

Conclusion

The production of coal has assumed greater significance after the Government of India announced its mission “Power to all by 2012”. Coal being the most important indigenous energy source with GR of 2,85,863 million tonne in India, the roles of various agencies involved in exploration, production and allocation of coal has, thus, increased correspondingly. Performance Audit on allocation of coal blocks and augmentation of coal production, however, revealed the following inadequacies/shortcomings:

- In order to increase the coal production in the country, the Expert Committee on Coal Sector Reforms in December 2005, had recommended enhancing the per annum drilling capacity of CMPDIL at least to 15 lakh metre per annum. Against the recommendation, the CMPDIL is expected to achieve a drilling capacity of 3.44 lakh metre per annum;
- CIL also, could not match with the rate of increase in coal production envisaged by the Planning Commission as there were delays in execution of various capacity addition projects due to lack of coordinated and planned approach by various government agencies involved in statutory clearances and land acquisition. Further, there were mismatches in excavation and transportation capacities of mines and the Heavy Earth Moving Machinery engaged in production of coal was not being utilised optimally and gainfully;
- New Coal Distribution Policy notified by MOC 2007 envisages distribution of coal to small and medium consumers in effective manner. However, no monitoring mechanism is in place in CIL for verification of end use of coal;
- The existing washeries of CIL were not able to cater the washed coal requirements of the country and hence consumers had to depend on private washeries;
- With a view to increase supply of coal in the Country, the MOC de-reserved 48 coal blocks of CIL, out of which, three coal blocks were de-allocated later and nine blocks remained un-allocated. Out of remaining 36 coal blocks allocated to various parties, in nine blocks production is yet to commence even though normative production date is over. In balance 27 blocks, normative production schedules were beyond July 2011. Thus, the de-reservation of CIL blocks did not yield desired results;
- Captive coal mining is a mechanism envisaged to encourage private sector participation in coal mining on account of the limitations of the CIL to increase production to meet the growing demand for coal besides to ensure assured supply of coal to the core infrastructure sectors viz. Power, Steel and Cement. Till 1993, there were no specific criteria for allocation of coal blocks. Most of the allocations were done based on letters of recommendation from

the concerned State Government. The process of bringing in transparency and objectivity in the allocation process of coal blocks, which commenced from 28 June 2004, got delayed at various stages and the same is yet to materialize (February 2012) even after a lapse of seven years. In the mean time, 194 net coal blocks with aggregate GR of 44,440 million tonne were allocated to different Government and private parties up to 31 March 2011. The financial impact of the benefit to the private allottees has been estimated to the tune of ₹ 1,85,591.34 crore as on 31 March, 2011 for Opencast (OC) mines/ OC reserves of Mixed mines. The Government could have tapped a part of this financial benefit by expediting decision on competitive bidding for allocation of coal blocks ;

- Out of 28 producing blocks as on 30 June 2011, in case of ten blocks, there was time overrun ranging from one to ten years from the normative production schedules. In case of 68 non-producing blocks where normative date of production was on or before 30 June 2011, there was time overrun ranging from one to five years in 47 blocks and more than five to ten years in four blocks from the normative production schedules. There were abnormal delays in commencement of production from captive coal blocks too due to delay in obtaining mining leases and other statutory clearances as pointed out earlier ;
- The Coal Controller's Organisation, a nodal agency for this purpose, did not conduct any physical inspection of allocated coal blocks to ascertain the actual progress/production vis-à-vis the progress/production reported by the allottees as per the MMDR Act, 1957. The correctness of the data furnished by the allottees, therefore, remained unverified ; and
- To ensure timely production from the coal blocks MOC introduced the system of bank guarantee (BG) only in March 2005 which was modified in January 2007 and linked to 50 per cent of BG amount with the milestones to be achieved before the start of production and balance 50 per cent with guaranteed production. Audit observed that there was delay in introducing BG and linking it with the milestones. Resultantly, in case of 46 coal blocks allocated prior to 2005, the furnishing of BG could not be made applicable and in case of 118 blocks allotted prior to July 2007 imposition of penalty for non-compliance of milestones could not be implemented. Further, in the absence of any methodology for accounting of BG, MOC could not encash BG amounting to ₹ 12.94 crore against six blocks. Audit also noticed that as of November 2011, the BGs amounting to ₹ 311.81 crore in respect of 15 blocks had lapsed and were not renewed.

Recommendations

MOC should

- In order to bring 'objectivity' and 'transparency' in the allocation and for tapping of a part of benefit accruing to the allottees of captive coal blocks, MOC should urgently work out the modalities to implement the procedure of allocation of coal blocks for captive mining through competitive bidding.

- With the declared objective of “Power to all by 2012”, Government has taken many steps inter-alia allocating coal blocks for captive mining for power and other sectors in a big way. It would be worthwhile to make an assessment of the level of success of this declared objectives so as to make mid course corrections. The need for power in the economic development of the country will continue to be paramount. Hence, the criticality of such an assessment and further road map to advance the objective of “Power to all”. There is a need to constitute an empowered group along the lines of Foreign Investment Promotion Board (FIPB) as a single window mechanism with representatives of Central nodal ministries and State Governments to grant the necessary clearances such as mining lease, mining plan, forest clearance, environment management plan and land acquisition for accelerating the procedures for commencement of production.
- Evolve a system of giving ‘incentives’ to encourage production performance from captive coal blocks and ‘disincentives’ to discourage non/poor performance.

CCO should

- Conduct physical inspection of allotted blocks on regular basis.

CIL should

- Fix its production targets in line with the targets fixed by the Planning Commission.
- Expedite setting up of coal washeries as washing capacities of coal are grossly inadequate in CIL subsidiaries in view of the fact that Indian coal contains higher percentage of ash and washing of coal is of utmost significance, both for the efficiencies in the user plants and from the point of view of environmental concerns besides fetching higher returns.
- Synchronise its excavation and transportation capacities.

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