

Chapter 7 - Operationalisation of Coal Mines

The Act had categorised the coal mines/blocks in various schedules. As discussed in Chapter 2, Schedule II included 42 Schedule I mines that were under production at the time of their cancellation or were about to start production. Schedule III mines included 32 Schedule I mines that were earmarked for specified end use.

In the wake of the Hon'ble Supreme Court's judgment, a preliminary contingency plan was prepared by Ministry of Coal (MOC) in October 2014, which analysed the 'preparedness of captive coal blocks for mining'. It brought out that out of 32 Schedule III mines/blocks, eight mines were such where environment clearance (EC) and forest clearance (FC) had been received and substantial land had been acquired. These mines could be opened/mined in 3-6 months period after obtaining mining lease (ML) and mine operation permission. Further, remaining 24 coal mines were such mines which were fully explored, the mining plans were ready, substantial amount of land had been acquired and statutory clearance such as EC and FC (Stage I) had been obtained. In such cases, mining could be started within a period of six-eighteen months after obtaining remaining clearances and approvals.

In this context, Audit analysed the status of production of coal from the successfully auctioned coal mines in the first two tranches of e-auction. Results of Audit are as follows:

7.1 Status of Operationalisation of the Successfully Auctioned Coal Mines

Audit noticed from scrutiny of records provided by MOC that out of the 29 successfully auctioned coal mines, vesting orders had been issued in respect of 26 coal mines (15 of Schedule II and 11 of Schedule III as detailed in **Annexure V**). In case of the remaining three coal mines (Ardhagram, Utkal-C and Mandakini) vesting orders were not issued due to pending court cases.

MOC informed (May 2016) that in ten²¹ Schedule II coal mines and one²² Schedule III coal mine, production of coal was started/mine opening permission was granted.

7.2 Status of Remaining Schedule II Coal Mines

As per the Coal Mines Development and Production Agreement (CMDPA), pre-commencement reports were to be submitted by successful bidders once every thirty calendar

²¹ Amelia North, Belgaon, Bicharpur, Chotia, Gare Palma IV/4, Gare Palma IV/5, Mandla North, Sarisatolli, Sial Ghoghri, Talabira-I.

²² Mandla South.

days prior to commencement of mining operations. These reports were to contain, *inter alia*, details of action taken by the successful bidders towards commencement of the mining operations. Scrutiny of the pre-commencement reports for March 2016, furnished by MOC in May 2016, revealed that various approvals/clearances were pending for five²³ Schedule II coal mines (two of power sector²⁴) at the Central Government level, State Governments level and at the level of allottees themselves. Vesting orders for these coal mines were issued in March 2015 (for four coal mines) and April 2015 (for one coal mine²⁵). Details of the pending processes at various levels are given below:

Table 8 : Process Pending with Central Government (details in Annexure VI)

| Permissions/ Approvals | Time limit in months for completion (from issue of vesting order) | Name of coal mine | |
|---|---|-------------------|---------------|
| Opening permission from CCO ²⁶ | 03 | Gare Palma IV/7 | Trans Damodar |
| Ground water clearance | 03 | Kauthatia | Trans Damodar |
| Mine closure plan | 06 | Gare Palma IV/7 | - |

Table 9 : Process Pending with State Governments (details in Annexure VII)

| Permissions/ Approvals | Time limit in months for completion (from issue of vesting order) | Name of coal mine | | | |
|------------------------------|---|-------------------|------------------|---------------|-----------------|
| Opening permission from DGMS | 03 | Gare Palma IV/7 | Trans Damodar | | |
| Consent to operate | 03 | Kauthatia | Tokisud North | | |
| Land Diversion/ Mutation | 03 | Tokisud North | | Kauthatia | |
| Explosive Licence | 03 | Kauthatia | Marki Mangli III | Tokisud North | Trans Damodar |
| Railway siding approval | 03 | Tokisud North | | | |
| Grant of mining lease | 03 | Kauthatia | Marki Mangli III | Tokisud North | Gare Palma IV/7 |

²³ Gare Palma IV/7, Trans Damodar, Kauthatia, Tokisud North, Marki Mangli III

²⁴ Two mines of Power Sector i.e. Trans Damodar and Tokisud North

²⁵ Marki Mangli III coal mine (non-regulated sector).

²⁶ Coal Controller's Organisation

Table 10 : Process Pending on the Part of Allottees (details in Annexure VIII)

| Permissions/ Approvals | Time limit in months for completion (from issue of vesting order) | Name of coal mine | |
|---------------------------------|---|-------------------|---------------|
| | | | |
| Ground Water Clearance | 03 | Marki Mangli III | - |
| Environment Clearance | 03 | Marki Mangli III | - |
| Electricity Supply | 03 | Trans Damodar | - |
| Opening permission from DGMS | 03 | Marki Mangli III | - |
| Opening of Escrow Account | 06 | Trans Damodar | Tokisud North |
| Mine Closure Plan (MCP) | 10 (For revised MCP) | Marki Mangli III | - |

All these cases should be further seen in light of the fact that as per the efficiency parameters given in the CMDPA, these clearances should have been completed within six months from the signing of vesting order i.e. by September/October 2015. This became more significant in cases where the process was pending at the level of allottees themselves.

7.3 Status of Remaining Schedule III Coal Mines

Audit also analysed the status of pending clearances/approvals in 10 out of 11 successfully auctioned Schedule III coal mines where production had not started. The vesting orders for these coal mines were issued in April 2015. As per the efficiency parameters laid down in CMDPA, various statutory approvals/clearances were to be obtained by the allottee within a period of three months to forty four months. Analysis of the status of clearances/approvals, which were to be issued in 12 months from issue of vesting order, revealed that the allottee of Nerad Malegaon coal mine had submitted the mine closure plan (MCP) to MOC for approval in October 2015. However, the MCP was not approved by MOC till March 2016 as against the prescribed time of 11 months under CMDPA. This delay might lead to delayed operationalisation of the coal mine.

The above analysis revealed that production in the auctioned coal mines was pending for various approvals/clearances at the Central Government and State Governments level and for necessary action at the level of individual allottees also. Further, it was noticed in audit that the risk of sustainability of the model adopted for auctioning of power sector coal mines

could have contributed in the delays in operationalisation of the pending power sector coal mines.

7.4 MOC's Reply and Comments

Ministry in its replies (November 2015, January 2016 and March 2016) stated that specific pending issues have been taken up with the relevant authorities and many issues are getting resolved. Several mines could not be operationalised due to court cases instituted by the prior allottees. The Central Government transferred the entitlement to the mining plans, mine closure plans and prior approvals for grant of mining lease with the vesting orders itself to expedite the process. A predominant majority of pending permits/clearances etc are at the State level. The status with regard to the coal mines for which vesting order had been issued was being reviewed regularly at the highest levels.

The main objective for early auctioning of the Schedule II and Schedule III coal mines was that they could be brought under production speedily, as they were already producing/likely to produce at the time of de-allocation and to achieve the objectives of energy security of the country and minimising impact on core sectors such as steel, cement and power utilities, which are vital for the development of the nation. Though efforts were made at the Government level to start production from these coal mines, the fact remained that only in 11 out of 26 coal mines production could be started/mine opening permission was granted till May 2016.

Pendency of various approvals at the level of the Central Government, State Governments and with the allottees themselves affected the achievement of the very objectives of early auctioning of these coal mines.