

**GOVERNMENT OF INDIA
MINISTRY OF COAL
LOK SABHA
UNSTARRED QUESTION NO. 1377
TO BE ANSWERED ON 14.12.2022**

National Coal Index

1377. SHRI M.V.V. SATYANARAYANA:

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

- (a) the details of the National Coal Index established to facilitate commercial auction of coal mines on revenue share basis along with its impact;
- (b) the details of other measures being taken to reduce the import dependence of coal; and
- (c) the details of proposed measures to be taken for the facilitation of commercial auction of coal mines?

ANSWER

**MINISTER OF COAL, MINES & PARLIAMENTARY AFFAIRS
(SHRI PRALHAD JOSHI)**

(a) Ministry of Coal has started commercial auction of coal mines on revenue share basis. In order to arrive at the revenue share based on market prices of coal, National Coal Index (NCI) was rolled out on 4th June, 2020. The concept and design of the Index as well as the Representative Prices have been developed by the Indian Statistical Institute, Kolkata. NCI is a price index combining the prices of coal from all the sales channels- Notified Prices, Auction Prices and Import Prices.

Following principles were kept in view while designing the NCI:

- i. Monthly Computability;
- ii. Forward Looking;
- iii. Ability to capture the coal trades in India

All grades of coal and all sales channel as existing in 2017-18 are covered. Base of the NCI has been taken as FY 2017-18. NCI is the weighted average of the change in price level of coal with price level of FY 2017-18. NCI is compiled for a group of Grades of Coal (five sub- indices):

Non Coking Top Grade- G1 to G6
 Non Coking Medium Grade- G7-G14
 Non Coking Low Grade- G15-G17
 Coking Top Grade- Steel-I and Steel-II
 Coking Bottom Grade- Washery-I to Washery-IV

For each Sub-index, the prices of three sales channels - Notified Prices, Auction Prices and Import Prices have been taken into account, as relevant. Weights of the respective Sales Channels are based on the Value of Transactions:

$$\text{Value} = \text{Quantity of Coal} \times \text{Price}$$

Weights are as follows for the different sub-indices:-

| Sub-Sector | Weights of different Price Channels (%) | | |
|-------------------------|---|---------------|--------------|
| | Notified Price | Auction Price | Import Price |
| Non Coking Top Grade | 38.32 | 11.43 | 50.25 |
| Non Coking Medium Grade | 51.38 | 13.05 | 35.57 |
| Non Coking Low Grade | 45.43 | 54.57 | 0 |
| Coking Top Grade | 1.04 | 1.12 | 97.84 |
| Coking Bottom Grade | 79.69 | 20.31 | 0 |

No import component in bottom grades of coking and non-coking coal

Weights of NCI:- The weights of the National Coal Index have been arrived at each Sub-Sector level. The weights for NCI may be summarized as follows:-

| Sub-Sector | Weight | Consolidated Index | Wight |
|-------------------------|--------|-----------------------|-------|
| Non Coking Top Grade | 24.55 | Non Coking Coal Index | 74.23 |
| Non Coking Medium Grade | 74.82 | | |
| Non Coking Low Grade | 0.63 | | |
| Coking Top Grade | 79.94 | Coking Coal Index | 25.77 |
| Coking, bottom grade | 20.06 | | |

Representative Price (RP) is the weighted average of the prices of coal from all the Sales channels and it is compiled for each Grade of Coal. Weights of the respective Sales Channels are based on the Volume of Transactions. The impact of NCI on commercial coal mine auction is as under:

Movement in NCI impacts the following payments under the commercial coal mine auctions:

- Revenue share payable to the State Government
- Performance Bank Guarantee submitted by the Coal Block Allocatee; and
- Upfront amount payable by the Coal Block Allocatee.

Since all the above payments are linked to the representative price which is dependent on the National Coal Index, any movement in the NCI impacts these payments. Price movement (considering Grade G8 to G15) of NCI since the launch of commercial coal mine auction in 2020 shows that it has increased on an average of 42% from October, 2020 to October, 2021 and average of 34% from October, 2021 to October, 2022. Thus, the movement of NCI has high impact on the payment structure in the commercial coal mine auction.

(b) Measures taken by the Government to improve the availability of coal and reduce import dependence in the country are as under :-

- Enhanced coal production from mines of Coal India Ltd (CIL) - both in capacity of existing mines as well as operationalisation of new mines/projects.
- Enhanced production from commercial coal mines.
- Enactment of Mines and Mineral (Development and Regulation) Amendment Act, 2021 for enabling captive mines owners (other than atomic minerals) to sell up to 50% of their annual mineral (including coal) production in the open market after meeting the requirement of the end use plant.
- Overall improvement of coal logistics by way of First Mile Connectivity, Rail Projects and integrated logistics movement of coal.
- Induction of enhanced Mass Production of Technologies and enhancing efficiency of mines with introduction of Digitization of operation and introduction of ERP.
- Regular monitoring by Ministry of Coal.
- Single Window Clearance system for facilitation of clearances for early operationalisation of coal mines.

(c) The details of measures taken for facilitation of commercial auction of coal mines are as below :

- No restriction on utilisation of coal. Mine owner can use the coal in any manner including sale, captive use, export and conversion.
- No technical or financial eligibility criteria to participate in the commercial auction process and the Ministry of Coal, Government of India has thrown the sector open to newer players.
- Requirement of minimum number of Technically Qualified Bidders for valid auction process is just 2, rather than earlier 3.
- Payments for upfront amount has been relaxed and shall be paid in 4 equal installments with an upper ceiling of Rs.500 crores for mines with reserves above 200 MT and Rs.75crores for mines with reserves up to 200 MT.
- FDI Policy has been amended to allow 100% FDI under automatic route for coal mining activities for commercial mining.
- National Coal Index implemented to create a transparent, market-based pricing mechanism
- Greater Flexibility in Coal Production Schedule

- Incentive for early coal production and utilization of coal in coal gasification and coal liquefaction
- The Ministry of Coal has taken a number of policy-level initiatives/ procedural improvements which are as under:
- Setting up of a Project Monitoring Unit to help early operationalization of coal mines
- Revamped Approval Process of Mine Plan and Impetus on Fast Operationalization of Mines through Single Window Clearance
- Steps taken to improve coal logistics and evacuation including first mile connectivity, coal washing etc.
- Further changes have been made in ongoing 6th Tranche of commercial auction:
 - Upfront amount has been revised from 0.25% of value of estimated resources to 0.20% of value of estimated resources. Further capping of upfront amount has been reduced from Rs.100 cr to Rs.75 cr for coal mines having reserves of less than 200MT.
 - Correspondingly, Bid Security has been reduced by 20%.
 - Based on the continuous representation of the Bidders, Partial Relinquishment of the coal block has been allowed.
 - Based on the feedback of the bidders, Ministry has undertaken the exercise for resizing of the coal blocks to make them attractive. Ministry has also put up the list of these blocks for stakeholder consultations.
