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FUTURE OF MINERAL INDUSTRY...

MINING ORDINANCE SET TO CHANGE RULES OF THE GAME FOR MINING SECTOR

BHUBANESHWAR: Developments during the past week has kept the mining sector on its toes. If the "Mines and Minerals (Development and regulation) (Amendment) Ordinance 2014", in the form in which it was examined by the Cabinet on January 5, becomes law, it will change how and who gets to mine in India.

While the Goa government is busy renewing mining leases it was already committed to, in Odisha the government has started the process of cancelling leases of some companies. Both states, significantly dependent on mining for revenues, are racing against time to beat the possible promulgation of the ordinance introducing auction of minerals critical to steel, aluminum and cement makers. There has been confusion over whether the ordinance has been cleared by the cabinet.

While a number of papers, including ET, reported on January 6 that the cabinet had cleared the ordinance it has subsequently emerged that certain objections have been raised to some of the amendments during the cabinet meeting. It is currently being examined by the PMO, according to some sources.

The ministry, pointing out that production of the mineral sector had dropped from 218 mt at its peak in 2009-10 to 152 mt in 2013-14, had argued for the urgency of an ordinance. With no formal announcement on the Cabinet's decision, there has been speculation over the outcome of the last Monday meeting.

To ease migration to the new regime and with the larger economic interest in mind, the ordinance gives a grace period of five years to leases which are more than 50 years old before they come up for bidding. The grace period is 15 years in case of some captive mines.

Last Monday even as the Modi cabinet sat to discuss the ordinance, the Odisha government, headed by chief minister Naveen Patnaik, announced it would auction all future leases.

Since then it has moved to deny renewals on the basis of Section 8(3) orders to 18 such mines, including one of Tata Steel, Stemcore, Mesco and a couple belonging to the Rungta group.

Section 8(3) of the MMDR Act allows the government to certify that the grant of a lease was in the interest of mineral development. The Odisha government has now asked representatives of these companies to explain why their mining leases should not be cancelled. These companies will be praying for the ordinance to become law at the earliest as their mining leases will be protected for some years.

Goa, which under former chief minister Manohar Parrikar had agreed to allow families such as Salgaocars, Timblos and Chowgules to continue mining leases granted to them as concession during Portuguese rule, has been extending these leases. Once the proposed ordinance becomes law, these mines will be put up for auction at some stage.

50 YEAR LEASES

Under existing laws, after 30 years, leases were to be renewed for another 20 years, then another 20 and so on. This more often than not did not happen. A Supreme Court appointed panel, has concluded that this moment of reckoning for leases became an opportunity for blackmail and corruption. In many cases the renewals never happened and companies continued mining without forest and environment clearances. In two separate judgements, the SC has clarified that only the first renewal could be sought as matter of right. Guided by this interpretation, first renewals have been done away with in the ordinance, allowing existing leases to run for 50 years from the date they were granted. Baldota Group's Ramgard Minerals and Mining can now run its gold mine until 2058 for example.

SUBSEQUENT RENEWALS

After these court orders, mines waiting for second and subsequent renewals found these hard to come by. Unable to get states to grant them fresh leases, some like Hindustan Copper had moved court.

The PSU's Surda Copper mines linked to the Indian Copper Complex in Jharkhand could now get a15-year extension if the ordinance is promulgated.

ACC Cements has reportedly been granted fresh leases to limestone mines in Chaibasa, Jharkhand, possibly for 20 more years. It will, however, retain for 15 years its mines in Bargarh, Odisha under the proposed ordinance.

Tata Steel similarly may retain until 2030 the under exploited Khondbondh mine which the state government was reluctant

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to regrant. Odisha though has agreed to let it retain rights to three other iron ore and its chrome mines in Sukinda. Tata Steel did not respond to emailed questions.

PENDING APPLICATIONS

Unless they have a prior central government approval, under Section 5 (1) of the MMDR, or a letter of intent from the state, all pending applications will stand cancelled as per the ordinance. So while Posco India stands to lose it prospecting lease for Kandhadhar iron ore deposit, JSW and ArcelorMittal may retain rights to areas in Jharkhand. As will Nalco to the Potangi bauxite deposit it has spent years in waiting for.

This also gives Sesa Sterlite a chance to directly bid for the Karlapat bauxite deposit that Odisha had sought for Orissa Mining Corporation, essentially to supply ore to the company's Lanjigarh aluminium refinery. ArcelorMittal did not respond to e-mailed questions.

MINING BAN IN GOA, KARNATAKA LED TO LOSS OF 1 MN JOBS: STUDY

Ban on iron ore mining and exports in Karnataka and Goa led to job losses to the tune of about 1 million, directly and indirectly in recent years, a joint study conducted by Yes Bank and the Associated Chambers of Commerce and Industry (Assocham) said.

"After the global meltdown and export ban in Goa and Karnataka, a significant decline was registered in the production of minerals. This had a major consequence on iron ore exports that declined markedly from over 117 million tonnes (mt) in 2009-10 to about 14 mt in 2013-14 thereby leading to massive job loss," noted the study: 'Mining: Building a Sustainable Development Framework For Inclusive Growth'.

"Recent issues of illegal mining, together with regulatory challenges, policy gridlocks, inadequate supporting infrastructure and others are significant hurdles in the growth of India's mining sector," said D S Rawat, secretary general of Assocham.

The Assocham-Yes Bank study has suggested that the government take progressive policy initiatives like single window clearances for greenfield and brownfield projects to encourage private sector participation by enhancing domestic availability of major raw materials, improving financing avenues across mineral value chain and initiating steps to promote sustainable practices through larger community engagements and responsible mining.

Rapid urbanisation, coupled with growth in manufacturing sector would fuel up to 9-11 per cent annual growth in demand for various metals and minerals which is further expected to grow 4-5 times during the next decade, added the study.

"India's mining sector is saddled with logistic inefficiencies, economic, bureaucratic, environmental and a host of capacity issues owing to a lack of co-ordination between various agencies, besides, lack of central planning has resulted in procurement delays," Rawat said.

The Indian mining industry, which largely comprises small and medium enterprises (SMEs) involved in surveying, exploration and other mining activities, needs to evaluate and tap into some innovative funding sources accessed by its global peers. More so as recent judicial and regulatory developments in the sector have further dried up new funding areas from banks, the study said.

Limited geological and exploration expenditure, weak law enforcement, lack of coordinated approach in decision making, human resource and technological gaps, insufficient investments are certain key challenges being faced by Indian mining industry, the study pointed out.

A time-bound plan to closely monitor mining activities, introduction of a single-window system to centralise functions of all ministries / agencies to expedite approval processes, offer transparent information to boost investor confidence, enabling local community participation, initiate training programmes to develop skilled manpower, adoption of world-class technology and equipment with the latest emission norms are certain feasible solutions to the problems faced by the industry, the study highlighted.

As per the Ministry of Mines, there are 321 applications for reconnaissance permits, prospecting licenses and mining leases pending for decision at the Centre. The corresponding figure for various State Governments stood at 63,395 on 5th May 2014. Evidently, decision making processes need to be expedited and the most viable solution is the introduction of Single window clearances that could increase operational efficiency through reduced costs and time involved.

India's mining industry currently lacks the required workforce comprising of engineers, diploma holders and skilled/semi-skilled workers. This has been a major deterrent in enhancing workforce strength and efficiency. There is therefore a pressing need to divert investments towards expanding the human capital pool to bolster the expected growth in future.

ODISHA TO AUCTION MINE LEASES EXCEPT COAL

The Odisha Cabinet on Monday decided to dispose off all major mineral leases, captive and non-captive, except coal, through auction. It could add Rs 10,000 crore annually to the state exchequer. The policy would be applicable to mineral leases awaiting second and subsequent renewals, including the 18 iron ore and manganese mines that were awaiting express orders from the state government for reopeing after their closure on the basis of the Supreme Court order in May last year.

The court, in its interim order, held that operations of such leases are illegal unless the state government passed express orders under Section 8 (3) of the Mines and Minerals- Development & Regulation Act (MMDR), 1957.

"The state Cabinet has taken a historic decision to auction all mineral leases, both captive and non-captive, barring coal. The auction will be made applicable to all leases awaiting second and subsequent renewal," said Parliamentary Affairs Minister Bikram K Arukh after the Cabinet meeting.

The leasing of major minerals will be done through public auction after obtaining leave of the Supreme Court by filing a petition.

Chief secretary G C Pati said, "The modalities for the auction will be worked out by a high-level committee to be chaired by the development commissioner. The auction will not be applicable to the eight iron ore and manganese mines for which the state government has already passed express orders pending renewal of their leases."

The proposed auction will not apply to those leases that have already been issued grant orders and are awaiting execution of lease deed by the state government provided all such lease deeds are executed within the specified period.

Those mining leases awaiting approval of first renewal will also be out of the purview of auction.

The Cabinet decision on auction will not be applicable to all the existing leases of state-run miner Odisha Mining Corporation and all other central and state public sector undertakings.

Also, the auction would not apply to such leases for which the state government has already recommended prospecting license (PL) or mining lease (ML) to the Government of India in pursuance of an agreement or memorandum of understanding (MoU) for allocation of PL/ML provided the applicant had substantially fulfilled its obligations. The auction would invariably apply to all other leases of major minerals awaiting second and subsequent renewal along with determined and lapsed leases.

In order to encourage competition and to ensure a more broad based and equitable distribution of mineral resources, the area of ML allocated to a single non-captive entity would be limited to a reasonable extent even below the ceiling of 1,000 hectares prescribed in the MMDR Act. The exact ceiling would be decided after the modalities are worked out by the committee. The Cabinet decision is expected to generate more revenue, create job avenues, attract investments for large, medium and small mineral based industries and facilitate ancillary and downstream industries.

MINES MIRED IN CONTROVERSY ARE THE MOST ATTRACTIVE

In the coming e-auctions of cancelled but operational coal blocks, the ones with most controversy are likely to witness the stiffest fight from bidders.

From the seven operational blocks allocated to the power sector, Gare Palma-IV/2 & IV/3 and Talabira-1 stand out as the most attractive. Gare Palma in Chhattisgarh has the largest amount of reserves; Talabira, in Odisha, boasts of ready infrastructure and close proximity to evacuation facilities.

However, Gare Palma was earlier owned by Jindal Steel & Power and Talabira was with Hindalco. Both companies are being probed for irregularities in award of blocks.

"Legal cases against the promoters notwithstanding, these two blocks are the best of all. We would see new players with mining expertise contesting hard with the original owners, who'd make the most of the second chance to get their lost mines back," said a power sector expert.

Experts said new entrants such as Sterlite Energy, Essar, GVK and Larsen & Toubro are the ones to watch. "These companies have technical capabilities and ready infrastructure to put to use the mined coal. They would compete hard for getting an operational block," said an industry executive.

Gare Palma is part of a cluster of four mines in Chhattisgarh owned by JSPL which are under litigation. The charges against JSPL are of criminal conspiracy, excess mining and selling to a third party from the captive block. By the Supreme Court's directive, JSPL would also pay the highest amount of penalty, close to Rs 3,000 crore, for its four cancelled blocks

METAL STOCKS GAIN ON HOPES OF ORDINANCE ROUTE FOR MINES SECTOR REFORMS

Metal shares firmed up on hopes that the government may take the ordinance route to pave the way for auction of iron ore and other minerals.

Following the ordinances to implement coal and insurance reforms, the Ministry of Mines is hoping that the government

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would adopt the same for the mines sector which could offer a much wider decentralisation of power to states for allocation of resources.

Meanwhile, the Ministry of Mines has made some changes to the draft amendent Bill which seeks to implement competitive bidding through the auction route for iron ore and other minerals.

Sesa Sterlite was the top Sensex gainer up 4% after Kotak Securities upgraded the stock to 'buy' from 'reduce'earlier with a target price of Rs 250.

Among other metal majors, Jindal Steel and Power, Hindalco, Hindustan Zinc, JSW Steel, Hindalco, Tata Steel and Coal India were up 2.4-3.7% each.

COAL BLOCK AUCTION - GOVT INVITES BIDS FOR 24 MINES IN CHHATTISGARH, MP, WB, MAHARASHTRA, AP, ODISHA

In the first tranche of coal block auction, government invited bids for 24 mines, including 7 in Chhattisgarh.

According to the bid document available in public domain, besides 6 blocks are being offered in Madhya Pradesh, three each in West Bengal, Maharashtra and Jharkhand and one each in Andhra Pradesh and Odisha.

The Union Cabinet on December 24th had approved re-promulgation of the coal ordinance and necessary guidelines for mine allocations.

Entire auction process will be transparent, efficient and conducted online, Coal and Power Minister Mr Piyush Goyal had said while launching the portal for e-auction of 24 coal mines.

An official statement said that "With this, the registration process has been started and interested bidders with end use plants could visit MSTC website for the purpose. The registration process will be as per KYC norms."

Mr Goyal said that the auction process will comprise techno-commercial bid for qualification and financial bid (e-auction) for selection of successful bidder.

The statement said that "Only 50% of the qualified bidders from technical stage (subject to a minimum of 5 bidders) will be allowed to participate in the e-auction process."

It said that mines set aside for iron & steel, cement and CPPs would be auctioned through 'ascending forward auction', where qualified bidders would quote incremental bids above the pre- determined floor price.

It added that "Mines to be allocated for power sector will be auctioned through 'descending reverse auction' to minimise impact on power tariffs of end use plants. Last date for receiving technical bids will be January 31st and list of qualified bidders will be placed on February 12th."

PRABHU-LED PANEL BATS FOR MORE EMPOWERED PLAYERS IN COAL MINING

As the government prepares ground for overhaul of the coal mining sector, the Suresh Prabhu-led 'Advisory group for integrated development of power, coal and renewable energy' has quashed the idea of restructuring Coal India Ltd (CIL), which at present has a monopoly in the sector. In a report it gave the government last month, the group has instead recommended empowerment of the company's subsidiaries.

"(The) subsidiaries may be given adequate delegation of power, capital expenditure and operational flexibility, along with commensurate accountability, so that their dependence on CIL for decision making does not hamper fulfilment of targets set out for them," said the advisory group's report, which Business Standard has reviewed.

CHANGES WE NEED

Highlights of the advisory group's suggestions

For more coal

Improvement in parameters for performance of CIL subsidiaries — CCL, MCL, SECL, ECL, WCL

Hiring of at least two mining development operators within six months

Close monitoring of CIL's annual targets

Fast-tracking production from captive coal mines

For better availability

Separate CIL subsidiary for building evacuation, including rail lines

Joint venture with private companies to build rail links

Dedicated rail corridor for a mine cluster

Indian Railways, RITES, IDFC asked to give suggestions

A word of caution on auctions

Reserve bid price vulnerable to controversies & cartelisation

Power rate should be cost-reflective

There have been proposals to split CIL into five separate companies, to improve efficiency. The previous government supported the idea. However, Piyush Goyal, minister for coal, power and renewable energy, has said he feels splitting is not a solution, efficiency improvement is.

"Several options regarding the restructuring of Coal India were discussed. It was agreed that no major restructuring was required, at least in the short term," said the report.

In the new set of targets for the energy sector, the Narendra Modi government wants CIL to raise its production to one billion tonnes by 2019. This would entail increasing the rate of annual output growth to 18-20 per cent from the current seven-10 per cent. "In the subsequent two quarters, growth rates of 15 per cent could be a big challenge. It would, therefore, be necessary that specific action plans on various identified constraints be made and monitored," said the report.

For enhancing production, the report suggested hiring of 'Mining Development Operation (MDO)' agencies and reopening of abandoned underground mines. "The coal ministry should give a target to each subsidiary to engage at least two MDOs (10 million tonne annual output) each, within six months."

The committee has also asked for close monitoring of CIL targets for 2014-15, on a fortnightly basis, and engaging an experienced consultative agency to help monitor performance.

On availability, the report underlines the need for swapping of coal, rationalisation of coal linkages and monitoring the sale of surplus coal from captive mines. Among the other major suggestions are improving coal evacuation facilities by forming a separate CIL subsidiary for logistics services, including rail connectivity. The report pushes the idea of private investment and joint ventures by CIL and its subsidiaries in rail-linkage projects, to reduce dependence on Indian Railways. It also mentions setting up a dedicated common rail corridor for clusters of mines in coal-rich areas.

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After the Supreme Court cancelled 204 block allocations made over two decades, the government in October promulgated the Coal Ordinance (Special Provisions) Bill, 2014. Through this, it will re-allocate the cancelled blocks and open the sector for commercial mining by the private sector. For the upcoming e-auction, the committee has issued a word of caution on reserve bid prices, against cartelisation in tenders. The report also emphasises getting a regulator for the sector.

The committee was headed by Suresh Prabhu, Union railways minister who formerly was power minister in the Atal Bihari Vajpayee government. The other members were R V Shahi (former Power Secretary), as member-convenor, Pratyush Sinha (former chief vigilance commissioner), Anil Baijal (former home secretary), Anil Khandelwal (former chairman, Bank of Baroda), K K Nohria (former chief executive officer of Crompton Greaves), Partha Bhattacharya (former chairman of Coal India), and Vallabh Bhansali (former CEO of ENAM).

NTPC SEEKS LION'S SHARE OF COAL MINES

In what could severely hamper plans of private sector power project developers to get coal blocks of their own under the new auction process, the country's largest power producer NTPC has proposed that the company be allotted 52 of the 130 coal blocks in the schedule-I of the coalmine ordinance.

Schedule-I mines include blocks that are open to bidding by any company that may or may not have end use plants in cement, power or steel sectors. Subject to government's approval, even a mining company can bid for these blocks for own consumption or sale in the open market.

In a representation to the power ministry, NTPC said the 52 mines/blocks were identified on the basis of the locations of company's generating units. It would help the company produce an additional 210 million tonnes of coal per year by 2032 to feed 128gw of generation that it aims to reach by then.

In addition, the company has also requested the ministry to reallocate five other blocks: Chatti-Bariatu, Chatti-Bariatu (South), Kerendari, Dulanga and Taipalli, which had been allotted to it earlier but were cancelled after the recent Supreme Court order.

If the company's proposal is accepted, captive coalmines would not be available for a large number of stranded power projects in the private sector. The deallocation of 204 captive coal blocks has affected 24,000 mw power projects. In addition, about 20,000-30,000 mw power projects of companies such as Jindal Steel and Power, Adani, Tata Power are stranded due to lack of any fuel linkage. These project developers could be potential bidders in the auction process.

"We have asked the power ministry for allotment of additional mines to reduce dependence on coal imports and make our power plants competitive by offering cheaper tariff to consumers," said an NTPC official asking not to be named.

NTPC aims to become a 128gw generation capacity company by 2032. To be able to achieve this target, it will need to produce an additional 210 million tonnes of coal a year by then. The company would require 360 million tonnes a year for its power plants in 2032.

At present, NTPC needs about 160 million tonnes of coal to run its 35,000 mw coal-based capacity. About 17 million tonnes of this is imported at prices almost two-and-a-half times the average coal price of Rs 1,300 per tonne offered by CIL. As the company's coal-based capacity is expected to rise to 52,000 mw by 2017, production from captive blocks is important to maintain a competitive edge in the market.

The government has already started auctioning the deallocated coal blocks by putting up 24 mines in the first tranche. It plans to auction/allot 101 coal blocks before the end of this financial year. Sources said the NTPC proposal could be considered in the next financial year depending on the response the government gets in the first phase of auction.

TATA STEEL RESTARTS KEY IRON MINES AMID SHORTAGE

Tata Steel Ltd resumed production from two of its four iron ore mines on Tuesday, a company source and a government official said, cutting a shortage that had forced the company to import the raw material for the first time

Court restrictions over the past three years to curb illegal mining have stifled iron ore output in India, which used to be the world's third largest supplier. As a result, Tata Steel and JSW Steel are turning to imports even as international prices languish

Tata Steel reopened the iron ore mines in Odisha after a court directed the local government to let the company operate them until a hearing on January 28, Odisha's mines director, Deepak Kumar Mohanty, told Reuters on Wednesday. A company source, who did not want to be named, also confirmed the reopening.

Shares in Tata Steel were up 3 percent at Rs 401.65 in afternoon trade on Wednesday. The stock has fallen about 20 percent in the past three months, compared with a 0.38 percent gain in the wider market.

The company was asked to stop production from the two mines last month pending the renewal of their leases. One other mine in Odisha is shut since May and the state was considering a request to let that open as well, Mohanty said.

Tata Steel produces about 10 million tonnes from the mines in Odisha state.

The company is also close to reopening its top mine Noamundi in neighbouring Jharkhand state. The mine, which has a capacity of 10 million tonnes a year, stopped operations in September pending the renewal of its lease.

Mumbai-based Tata Steel needs more than 20 million tonnes of unprocessed iron ore per year to run its 10-million-tonnes-a-year steel plant in Jamshedpur. Most of its steelmaking capacity of 29 million tonnes is in Europe.

The mine closures have forced Tata Steel to resort to iron ore imports for the first time in its 107 years. It has bought 3 million tonnes this fiscal year that began in March, mostly from overseas and from India's top producer NMDC .

But iron ore transportation costs are a concern for the company as most steel plants are located away from the coasts.

MMDR ORDINANCE A BLOW FOR GOAN MINERS

The Mines and Minerals Development and Regulation Amendment Ordinance 2014 is set to prove a big hurdle for 31 iron ore mining companies in Goa. These entities had signed a mining pact with the government of Goa under which the lease was allocated for 20 years. But, the Ordinance restricts them to mine for five years. Allk the companies are reportedly big ones.

The ordinance allows a 15-year lease for captive users and the mining industry has urged this period for all miners. "Also, the right of first refusal should be given to existing lessees at the time of auction of the leases," said R K Sharma, secretary-general, Federation of Indian Mineral Industries. Companies will have to vacate the mining area after completion of their respective lease periods and apply afresh. The ordinance also paves way for new mining auctions, which may be allocated on lease for up to 50 years.

An independent iron ore mining and exporting company, with a two million tonne annual shipment volume, said of the lease periods specified: "This is too short a period for independent iron ore miners and exporters. There is almost negligible captive iron ore use in Goa. Hence, all mineral allocations will go to new players or the existing miners will have to set up steel mills just for mineral allocation."

Goa had 90 million tonnes of annual output till recently. Mining was suspended in September 2012 on recommendations from the Supreme Court-appointed M B Shah commission. While the state is rich in natural resources, it lacks processing units and steel mills. Hence, all minerals were transported for processing to other states or exported, to China, before suspension of mining.

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The mining industry, however, has urged the government to make moratorium period of 15 years for both captive and non-captive miners.

"From the various recent pronouncements, it is clear that the government has decided the auction of mineral concessions is the only route to be adopted. Taking this as a fait accompli, we suggest that the period of moratorium should be uniform 15 years for captive and non-captive mines since investment in upgradation of mining technology and development of mines being same and is a continuing process, whether they are captive or non-captive. Also, the right of first refusal should be given to existing lessees at the time of auction of the mining leases," said R K Sharma, Secretary General, Federation of Indian Mineral Industries (FIMI)

These miners will have to vacate the mining area after completion of their respective periods and apply afresh for lease holding of the same mine which they may or may not get allocated. The Ordinance also paves way for new mining auctions which may be allocated to lease holders for upto 50 years. Renewals of these mines, however, could be for a period between 20 and 30 years. Under the renewals, however, over 60 iron ore mines that were operational before suspension in September 2012, would be impacted.

An independent iron ore miner and exporter with over two million tonnes of annual shipment volume, said, "This is too short a period for independent iron ore miners and exporters. There is almost negligible captive iron ore user in Goa. Hence, all mineral allocations will go to the new players or the existing miners will have to set up steel mills just for mineral allocation."

The Ordinance also empowers states to handle illegal mining through all possible channels.

COAL BLOCK REALLOTMENT HITS BENGAL-EMTA WALL

The Centre, anxious to conclude the process of reallocation of captive coal mines, is facing a hurdle in the form of refusal of the West Bengal government and a private miner having joint ventures with three state governments to pay the penalty imposed by the Supreme Court in lieu of the coal already mined from the cancelled blocks.

If West Bengal and the private miner — Eastern Minerals and Trading Agency (EMTA) — carry out their threat, the Centre would end up collecting over R4,400 crore less than the estimated R10,494 crore as penalty. Of course, it is doubtful whether West Bengal and EMTA's stance would stand the scrutiny of judicial review, although resorting to such a remedy could potentially delay the reallocation process.

The SC ruling read with the ordinance promulgated by the Centre provide for the penalty to be paid by the third party (like EMTA) as the prior allottee, in case the mining lease is executed by it, subsequent to the allocation of Schedule 1 (producing) mines.

EMTA has been engaged in mining from the coal blocks allotted to the West Bengal, Punjab and Karnataka governments with a majority stake of 74% in the respective joint ventures. These state governments — each with a 26% stake in their respective ventures — will pay penalty corresponding to their stakes, as per the Coal Mines (Special Provision) Ordinance.

Interestingly, EMTA and West Bengal are refusing to pay the penalties, while the Punjab and Karnataka state governments have already paid their dues.

After the apex court's order on cancellation of 204 blocks, it was estimated that West Bengal, Punjab and Karnataka (along with the third party) would pay

R1,567 crore, R1,533 crore and R449 crore, respectively, in lieu of coal already mined.

EMTA has so far refused to pay over R2,600 crore as its share of penalty.

A coal ministry official told FE that EMTA being a private miner, it is not eligible to participate in the upcoming e-auction, which is restricted to end-use entities. As for payment of fine, the Supreme Court may have to deal with the matter, he added. So far, the government has mopped up over Rs 6,000 crore as levy from companies for coal extracted.

On its part, the West Bengal government has refused to pay any fine and has argued that EMTA, which was the mining partner of the state with a 74% stake in the mining JV, should pay the entire amount on account of its majority holding. As for West Bengal's eligibility for allotment of coal blocks, the coal ministry official couldn't confirm whether the delay in payment has already made the state ineligible for allotment of coal blocks. "A right decision will be take at the time when we allot blocks to public sector entities," he added.

Apart from EMTA and West Bengal, the state-run Damodar Valley Corporation is also yet to pay an estimated fine of Rs 220 crore.

It not clear whether EMTA can continue to work as a mine developer and operator with the states without paying the levy, but a coal ministry official said the allottees will be provided with a model document to select a mining development operator through a transparent bidding process and not through an arbitrary selection process that existed earlier.

As per the Supreme Court order, the companies had to pay the penalty for coal extracted till October by December 31 to be eligible to participate in the auctions. For operational mines, which have been allowed to operate till March 31, the order had decreed that the penalty for excess coal mined till March 31, 2015, will have to be paid by June 30.

The lower fines for the states (with the third party paying higher amounts) has brought good news for consumers as the states can now absorb the penalty hit without any significant hike in power tariff.

NMDC TO INCREASE PRODUCTION, EXPLORE MINING

The National Mineral Development Corporation (NMDC) aims to increase its production by 70 percent within the next 10 years and has received approval from the central government to explore mining in India.

The NMDC will work in association with the Geological Survey of India (GSI) and Navayuga Engineering Co Ltd (NECL).

"We had approached the government for exploration at free of charges. The NMDC has plans to start an extensive exploration process now," NMDC chairman and managing director Narendra Kothari said on the sidelines of a programme here Wednesday.

The NMDC has recently bought a sizeable stake in an Australian mineral exploration company and is expected to use it for both domestic and global operations.

India has 12 percent of the global reserve of coal, but only 18 percent of the Indian mainland has been explored so far.

"The per capita mineral consumption in India is the lowest among BRIC countries," Kothari said.

Stating that minerals are the backbone of the economy, Kothari highlighted the need for extensive development of infrastructure and research and development temperament and facilities.

Commenting about the target and the volume of business, Kothari said; "By 2019, we will be reaching 60 million tonnes and by 2025 we would touch 100 million tonnes."

The NMDC is also coming up with a steel plant in Bastar in Chhattisgarh by 2016 and is investing Rs.16,000 crores for the project.

As production increases on the domestic front, the state owned company is also planning to increase its exports from about 6 percent to 10 percent in the next two years.

NMDC TO START TRIAL PRODUCTION OF PELLETS AT KARNATAKA PLANT IN MARCH

Public sector mining company NMDC Limited is all set to start trial production at its new pellet plant at Donimalai in Bellary district of Karnataka by March this year.

As part of its value addition and diversification plans, NMDC has set up a 1.2 million tonne per annum pellet plant at an investment of close to Rs 600 crore at Donimalai.

The company has also signed an Operation and Maintenance (O&M) contract with another public sector company KIOCLLimited, which has a considerable experience in operating pellet plants. Both the companies under the ministries of steel signed an agreement for O&M contract last week.

"We have started deploying our engineers at Donimalai to take over the operation of the pellet plant. We will commence trial production in March this year and the full commercial production would begin in the next fiscal," KIOCL sources toldBusiness Standard.

Pellet is a value-added form of low-grade iron ore and is used as a raw material in making steel. NMDC will produce blast furnace-grade pellets with 65% iron content in sizes between six and 16 mm.

Steel plants across the country have been using pellet as raw material due to shortage of raw material.

For KIOCL, which has operated its pellet plant for nearly four decades, it would be a new business opportunity. The company had to shut down its iron ore mine in Chikkamagaluru district following the Supreme Court order in 2005. It recently it set up a new O&M vertical.

"The contract will facilitate KIOCL to gainfully utilise its experienced manpower for operating the NMDC plants for mutual benefit of both the Central PSUs," Malay Chatterjee, Chairman and Managing Director of KIOCL said.

Besides operating the pellet plant, KIOCL will also manage the iron ore beneficiation plant of NMDC, which is also being commissioned this year at Donimalai.

NMDC, which was till now exporting and selling its low-grade ore, will feed it to the beneficiation plant and enrich it for use in its pellet plant.

Apart from Karnataka, NMDC is also setting up a 2 million tonne per annum pellet plant at Bacheli in Chhattisgarh.

Currently, an estimated 60 million tonne per annum pellets are produced in the country and hardly any material is exported. The government has levied a 5% export duty on iron ore pellets, which has discouraged many private sector players. However, KIOCL exports pellets from its Mangaluru plant to Iran.

NMDC is also setting up a 3 MTPA Steel Plant at Nagarnar in Chhattisgarh, for which most of the major packages have been finalized and awarded.

It is presently producing about 30 million tonne of iron ore from its Bailadila sector mines in Chhattisgarh and Donimalai sector mines in Karnataka.

ED SUMMONS GOA'S MINING BARON ANIL SALGAOCAR ON JANUARY 21

Enforcement Directorate (ED) has summoned Goa mining magnet Anil Salgaocar to appear before it on January 21 and some other company chiefs in connection with its investigation into the money laundering aspect of the mining scam.

The central agency is probing 16 companies, including Salgaoncar Mining Industries, for allegedly carrying out illegal mining and their suspected involvement in money laundering. A senior ED official today said Salgaoncar has been asked to be present before investigating authorities here on January 21.

The Directorate has also summoned representatives of some other companies, including Managing Directors of Balaji Mines Minerals (January 22), Shantilal Kushaldas & Bro Pvt Ltd (January 23), Tungbhandra Minerals Pvt Ltd (January 28) and Salitho Ores Pvt Ltd (January 27), the official said.

These names are on a list of firms which were issued notices by ED in connection with possible money laundering linked to alleged illegal mining in the coastal state.

ED had earlier questioned Radha Timblo, former Director of Timblo Pvt Ltd. Timblo's name had figured in the first list of "black money holders" submitted by CBI to the Supreme Court late last year.

GOVERNMENT OPENS A NEW CHAPTER IN COAL SECTOR; PROCESS OF E-AUCTION GETS UNDERWAY

To usher in the much awaited reforms in the coal sector, soon after the Supreme Court judgment, the government swiftly promulgated the Coal Mines (Special Provisions) Ordinance 2014 for the management and reallocation of all the cancelled coal blocks through a transparent process . The Government took this as an opportunity to rationalize coal sector for mining operations, consumption and sale. The need of the ordinance was felt to overcome the acute shortage of coal in core sectors such as steel, cement and power utilities, which are vital for the development of the nation. In order to implement the provisions of the ordinance, rules were also notified so that efficient utilization of coal assets of the country in the national interest could be ensured. It led to a sense of certainty to the business environment and enhances credibility of the process.

In order to replace the Ordinance, the government introduced the Coal Mines (Special Provisions) Bill 2014 in the winter session of Parliament and got the approval of the Lok Sabha . The Bill envisages allocation of coal mines and vesting of the right, title and interest in and over the land and mine infrastructure, together with mining leases, to successful bidders and allottees through a transparent bidding process thereby eliminating discretion. The allocation of coal blocks would now be made in pursuance of the provisions of Ordinance and Rules made there under in a time bound manner to ensure that there is no disruption in supply of coal. To ensure transparency the entire auction process has been brought in the public domain. For the power sector, the methodology for e-auction of coal blocks will be completely transparent , encourages greater competition and

efficiency and optimizes power tariffs. On 24th December ,2014, the government re-promulgated the Coal Mines (Special Provisions) Ordinance 2014 to pave the way for the auction process for 24 coal mines , which began on 25th December.

The focus of the Government is to increase coal production to the maximum extent possible by facilitating Environment & Forest clearances expeditiously, pursuing with State Government for assistance in land acquisition and coordinated efforts with Railways for movement of coal.

Coal India Limited (CIL) has been asked to ensure adequate supply of coal, accordingly it has committed to a target of 1 billion tonnes of coal production by 2019, from the current levels of 500 million tonnes. As for enhancing from existing mines a whole host of efficiency and productivity improvement initiatives, technological up gradation and better evacuation are being executed in a mission mode. In an effort to expedite laying out of three critical railway lines for coal transport in Jharkhand, Odisha and Chhattisgarh, both Ministries of Coal and Railways are working in tandem and monitoring the projects frequently. In addition the Coal India has decided to purchase 250 additional rakes worth Rs 5000 crore to evacuate greater quantities of coal primarily to power plants expeditiously. The process of rationalization of coal linkages was also to bring in efficiency and link power plants to nearest coal mines. A policy was also announced to allow automatic transfer of old and inefficient plants (more than 25 years old) to new super critical plants with a view to maximize power generation from minimum usage of coal. In order to resolve the disputes regarding quality of coal supplied to the power plants, CIL has agreed to provide an option to test at third party laboratories with test data being

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collected at unloading points. In order to clamp down coal pilferage, the government has proposed to establish a national coal dispatching centre and RFID tag for all coal movements.

The Central Mine Planning & Design Institute Limited (CMPDIL) which does the detailed exploration for CIL has signed an MoU with Mineral Exploration Corporation to enhance exploration capacity. Exploration in some blocks is also envisaged with the help of out sourcing agencies.

Some of the major initiatives of the Ministry of Coal are:

Coal Bill & Rules :

The government promulgated Coal Mines (Special Provisions) Ordinance 2014 in October to facilitate auctioning or allotment on of 204 coal blocks following the Supreme Court judgement. The Ordinance details the process the central government will follow in taking over the mines that had been allocated to privately-owned and public sector power, steel and cement companies between 1993 and 2010. It lays the provisions for public auction of the mines by way of competitive bidding thereby eliminating discretion. The ordinance provides that all the firms that had their coal blocks cancelled by the Supreme Court, barring those convicted for offences related to the allotment of mines, can bid in the e-auction after paying an additional levy. Firms running specified end-use plants like steel, cement and power, including the ones having coal linkages also qualify for the e - auction. A nominated authority will ensure the transfer of rights, interests and titles of these blocks and the auction money will accrue to it. A central government appointed officer not below the rank of Joint Secretary will be the nominated authority. In order to implement the provisions of the ordinance, Rules for auction or allotment of 204 Coal Blocks cancelled by the Supreme Court were notified after receiving comments from all stakeholders. The entire revenue from auction of mines will go to coal bearing states which are predominantly in the eastern parts of the country . This will help generate revenue for development of states like Jharkhand, Odisha, West Bengal and Chattisgarh as per stated objectives of the government.

Coal Production:

The annual target of the coal production for the year 2014-15 has been enhanced to 630.25 Mte. The production of raw coal in the country during the first half (April-September) of 2014-15 was 264.3 Mte compared to 246.4 Mte during the corresponding period of previous year. The overall growth in Coal production during April-September 2014 was 7.3 %.

The Production from CIL grew at 5.1% during April-September of 2014-15 to reach 210.7 Mte. This was 95.7% of the target set out of CIL for this period.

Rationalization of Coal Linkages:

To address the issues of dispute between coal companies and power utilities/developers and to bring about improvement in the quality of coal supply, the system of Third Party Sampling was further improved. Now, in addition to the Agency engaged by CIL a panel of reputed third party sampler has been jointly drawn up by a Committee consisting of representatives from power utilities and CEA with the concurrence of CIL and notified by CIL. Power utilities/developers will select and appoint the third party sampler from this panel. However, for billing purposes, sampling and analysis shall be done at the loading end by the agency. Payment for sampling shall be made by the power utilities/developers. 25 Agencies have been empanelled for Third Party Sampling. Power utilities like NTPC and others are in the process of selecting the third party agencies through tendering process.

Coal Washeries:

It has been decided that coal companies will ensure 100% supply of (-)100 mm size crushed coal to the power sector by strengthening the existing infrastructure for crushing coal and also through deploying mobile crushers through outsourcing. It has also been decided that coal companies would ensure supply of less than 34% ash coal (on quarterly average basis) to the power sector covering the thermal power plants located at 750kms away from pitheads and that located at 500 kms away from pitheads w.e.f 1st Jan ,2015 and 5th June ,2016 respectively through implementation of new washeries also through rationalization of linkages and utilizing washery capacities available in the private sector in consultation with consumers in a transparent manner.

Policy on transfer of linkage in case of scrapping of old units by replacing them with new plants:

Based on the recommendations of the Standing Linkage Committee (Long-Term) for Power, new plants will come up in a staggered way by the end of the 13th plan and may also spill over to the 14th plan, After implementation of this policy, it shall be possible to scrap old inefficient plants and replace them with modern efficient plants with super critical technology, having assured coal linkage. It would lead to more optimal use of coal.

Grant of the similarly placed power plants expected to be commissioned by March2015 requiring tapering linkage:

Six projects which were expected to be commissioned by March, 2015 were categorized under the similarly place power plants. These six projects are in the states of Punjab, Maharashtra, Madhya Pradesh and Odisha.

Study Group for Royalty constituted:

Royalty on minerals including coal is payable under the Mines and Mineral (Development and Regulation) Act, 1957 by the holder of a mining lease. A Study Group has been constituted to consider revision of rates of royalty on coal under the Chairmanship of Additional Secretary MOC and representatives from Ministry of Power, Mines, ClL, FlCCl, FlMMl and CMPDlL as member. The Study Group will give its report within six months.

TATA STEEL GETS LEASE APPROVAL FOR NOAMUNDI MINES

The state government in an important resolution today approved the lease renewal of Noamundi iron ore mines to Tata Steel.

Raghubar Das after taking oath as the chief Minister took the lease matter of Noamundi mines with great concern as directly or indirectly seventy five thousand families were affected due to the closer of mines.

He ordered immediate action in the matter and called for the chief secretary finance and mining secretaries along with the government solicitor and Tata Steel officials to finalise the matter in forty eight hours.

After two days of meetings and discussions the state government gave approval for the renewal of Noamundi iron ore mines in favour of Tata Steel.

Tata Steel will deposit rupees 302 crores in a day or two with the state government. According to the agreement the steel companywill deposit 3600 crores in instalments with the state on account of iron ore mining.

Political advisor to the chief Minister, Ajay Kumar said that the lease had expired in 2011 and mining was continuing in anticipation of further renewal of lease. But in the meantime due to an order of3rd September 2014 by the Supreme Court, mining had to be withdrawn.

Due to the closer of mines, thousands of families were affected and because of sincere intervention of Chief Minister Raghubar Das the officials came out with a solution.

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Wishing all our readers a very

HAPPY NEW YEAR 2015

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