The Mineral Laws (Amendment) Bill, 2020

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UPDATE

In news: Parliament recently passed The Mineral Laws (Amendment) Bill, 2020.

Placing it in syllabus: Mining sector in India

Static dimensions:

- Mining laws in India
- Private sector and mining

Current dimensions: Recent changes in the bill

Content: The Bill replaces the ordinance for amendment of the Mines & Minerals (Development and Regulation) (MMDR) Act, 1957 and The Coal Mines (Special Provisions) (CMSP) Act, 2015 which was promulgated on 10th January 2020.

Mining laws in India:

***Mines and Minerals (Development & Regulation) Act (MMDR), 1957**:*

- It is the principal legislation that governs the mineral and mining sector in India.
- Under the act, minerals are taken under two broad heads, **major minerals and minor minerals.**
- The **power to frame policy and legislation on the minor minerals are entirely subjected and delegated to the State Governments** while policy and legislation relating to the **major minerals are dealt by the Ministry of Mines under the Central Government of India.**

- The State Government may, for the purposes of providing speedy trial of offences constitute many **Special Courts.**

District Mineral Foundation:

- Setting up of District Mineral Foundations (DMFs) in all districts in the country affected by mining related operations was mandated through the **Mines and Minerals (Development & Regulation) Amendment Act, (MMDRA) 2015.**
- Every holder of a mining lease or a prospecting licence-cum-mining lease shall, in addition to the royalty, pay to the DMF of the respective concerned districts in which their mining operations are carried on.
- **DMF contributions do not exceed one-third of royalty and the Central Government retains the power to prescribe the rates of contribution,** though DMF's operation is under state governments.
- The **contributions made to DMFs are collected by the State Governments.**

Offshore Areas Minerals (Development & Regulation) Act, 2002:

- The Act is **applicable to all minerals in offshore areas including minerals prescribed under Atomic Energy Act, 1962, but excludes oils and related hydrocarbons** as there is separate legislation for them in force.
- Indian Bureau of Mines has been notified as the "administering authority" and "authorised officer".

Private sector and mining:

- 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.

- Before this, FDI was allowed only in captive coal and lignite mining by power projects, steel and cement companies.
- In addition, coal washeries were allowed to be set up, but they would not either mine coal or sell washed coal in the open market.
- Now, **100% FDI is permitted under the automatic route to set up such washeries,** subject to provisions of Coal mines Act, 2015 and MMDR Act, 1957.
- A recent study indicates that **coal imports by private sector independent power producers** have increased to 14.5 million tonnes from 10.3 million tonnes over a **40% year-on-year increase in April-June 2019.**

Hindrances to private investment:

- The allocation of coal mines will only be done through auctions and even after winning the auction a miner has to acquire the necessary land for operations.
- The miner is also responsible for obtaining the environment and forest clearances and a host of other clearances needed before mining can begin.
- Once coal is mined, the new miner will have to compete with Coal India prices (e-auction prices) to sell or enter into long-term contracts for sale.

Recent changes in the bill:

- The **companies which do not possess any prior coal mining experience** in India and/or have mining experience in other minerals or in other countries **can participate in auction of coal/lignite blocks.**
- The companies which are **not 'engaged in specified end-use'** can also participate in auctions of Schedule II and III coal mines.
- The Bill allows **prospecting licence-cum-mining lease**

(PL-cum-ML) for coal/lignite.

- The successful bidders/allottees have now been **entitled to utilize mined coal** in any of its plants or plants of its subsidiary or holding company.
- It provides for **allocation of the coal mine to the next successful bidder** or allottee, subsequent to termination of its allocation along with the matters incidental to it.
- A **designated custodian for management of the mines,** apart from Schedule II mines which have come under production and whose vesting/ allotment order has been cancelled, can be appointed.
- The **environment and forest clearances along with other approvals and clearances shall automatically get transferred to the new owners of mineral blocks** for a period of two years from the date of grant of new lease.
- The **auction of lease of mines can now be started before expiry of lease period.**

Importance:

- It will open a new era in Indian coal & mining sector specially to **promote Ease of Doing Business.**
- It increases participation in coal/lignite block auctions and **facilitates the implementation of FDI policy** in the coal sector.
- The removal of the end use restriction would allow wider participation in auction of coal mines for a variety of purposes.
- Coal blocks of varying grades in a wide geographical distribution will be available for allocation.
- It will **enable the state government to take advance action for auction of mineral blocks** so that the new lease holder could be decided before the existing lease gets expired.

Manifest pedagogy: Coal utilisation is inevitable for India, despite the issues of pollution in India. The way out is efficient utilisation through technology intervention. The topics related to laws, environmental issues, technology etc of coal could be asked both prelims and mains stage.

In news: Mineral Laws (Amendment) Ordinance, 2020 was cleared by the Cabinet recently.

Placing it in syllabus: Minerals

Static dimensions:

- General description on coal deposits and production in India
- Issues of coal shortage in India

Current dimensions:

- Easing of mining laws
- Impact on coal availability and growth

Content:

General description on coal deposits and production in India:

Coal (also called black gold) is the main source of energy in India as it **fulfils almost 67 percent of the total commercial energy** consumed in the country.

The coal reserves in India are found in the following states:

- **Jharkhand has the first rank in coal reserves and its production.** Its coal deposits are of **Gondwana period** and main coal mining centres of the state are Auranga, Bokaro, Dhanbad, Jharia, Giridih, Karanpur, Ramgarh and Hutar.
- **Odisha has the second largest coal reserves** in the country and it carries more than 24 per cent of the

total coal reserves. Coal deposits are found in Talcher, Sambalpur, Dhenkanal, and Sundargarh districts.

- **Chhattisgarh has the third largest coal reserve in India** and carries about 17 percent of the total coal reserves. Coal fields are Korba , Hasdo-Arand, Chirmiri, Jhimli, and Johilla.
- **West Bengal** carries about 11 percent of the total coal reserves of India. The deposits are found in Bardhaman, Darjeeling, Bankura, Jalpaiguri, and Purulia districts of the state.
- **Madhya Pradesh** has about 8 percent of the coal reserves of the country and the main coal deposits of the state lie in Singrauli, Muh Pani, Satpura, Pench Kanhan and Sohagpur. **Singrauli is the largest coalfield of MP.**
- **Andhra Pradesh** has 7 percent of India's coal reserves. **Singareni** coalfield is the main mining area.
- **Maharashtra** coal deposits mainly belong to the **Tertiary period.** Kamptee coalfields (in Nagpur district) and Wardha valley (stretched over Nagpur and Yavatmal districts) carry most of the coal deposits in the state.
- Palana and Khari mines of Bikaner district in **Rajasthan carry Lignite deposits** (inferior quality of coal) and the coal produced is mainly used in thermal power plants and railways.
- The coal in **Gujarat** is of poor quality and is found in Bharuch and Kachchh districts of the state.
- The coal deposits of **Tamil Nadu (**lignite coal) are found in Neyveli in South Arcot district.
- Coal in the state of **Jammu and Kashmir** is of inferior quality and is found at Shaliganga, Handwara, Baramulla, Riasi, and Udhampur districts along with the Karewas of Badgam and Srinagar.

Till April, 2018, a cumulative total of 319.02 billion tonnes

of Geological Resources of Coal have been estimated in the country. The **all India Production of coal during April – May 2018-19 was 730.35 MT** with a **positive growth of 7.9%.**

Issues of coal shortage in India:

India's coal-fired energy sector is facing increasing pressure due to generator over-capacity, water shortages due to fluctuations in water supply and the rise of low-cost renewables and stranded-assets.

1.The over-building of coal-fired capacity:

- The boom in coal plant construction during the early 2010s has resulted in significant over-capacity.
- The amount of installed coal-fired capacity in India is now 20 per cent higher than the country's peak demand level and fully 50 gigawatts (GW) above average demand levels.
- The plants' capital costs still need covering even if their electric output is not needed.

2.The declining water supplies:

- Groundwater levels across India are in decline.
- Since 2012, both total annual rainfall and monsoon rainfall have generally been below normal levels – a major concern for coal generation, which requires substantial amounts of water for steam production and cooling.
- Ongoing water shortage problems in India forced 61 plant shutdowns from 2013-2017, resulting in roughly 17,000

gigawatt-hours of lost generation and revenue.

- About 41GW of India's installed thermal capacity is located in drought-affected areas, with about 37GW located in "extreme drought" areas.

3.The increasing competition from renewables:

- Low-cost renewable energy has a great advantage during the monsoon season, when coal generation dips while wind and hydro generation peaks.
- The renewable energy target of 175 GW by 2022 has made thermal power still unfavourable in energy sector.
- Prices for onshore and offshore wind and solar are expected to continue declining while prices for coal-fired generation are likely to rise.

4.Utilisation rates have fallen, impairing the economic competitiveness of coal plants because they must spread their costs over a diminishing number of kilowatt-hours.

Easing of mining laws:

The government has recently announced the **promulgation of the ordinance for amendment** in the Mines and Minerals (Development and Regulation) (**MMDR**) Act, 1957 and the Coal Mines (Special Provisions) (**CMSP**) Act, 2015.

In 2018, the government allowed commercial mining by private entities and set a mining target of 1.5 billion tonnes by 2020. Out of this, 1 billion tonnes was set to be from Coal India, while **500 million tonnes was to be from non-Coal India entities.** This target has **now been revised to 1 billion tonnes** by 2023-24.

The amendments in the laws would **offer unexplored and partially explored coal blocks for mining** through **prospecting**

license-cum-mining lease (PL-cum-ML). This helps in increasing of the inventory of coal/ lignite blocks for allocation.

Coal blocks with different grades and in a wide geographical distribution will now be **available for allocation**. It will lead to democratisation of coal mining sector by opening it up to anyone willing to invest.

It **allows successful bidder/allottee to utilise mined coal in any of the plant of its subsidiary** or holding company.

Now **companies which do not possess any prior coal mining experience** in India but are ready to invest and or have mining experience in other minerals or in other countries can participate in auction of coal/lignite blocks. This would also allow the implementation of the 100 per cent FDI through the automatic route for sale of coal.

This gives chance for **wider participation in auction of coal mines,** for a variety of purposes such as own consumption, sale or for any other purpose, as may be specified by the central government.

Till now, the **Schedule II and III coal mines** could only be auctioned to companies that are engaged in specific end use. Now, with the omission of **sub-section (3) of Section 4 of CMSP Act** has provided flexibility to the Central Government in deciding the end use of Schedule II and III coal mines.

With the amendment it has also been clarified that **state government can take up advance steps for auction of blocks before the expiry of lease period.** This would ensure that the production of the minerals from such blocks can be seamlessly continued.

Impact on coal availability and growth:

- The move is likely to **create an efficient energy market** and **bring in more competition.**

- It helps in **reducing coal imports** that is pegged at $15 billion a year.
- The move might put an **end to Coal India Ltd's monopoly** in the sector.
- End-user restrictions inhibited the development of a domestic market for coal. The ordinance essentially **democratises the coal industry and makes it attractive for merchant mining companies**, including multinationals such as BHP and Rio Tinto, to look at India.
- Large investment in mining will **create jobs and set off demand in critical sectors** such as mining equipment and heavy commercial vehicles.
- The country may also benefit from **infusion of sophisticated mining technology,** especially for underground mines.
- The move will help private companies **mine coal for commercial purposes.**