

**GOVERNMENT OF INDIA  
MINISTRY OF COAL  
RAJYA SABHA  
UNSTARRED QUESTION NO. 3392  
TO BE ANSWERED ON 23.03.2026**

**REVIEW OF COAL ROYALTY AND ENVIRONMENTAL COMPENSATION**

**3392 SHRI SUBHASISH KHUNTIA:**

Will the Minister of **COAL** be pleased to state:

- (a) whether coal royalty rates have been revised since the last notification and if so, the year thereof and whether any assessment has been conducted regarding erosion of their real value due to inflation;
- (b) whether the 2014 study group recommendations have been reviewed in light of current production levels and price trends;
- (c) whether the environmental and public health costs borne by coal-producing States such as the State of Odisha have been assessed; and
- (d) whether such externalities were considered while retaining the existing royalty structure and if any compensatory mechanism is proposed?

**ANSWER**

**MINISTER OF STATE FOR COAL AND MINES  
(SHRI SATISH CHANDRA DUBEY)**

**(a)** The royalty on coal was last revised vide notification dated 10.05.2012, whereby it was made fully ad valorem at 14% of the price of coal, as reflected in the invoice. Under the ad valorem regime, royalty accrual to States is in line with coal prices. As coal prices are periodically revised by producers based on input costs and market conditions, the royalty realization correspondingly adjusts, thereby mitigating erosion in real value over time.

**(b)** The Study group constituted in 2014 suggested no change in the royalty rates considering all factors like royalty already made completely ad-valorem, the subsequent levy of District Mineral Foundation (DMF) @ 30% on royalty and National Mineral Exploration Trust (NMET) @ 2% of Royalty, which causes the effective incidence of royalty based tax to 18.48% i.e. approximately 19%  $\{(14\% + 4.2 (30\% \text{ of } 14\%) + .28 (2\% \text{ of } 14\%))\}$ . This structure of royalty continues since made ad-valorem.

**(c) & (d)** Government vide its notification dated 17.09.2015 enacted the provision of DMF which primarily focuses on development activities including health, water, etc. in coal bearing districts to ensure socio-economic development, safety of environment, better health standards and equitable distribution of mining related benefits to coal producing districts. This was also considered by Study Group while recommending ad-valorem regime of royalty structure.