

The Mineral Laws (Amendment) Ordinance, 2020

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Source: PRS India

The Mineral Laws (Amendment) Ordinance, 2020 was promulgated in January 2020. The ordinance amends the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), and the Coal Mines (Special Provisions) Act, 2015 (CMSP Act).

About CMSP Act

- The CMSP Act **provides for the auction and allocation of mines whose allocation was cancelled by the Supreme Court in 2014.**
- Schedule I of the Act provides a list of all such mines; Schedule II and III are subclasses of the mines listed in the Schedule I.
- Schedule II mines are those where production had already started then, and Schedule III mines are ones that were earmarked for a specified end-use.

Key highlights of the Ordinance

- **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 specified end-uses such as power generation and steel production. **The Ordinance removes this restriction** on the use of coal mined by such companies. **Companies will be allowed to carry on coal mining operations for own consumption, sale or** for any other purposes, as may be specified by the central government. **The Ordinance also adds that companies need not possess any prior coal mining experience in India to participate in the auction** of coal and lignite blocks.

- **Composite license:** Currently, separate licenses are provided for prospecting and mining of coal and lignite, called a prospecting license, and mining lease, respectively. Prospecting includes exploring, locating, or finding mineral deposits. **The Ordinance provides for an additional prospecting license-cum-mining lease.** This composite license will allow both prospecting and mining activities.
- **Transfer of licenses, clearances and approval to new bidders:** Currently, upon expiry, mining leases for specified minerals (**minerals other than coal, lignite, and atomic minerals**) are transferred to new persons through auction. The new lessee must obtain **statutory clearances** before starting mining operations. **The Ordinance provides that the various approvals, licenses, and clearances given to the previous lessee will be extended to the new lessee for two years.** During this period, the new lessee will be allowed to continue mining operations. However, the new lessee must obtain all the required clearances within this two-year period.
- **Prior coal mining experience in India:** The **Ordinance 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. Further, the competitive bidding process for auction of coal and lignite blocks **will not apply to** mines considered for allotment to:
 1. A government company or its joint venture for own consumption, sale or any other specified purpose; and
 2. A company that has been awarded a power project on the basis of a competitive bid for tariff
- **Reallocation after termination:** The CMSP Act provides for termination of allotment orders of coal mines in certain cases. The Ordinance adds that such mines may be reallocated through auction or allotment as may be determined by the central government. The central

government will appoint a designated custodian to manage these mines until they are reallocated.

- **Prior approval from the central government not required in certain cases:** Under the MMDR Act, state governments require prior approval of the central government for granting reconnaissance permit, prospecting license, or mining lease for coal and lignite. **The Ordinance provides that prior approval of the central government will not be required in granting these licenses for coal and lignite, in certain cases. These include cases where:**
 1. The allocation has been done by the central government, and
 2. The mining block has been reserved by the central or state governments to conserve a mineral.
- **Advance action by State governments 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 Ordinance provides that state governments can take advance action for auction of a mining lease before its expiry.**