

Coal Ministry relaxation in Performance Bank Guarantee

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In news-Coal Ministry Offered relaxation in Revision of Performance Bank Guarantee and extended Bid due date for Commercial Coal Block auction upto January 30.

What is a Performance Bank Guarantee?

- A bank guarantee is a kind of guarantee from a lending organisation.
- As per the provisions of the tender document, PBG to be submitted for each successfully auctioned coal mine is to be revised annually based on the National Coal Index (NCI) for the month of April in the beginning of the year.
- Since NCI has become double since the launch of first commercial coal mine auctions in 2020, several representations were received from the industry for relaxation in PBG revision provisions.
- It was requested that unprecedented increase in NCI has led to significant financial burden on successful bidders, whose mines are in the pre-operationalisation stage, impacting fund availability for mine operationalisation activities.

About the National Coal Index (NCI)-

- The NCI is a price index which reflects the change of price level of coal on a particular month relative to the fixed base year.
- NCI is a price index combining the prices of coal from all the sales channels- Notified Prices, Auction Prices and Import Prices.
- The base year for the NCI is FY 2017-18.
- The concept and design of the Index as well as the Representative Prices have been developed by the Indian

Statistical Institute, Kolkata.

- NCI is composed of a set of five sub-indices: three for Non Coking Coal and two for Coking Coal.
- The three sub-indices for Non Coking Coal are combined to arrive at the Index for Non Coking Coal and the two sub-indices for Coking Coal are combined to arrive at the Index for Coking Coal.
- Thus, indices are separate for Non-coking and Coking Coal.
- As per the grade of coal pertaining to a mine, the appropriate sub-index is used to arrive at the revenue share.