

Cabinet approves methodology for auction of coal mines / blocks for sale of coal under the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957

The Cabinet Committee on Economic Affairs, chaired by Hon'ble Prime Minister Shri Narendra Modi Ji has approved the methodology for auction of coal mines / blocks for sale of coal under the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957. The opening up of commercial coal mining for private sector is the most ambitious coal sector reform since the nationalisation of this sector in 1973.

The Supreme Court of India vide its order dated 24.09.2014 cancelled 204 coal mines/blocks allocated to the various Government and Private Companies since 1993 under the provisions of Coal Mines (Nationalisation) Act, 1973. To bring transparency and accountability, the Coal Mines (Special Provisions) Bill 2015 was passed by the Parliament which was notified as an Act on 30.03.2015. Enabling provisions have been made in the Coal Mines (Special Provisions) Act, 2015 for allocation of coal mines by way of auction and allotment for the sale of coal.

The methodology gives highest priority to transparency, ease of doing business and ensures that natural resources are used for national development. The auction will be an ascending forward auction whereby the bid parameter will be the price offer in Rs./tonne which will be paid to the State Government on the actual production of coal. There shall be no restriction on the sale and/or utilization of coal from the coal mine.

This reform is expected to bring efficiency into the coal sector by moving from an era of monopoly to competition. It will increase competitiveness and allow the use of best possible technology into the sector. The higher investment will create direct and indirect employment in coal bearing areas especially in mining sector and will have an impact on economic development of these regions.

It will also lead to energy security as 70% of India's electricity is generated from thermal power plants. This reform will ensure assured coal supply, accountable allocation of coal and affordable coal leading to affordable power prices for consumers.

As the entire revenue from the auction of coal mines for sale of coal would accrue to the coal bearing States, this methodology shall incentivise them with increased revenues which can be utilised for the growth and development of backward areas and their inhabitants including tribals. States in Eastern part of the country will be especially benefited.

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Warm regards,

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