F.No.13011/2/2020-CBA2-Part(2)
Government of India
Ministry of Coal
******

Shastri Bhawan, New Delhi
Dated the 28th May, 2020

ORDER

Subject: Methodology for Auction of Coal Mines/Blocks for sale of coal under the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957.

The undersigned is directed to refer to Rule 8 (2) and 8 (3) of the Coal Mines (Special Provisions) Rules, 2014 read with Section 8 (5) of the Coal Mines (Special Provisions) Act, 2015 and Rule 3(1) (d) of the Coal Blocks Allocation Rules, 2017 read with Section 11A of the Mines and Minerals (Development and Regulation) Act, 1957 and to say that the Competent Authority has approved the methodology for auction of coal mines/blocks identified under the relevant Act for sale of coal as mentioned in para 2 below:

2.1 Methodology and other conditions for auction of coal mines for sale of coal:-

2.1.1 Applicability: It shall be applicable on auction of all fully explored coal blocks/mines (categorised in G-1 exploration stage as per the modified Indian Standard Procedure for Coal Resource estimation, 2017) and partially explored coal blocks/mines (categorised in G-2 or G-3 exploration stage) for sale of coal under the CMSP Act and MMDR Act. The Methodology and other conditions shall also be applicable on lignite blocks, *mutatis mutandis*.

2.1.2 Bid Parameter: The bid parameter will be revenue share for both fully explored coal mines (categorised in G-1 exploration stage) and partially explored coal mines (categorised in G-2 or G-3 exploration stage). The auction will be an ascending forward auction where the bidders would be required to bid for a percentage share of revenue which would be payable to the State Government. The floor percentage of revenue share shall be 4%. The bid increments will be accepted in multiples of 0.5 % of revenue share till the percentage (%) of revenue share reaches 10% and thereafter, bid increments will be accepted in multiples of 0.25% of revenue share. The bidder that submits the highest percentage (%) of revenue share in the bidding shall be declared the preferred bidder.

2.1.3 Revenue share payable:

(A) The successful bidder shall be required to pay revenue share on monthly basis which shall be determined as product of:

(i) percentage (%) of revenue share (final bid) quoted by the successful bidder;
(ii) total quantity of coal on which the statutory royalty is payable during the month; and
(iii) notional price or actual price, whichever is higher, where

(a) 'notional price' refers to the price arrived at after adjusting the representative price with sub-index of NCI of relevant basket of coal grade(s) on the date on which royalty becomes payable, where 'representative price' is product of-

(1) weights (volume of coal in different components of notified price, auction price and imported price channels) of base year, and
(2) prices of these components at the time of issuance of tender, and

(b) 'actual price' refers to the sale invoice value of coal, net of statutory dues including taxes, levies, royalty, NMET, DMF, etc.

(B) In addition to revenue share, other statutory dues including taxes, levies, royalty, NMET, DMF, etc. shall be payable under applicable laws.

2.1.4 Incentives in revenue sharing model in certain events:

The successful bidder shall be provided with incentives in the following events:

(a) Early production:

(i) In case of fully explored blocks, a rebate of 50% on revenue share quoted by the successful bidder would be allowed, till the scheduled date of production as per the production schedule given in the tender document, for the quantity of coal produced earlier than such scheduled date of production.
(ii) In case of partially explored blocks, a rebate of 50% on revenue share quoted by successful bidder would be allowed, till the scheduled date of production, for the quantity of coal produced earlier than the scheduled date of production given in the approved mining plan.
(iii) Statutory dues including taxes, levies, royalty, NMET, DMF, etc. shall be payable as per law. No exemption would be given to the successful bidder from obtaining any approval etc. under applicable laws required for start of production.

(b) Gasification or Liquefaction of coal: If the successful bidder consumes the coal produced either in its own plant(s) or plant of its holding, subsidiary, affiliate, associate for coal gasification or liquefaction or sells the coal for coal gasification or liquefaction process, a rebate of 20% on the percentage revenue share quoted by the successful bidder will be allowed on the total quantity of coal consumed or sold or both for gasification or liquefaction on an yearly basis, subject to the following conditions:
(i) At least 10% of scheduled coal production as per approved mining plan for that year shall be consumed or sold for gasification or liquefaction;
(ii) that Coal Controller's certification would be required for the quantity of coal consumed or sold or both for gasification or liquefaction.

(c) Empowered Committee of Secretaries may review and determine the incentives on revenue share from time to time.

2.1.5 Upfront Amount:

(A) The Upfront Amount shall be calculated at 0.25% of the value of estimated geological reserves of the coal mine. Value of estimated geological reserves shall be equal to the product of the following:

(i) estimated quantity of geological reserves in the coal mine, and
(ii) the representative price of relevant grade(s) of coal referred in para 2.1.3 (A)(iii)(a) above.

However, the upfront amount payable shall be as per actual calculation as per above method or as per ceiling mentioned here below, whichever is lower:-

Geological Reserves in mine (MT)	**Upper ceiling of Upfront Amount (Rs. cr)**
Upto 200	100
Above 200	500

(B) The ceilings are calculated as per prevalent market conditions and the same is liable to be revised in case there is substantial upward/downward change in market conditions by Empowered Committee of Secretaries.
(C) The Successful Bidder shall have the option to get the Upfront Amount adjusted against the revenue share payable subject to the condition that such adjustment of upfront amount shall not exceed 50% of the revenue share payable in the year.
(D) The Upfront Amount shall be payable by the successful bidder in 4 equal installments as provided in the tender document.

2.1.6 Sale and/or Utilisation of Coal
There shall be no restriction on the sale and/ or utilisation of coal from the coal mine. The successful bidder shall be free to sell coal in any manner as may be decided by the successful bidder including sale to affiliates and related parties, utilise coal for any purpose including but not limited to captive consumption, gasification, liquefaction and export of coal.

2.1.7 Flexibility in Coal Production
(A) The successful bidder shall produce coal not below 65% of the scheduled production as per approved mine plan in a year subject to the condition that the successful bidder shall not produce coal less than 75% of the scheduled production as per approved mine plan in any block of three years. The three-year block shall be counted from the first financial year of scheduled commencement of production in the coal mine.

(B) **Revenue share payable to the Government in case of shortfall in coal production in a financial year:**

(i) In the event the annual coal production is less than 65% of the scheduled production in any financial year, the successful bidder shall be required to pay the revenue share (for both, coal produced and shortfall) so that the total revenue share paid is equal to 65% of scheduled coal production for that financial year.
(ii) In such cases, the annual revenue share payable for the shortfall quantity (65% of scheduled coal production *less* the quantity of coal on which the statutory royalty is paid) shall be computed on the basis of notional price.

(C) **Revenue share payable to the Government in case of shortfall in coal production in a block of three financial years:**

(i) Further, in event the coal production in a block of three financial years is less than 75% of the scheduled production for that block, the successful bidder shall be required to pay the revenue share (for both, coal produced and shortfall) so that the total revenue share paid is equal to 75% of scheduled coal production for that block of three financial years.

(ii) In such cases, the revenue share payable for the shortfall quantity (75% of scheduled coal production of three years *less* the quantity of coal on which the statutory royalty is paid in three years) shall be computed on the basis of notional price.
(D) However, statutory dues including taxes, levies, royalty, NMET, DMF, etc. shall be payable as per the applicable law.

2.1.8 Exploitation of Coal Bed Methane

In case there is presence of coal bed methane (CBM) in the coal mine, the successful bidder may also commercially exploit the CBM present in the mining lease area and shall approach the Directorate General of Hydrocarbon (DGH) for its technical approval followed by the grant of CBM mining lease by respective State Government. In addition to monthly revenue share payable for coal, the successful bidder shall also make payments of monthly revenue share for CBM based on same percentage revenue share quoted (final bid) by it during auction of coal mine. Other mechanisms with regard to arriving at the price of CBM shall be governed by the applicable Policy issued by M/o Petroleum and Natural Gas being the administrative Ministry.

2.1.9 Relinquishment of the block

A successful bidder of a partially explored coal block shall be permitted to relinquish the coal block on meeting the conditions given in the tender documents.

2.1.10 Other terms and conditions/ modalities of auction including eligibility criteria shall be decided by the M/o Coal.

2.1.11 Existing CCEA approved methodologies applicable on allotment of coal mines under the CMSP Act shall be applicable on allotment of blocks under the MMDR Act.

2.1.12 No limit on number of coal mines or reserves or any other parameter regarding production of coal or any combination thereof that can be allocated to a company or its affiliate company, associate company, holding company or subsidiary is to be imposed in the first tranche of auction for sale of coal. Based on the learnings, suitable limits in subsequent tranches of auction may be placed as per decision /recommendation of an Empowered Committee of Secretaries.

2.1.13 The CCEA approved methodology dated 27.02.2018 for auction of coal mines for sale of coal shall stand modified to the extent covered in the proposal.

2.2 A National Coal Index (NCI) along with its sub-indices of relevant basket of coal grades shall be developed in accordance with 2nd report of High Power Expert Committee (HPEC) with following modifications:

I. NCI shall be computed on bi-monthly basis.
II. Bifurcation of the coking coal into two parts: Steel Grade, into which the price of the imported component of coking coal would be included and second the Washery Grade (consisting of W-1, 2, 3 and 4), in which there would be no import component. Rest of the Coking Coal, i.e. W-5 and W-6 may be treated as the corresponding Grade of Non-Coking Coal.
III. Revenue Share Payable: As proposed in para 2.1.3 above.

2.3 With the approval of Competent Authority, an Empowered Committee of Secretaries has been constituted *vide* OM of even number dated 28.05.2020 to deliberate and decide/ recommend on the miscellaneous terms and conditions for successive rounds of auction and also on the operationalisation aspects of coal mines as detailed in the OM dated 28.05.2020 referred to in this para.

2.4 Increasing the tenure of coking coal linkage

The coking coal linkage in the non-regulated sector linkage auction may be granted for a tenure upto 30 years.

This issues with the approval of Competent Authority.

(Rishan Ryntathiang)
Under Secretary to the Govt. of India
Tel. 23384104

To

(1) The Nominated Authority, Ministry of Coal

(2) JS (BPP), Ministry of Coal: For appropriate necessary action in respect of auction of coal mines under the relevant provisions of the MMDR Act, 1957 and Rules made there under.

(3) Director (CLD), Ministry of Coal

Copy to:

1. PS to Hon'ble Minister of Coal
2. PSO to Secretary (Coal)
3. PPS to AS (Coal)
4. PPS to JS (MN)/ PPS to JS (RKS)/PS to JS (BPP)
5. DS (NA)/DS (CBA-II)/DS(CBA-I)
6. STD, NIC, Ministry of Coal.....for uploading on the website of Ministry.