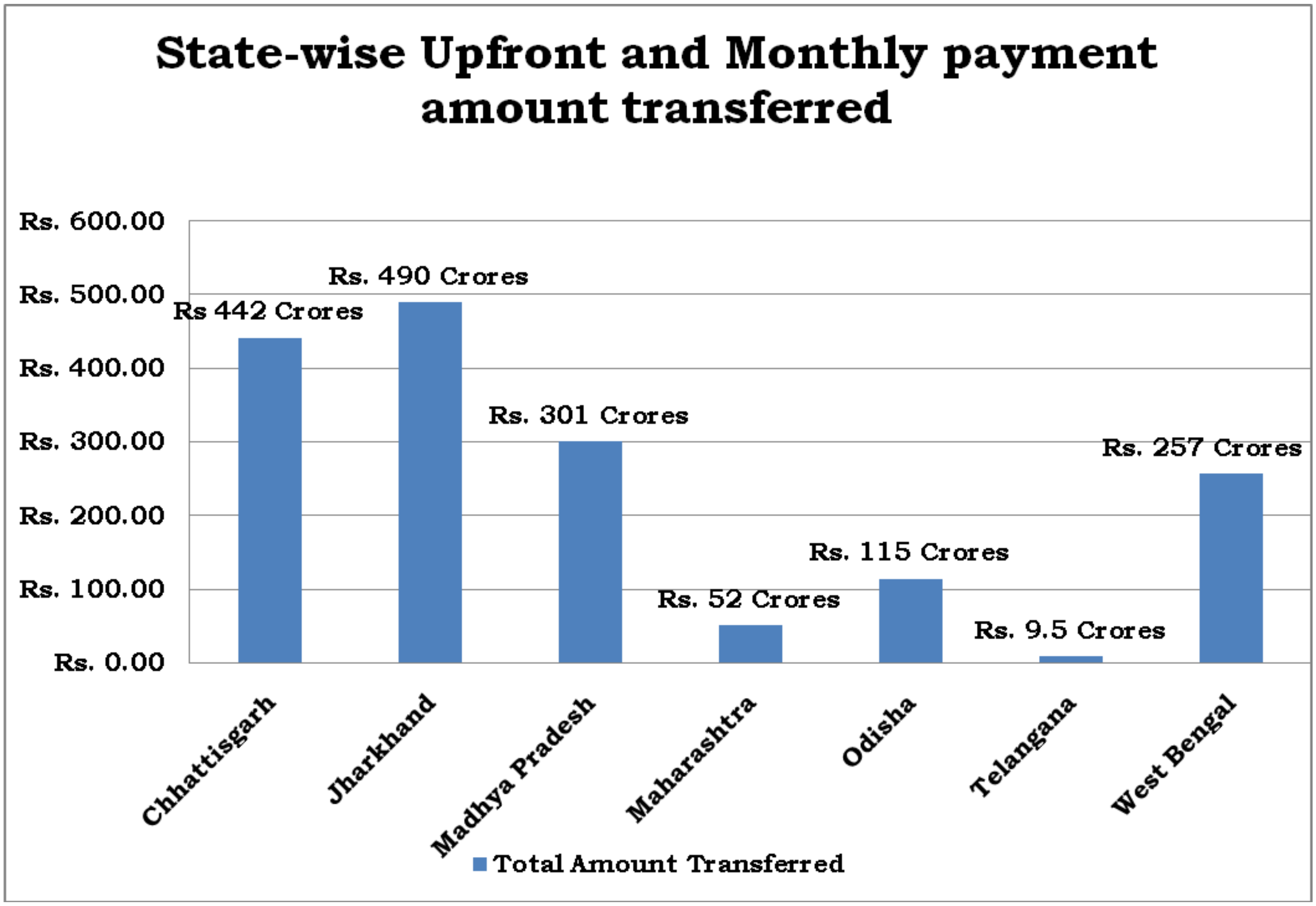


	Odisha	Madhya Pradesh	Maharashtra	Jharkhand	Chattisgarh	West Bengal	Telangana
Upfront Payment	□ 274	□ 122	□ 20	□ 301	□ 81	□ 143	□ -
Revenue to State Govts. [Rs. 100/- per Tonne]	□ 7,455	□ -	□ 903	□ 29,29	□ 27,37	□ 2,309	□ 454
Royalty Proceeds	□ 12,98	□ 4,629	□ 2,973	□ 39,68	□ 35,01	□ 5,656	□ 794
E-auction Proceeds	□ 28,76	□ 38,06	□ 4,838	□ 43,10	□ 48,52	□ 11,20	□ -

States

*** Estimated revenue from allotment of Talabira II & III coal mine to NLC has not been computed.**

An amount of Rs 1667 Crore received on account of upfront & monthly payment has already been transferred to coal bearing States concerned till 31st March, 2016. Further, the allocates of the coal mines have been directed to deposit their monthly payments directly with coal bearing State concerned.



2. ALLOCATION OF COAL MINES TO STATE PSUs FOR SALE OF COAL

Government now proposes to allot coal mines to State PSUs for sale of coal under the provisions of the Coal Mines (Special Provisions) Act, 2015 and the Rules made there under. 16 coal mines have been identified for allotment to State PSUs and necessary directions for initiating the allotment process have been issued.

3. AUCTION OF LINKAGES OF NON-REGULATED SECTOR

All allocations of linkages/LoAs for non-regulated sector viz. Cement, Steel/Sponge Iron, Aluminum, and Others [excluding Fertilizer (urea) sector], including their CPPs, shall henceforth be auction based. The proposed auction of coal linkages is transparent, and creates a level playing field. It ensures that all market participants have a fair chance to secure the coal linkage, irrespective of their size. The auction methodology leads to the price through a market mechanism; it does not seek to maximize revenue. The policy on auction of linkages of non-regulated sector has been approved by CCEA and has been circulated to all concerned for implementation on 15.02.2016. Salient features of this scheme are as follows:

i. There will not be premature termination of FSAs of non-regulated sector as of now.
ii. There will be no renewal of existing FSAs of non-regulated sectors [except FSAs of CPSEs and Fertilizer (Urea)] which are maturing in 2015-16 onwards, after completion of their current agreement tenure.
iii. The existing FSAs with CPSEs will continue to be renewed on expiry; for additional linkages, CPSEs may participate in auction.
iv. To start with, in the first tranche, the quantities corresponding to FSAs of non-regulated sector [except CPSEs and Fertilizer (Urea)] maturing in 2015-16 onwards and 25% of incremental CIL/SCCL production during 2015-16 over 2014-15 will be put up for auction.
v. Separate quantities shall be earmarked for sub-sectors of Non-Regulated sector.
vi. Auctions shall be conducted by CIL/SCCL.
vii. Based on experience gained, the operational issues such as, the quantities, sectoral allocations and sub-sectoral earmarkings, auction methodology and other operational details could be reviewed.

4. RATIONALIZATION OF COAL LINKAGES

The Inter-Ministerial Task Force, constituted in June, 2014 for a comprehensive review of existing coal sources as also feasibility for rationalization of these sources with a view to optimize transportation cost and that held several rounds of meetings with representatives from Ministry of Coal, Power, Railways, Steel, Shipping, DIPP, CEA, NTPC, CIL, SCCL, Subsidiary coal companies and KPMG. On the recommendations of the IMTF, three stage rationalization was undertaken.

In the first phase, rationalization has been implemented for 17 Thermal Power Plants for which revised Fuel Supply Agreements (FSAs) have been signed. This has resulted in rationalization of movement of 21.79 MT coal and annual savings of Rs 912.71 crore of recurring transportation cost. Implementation of phase II with swaps of imported coal is not found feasible by power utilities in the changed scenario of availability of indigenous coal. In the second phase, one set of swaps has been implemented resulting in rationalization movement of 1.3 MT coal and potential annual savings of Rs 458 crore of transportation cost. Overall, rationalization movement of 23.0 MT coal has taken place with potential annual savings of Rs 1,371 Crore.

Rationalization based on Gross Calorific Value (GCV) has been adopted by Ministry for correct tariff fixation and reduce coal theft.

5. POLICY ON BRIDGE LINKAGES

Policy guidelines for grant of Bridge Linkage to specified end-use plants of Central and State Public Sector Undertakings (Both in Power as well as Non-Power sector) which have been allotted coal mines/block, have been issued on 8th February, 2016. 'Bridge linkage' shall act like a short term linkage to bridge the gap between requirement of coal of a specified end use plant of Central and State PSUs and the start of production from the linked coal mine/block. Schedule-III coal mines and coal blocks allotted under MMDR Act will be considered.

6. AUTOMATIC TRANSFER OF COAL LINKAGE/LOA GRANTED TO THE OLD PLANTS WHILE SCRAPPING AND REPLACING THEM WITH NEW PLANTS

Policy guidelines regarding automatic transfer of coal linkage/LoA granted to the old plants while scrapping and replacing them with new plants have been issued. Under these guidelines, LoA/linkage granted to the old plant shall be automatically transferred to the new plant of Super critical capacity. If the capacity of the new Super critical plant is higher than the old plant, additional coal may be accorded priority subject to the availability of coal. This policy shall be applicable to pre-NCDP plants in public sector only, which have already been granted long term Linkages/LoAs. Automatic transfer of linkages/LoA as explained above shall be permissible only when the new plant is set up within the State in which the old plant was located. Old unit which has completed its useful life & is being replaced needs to be retired in a phased manner. Coal swapping from inefficient to efficient plants and from plants situated away from mines to pit-head plants.

7. OPENING OF TWO SEPARATE E-AUCTION WINDOWS EXCLUSIVELY FOR POWER SECTOR

Two separate e-auction windows were opened, exclusively for power sector, created for Plants which are stressed or in short supply of coal. A 5 MT e-auction window was opened for Long and Medium Term PPA holders, with floor price of CIL notified price plus 20% premium. Another 5 MT e-auction window was opened for Short Term PPA or 'No PPA' holders, with floor price of CIL notified price plus 40% premium. Later on the two windows were combined.

13.8 MT coal was booked in five rounds of e-auction through above special forward auctions for power sector.

8. OPENING OF A SEPARATE E-AUCTION WINDOW EXCLUSIVELY FOR NON-POWER SECTOR FOR A QUANTITY OF 4 MT

A separate e-auction window exclusively for non-power sector for a quantity of 4 MT was opened by CIL for all non-power consumers. Since this window was available only for end-users of non-power sector, therefore, traders were not permitted to participate in the same. 1.52 MT coal was booked in two rounds of e-auction through exclusive windows for non-power sector.

9. WEB PORTAL FOR SMALL AND MEDIUM SECTOR CONSUMERS

A new Web Portal related to Coal Allocation Monitoring System (CAMS) for Small and Medium Sector Consumers of Coal India Limited (CIL) was launched by Hon'ble Minister (IC) for Coal, Power, New & Renewable Energy on 17th March, 2016 at New Delhi. The Web Portal is introduced for ease of business and to bring transparency in distribution of coal to SME sectors. Around eight million tons of coal is earmarked by Ministry of Coal for the small & medium sector consumers whose requirement is less than 4200 tonne per annum. The coal is procured by State Nominated Agencies (SNA) from the CIL through Fuel Supply Agreement (FSA) and distributed to small & medium sector consumers of their state. All the information related to quantity/grade of coal supplied by subsidiary Coal Companies of CIL and the quantity /grade of coal, price and the consumer details etc. to whom the coal is distributed by the SNA will be in public domain.

10. QUALITY AND THIRD PARTY SAMPLING

To address the issues of dispute between coal companies and power utilities/developers and to bring about improvement in the quality of coal supply, the system of Third Party Sampling has been further improved. As per revised instructions on 3rd Party sampling issued by Ministry of Coal on 26.11.2015, an independent Third Party Agency is to be empanelled by Central Institute for Mining and Fuel Research (CIMFR) at the loading end on behalf of both the power plant (consumer) and the coal companies (supplier). It shall enlist third party agencies through a transparent process.

This new system has commenced on 01.01.2016 in NCL and is being gradually implemented in other subsidiaries.

CIMFR has been authorized to empanel 3rd party agencies through a transparent process in phased manner. The independent 3rd party agencies would be collecting samples of coal at the loading ends and divide the sample in four parts- one for Power stations, one for Coal Company, One for analysis by the agency and the fourth for the referee purpose. CIMFR has floated global NIT for empanelment of agencies. In the meantime, CIMFR has started direct sampling process in NCL, WCL, MCL and SECL. A Committee under the co-chairmanship of Director (Marketing) of CIL and Director (Operations) of NTPC with representatives from the Associations of Power Producers, State and Central Gencos have also been constituted for recommending modalities and resolve issues related to third party sampling at loading end.

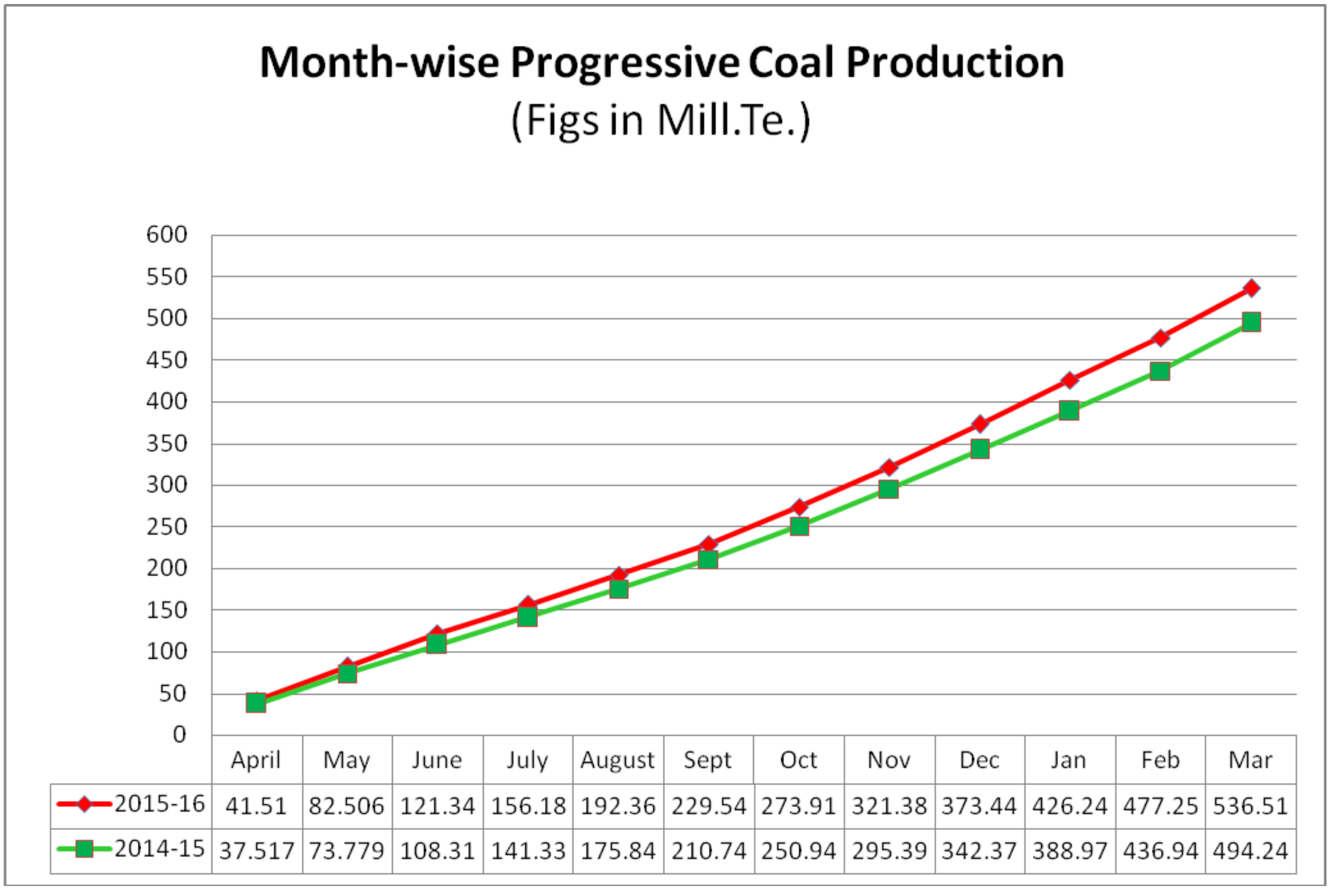
11. COAL PRODUCTION IN THE COUNTRY

The production of raw coal during 2015-16 was 638.18 Mte (provisional) compared to 609.18 Mte during the corresponding period last year. The overall growth in coal production during 2015-16 was 4.8%. Today not a single power plant has critical stock. Instead average stock exceeds 25 days. The Ministry is focusing on increasing supply off domestic coal to reduce prices and combat coal mafia.

12. CIL RECORDS VOLUME INCREASE IN COAL PRODUCTION AND OFF-TAKE (DURING 2015-16)

Coal production and coal off-take/dispatch by Coal India Limited (CIL), the state sector coal mining company, grew by 8.6% and 8.8% respectively during April-March 2015-16 on a year-on-year comparison. Highest ever growth in coal production over a two year period of Coal India of 7.4 cr tonnes is recorded in 2014-16. CIL increased its production by almost 42.28 Million Tonnes during April-March 2015-16 compared to same period previous fiscal, continuing its upward swing in production. The impetus laid on off-take also paid result as the volume increase in coal off-take/dispatch during the period has been 43.21 Million Tonnes.

CIL as a whole produced 536.51 Million Tonnes of coal during April-March 2015-16 against 494.23 Million Tonnes last year same period registering a growth of 8.6%. Almost all the coal producing subsidiaries of CIL registered positive growth in production. Coal off-take/dispatch was 532.07 Million Tonnes during April-March 2015-16 period compared to 488.86 Million Tonnes same period last year, registering a growth of 8.8%. The increase in coal off-take/dispatch of 43.21 Million Tonnes during April-March 2015-16 is two- times more than that of 17.94 Million Tonnes achieved during same period last year.



Coal production and Coal Off-take Figures from 2010-11 to 2015-16

Period/ Year	**Coal Production***in Million Tonnes*	Increase in absolute terms *(in MTs)*	Growth	**Coal Off-take** *In Million Tonnes*	Increase in absolute terms *(in MTs)*	Growth
2010-11	431.32	0.06	0.01%	424.50	8.62	2.07%
2011-12	435.84	4.52	1.04%	433.08	8.58	2.02%
2012-13	452.21	16.37	3.75%	465.18	32.10	7.41%
2013-14	462.42	10.21	2.25%	471.58	6.40	1.37%
2014-15	494.23	31.82	6.88%	488.86	17.8	3.77%

2015-16	536.51	42.28	8.6%	532.07	43.21	8.8%

13. CIL GEARING UP FOR ONE BILLION TONNE COAL PRODUCTION MARK

Coal India Limited (CIL), had unveiled its road map, of strategies to be adopted, to attain the one Billion Tonne (BT) coal production mark by 2019-20. With the projected coal demand of the country hovering around 1,200 Million Tonnes (MTs) by 2019-20, at an envisaged growth rate of 7 per cent, CIL is expected to chip in one BT, of which 908 MTs is the expected contribution from the indentified projects. The process of identification of projects to share the balance quantity, to top up the one BT mark, is also underway. The two CIL subsidiaries Sambalpur based Mahanadi Coalfields Limited and the Bilaspur based South Eastern Coalfields Limited are expected to play a pivotal role in CIL's quest of attaining the one BT production with 250 MTs and 240 MTs respectively. The key issues that the coal miner is basically relying on are timely completion of three critical railway lines and timely land acquisition and green clearance.

CIL has assessed a tentative capital investment of Rs 57,000 crore for next five years to ramp-up its coal production to 908.1Mt. from production level of 494.80 Mt in 2014-15 as part of the road map for production of 1 BT coal by 2019-20.

14. WCL TO OPEN 36 MINES IN 36 MONTHS; RAMP UP PRODUCTION TARGETS TO 100 MTS BY 2020

Western Coalfields Limited has already opened 10 mines in the last 10 months and will be opening 26 mines in next 26 months.

15. REDUCTION IN COAL IMPORTS

Higher coal production has resulted in lower coal imports. The coal imports have come down by 3.4 crore tonnes which has resulted in saving of Rs 24,000 crore in foreign exchange in FY 2015-16. The Ministry is aiming to save Rs 40,000 crore of foreign exchange in current financial year.

Month Wise Import of Coal during 2015-16

(Qty. in Mte & Value in Million Rs.)

2015-16 (Provisional)			2014-15		Growth% in Qty.
Month	**Quantity**	**Value**	**Quantity**	**Value**	
April	15.84	77517	16.14	84584	-1.88
May	21.35	95348	15.86	79765	34.62
June	17.26	77393	16.89	86576	2.20
July	12.82	58284	17.88	89693	-28.30
August	13.93	62763	14.17	74945	-1.69
September	12.64	60277	17.30	85989	-26.94
October	14.52	65180	15.30	78080	-5.10
November	11.59	49310	22.60	108590	-48.72
December	12.35	56430	18.81	91840	-34.34
January	16.11	65820	22.56	110690	-28.59
February	17.51	67863	16.79	83997	4.29
March	15.54	58145	21.42	99727	-27.45
April-March	**181.46**	**794329**	**215.73**	**1074476**	**-15.88**
Source: DGCI&S Provisional and subject to Change					

16. COAL STOCKS AT TPPS

Coal stock inventory at coal fired power utilities of the country is also at comfortable levels. As of 31st March, 2016, there is not a single power utility in the country either at critical or at super critical level with aggregate coal stocks at thermal power stations at a comfortable level of around 39 Million Tonnes which is 28 days' coal requirement. At the same time last year, as on 31st March, 2015, the coal stocks at power utilities was 26.10 Million Tonnes accounting for 18 days' requirement. 12 Power utilities were at critical level then of which 6 were super critical. **Reduction of critical power plants from 66% to Zero registered by March, 2016.**

17. NLC LTD ON GROWTH PATH

Neyveli Lignite Corp (NLC) has reached the 30.60 MTPA of Lignite mining capacity as on 31.03.2016. It has enhanced its power generation capacity from 2740 MW (as on March 2015) to 4275.5 MW inclusive of 10 MW solar and 25.5 MW wind power . NLC has set high growth target to become a 19,831 MW power company by 2025 with its own fuel security from its proposed addition of lignite mining capacity of 26.30 MTPA (30.60 MTPA to 56.90 MTPA) and coal mining capacity of 31.5 MTPA.

18. COAL WASHERIES

It has been decided that coal companies will ensure 100% supply of (-)100 mm size crushed coal to the power sector by strengthening the existing infrastructure for crushing coal and also through deploying mobile crushers through outsourcing. It has also been decided that coal companies would ensure supply of less than 34% ash coal (on quarterly average basis) to the power sector covering the thermal power plants located at 750 kms away from pitheads and that located at 500 kms away from pitheads w.e.f 1st Jan ,2015 and 5th June ,2016 respectively through implementation of new washeries also through rationalization of linkages and utilizing washery capacities available in the private sector in consultation with consumers in a transparent manner.

The Government have also decided to transport coal above G10 level only after being washed from 1st October 2017. The decision is taken to tackle the quality issue of the coal produced. In order to meet the rising demand, CIL has been setting up 15 new washeries with a total capacity of 112.6 Mty. Out of these washeries, six are Coking Coal washeries with total capacity of 18.6 Mty and nine Non-Coking washeries of 94.0 Mty. All these washeries are envisaged to be functional with effect from 1/10/2017. With the constant efforts, Ministry is aiming to quadrupled washeries capacity from 3.7 to 15 crore tonnes by 2017-18

19. STUDY GROUP FOR ROYALTY CONSTITUTED

Royalty on minerals including coal is payable under the Mines and Mineral (Development and Regulation) Act, 1957 by the holder of a mining lease. A Study Group has been constituted to consider revision of rates of royalty on coal under the Chairmanship of Special Secretary MOC and representatives from Ministry of Power, Mines, CIL, FICCI, FIMMI and CMPDIL as member. A questionnaire was circulated to all stakeholders seeking their comments. The comments so received are under consideration with the Study Group.

20. MOUs WITH RAILWAYS & STATE GOVERNMENTS

In order to maintain the planned growth in production and evacuation of coal, Memorandum of Understandings (MOUs) have been signed among Ministry of Railways (MoR), Ministry of Coal (MoC) and Governments of Odisha ,Jharkhand and Chhattisgarh for development of rail infrastructure through formation of a Joint Ventures (JVs) .

21. COAL PROJECTS MONITORING PORTAL (E-CPMP)

Coal Projects Monitoring Portal (e-CPMP) has been established in the Ministry to fast track clearances and pending issues of coal projects at State Government as well as Central Ministries. It has facilitated the resiolution of all issues in 61 stalled projects worth Rs. 50,492 crores till date.

22. MINING SURVEILLANCE SYSTEM

MSS is a satellite-based monitoring system which aims to establish a regime of responsive mineral administration, through public participation, by curbing instances of illegal mining activity through automatic remote sensing detection technology.

22. ONLINE COAL CLEARANCES SYSTEM

Ministry of Coal has developed Online Coal Clearances System to provide a single window access to its investors to submit online applications for all the permissions / clearances and approvals granted by Ministry of Coal. The applicants can online submit their applications, view status of their applications, submit various documents required by Ministry and submit the periodic status of activities.

23. <u>CONTRACT LABOUR PAYMENT MANAGEMENT SYSTEM</u>

The ‘Contract Labour Payment Management System’ web portal is created for monitoring compliance of labour payment and other benefits to the contract workers under the Contract Labour (Regulation & Abolition) Act. 1970. It is an integrated system for all subsidiaries of CIL. The in-house developed application will maintain a comprehensive database of all contract workers engaged by different contractors in CIL and all its subsidiaries. Central Mine Planning and Development Institute (CMPDI) the Ranchi based consultancy subsidiary of Coal India Limited shall maintain the portal. The system has in-built mechanism to validate minimum wages paid, generate wage slips and employment card etc. of contract workers as required under the Act. The portal provides access to all contract workers, through a Workers Identification Number (WIN), to view their personal details and payment status. Contract workers can also register their grievance through this portal. The system extends facility to all citizens of the country to view a snapshot of contract works in CIL and subsidiaries, number of contract workers engaged, payment status, minimum wages paid etc. The Nodal Officer at different locations in the company will monitor the process and ensure compliance by all contractors. It has been planned to make payment to the contractors only after submitting a system generated declaration of compliance.

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