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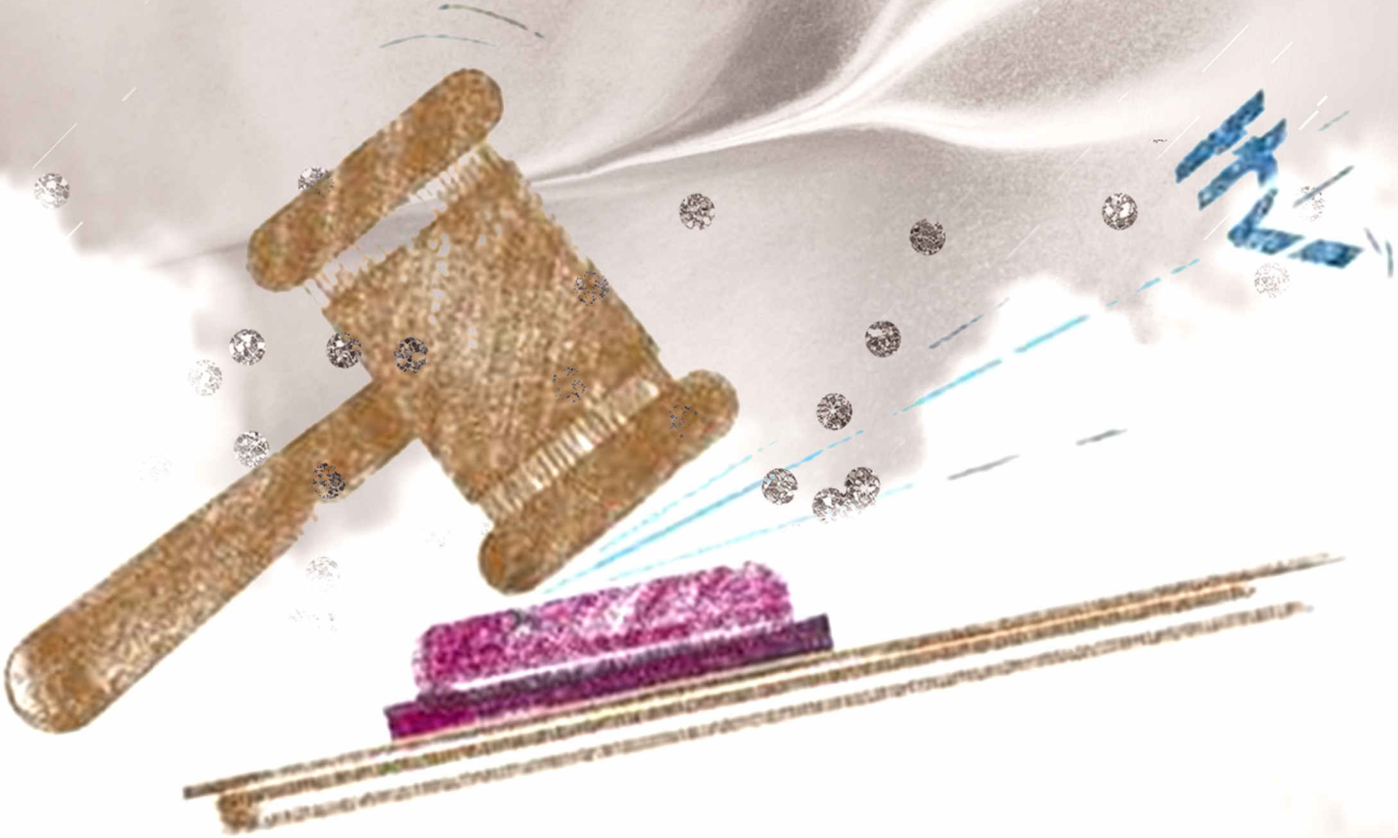
How to go about auctioning public assets



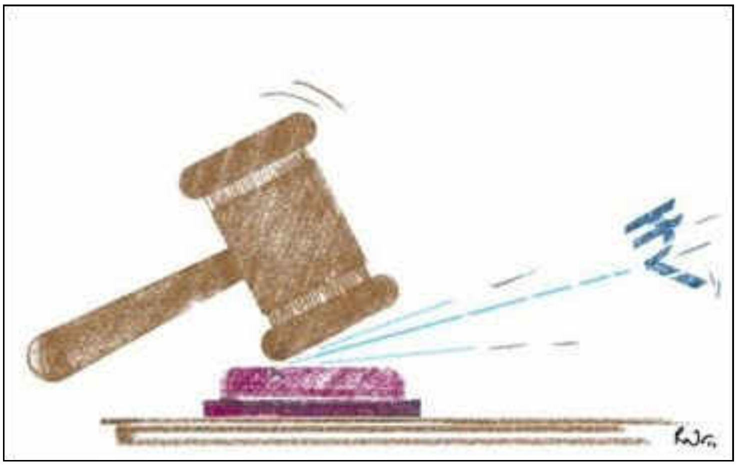
HOW TO GO ABOUT AUCTIONING PUBLIC ASSETS

Focussing on short-term revenue maximisation can hurt long-term welfare. Auctions must be redesigned to meet a wider set of goals

Since the last decade, the auction of key public goods has emerged as yet another important tool in India for resource mobilisation. As a result, the auction mechanisms are increasingly being designed to maximise revenue. However, designing these auctions with the single-minded focus of appropriating more and more revenue for the government may be imposing long-term costs on other sectors of the economy.

For example, bids in mineral auctions — which require revenue from minerals to be shared with the government — have ranged from 2 per cent to more than 200 per cent, with 14 winning bids of more than 100 per cent, suggesting that the winners were willing to part with more than the prescribed value of the resource.

Such high costs are justified only when certain malpractices such as hoarding or outbidding competitors are in play, leading to an oligopolistic market structure, creating artificial scarcity, etc. This could also strangle the more productive downstream industries such as metal and metal products, which have much higher employment and output multipliers than the mineral industry.



Hence, while mineral auctions could be considered successful in the short run due to high revenue generation, the loss of jobs and the fall in production levels in the long term may more than offset such gains. Similar concerns have been highlighted by TERI, which states that auctions in minerals "have the potential to reduce the financial viability of metal making industry, and reduces competitiveness".

Economic trade-off

This trade-off between short-term revenue maximisation for the seller and long-term efficiency in the overall economy has been duly noted under the study of auctions in economics. Indeed, this conflict exists in all sectors, where the resource being auctioned acts as a productive input for other spheres of the economy as well. A simple hypothetical example provides insight.

Let's imagine, the government auctions to contending firms the private ownership of a public good (say, highways) which serves as an input for all the competing firms. Auctioning a higher fraction of the public resource may lead to greater revenue realisation for the government; but at the same time, it will also lead to the privatisation of a larger part of the previously free public resource, which will result in an increase in the said This in turn would reduce firms' production and increase the market price, leading to a dampening effect elsewhere in the economy. Hence, simply auctioning a higher proportion of the public good to gain more revenue may prove costly in the long run. Land auctions are yet another example where such a trade-off may be most likely.

Different approaches

Alternate auction mechanisms, rather than revenue maximising ones, may be required to balance the short-term financing need of the government with the overall economic benefit. The Vickerey-Clarkes-Groves auction mechanism is one such method, where theoretically, the winning bidder has to make transfers to all other bidders to offset their losses.

Putting theory to practice, however, may need more nuance. One way would be to employ end-user agreements. For example, in the case of mining auctions, this would appear as bidders ensuring some supply to domestic players. Such end-user agreements are common in land auctions, where a parcel of the land is required to be devoted to low-income housing. Another way might be to practice 'asset recycling', which involves commitment from the government to allocate the revenue received from the sale/lease of pre-existing assets into some welfare-generating projects with the view to offset efficiency losses to other stakeholders.

Australia has proved to be successful in the implementation of this practice. For example, recently three new highways of 49.8 km, costing A$160 million have been funded by Infrastructure NSW, an independent body created by the state of New South Wales through its asset recycling programme. Moreover, a five-year National Partnership Agreement on Asset Recycling in Australia mentions increased economic activity and employment as the desirable outcomes to achieve the objectives of enhancing growth and productivity, through sale/lease of existing public assets.

This idea is gaining traction in India as well. For instance, the NHAI plans to generate more than ₹85,000 crore through asset recycling, to finance its road construction work. However, the efficacy of asset recycling would essentially depend upon the government's capacity to invest the proceeds into its most productive unit, with the view to maximise public value.

India must also learn from international experience, where auctions have been used to usher higher technological standards, rather than simply creating wealth for the government. This can be introduced through a more stringent bid qualification requirement for participation in auctions.

Designing the mechanism

In sum, the present approach of short-term revenue maximisation from auctions can hamper long-term welfare growth. The need of the hour is a strategic approach that incorporates context-specific application of mechanism design tools for designing auctions that lead to holistic gains. To achieve these multi-dimensional goals, policymakers obviously need to take the help of specialists in designing the auction procedure. It is ironic that not just academics noted this problem long ago; economists obissues. Yet, specialists/ mechanism design experts have never been involved in auction procedures.

The non-professional approach in India is best explained by the fact that revenue generation from auctions is typically 3-4 times government's expected revenue. It would appear that policymakers have very little idea of the subject they are dealing with, so surely this is where auction specialists need to step in for the greater public good.

ODISHA INVITES TENDERS FOR 20 MORE MINES

Bhubaneswar: State government Friday issued fresh notification inviting tenders for auction of 20 more mineral blocks as per the Mineral (Auction) Rules, 2015.

The Directorate of Mines has invited tenders for electronic auction of 12 blocks of iron ore, two manganese blocks and six blocks of iron ore and manganese (associate minerals that co-occur) for grant of mining lease.

The 12 iron ore blocks put for auction are: Gorumahisani, Badampahar, Jajang, Nadidih, Balda, Nuagaon, Thakurani, Jilling, Langalota, Jaribahal, Roida-II, Jururi and Ganua.

The government has invited tenders for auction of Katasahi and Kanther-Koira manganese deposits. The Nadidih, Teherai, Kolmong, Siljora-Kalimati, Narayanposhi and Mahulsukha iron & manganese blocks have also been put to auction.

Nuagaon iron ore mine is the largest mine put to auction. Spread over 767 hectare, it is so huge that only a handful of mining firms are expected to meet the net worth eligibility to bid for it.

Of the 20 blocks, five are reserved for manufacturers of steel and steel intermediaries. The reserved blocks are Thakurani iron ores, Jaribahal iron block, Roida II iron ore, Narayanposhi iron ore & manganese and Ganua iron blocks.

Though the Directorate of Mines has invited tenders for the 20 iron and manganese blocks earlier, it cancelled the bidding process due to loopholes in tender document.

The process was cancelled as the holding companies also applied for bidding in violation of the Mining Tender Act.

A "LOOPHOLE" PROMPTS ODISHA TO DELAY ONE OF THE BIGGEST MINE AUCTIONS OF RECENT TIMES

ArcelorMittal pointed out the gap, which allowed for multiple bids from associate companies. Now new timeline starts from December 6.

Intense competition has seen one of the biggest iron ore mine auctions in India getting delayed, with some bidders pointing out loopholes, and others defending their turf.

The Odisha government had earlier this year called for bids for 20 mines, leases of which will lapse in March next year. The auction saw bids from the likes of Tata Steel, Vedanta, JSW Steel, ArcelorMittal and JSPL. Overall, more than 50 companies had shown interest. One of the mines alone has a deposit of about 800 million tonnes.

But now the government has been forced to call for fresh auctions, after some players, including ArcelorMittal pointed out 'loopholes' in the process. A report said that the Adani Group has also complained about the same.

The loophole, said an executive from the industry, allowed JSW Steel to put in several bids through its subsidiaries. Subsequently, the state government has brought about amendments in its tendering process.

Now, "a bidder shall submit only one bid for a particular mineral block. In case, a

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bidder submits more than one bid...through its affiliates, all such bids...will be rejected," says a notification from the government. The state has now announced a new timeline for the auction, which will now take off from December 6. The bids have to be submitted by January 3, 2020. Technically qualified bidders will be announced by February 19, and the announcement of the preferred bidder will be made on February 21.

While JSW Steel declined to comment, sources said that the company had only done what was permitted under the law. "There was a loophole, which has now been removed," said an official.

The slurry pipeline saga

For ArcelorMittal, the mines are important to bring down costs at Essar Steel, for which the world's largest steelmaker put in a bid of Rs 42,000 crore.

It has already got a boost, in the form of the Odisha Slurry Pipeline Infrastructure (OSPL). The pipeline supplies iron ore to Essar Steel's pellet plant in Odisha. The pellets are then taken to Hazira to be used in Essar Steel's plants. ArcelorMittal has emerged as the highest bidder, with a bid of Rs 2,300 crore bid. Though Thriveni Earthmovers, a dominant player in Odisha's mining industry, has bid over Rs 3,000 crore, the offer comes with a few riders.

Thriveni's offer is conditional, has a low upfront cash payment, and plus the payment schedule is long-drawn.

"For lenders, who have been focused on realising maximum recovery in these insolvency cases, the upfront payment element is paramount. It is conditional on the outcome of an existing legal dispute around the title of the asset," said an executive from the industry.

The turn of events will be a relief for lenders too, as things had got complicated in 2018, when Numetal - which had also bid for Essar Steel - claimed to have bought OSPL from Srei Infrastructure Fund. But the sale was disputed by the company's lenders, led by SBI, who claimed that SREI is not the rightful owner of the pipeline company.

EXPIRY OF IRON ORE MINING LEASES MAY LEAD TO SHORT-TERM SCARCITY

With the leases of 232 merchant iron ore mines expiring in March next year, the country may face a short-term disruption in supply of the main ingredient used in making steel, 'Acuite Ratings & Research Ltd' said Tuesday.

"The expiring leases can potentially curtail about 25-30 per cent of the country's iron ore production, taking into account the expiring leases of other states as well," Acuite Ratings & Research Ltd said in its latest report.

Consequently, any significant delay with respect to auctions and more specifically lease transfers will affect iron ore supply and prices, thereby putting further pressure on sector profitability. Non-integrated steel companies, which do not have access to captive iron ore mines, will be relatively more vulnerable in the event of such delay.

Therefore, a smooth transition in the lease transfers through the upcoming auction process along with the expected increase in pellet availability will be critical to offset the near term profitability challenges in the steel sector.

"Indian government has initiated the process to auction 329 mines including 232 iron ore mines where the leases are set to expire in March 2020. This is a part of its initiative to address the issue of lower mine productivity, lack of adequate investment for mine development along with the need to bring in higher transparency in mine allotment," the report said.

"It is pertinent to note that 208 such mines are currently non-operative and transfer of the leases can lead to fresh investment and development, thereby enhancing domestic iron ore production significantly beyond the current levels of 220 million tonne," it added.

Expediting the auctions and the subsequent approval processes for mining operations to be undertaken by new lessees will be critical to avoid any longer term supply shortages in the steel sector, it said.

"Any tightening of ore prices in the currently moderate demand environment clearly may put further pressure on the margins of secondary steel players, which continue to have an overhang of debt," the report said.

LOOKING INTO RINL'S NEED FOR CAPTIVE MINES: PRADHAN

Union Minister of Petroleum and Natural Gas and Steel Dharmendra Pradhan, on his maiden visit of RINL on Saturday, said the Ministry was sincerely pursuing with the Odisha Government the operationalisation of the iron ore mines of the Orissa Minerals Development Company (OMDC).

Mr. Pradhan pointed out that RINL had been aspiring for captive iron ore mines to face competition and reduce the cost of production, and the issue would be addressed.

"The Ministry is also trying to supply raw material at a special price to RINL from the OMDC. This will largely benefit RINL," he said.

He also said that RINL had very high technical capability and the employees' potential had already been recognised by the Ministry of Steel.

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Mr. Pradhan pointed out that RINL should go for joint ventures to face competition, wealth creation and provide more value and increase the economic activity in the region.

"Andhra Pradesh, Odisha, Jharkhand and Chhattisgarh are mineral rich States and have great potential for development," he observed.

The Union Minister observed that with increase in economic activity, there would be more employment opportunities.

Earlier, Mr. Pradhan, accompanied by RINL CMD P.K. Rath and other Directors visited the Model Room, Blast Furnace 3, Steel Melt Shop 2 and Wire Rod Mill.

Mr. Rath explained him the expansion project, modernisation plans and completion of Kaniti Balancing Reservoir 2, Central Dispatch Yard and Twin Ladle Heating Furnace.

MPs M.V.V. Satyanarayana and Satyavathi, MLA T. Nagireddy, and former MP K. Haribabu were present.

AUCTION OF 29 MINE BLOCKS CANCELLED FOR DEPARTMENT GOOF-UP

As per the current terms and conditions, only half of the highest bidders of the technical bidding round would be considered for next level of bidding

BHUBANESWAR: For a major goof-up by the Steel and Mines Department, the State Government has been compelled to cancel auction of 29 mineral blocks, notice inviting tender (NIT) for which had been floated in October.

While the Government has decided to cancel the auction of 20 mineral blocks, mostly iron ore and a composite of iron and manganese, another nine blocks are likely to face the same fate, highly placed sources in the Government said.

The Government had to take this step to save its face as some bidders including Arcelor Mittal and Adani Group exposed several flaws in the tender documents which could be exploited by certain companies to bid through their subsidiaries to eliminate competitors from second phase of forward bidding.

As per the current terms and conditions, only half of the highest bidders of the technical bidding round would be considered for next level of bidding.

Karnataka has addressed this issue in its NIT floated on October 18, the sources added.

The fate of the mineral blocks including 9 virgin blocks for which tender process has been completed remains uncertain at the moment, said a senior officer of the Steel and Mines department. The bidders, who participated in the tender process of the last phases including 20 expiring leases, will be refunded their security money, the sources added.

The State Government has to take a decision soon on next auction dates of these mining blocks considering the fact that leases of about 24 mines are expiring by March 31, 2020.

"Companies like JSW have reportedly participated in the tender through as many as six subsidiaries, thereby eliminating equal number of competitors from the bidding process. This is supposed to cost the State a sizeable revenue through reduced competition in the auction," sources familiar with the development told TNIE.

In a major embarrassment for the State Government, the Sarubali chromite mines of Misrilal Jain has been awarded to TS Alloys Pvt Ltd, a subsidiary of Tata Steel Ltd. Interestingly, Tata Steel was also bidder in the auction of the Sarubali chromite block and competed with TS Alloys in the bidding.

"How could the Steel and Mines department remain oblivious to such an important aspect when other mineral bearing states like Karnataka have already incorporated such provisions in their model tender document to avoid cartelisation and restrictive trade practices," a senior officer having expertise in mines and minerals trade said.

IS JUDICIAL ACTION DIVORCED FROM PUBLIC INTEREST?

In Goa, livelihoods of 300,000 people associated with the mining industry disappeared overnight after judicial intervention. This is painful, particularly when the country is going through the worst employment crisis and has no alternative

The recent Supreme Court (SC) verdict on Ayodhya has again established that law cannot be detached from the interests of the people it serves. There is a raging debate whether the judgment was based on credible evidence or influenced by the faith of the majority. Irrespective, the ruling has been accepted by all factions, not necessarily for its veracity but for bringing to an end a painful impasse. What is undebatable is that it has brought peace to the nation.

This ethos of acting in public interest must now be extended to

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end pain in other areas as well. Take the case of Goa, the only State where mining rights were granted to citizens by the Portuguese Government in perpetuity. These rights were later revoked by the Centre and now, lakhs of Goans are staring at a major employment crisis. Over 300,000 people are dependent on mining in the State and they have become the face of massive livelihood loss triggered by judicial intervention. Ever since the SC cancelled 88 mining leases in Goa on February 7, 2018, life has come to a grinding, tragic halt for these workers and their families.

This is no longer just an economic crisis — which is severely debilitating in its own right — but a grave humanitarian crisis as

Livelihoods disappearing overnight as a result of judicial intervention, because the Executive and the corporate masters did not do their jobs properly, is painful particularly at a time when the country is going through the worst employment crisis in its history. According to the National Sample Survey Office (NSSO), unemployment in 2017-2018 was at a four-decade high of 6.1 per cent. New job seekers are not able to find sustainable employment and August 2019 saw the highest rate of unemployment in India at 8.4 per cent.

The most recent example of mass job losses as a result of the collapse of a big organisation is Jet Airways. Due to poor management of funds, the founder himself led one of India's best airlines into bankruptcy and closure. However, employees of the airline were aware of the unfolding situation and had braced themselves for the layoffs. But in the case of Goa, the miners and other workers were unprepared.

This, when there was no financial crisis in the mining sector. Rather it was booming, with iron ore being an exportable produce of the State.

Goa could have generated three times more revenue from iron ore mining but has not only lost this opportunity but is dealing with the extensive collateral damage that has followed the cancellation of the leases. The ban has taken a toll on the State's revenue stream and its social fabric has been ripped apart. Not just the mining sector but all other stakeholders and the supportive infrastructure, comprising equipment suppliers, the logistics and ancillary industry and the transport sector, have floundered.

Goa is the only State with a unique logistical arrangement for movement of iron ore from the mines to the ports, unlike other States which rely on Indian Railways for the same. Iron ore is carried by trucks and barges from the mines to the ports.

The ban on mining has resulted in unemployment for workers hired by 12,000 truck owners, 150 barge owners and 150 ancillary units and has spelled doom for them. Not only have they suffered from livelihood loss, there is a larger crisis looming as the families have near about exhausted their meagre savings and have been subsisting on loans and handouts from well-wishers.

Even banks and Non-Banking Financial Companies (NBFCs) in the State have been drawn into the slide. When the going was good, these institutions eagerly extended credit lines to the truckers and storage providers. Now, in the absence of a running business concern, the ability of people to repay has vanished and a huge Non-Performing Asset (NPA) crisis is looming in the State.

Added to this is the loan and money-recovery trauma being faced by those dependent on the mining sector and the burgeoning tragedy begins to hit uncomfortably home.

In any economic ecosystem, one segment aids and benefits from the other. The interdependency, which the Goan mining industry had so healthily created with respect to the State's other revenue driver, internal tourism and food industry, is also hit as people don't have the money to spend anymore. As individual economies of families waste away and die, the State is suffering from a socio-economic disaster. It is imperative that mining restarts to provide livelihoods in the mining sector and ancillary industries to lakhs of people of the State.

There is enough research available to indicate a direct link between crime and lack of livelihood. Studies have established that India's Maoist movement is deeply rooted in the poor socio-economic conditions prevalent in parts of the country with large tribal populations. It has mostly affected areas where there is a conflict between the State and the populace on the economic derivation of forest produce and mining such as in Chhattisgarh and Jharkhand, and agriculture in parts of Andhra Pradesh and Odisha. Such aggressive posturing by citizens has huge direct and indirect costs. In Goa there were only two major sources of livelihood — mining and tourism. Without these, Goa has nothing. Any social unrest and spikes in crime rate can spell doom for Goa's tourism economy too, which so far has been characterised by friendly service by the Goans, discipline, cleanliness and law and order.

Laws are meant to create a conducive environment for the citizens of the State. Goa, however, has become a case where the law and its interpretation has spelled doom for its residents. This cannot become a precedent and must be addressed immediately. Situations like these need more complex solutions. It is simplistic to penalise lakhs of people for the actions of a few with the stroke of a pen. Stakeholders must come together to rescue these lives and livelihoods before it is too late.

COAL MINE AUCTIONS: WINDFALL REVENUE GAINS TO STATES LOOK LIKE A PIPELINE DREAM

The projections of windfall revenue gains for state governments after the auction of coal mines are turning out to be a pipe dream.

According to data shared by the Ministry of Coal, the revenue to Odisha from auctioned coal mines declined annually from 2015-2016 to nil in 2018-2019 and remained nil in the current year, till now. Cumulatively since 2014-2015, when the auctions were conducted, to 2019-2020, the State received just 51.57 crore. This amount pales against the 45,630 crore that was promised to the State over 30 years, the expected life cycle of the coal mines. The only coal mine in Odisha that started operations also closed down while the rest are yet to get clearances.

There is also a lot of variation in the annual revenues accrued to States. In 2015-2016, Jharkhand received 133.72 crore as revenue from the auctioned coal mines. In 2016-2017, this amount fell to 18.63 crore. The following year, revenues from these mines zoomed to 266.71 crore but fell to to 195.23 crore in 2018-2019.

It is evident that 1,96,698 crore estimated revenue during the life time of the auctioned mines to the coal producing States will not be a reality. This could be because some of the auctioned mines could not start production and were relinquished. Out of the 31 coal blocks which were auctioned, Coal Mine Development and Production Agreements (CMDPA) of 6 coal mines have been terminated.

MINES AUCTION: COAL MINISTRY ESTIMATES 17,136 CRORES BONANZA FOR STATES

The Coal Ministry has projected an estimated income of 17,136 crore to the State governments from the recently concluded auction of five mines.

A Coal Ministry statement also said that the allocation of bid out mines has been approved.

In this round, Birla Corporation Ltd has won two mines in Madhya Pradesh, Prakash Industries Ltd has won one mine in Chhattisgarh, Powerplus Traders Private Ltd has bagged one block in West Bengal and Vedanta Ltd has won a block in Odisha.

Over the 30-year life cycle of the mine lease, the Bikram coal mine in Madhya Pradesh will earn the State 166.32 crore while the Brahampuri mine will fetch the State exchequer 168.48 crore.

Chhattisgarh will get 3,300 crore from the Bhaskarpara coal mine while West Bengal will get 444 crore from Jagannathpur B.

The Jamkhani block in Odisha will earn the State exchequer much higher than all other mines combined with an estimated revenue of 13,057.20 crore.

These estimates are excluding royalties, levies, and applicable taxes.

“The significant feature of the allocations is that for the first time, the successful bidders shall have the flexibility to sell 25 per cent coal produced in the open market. This will boost the coal production in the country and reduce the dependence of industries on imported coal,” the statement said.

HOW TO MAKE COAL MINING SUSTAINABLE

Establishment of a single body to oversee the coal industry can ensure compliance with all mining and environmental standards

Notwithstanding the optimism over renewables displacing fossil fuels rapidly, coal will continue to dominate India’s electricity generation for at least a couple of decades more. Given this scenario, how can we ensure that the coal sector incorporates sustainability — with regard to social aspects, economic dependencies, and ecological sensitivities — into the mining process, right from the planning stage?

Coal fuelled approximately three-fourths of the country’s electricity generation in FY 2018-19. In addition to electricity generation, it is also a vital input for other core industries like steel and cement, which play a critical role in the country’s development. Despite being the world’s second-largest coal producer, India imported 235 million tonnes of coal at the cost of more than 1.7 trillion during FY19 (See Chart).

While mining operations have positive economic impacts on the local area in terms of infrastructure development, provision of employment and business opportunities, adverse effects of coal mining on the ecology of the local area are also well known. The changes in the ecosystem of the region are particularly significant in the case of open-cast coal mines, which account for approximately 94 per cent of the coal produced in India. All mining operations entail a temporary diversion of land for mining and allied activities, after which the mine owner must rehabilitate the mined-out land for beneficial use of the local communities.

Therefore, the Ministry of Coal (MoC) mandates every owner of an open-cast coal mine to deposit 6,00,000 per hectare of the total project area in annual installments (to be escalated using the wholesale price index from August 2009 onwards) into an escrow account managed by the Coal Controller.

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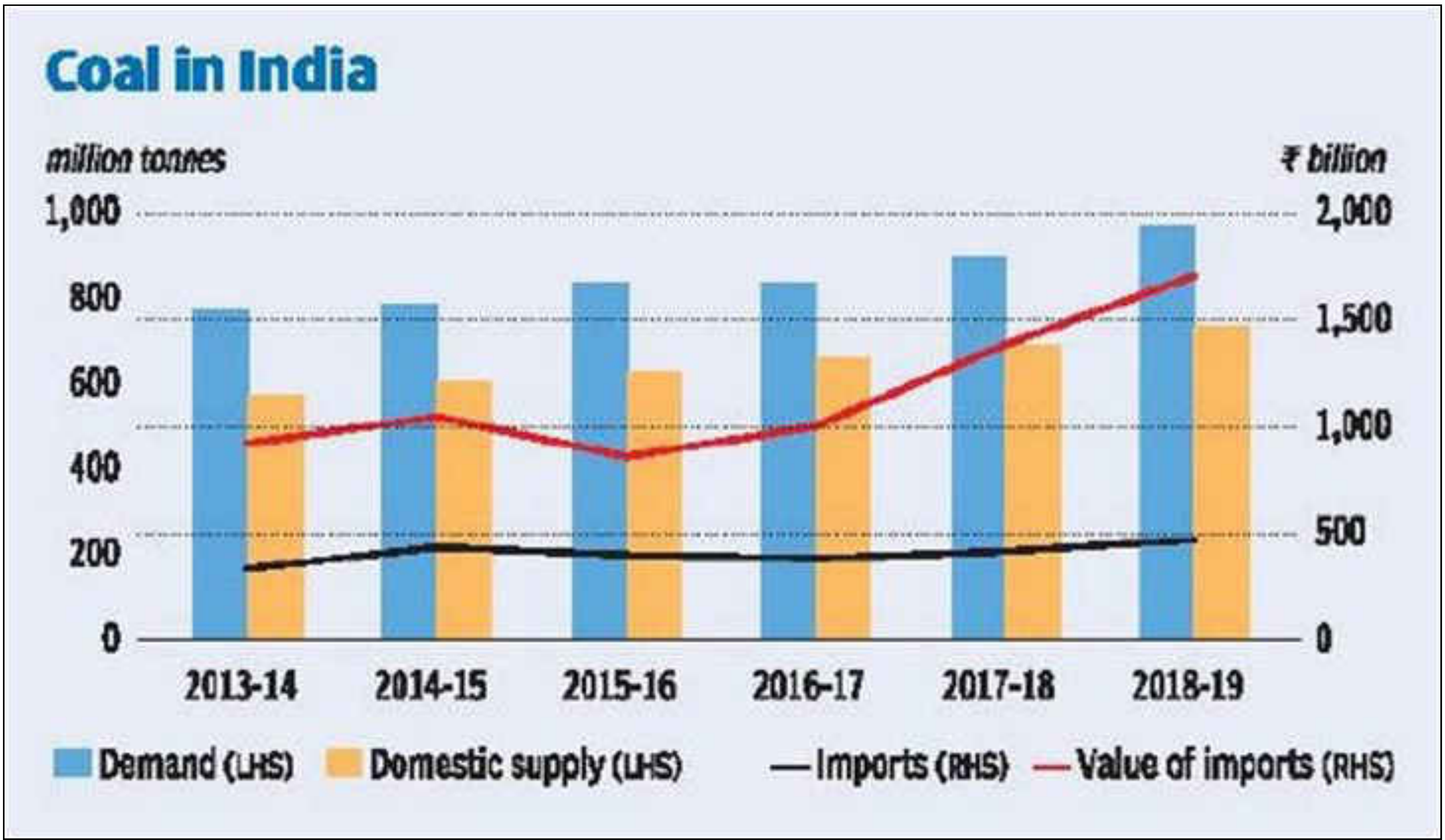

Final mine closure

The Coal Mines (Special Provisions) Act, 2015, permits the government to auction coal mines to the private sector for captive and commercial purposes. The government has auctioned 24 coal blocks to private companies till March 2019, and will be further auctioning coal blocks for commercial mining by both Indian and foreign companies.

Government-controlled public sector companies may not have any difficulty in meeting their financial obligations related to the final mine closure. However, there is a risk that some coal mines operated by private companies, or State government entities who outsource their coal mines to private entities, may be closed without having the necessary funds to complete the mine closure activities as per the approved Mining Plans.

The ability to successfully rehabilitate mined-out areas is fundamental to the coal industry's social license to operate. The practice of releasing up to 80 per cent of the escrow amount after every five years, based on progress in indicative activities, may not ensure the availability of adequate funds for final mine closure.

Therefore, India needs more effective and efficient regulatory governance to streamline approvals while ensuring the adoption of advanced technologies for mining, environment protection, and reclamation.

Unified authority

In 2014, a high-level committee appointed by the Central government recommended the creation of a National Environment Management Authority, including, inter alia, a special cell with appropriate expertise to deal with coal mining.

Coal is a central subject, and government companies produce more than 94 per cent of the coal in India. Therefore, the government must set up an independent, multi-disciplinary unified authority on the pattern of the Director-General of Mines Safety, which is staffed with varied scientific and technological experts required to regulate all matters related to health and safety in the mineral industry.

Such an authority must have in-house professional expertise in the ecological, environmental, geological, mine planning, hydrogeology, biodiversity, and social aspects of coal mine closure to consider all these facets in an integrated manner before granting all key statutory approvals for coal mines.

Once this authority is functional, the role of the MoC in approving Mining Plans, the powers of the Coal Controller to issue Mine Opening/Closing Permissions and manage escrow accounts related to mine closure, and the role of the Ministry of Environment, Forest and Climate Change (MoEF&CC) in issuing environment/forest/wildlife clearances for coal mines, must be handed over to this authority. These steps are critical to remove the overlapping jurisdictions of multiple bodies which govern matters related to forest, environment, and mine opening/closure in India.

While this authority must also be empowered to enforce compliance of these clearances by all coal mines in India throughout operation right up to final closure, it need not be involved in the allotment of coal blocks or in regulating the coal market. Any appeal against an order/decision made by this authority may lie only with the National Green Tribunal.

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Official Code

To achieve the above goals, the Parliament must enact a "Sustainable Coal Mining Code" to consolidate all statutory provisions governing opening/closing and environment/forest matters related to coal mines. This Code must empower the unified authority to ensure efficient and effective environmental governance of coal mines in the manner explained above.

Since 1977, the Office of Surface Mining Reclamation and Enforcement (OSMRE) in the US has ensured that mine owners operate their open-cast coal mines in a manner that protects the local communities and the environment during mining, as well as rehabilitate the mined-out land for beneficial use post-mining. Therefore, the OSMRE may also be a role model for the proposed unified authority.

A dynamic equilibrium between environment conservation and development for inter-generation equity is the need of the hour in India. An empowered unified authority for coal mining can ensure effective compliance with all statutes related to mining, environment, forest, and mine opening/closure in coal mines by using remote sensing and GIS-based tools for remote surveillance in conjunction with quarterly inspections of each coal mine.

This authority will also facilitate job creation and contribute to a reduction in coal imports by ensuring "ease of doing business" without compromising on forest and environment compliances.

Ultimately, this will contribute to the realisation of India's Sustainable Development Goals and facilitate both energy security and sustainability for India during the ongoing energy transition.

The writer is Dean of the School of Natural Sciences & Engineering at the National Institute of Advanced Studies, Bengaluru.

5 FIRMS SHOW INTEREST IN BUNDER DIAMOND MINES

Five companies -- National Mineral Development Corporation, Essel Mining (Birla Group), Chendipada Kolari of Adani Group, Vedanta Group and Rungta Mines Limited -- have expressed interest to bid for Bunder diamond mines in Chhattarpur district of Madhya Pradesh.

The Rs 55,000 crore diamond deposits were earlier sought to be developed by the British-Australian mining major Rio Tinto who abandoned the project in 2017 following a dispute with the state government. The Bunder diamond mine in Chhatarpur district of Madhya Pradesh has reserves of around 34.20 million carats of diamond, according to the mines ministry.

The government will auction 13 mineral blocks, including Bunder diamond mine in Madhya Pradesh, next month.

In August this year, the Kamal Nath government had decided to revive the project. The conditions for bidding said that the bidding companies must have minimum net worth of Rs 1,100 crore and must deposit a security money of Rs 56 crore.

The technical bid of these companies will be completed by November 27, after which online bidding would be done by opening initial price. Bunder diamond mine in Chhatarpur district of Madhya Pradesh has reserves of around 34.20 million carats of diamond.

Two gold blocks, Chakariya mine at Singrauli and Imaliya gold block at Katni in Madhya Pradesh, are also among the 13 mines to be up for auction.

The government also plans to auction mines of limestone, base metal, bauxite and graphite, it said.

According to the latest data, the government has so far auctioned 68 mineral blocks which are likely to accrue estimated revenue of Rs 1.99 lakh crore to State governments over a period of 50 years.

Industry body FICCI had earlier in April called for expediting auctions of mineral blocks with known or explored reserves, highlighting that the average of such sales has nosedived to around 15 mines per year after the amendment in the Mines and Minerals Development and Regulation Act.

UNDERGROUND AND ON THE EDGE

The domestic mining landscape is staring at a major disruption when an estimated 329 mining leases expire and need to be auctioned at the end of this fiscal

In his own way, Maruti Chari, 61, is more popular in Usgao, a little village in North Goa, than the local corporator. While the place derives its name from the local word for sugarcane, its major industry and source of employment is iron ore mining. Chari is renowned in the area as the doctor of trucks - he can diagnose any problem in a truck merely by sitting in it and driving for 100 metres. His 41-year-old truck repairing centre on National Highway (NH) 748, which connects Belgaum in North Karnataka to Panjim, is one of the landmarks in the area.

But his business took a major hit when the transport business in the area dwindled in the aftermath of a complete ban on mining in Goa in March 2018. Having somehow endured for the last 18 months, Chari says he would have no option but to shut shop and lease out the land if mining isn't restored by December. "I used to get 50-60 trucks for repair every day. Now I hardly get any," he

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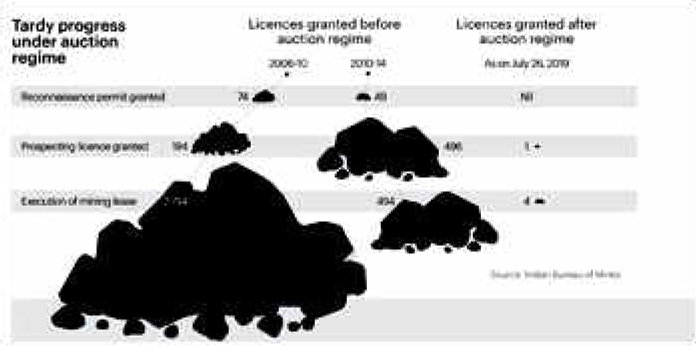
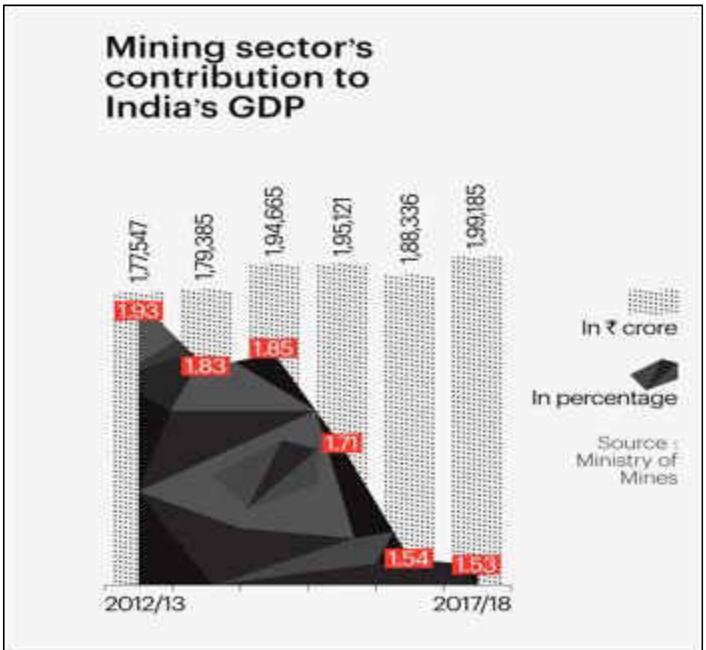
says. "Till 2015, I employed 50 people. Now, it's down to just four. My earning has dropped from Rs 5 lakh per month to just Rs 10,000-12,000. At this rate, I won't be able to survive much longer. I am just about holding on till December."



Chari is an example of how the slowdown in the domestic iron ore mining industry is impacting those who are not directly involved in the business. Those who are, are even worse off. Santosh M. Thambi, 39, is staring at bankruptcy after he lost his job as a machine operator with Chowgule and Co. After losing his Rs 30,000 a month job with a local miner, Yeshwant R. Satgaonkar often gets suicidal thoughts. Similarly, Sandeep M. Nirlekar, the sole bread earner in a family of five, has already defaulted on a personal loan after losing his employment.

More than 1,00,000 people have been rendered jobless after mining came to a standstill in Goa following the Supreme Court decision in March 2018 to quash 88 leases.

The introduction of auction mechanism as the sole way to allocate mines after the Mines and Minerals (Development and Regulation) Act was amended in 2015, is likely to usher in a Goa-like disruption in iron ore mining across the country. Already in place for new mines, the Act will be applicable for a large chunk of existing mines, more than 300, from the start of the next fiscal year in April. Out of these, 48 are operational mines comprising various minerals - iron ore, manganese, bauxite, limestone and chromite.



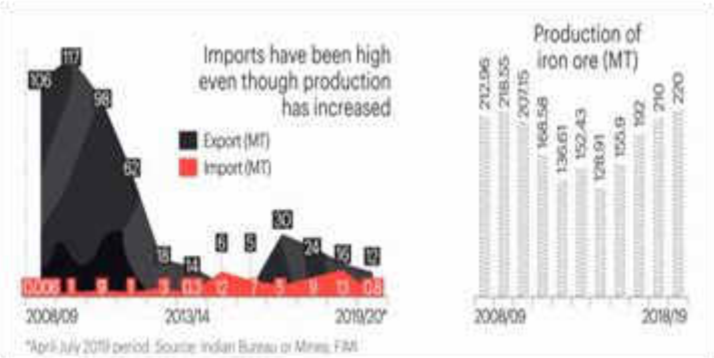
The auction process in India is hardly smooth and there will invariably be a period of shutdown before bidding is done, ownership changes hands and the prickly process of obtaining fresh statutory environment and forest clearances is complete. The fear of disruption is real and the biggest impact would be on iron ore where 24 operational mines accounting for production of over 60 million tonnes per annum will be affected.

"We are staring at a huge employment loss due to expiry of the tenure of 329 non-captive mining leases on March 31, 2020. Out of these, 48 are working mines. The closure of these mines will hit production of 50-60 million tonnes of raw material, mainly iron ore, and is expected to result in loss of about 2,64,000 jobs, direct and indirect," says R.K. Sharma, Secretary General, Federation of Indian Mineral Industries (FIMI).

The effect on the domestic steel industry, which is the primary consumer of iron ore, will be significant.

In the Dumps

As one of the six largest iron ore-rich states in India, Goa may be the worst-hit, but it is not the only one. Mining is in the doldrums across India. The sector's contribution to GDP has fallen from 1.93 per cent in 2012/13 to 1.53 per cent in 2017/18. This is much lower than the 7-7.5 per cent level in similar mineral- rich countries like Australia and South Africa. Iron ore, which accounts for over 63 per cent of the metallic mining industry, has contributed majorly to that.



Like Goa, Odisha and Karnataka have also faced intermittent bans on mining from courts in the last eight years. In 2011, the Supreme Court had banned all mining in three of the richest iron ore bearing districts of Karnataka - Bellary, Chitradurga and Tumkur - for dumping and encroachment of land beyond the respective lease area in 166 mines. Then, in 2014, mining in 102 mines in Odisha was stopped by the apex court for violation of production limits at the pitheads.

"India's mining industry is in chaos. In the past decade, many mines have been closed or suspended due to judicial intervention in different regions of the country," says Sharma of FIMI. "As a result of the ineffective regulatory mechanism and subsequent adverse decisions by the Hon'ble Supreme Court in various states, the mining sector has been crippled and mines have either shut down, as in Goa, or working at a reduced level, as in Karnataka, Odisha and Jharkhand. Around two lakh people directly

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employed in these mines have lost their livelihood. It has also affected the indirect livelihood of a population 10 times the directly employed."

The disruption in Goa did not impact the domestic steel industry much as all the ore from the state was being exported largely to China, but the bans in Karnataka and Odisha created a shortage of ore in the country, forcing non-captive steel makers like JSW to import from Australia and Brazil. In 2014/15, import of iron ore hit an all-time high of over 12 million tonnes, as production of ore in the country hit a decade low of 128 million tonnes.

Other factors have played a role, too. High taxation, poor policy implementation and widespread red-tapism have stymied the potential of the industry. The effective rate of taxation in India for existing iron ore mines is a high 58 per cent. For new mines that are being auctioned, it is 54 per cent. It is significantly higher than the global rates that range between 31 and 45 per cent. The slowdown in the economy at large has not helped either as steel and iron ore prices have remained depressed, reducing the margins of the industry and restricting its ability to either invest in new technology or for expansion.

Overall, iron ore production has not kept pace with the growth of crude steel production in the country over the last decade. While steel production has grown from 57 million tonnes in 2008/09 to over 106 million tonnes in 2018/19, making India the second-largest steel producer in the world, production of iron ore has been inconsistent, hitting a high of 218 million tonnes in 2009/10 to a low of 128 million tonnes in 2014/15.

This despite the fact that India is the world's fourth-largest iron ore producing country. It also has the third-largest reserves of iron ore. The lapse of 24 mining leases in April 2020 is expected to usher in a fresh round of disruption, causing a demand-supply mismatch.

"The mining industry is already facing disruption in terms of low supply. Our domestic mining techniques are not as modern as they need to be. Private companies have still managed to adopt some cutting edge mining techniques but the public sector companies, which account for bulk of the mining in the country, have not been able to invest that much. So productivity levels have been well below the world average and our mine yields are not that high," says Urvisha Jagasheth, Research Analyst, Care Ratings. "Further, there is an economic slowdown, so most companies are refraining from mining a lot because they are not getting the kind of realisations they expected. The leases that are lapsing in March 2020 will only add to this," she adds.

The Auction Regime

For long, the iron ore mining industry has been plagued by rampant corruption and flouting of norms. The auction route was brought in by the NDA government at the centre in its first stint in an attempt to bring in transparency in the system.

It has, however, brought in its own set of challenges. The key issue of delays in getting statutory approvals - 142 clearances are needed to get a mine operational, and it takes three-five years to do so - has not been addressed yet. Getting a mine off the ground has only become messier.

Sample this. Between 2010 and 2014, 494 mining leases were granted but post-auction (2015-2019), of the auctioned 42 greenfield mineral blocks, none of the leases has been executed. So far, leases have been executed only in case of four mineral blocks out of the 14 'C' category mines auctioned in Karnataka which had pre-existing environment and forest clearances

The situation is expected to become more acute in the first half of next year when hundreds of mines in the country come up for bidding.

"The auction is an unnecessary and costly way of developing mineral resources and leads to delays in mining. It creates artificial scarcity in the economy and removes the opportunity to create new job opportunities," says Sharma of FIMI. "It is a fact that the auction mechanism for grant of mineral concessions has not given the desired result in the last four years. Without mining, the government's aim to make India a $5 trillion-economy is in the realm of astrology," he adds.

The government, however, has made it clear that there would be no rethinking on auctions as such. But in the last few weeks it has taken steps directed at ensuring a smooth transition next year. In late-September, the Mineral (Mining by Government Company) Rules, 2015, were amended to ensure that Donimalai, one of the biggest mines owned by India's largest miner, state-owned National Mineral Development Corporation, is not put up for auction. NMDC is now tipped to get a 20-year extension for the mine which has a capacity of seven million tonnes.

Further, the government has allowed state-run Steel Authority of India (SAIL) to sell 25 per cent of iron ore produced from its captive mines - it was not allowed to do so earlier - as also dispose old stock of about 162 million tonnes of low-grade ore lying at its pitheads across the country. While the low-grade ore may not be of much use to the industry, SAIL has the capacity to enhance iron ore production from its 20 captive mines by around eight million tonnes in 2019/20 and 12 million tonnes by 2021/22. If that happens, SAIL will somewhat alleviate the shortage of ore due to the lapse of mining leases in April.

"It is an important step towards ensuring raw material security for steel PSUs. This will also ensure price stabilisation of raw materials and will have a positive effect on the secondary steel industry," says Dharmendra Pradhan, Union Minister for Steel, Oil and Gas. "We are committed to ensuring raw material security for the Indian steel industry."

At the same time, the government in Odisha, which produces more than 50 per cent of the country's iron ore, has allowed merchant miners to stock ore for up to two years at their storage depots and stockyards instead of the earlier limit of six months. This is expected to lead to a significant jump in ore production in the state in the next few months as both miners and steelmakers stock up in anticipation of the supply slowdown from April 2020.

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Of the 24 iron ore licences that are lapsing, 16 are in Odisha; these mines produced nearly 50 million tonnes ore in 2018/19.

Still, experts believe, all these steps put together would only delay the disruption or soften the blow.

Too Little, Too Late

"The amendments may reduce the intensity of the disruption but not prevent it entirely," says Rohit Sadaka, Director, India Ratings and Research. "The amendment in the Act basically only helps NMDC in the case of Donimalai and enables resumption of seven million tonne capacity at the mine in a month or two. That is a positive step to that limited extent. SAIL has been allowed to sell 25 per cent of its production but that is subject to whether it is able to produce in excess of what it needs. Further, SAIL has been allowed to sell unutilised ore fines stock at mines. It will not help much because that is largely low grade and India still does not have enough beneficiation or pelletisation facility to make full use of that to meet iron ore lump demand. So there would be few takers for that."

Odisha has also swung into action on the auction process, inviting tenders for 25 iron ore mines in the state in three tranches in October alone. It could not auction even a single mine in 2018/19 due to legal issues. This urgency underlines that the realisation of widespread disruption has dawned upon both central and state governments. Whether this will be enough is still debatable.

"The auction process has been initiated. The key challenge will be whether the new owner is able to get the clearances quickly enough. If there is any kind of leeway through further amendments, which either expedite the process of getting these clearances (environment and forest) or give them a kind of moratorium that they can start mining while the clearances are being sought, (it will help)," says Sadaka of India Ratings. "Or, in case of operational mines where the older miner has clearances, if the new miner can get a deemed approval for the capacity being produced by the older miner, that can get the mine operational quickly and genuinely mitigate some of the pain."

What is certain is that beyond the upheaval next year, the auction route will fundamentally change the way the steel and mining sector operates, impacting prices and profitability in the long term. A July 2019 report by research and ratings firm Crisil predicts three possible scenarios under the auction regime where the most unlikely but optimistic case is leases being extended for existing miners for two-three years, leading to no supply disruption and a 5 per cent reduction in ore prices for steel makers. The base case scenario of timely auctions predicts a 15-20 per cent increase in iron ore prices for steelmakers. And a pessimistic scenario of delayed auctions, high disruption results in an over 30 per cent increase in iron ore prices in fiscal 2021 over fiscal 2020.

Captive steelmakers like SAIL and Tata Steel, with their own iron ore mines, will remain at an advantage over the others.

Beyond the disruption and price increases, will the auctions achieve their other target of attracting fresh investment? Unlikely, say experts. Mining, being a state subject, is vulnerable to the vagaries of changes in governments, which brings in uncertainty in policy framework. The promise of fair auctions is not enough to negate that.

"Any investor wants certainty and consistency in policy framework and that is what the mining industry in India lacks. The process of getting statutory approvals like environment and forest clearances takes a lot of time, and on top of that, political instability in states, like the one we saw in Karnataka (Donimalai), can also affect the sector," says Jagasheth of Care Ratings. "It does not inspire confidence. At the same time, given the global economic slowdown, the appetite for investment with global companies in mining is also quite low right now."

RAJASTHAN TO OPEN ITS HUGE POTASH DEPOSITS FOR PRIVATE SECTOR

After dithering for years, Rajasthan government has now decided to open its huge potash reserves to the private sector through auctions.

MINING RICHES TO FILL COFFERS

Sr officials of Raj govt including CS DB Gupta, mining secy Dinesh Kumar and director Gaurav Goyal at a stakeholders meeting in Delhi on Friday

- Most of the potash reserves are found in Rajasthan in the country, estimated at 2,400 million tonnes, which is around five-times of the global reserves
- Deposits are identified in Nagore-Ganganagar basin, covering parts of Sriganganagar, Hanumangarh and Bikaner districts
- India imports all of its potash needs for making fertiliser from abroad, straining balance of trade despite having reserves
- Rajasthan govt will open up the mines after feasibility studies for private sector through auctions which will take around 6-8 months

Primarily used as a fertilizer, most of the potash deposits are concentrated in Rajasthan in the country, estimated at 2,400 million tonnes, which is around five-times of the global reserves. But almost all of the domestic consumption is met through imports.

At a stakeholders meeting on Friday in New Delhi that included corporates and consultancy firms like Tata Chemicals, IFFCO, Hindustan Zinc, Central Institute of Mining and Fuel Research, Fertiliser Association of India, and state and central PSUs like Rajasthan State Mines & Minerals Ltd (RSMML) and Mineral Exploration Corporation Ltd (MECL), state chief secretary D B Gupta said the state government has already constituted a state level empowered committee for harnessing potash deposits in western Rajasthan."The fist task is to ink an MoU between RSMML, MECL and department of mining and geology for undertake feasibility and pilot plant studies. While the MoU is expected to be signed in a months' time, the studies will be completed in six months, paving the way for auctions," Gupta said. Gupta said India is currently importing 3 to 5 million tonnes of potash every year and the demand is increasing by 6-7% raising the import bill. "Development and exploitation of the deposits has the potential to reverse the scenario from India being

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an importer of potash to exporter of the commodity," added Gupta.

The meeting was also attended by mining secretary Dinesh Kumar and director Gaurav Goyal who said the prospective bidders were excited to participate in the auction whenever it takes place.

"Rajasthan is the only place where potash deposits are available in the country that too in huge quantities. Exploration of the commodity will not only save the country foreign exchanges and subsidies given to the farmers, but will result in new revenue streams for the state government and create jobs in the state," said Kumar.

The government will first carry out financial and economic studies before the auction starts. Gaurav Goyal, director mines and geology, said, "This kind of studies are proposed for the first time in the country on any deep-seated mineral deposit." Most of the potash deposits in Rajasthan are identified in Nagore-Ganganagar basin of Rajasthan covering parts of Sriganganagar, Hanumangarh and Bikaner districts.

FOCUS: INDIA MAY BECOME NET IMPORTER OF IRON ORE AGAIN FROM NEXT YR

India is likely to emerge as a net importer of iron ore next year after about four years, and may remain a key buyer in the international market for the next few years, as domestic supply is likely to take a big hit due to closure of 24 working mines.

According to Federation of Indian Mineral Industries, the tenure of 329 non-captive mining leases is set to expire in March, including 24 working iron ore mines, which contributed roughly 30% to last year's iron ore output of 210 mln tn.

Though the mines would be up for auction from April, and the government has assured it will try to expedite the auction, industry officials believe it could take at least 3-4 years for these mines to be operational again, as it can take a long time to obtain fresh forest and environmental clearances.

"…physical output of the minerals from such mines can only be available not prior to year 2024-25," Federation of Indian Mineral Industries said in a note.

The closure of mines would reduce iron ore supply by 65 mln tn, which in turn would affect nearly 45 mln tn of steel production, former steel secretary Aruna Sharma said.

"In my opinion, the disruption would persist for three years going ahead if the statutory clearances are not expedited and if the mines that are not coming for auction fail to increase their production," Sharma said.

According to market participants, even if some captive miners and public undertaking mining companies boost their production this year to make up for the possible loss in output that would follow the mines' closure, supply disruption of at least 65-70 mln tn of iron ore is likely to emerge next year, and aggravate further in the following years.

The government so far has allowed state-run Steel Authority of India Ltd to sell 25% of its annual production in the local markets and also has notified Mines and Minerals Development and Regulation Amendment Act, 2015 to streamline the grant of mining leases to maintain sufficient availability of iron ore for the steel sector.

National Mineral Development Corporation and captive producers such as JSW Steel Ltd and Tata Steel Ltd, too, have ramped up their production to meet the shortfall. But it may not be enough.

Much of the output loss would have to be made up by costlier imports.

The country is likely to import at least 10 mln tn of the ore next year, according to estimates drawn up by ICRA Ltd. Imports are likely to increase further in the subsequent years as stockpiles created by other producers start drying up.

India was last a net importer of iron ore in 2015 when the country imported 12.09 mln tn and exported 6.12 mln tn. Since then India's exports have far exceeded imports.

In 2018, the country imported 12.8 mln tn of the ore and exported 16.19 mln tn, according to commerce and industry ministry data. In Apr-Sep this year, the country imported 900,000 tn of the ore and exported 17.18 mln tn due to an oversupply in the domestic market.

Costly iron ore imports are seen as aggravating India's trade deficit as the country already is a net importer of essential items such as edible oil, electronics, heavy machinery, coal, and precious metals.

In such a scenario, prices of iron ore may also firm up as the international prices are already higher at an average $100 per tn.

In the international market, iron ore prices shot up to $120 a tn earlier this year due a production outage in Brazil. With India coming to the market as a net importer next year, prices could top even that level.

India is one of the largest consumers of iron ore in the world.

The country generally imports higher-grade iron ore above 60% iron content and exports lower grade below 58% iron content to China.

Moreover, with a 30% export duty, market participants also fear that the domestic miners would have little option to export the lower-grades next year and make up for the higher-grade imports.

"India already produces very good quality of iron ore and we are self-sufficient. Therefore, ideally importing should not be an option," Sharma said adding that the country should not resort to China for imports as we already compete with China in finished steel products.

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Brazil and Australia remain origins for sourcing iron ore, but it would further add to the transport cost.

Crisil Research expects domestic iron ore prices to rise 15-20% next year due to the supply crunch and costlier imports.

This could be another blow to the steel industry that is facing higher input prices on one hand, and low demand on the other.

The supply deficit is also seen extending to the user industry such as manufacturers of sponge iron and pellets.

"Though supply of sponge iron is likely to be balanced out by the captive mines not going for auction next year, the pellet users in the sponge iron industry would be impacted by the supply shortage as they source their raw materials from merchant pellet manufacturers or small modules of captive pellet plant. This would lead pellet prices to firm up," Sponge Iron Manufacturers Association Executive Director Deependra Kashiva said.

Mines in Odisha are at a critical stage as the disruption would impact more of the Odisha based iron and steel producer," he added.

"Odisha accounts for 45% domestic iron ore production as the state alone produced 114 mln tn of the ore so far this year as against a total production of 207 mln tn.

Market participants now pin hope on the government expediting the statutory clearances next year and easing export duty as the country has a huge stockpile of lower-grade iron ore and inadequate beneficiation plants to upgrade these ores.

Data from the Indian Bureau of Mines showed stockpile of iron ore lumps and fines were at 162.9 mln tn in 2018-19 as against 151.5 mln tn 2017-18. There is an unsold low-grade iron ore stockpile of 94.13 mln tn in Odisha and 43.11 mln tn in Jharkhand as on Mar 31, 2018, Federation of Indian Mineral Industries' analysis showed.

"This ore is neither required by the domestic steel plants nor can be exported because of the export duty of 30%. These stockpiles occupy huge space inside mines, pose a challenge to scientific mining and environmental management," the mining industry body added.

GEOLOGICAL SURVEY OF INDIA FINDS 44 NEW COAL BLOCKS IN EASTERN INDIA

Spread across West Bengal, Jharkhand, Bihar and Odisha, the estimated coal resource of these 44 new blocks is close to 25,000 million tonnes, GSI's east ADG R K Kisku said.

The Geological Survey of India (GSI) on Thursday said it has found 44 new coal blocks in four states of Eastern India.

Spread across West Bengal, Jharkhand, Bihar and Odisha, the estimated coal resource of these 44 new blocks is close to 25,000 million tonnes, GSI's east ADG R K Kisku said.

"The GSI has located 44 coal blocks spread across West Bengal's Purulia and Birbhum districts, coal city of Talcher in Odisha, Bihar's Bhagalpur and Jharkhand's East Bokaro and south Karanpura," he said.

Of these 44, 15 coal blocks belong to West Bengal.

STALEMATE ON JSPL'S ODISHA IRON ORE CONTINUES; SC DEFERS HEARING

The Supreme Court on Tuesday deferred the hearing in the Sarda iron mines case. Shares of Delhi-based Jindal Steel & Power (JSPL) tumbled 12 per cent intraday Tuesday on reports after it emerged that the Supreme Court had refused to pass an interim order in the case.

"The honourable court has not given any decision on the Sarda case today. It has only deferred the hearing to January 17. Deferral does not mean refusal at all," VR Sharma, managing director, JSPL told Business Standard today.

Shares of JSPL ended 6 per cent down from the previous close today on the Bombay Stock Exchange at Rs 150 a piece.

"We do not rule out the delay in the final outcome since the judgment would take some more time. However, the stock reaction (down 12 per cent) seems exaggerated," Edelweiss Securities said in its flash note.

Meanwhile, the company management said that a Supreme Court-appointed committee had established rights of JSPL over iron ore lying at Sarda mine site.

"The ore which is lying in the premises of Sarda mines must be used by the user (JSPL) since the company has already paid the duties as well as royalty to the government (the committee has mentioned). We are awaiting final verdict now which will hopefully come next month," said Sharma.

The Odisha government and JSPL have been in dispute over royalty payment for the iron ore for more than 5 years now. The 12 million tonne iron ore fines lying in the mine premises are worth close to Rs 2,000 crore and are of a 65Fe (ferrous) grade.

The mines are currently not operational. A favourable verdict would help the company get assured an iron ore (lying in the premises) supply for its pellet plant for which it is currently sourcing the material from the open market. "A verdict against the company would not have any impact on the company's operations," said analysts with Edelweiss Securities.

The 12 million tonne iron ore had been mined over a period of 18-21 months before Sarda mines received stoppage of mining orders over environmental clearance issues, said the management.

Lenders are also in favour of JSPL getting access to the material as it would enable it to repay the debt, since the company has already paid the royalty, said the flash note.

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JSPL was sourcing iron ore from the Sarda mines for its pellet plant, which lies at the bottom of the hill at Thakurani deposit in Odisha where Sarda operated a 5 million-tonne mine.

The company had moved court to be allowed to lift the iron ore, which it had already paid for, while the Odisha Mining Department had been of the view that transporting that ore out would also count as mining, and could not be allowed while the mining operations had been suspended.

"We have a positive operating outlook for JSPL in anticipation of sustained volume uptick and potential cost benefit from captive coal from the Gare Palma IV/1 block. We have not considered any benefit from Sarda iron ore fines inventory in our estimates," Edelweiss Securities said. It has maintained 'buy' on the primary steel producer.

In Odisha, JSPL has a 6 million-tonne steel plant in Angul, a 9 million-tonne pellet plant in Barbil and an iron ore mine in Tensa, which partially fulfills the requirement of iron ore for producing sponge iron.

CHHATTISGARH VILLAGES PAY THE PRICE OF MINING WHILE JINDAL AND COAL INDIA PASS THE BUCK

In districts near Raigarh, where coal block allocations have been cancelled, even the National Green Tribunal cannot fix accountability for the poisoning of soil and water.

Shivpal Bhagat, sarpanch of Kosampali and Sarasmal villages in Chhattisgarh, stands on a cliff next to a deep cavern filled with still blue water. Behind him are little huts, the homes of villagers who live above it.

The cavern is actually a coal mine, excavated almost up to the villagers' doorsteps.

Shivpal turns, pointing out in every direction of how Jindal Steel and Power Limited (JSPL), Coal India and South Eastern Coalfields Limited (SECL) have broken laws safeguarding the health, environment and employment of the villagers.

We look over the sprawling mines and he points to a sapling next to him.

"Look at this three-feet tall sapling. This is what the mine operators are calling this their "green-belt," which is supposed to protect residents here from the harms of the mines. Is this flimsy sapling supposed to actually help in anything?"

He then gestures towards the "fencing" that the mine operators were supposed to fix so that villagers or their animals don't slip over the mine cliffs: "The fence is supposed to be here, on top of this cliff, and close to these houses to our left. Instead, it is all the way at the bottom of the pit." Some of this fencing had green protective fabric tied to it. Those are all now in shreds and serve no purpose.

The coal mines here are named Gare Palma IV/2 and Gare Palma IV/3. The JSPL was given a license to mine these 964 hectares of coal in 2005.

In July this year, the villagers of Kosampali and Sarasmal won a small victory at the National Green Tribunal (NGT).

The tribunal upheld a government recommendation that SECL should depute a doctor on a permanent basis, with a vehicle, to the villages in the vicinity of the mines. It also directed that medicines worth rupees one lakh should be provided to the villagers each month, at no cost.

The villagers are still waiting for this doctor.

Health risks to villagers near coal mines

In 2014, India's Comptroller and Auditor General pointed out possible corruption in the way coal blocks were allocated to mine operators. This came to be known as the Coal Scam. The Supreme Court cancelled the licenses of several blocks.

The government's own Coal India was appointed as the custodian for several mines, including for Gare Palma IV/2 and Gare Palma IV/3. The SECL, a subsidiary of Coal India, was designated as 'custodian' on behalf of Coal India.

In 2017, the NGT asked an expert committee with bureaucrats from the Coal Ministry and the Ministry of Environment, Forests and Climate Change for a report on the impact of the JSPL's and the SECL's non-compliance with environmental clearances, and on whether the two mines should be allowed to continue operations.

The committee found that the JSPL had not obtained clearances for enhancing their mining capacity nor the permission of the gram sabhas of the affected villages before diverting forest land. They also said SECL would have to take responsibility for what JSPL had failed to do.

This July, the NGT accepted the expert committee's report in full. It ordered various health protection measures and upheld their recommendation that there be a distance of at least 500 metres between the mine's boundary and the village.

India practises some measure of environmental impact assessments and clearances. Too often, however, the assessments are found insubstantial and the clearances lax and unaccountable. What is unique about the NGT's July order is that it directly addresses the effects of mining, especially on human health, and not just on the macro-environmental perspective.

A report published by a team of independent researchers in November 2017, titled 'Health and Environmental Impact of Mining in Chhattisgarh', said that they found the presence of "worrisome levels of toxic substances that adversely affect human health" in soil and sediment samples from the area. They found 12 toxic metals in water, soil and sediment samples, including arsenic, lead, selenium, chromium and zinc.

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Another report published in August 2017 titled 'Poisoned' also said that samples taken from Kosampali, Dongamahua, Kodkel, Kunjemura and Regaon areas were "contaminated with various toxic heavy metals" in both soil and water. Some toxic metals found are carcinogens or probable carcinogens. The report also says that some of these metals are known to cause damage to multiple organ systems including reproductive, respiratory and digestive.

No redressal of health concerns

Shivpal is worried. "There are health issues which will occur in the future from living here. We may not even be able to see it now."

As far as the villagers are concerned, private companies and the government behave the same – neither has any interest or even incentive to monitor the environment or the villagers' health. Areas like this should ideally be studied over a long time to assess the changes – especially deteriorations – that occur in public health. That allows governments to then design policies that help people cope with health issues.

Yet neither party is forthcoming on this. While environmental assessments and clearances have been made a part of the procedure for companies, which they adhere to in sometimes bare minimum ways, there are no requirements in India for health assessments and clearances to be made.

Rinchin, a researcher and one of the co-petitioners fighting in court for better health- and environment-monitoring of these two mines, says that in two of the petitions currently in court on these mines, the petitioners have been very keen to highlight the public health dimension.

Women from the villages kicked off the process themselves by conducting their own health surveys over the last few years. "Men very often talk about remuneration for land and getting jobs, but women have concerns on issues of health," says Rinchin. "Land and jobs is a more immediate issue to solve. But poor health builds up over time and is not always visible."

That there are no government health facilities nearby, says Shivpal. Villagers often depend on private doctors, and for that too they have to travel long distances.

Meanwhile, the mining continues as usual right next to the village and not 500 meters away as the NGT had ordered.

"It took us four years to fight this case, to get us this order from the NGT. And now we have to see the implementation of the order," says Rinchin.

Back in Kosampali, Shivpal walks around the village pointing out visible damages done to the nearby farms and the village.

At both the local school and the village, pumps and tube wells have been turned off because of polluted water coming out of the taps.

In one field, Shivpal shows how the earth has turned black and cracked. He points at the pipes that dispense polluted water onto the field. Villagers still try to grow crops here. Elsewhere, this untreated water flows straight into ponds where women bathe.

Black earth and not enough rain

In the court, private companies and the government often find themselves often on the same side on the question of their accountability towards people's rights and health.

Private companies like the JSPL have told the NGT that they can't take responsibility for the damage done to the the villagers' health, environment or for jobs they haven't delivered to the villagers. This, the JSPL says, is because they no longer operate the mines following the coal block allocation scam. Coal India, on its part, says it cannot take responsibility for these issues as they had licensed out the mines to these private companies.

The NGT responded to this too in its July order. It told the JSPL that their objections to taking accountability lack merit because "liability for any damage to the environment cannot be wished away or avoided merely on the ground that the coal block had subsequently been cancelled." Coal India was also reminded that it is currently the custodian and therefore has a responsibility here too.

As a rule of thumb across sectors, the court said: "Any damage to the environment will require to be restituted by the person who may have caused such damage."

Rinchin says that villagers realised that just asking for compensation for negative impacts seen on health or the environment was not enough – companies get away with throwing small payments at victims. Such payments neither help the victims nor check the ongoing damage.

While the public and the private sectors clash over corruption and custodianship, the villagers of Kosampali and Sarasmal still hope that a doctor will come by.

"Everything is connected – land rights, forest rights and health. It is the poorest who are affected by government policies and mistakes made by the private sector," says Rinchin.