

**GOVERNMENT OF INDIA**  
**MINISTRY OF COAL**  
**RAJYA SABHA**  
**QUESTION NO 06.12.2010**  
**ANSWERED ON**  
**RATES OF COAL ROYALTY**

2794

MISS MABEL REBELLO

Will the Minister of COAL be pleased to state :-

- (a) by when the new coal royalty rates would be announced;
- (b) whether the Ministry would rectify the mistakes of royalty based on hybrid formula which has caused injustice to coal producing States; and
- (c) whether the Ministry has worked out the losses to the States for the last three years and if so, the details thereof, State-wise?

**ANSWER**

MINISTER OF STATE (IC) IN THE MINISTRY OF COAL AND MINISTER OF STATE (IC) IN THE  
MINISTRY OF STATISTICS & PROGRAMME IMPLEMENTATION

(SHRI SRIPRAKASH JAISWAL)

(a) : A Study Group has been constituted on 04.02.2010 for revision of royalty rate on coal and lignite. With a view to consulting all the stake holders, prescribed questionnaires have been prepared on the subject matter and circulated to the major coal producers/consumers and coal bearing State Governments for their views/comments which are still awaited. The new royalty rates would be announced by the Government after examining the recommendations of the Study Group.

(b) & (c) :No mistakes were committed earlier in revising the rates of royalty on coal, as the same were notified after due examination and wide consultations by obtaining the views and comments of all the stake holders. In view of the complexity involved in the issue of payment of royalty on coal on advalorem basis vs. tonnage basis, the issue was also examined by the Economic Advisory Council (EAC) to the Prime minister.

The EAC to the Prime Minister had recommended the formula for fixation of royalty (with fixed and variable component) which balances the revenue needs of the coal producing States, the concerns of the coal consuming States/organizations and the overall interest of the economy. The same was agreed to by the Royalty Committee of the Ministry as it addresses the demand of coal producing States in as much as the increase in the prices of coal would lead to a corresponding increase in the royalty accruals to them. At the same time, for the consumers i.e. the power, cement and steel etc. sectors, impact of higher royalty would be moderated to some extent. Besides, the formula based royalty rates has an Ad valorem component of 5%, which led to higher revenue accruals to the States, corresponding with any future increase in coal prices. Hence, the question of losses to the coal bearing States does not arise.