

Mining revamp

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In line with gradual opening of commercial mining of minerals, the policy of revamping procedural issues with respect to economic efficiency, resource utilisation and overall ease of doing business in the mining industry is the need of the hour.

In news: The government wants to overhaul the working of private mine developers and operators (MDOs) ahead of the first coal mining auctions with private company participation.

Placing it in syllabus: Mining

Static dimensions

1. Mineral resources for a \$5 trillion dollar economy
2. Recent changes in mining sector
3. Coal allocation policy

Current dimensions

1. Revamp of mining operations

Content:

Revamp of mining operations:

- The government wants to overhaul the working of private Mine Developer and Operators(MDO) ahead of the first coal mining auctions with private company participation.
- **NITI Aayog has been asked to consult with industry to create a new legal framework** and policy regime for private mine operators.
- This move comes amid plans by **Coal India, the world's largest coal miner**, to produce 1 billion tonnes a year by 2024.
- So far, coal mine ownership has been restricted to PSUs like Coal India and NTPC or state, who have been the largest employers of MDOs.

- But with commercial coal mining slated to begin in October, 2020, the MDO industry is expected to expand.
- However, **outsourcing mining activity is illegal under the Contract Labour Act and Mines and Minerals Act.**

Who is a MDO?

- In the mining industry, a mine owner often contracts the work of mine development to a third-party MDO, especially in coal.
- The **MDO oversees the whole range of activity, from mine design, planning and construction and rehabilitation of local populations to overburden removal, mining and processing and delivery of the mineral.**
- The MDO contract is awarded mostly on the basis of quoted mining cost per tonne, to the lowest bidder.

Hence clearing the legal inconsistencies and creating a framework that insists on ethical practices and improves safety, while employing the best talent and technology is needed.

Mineral resources for a \$5 trillion dollar economy:

- The **virtual auction process for 41 coal blocks for commercial mining** has been launched recently which includes fully explored and partially explored mines, 4 fully explored mines are Coking coal mines.
- This move is expected to garner Rs 33,000 crore of **capital investment** in the country **and advancement in technology** over next 5-7 years.
- It **stimulates the economy** and catalyzes the country's path towards a USD 5-trillion economy.
- Opening of the coal sector to private players will **generate jobs and reduce the dependence on fuel import.**
- The **move will modernise the coal sector** as well as

unlock the country's natural resources.

- The auction of coal mines for commercial mining and relaxation of FDI favours **mine developer and operator (MDO) sectors**.

Recent changes in mining sector:

- In **2014, Supreme Court cancelled the allocation of 204 coal mines** to various parties as irregularities were discovered by the CAG.
- An ordinance was brought in quickly and a transparent auction process was evolved for the affected mines.
- Enabling provisions for commercial mining and sale of coal were included in the **Coal Mines (Special Provisions) Act of 2015**.
- In February 2018, the government allowed **auctions of coal-bearing blocks to private parties** for commercial mining.
- In October, 2018 it allowed **captive coal miners to sell 25% of their output in the open market**.
- Both these decisions technically **ended state-run Coal India's monopoly** on commercial coal mining.
- Recently **100% foreign direct investment (FDI) under automatic route** in coal mining and associated infrastructure has been approved.

Commercial mining allows the **private sector to mine coal commercially** without placing any end-use restrictions. The private firms have the option of either **gasification of the coal or exporting** it.

They can also **use it in their own end-use plants or sell them in the markets**. The complete freedom to decide on sale, pricing, and captive utilisation is expected to **attract many private sector firms as well as global companies to participate in the auction process**. These steps help in generating employment, increase investment and reduce India's import bill.

The Mineral Laws (Amendment) Bill, 2020 was introduced in Lok Sabha on March 2, 2020. The Bill amends the **Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) and the Coal Mines (Special Provisions) Act, 2015 (CMSP Act)**.

In May, 2020 along with opening up commercial coal mining, **promoting coal gasification and auctioning 50 new coal and 500 mineral blocks** as part of the covid-19 reforms package, an **investment of Rs 50,000 crore to create transportation infrastructure** for evacuating 1 billion tonnes of coal from Coal India Ltd's mines has been planned.

Mineral laws (Amendment) Bill, 2020:

1. Removal of restriction on end-use of coal: Currently, companies acquiring Schedule II and Schedule III coal mines through auctions can use the coal produced only for specific end-uses such as power generation and steel production. The Bill removes this restriction and companies will be allowed to carry on coal mining operations for their own consumption, sale or for any other purposes, as may be specified by the central government.
2. Eligibility for auction of coal and lignite blocks: The Bill clarifies that the companies need not possess any prior coal mining experience in India in order to participate in the auction of coal and lignite blocks.
3. Composite license for prospecting and mining: The Bill adds a new type of license, called prospecting license-cum-mining lease which will be a composite license providing for both prospecting and mining activities.
4. Non-exclusive reconnaissance permit holders to get other licenses: Reconnaissance means preliminary prospecting of a mineral through certain surveys. The Bill provides that the holders of such permits may apply for a prospecting license-cum-mining lease or mining lease.
5. Transfer of statutory clearances to new bidders: Currently, upon expiry, mining leases for specified

minerals (minerals other than coal, lignite, and atomic minerals) can be transferred to new persons through auction. This new lessee is required to obtain statutory clearances before starting mining operations. The Bill provides that the various approvals, licenses, and clearances given to the previous lessee will be extended to the successful bidder for a period of two years. The new lessee must obtain all the required clearances within this two-year period.

6. Reallocation after termination of the allocations: The CMSP Act provides for the termination of allotment orders of coal mines in certain cases. The Bill adds that such mines may be reallocated through auction or allotment as may be determined by the central government.
7. Prior approval from the central government: The Bill provides that prior approval of the central government will not be required in granting reconnaissance permit, prospecting license, or mining lease for coal and lignite, in certain cases.
8. Advance action for auction: Under the MMDR Act, mining leases for specified minerals (minerals other than coal, lignite, and atomic minerals) are auctioned on the expiry of the lease period. The Bill provides that state governments can take advance action for auction of a mining lease before its expiry.

Coal allocation policy:

SHAKTI (Scheme for Harnessing and Allocating Koyala Transparently in India) is a policy designated by the Union Government for the allocation of coal among thermal power plants in a transparent and objective manner.

The **salient features** of the SHAKTI are as follows:

- It was **approved in May 2017** with the intent of better

allocation of coal to present and future power plants.

- It aimed to **phase out the present Letter of Assurance and Fuel Supply Agreement (FSA)-based regime**, and instead introduce a more transparent and competitive coal allocation policy.
- The policy also offered a potential **solution to the lack of coal linkages to 17 power plants** with a capacity of about 15,000 MW, which were part of the 34 power plants (of about 40,000 MW) declared as stressed.
- The **policy was amended in March 2019** specifically to aid stressed projects based on the recommendations of a High-Level Empowered Committee.
- **All power plants, except captive power plants, which have at least 50% untied capacity (generation capacity without PPAs) will be eligible to participate in the auction** for short-term linkage.
- Coal linkages will be provided for the consumption of coal by the power plant for a period of three months.
- **Auction** of coal linkages will be **carried out every quarter**.
- The power generated under these coal linkages will have to be sold in the day-ahead market through power exchanges, and short term through a transparent bidding process using the **Discovery of Efficient Energy Price (DEEP) portal**.

The DEEP portal is **an e-bidding and e-reverse auction portal for procurement of short term supply of power by distribution companies**.

Mould your thought:

1. What are the recent developments that have taken place in the coal mining sector?

Approach to the answer:

- Write why it is in news
- Write down the recent changes

- Jot down 3-4 important points of Mineral laws (Amendment) bill
- Conclusion