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A heavy agenda for action in the coming months awaits the Union Ministry of Mines and concerned state mining departments as a large number of non-captive mining leases will expire in March 2020.

The expiry will warrant holding of auctions as per the amended provisions of the Mines and Minerals (Development and Regulation) Act 1957 (MMDR). The amendment, carried out in March 2015 to repeal an Ordinance, took effect from January 12, 2015.

Secondly, penalty for production in excess of environmentally cleared quantities has become a ticklish issue in the mining sector as several states, particularly Jharkhand, Odisha and Chhattisgarh, have imposed hefty penalty on several companies under Section 21 (5) of the MMDR Act, which derived additional strength from the judgement delivered by the two-judge bench comprising Justices Madan B Lokur and Deepak Gupta on August 2, 2017, in writ petition (civil) no. 114 in *Common Cause vs Union of India and others.*

And thirdly, there are strong indications that some leaseholders of captive mines are keen on undertaking commercial or merchant mining as well and it is quite possible that area limits may have to be relaxed quite substantially to ensure viable scale of mining. The existing provision may have to be made more liberal.

The auction will involve 329 non-captive leases, of which 48 are working mines. An estimated 2.64 lakh jobs are involved. The decision, at this juncture, of the Ministry of Mines to allow Steel Authority of India Ltd to sell 25% of its high grade captive iron ore production is quite significant. As is the decision to dispose 70 million tonnes of relatively low grade iron ore including fines which are now lying dumped across SAIL's captive mines.

It definitely indicates that the Centre and the states foresee a fairly long drawn-out process for holding of auction, completion of all formalities and commencement of normal production by the new leaseholders. In such cases, litigation also can't be ruled out. Disruption may result in loss of about 30% of iron ore production. There will also be loss of chrome ore and manganese ore.

The Federation of Indian Mineral Industries (FIMI) has suggested to the Centre that the period of lease, which are due to expire in March 2020, be extended till 2030 on the lines of the provision for captive mines and "thereafter by 20 years at a time till reserves last". In effect, the suggestion is to skip auctions.

It may be mentioned that Odisha had veered round to the view that a smooth transition may be possible if the state government is given leases on a temporary basis for two years. It had argued that during this period, it should be possible to go through the entire process and thereafter. the state government would transfer the leases to the successful bidders.

The mines ministry found that an amendment of the relevant Act / Acts may be necessary to make an enabling provision. On the lines of the earlier provision for temporary working permits, the environment ministry was examining if temporary clearances for one year can be given.

What is clear is that this complex issue is claiming serious attention of the mines and environment ministries, and it may be quite some time before a decision is reached, particularly on FIMI's suggestion to skip auctions.

As for penalties for production beyond the limit of environmental clearance and mining plan, it is seen that subsidiaries of Coal India Ltd have together have received a hefty claim of Rs 53,331.12 crore and they have preferred appeals before the revisional authority against the penalty. The Supreme Court judgement of August 2, 2017, Section 30 of the MMDR Act and Rule 55 (v) of Mineral Concession Rules 1960, have been cited by the state authorities while raising penalty claims. In the demand notice on South-Eastern Coalfields Ltd mines, however, Section 21 (5) of the MMDR Act has been cited.

The relevant circular of the Ministry of Environment, Forests and Climate Change (MoEFC) makes it clear at the outset that with respect to projects for major minerals with more than five hectares of lease area, the term 'expansion' will include increase in production or lease area or both. Expansion in production beyond approved capacity, however small, will constitute violation and attract penal provisions of the Environment (Protection) Act. As coal ministry approves mining plan for the entire life of a mine, the approved calendar plan for annual production for the life of the mine has to be submitted.

The judgement held that compensation to be recovered should be 100% of the notional value of the iron ore and manganese ore produced ... without / in excess of environmental clearances. The Union mines ministry in its affidavit argued that lower recovery (30%) would be contrary to the statutory scheme and

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100% recovery should be made under Section 21 (5) of the MMDR Act.

Mines secretary Anil Gopishankar Mukim told *NewsClick*, "We cannot lose sight of the fact that the highest court in the land had upheld recovery of 100% compensation from parties producing in excess of approval."

Quite a few of the aggrieved parties, which include public sector undertakings, have made token payments to the state governments and moved the respective high courts. Therefore, recovery of the penalty is likely to remain a far cry. Only Odisha has reportedly succeeded in its penalty recovery drive to a great extent. Therefore, this issue has to be sorted out by the Centre at the earliest.

Finally, about captive mines' leaseholders eyeing expansion into commercial or merchant mining. Already, Tata Steel has indicated its intention to this end to make use of its expertise in exploration and production of coal and ores. The rigidity of the original distinction is no longer there because of relaxations made from time to time in recent years. And, provisions also exist for relaxation of area limits on case-by-case basis. The Centre has to decide whether there is room for finetuning the provision and making it more liberal, ensuring at the same time that liberalisation is not exploited by unscrupulous parties.

WILL FOREIGN COMPANIES NOW 'LOOT' INDIA'S COAL?

Allowing 100% FDI in coal mining is raising apprehensions that foreign companies will now 'plunder' mineral resources for commercial purposes for sale in the open market.

The Narendra Modi government's decision to allow 100% foreign direct investment (FDI) in coal mining has been opposed by the Left on the ground it would enable multinational mining companies to "plunder" the country's mineral resources.

Those supporting the move, however, argue that foreign investment in coal mining is needed because the public sector Coal India Limited (CIL) is "over-stretched" and will not be able to increase domestic production substantially to curtail imports.

At the same time, they contend that the impact of the policy decision can be ascertained only after the Union Ministry of Coal notifies the new policies for allocation and auction of mines and pricing of coal.

Those skeptical of the government's decision point towards the "dirt" in this sector that is notorious for corruption. The influence of mafia gangs on coal mining operations has been extensively documented. They allege that foreign players may end up obtaining a share of the "loot."

According to the press note released by the government, as per the existing FDI policy, 100% FDI was permitted in the case of "captive" mines, which are dedicated to supply coal to specific power plants and projects manufacturing iron, steel and cement. The change in FDI policy now means that foreign companies can mine coal for commercial purposes for sale in the open market.

Further, under the old policy, 100% FDI under automatic route was permitted for setting up coal processing plants, like washeries, subject to the condition that the company would not mine coal and not sell washed coal or sized coal from its coal processing plants in the open market and would supply the washed or sized coal to those who were supplying raw coal to coal processing plants.

The government has now decided to permit 100% FDI under automatic route for sale of coal, for coal mining activities, including associated processing infrastructure subject to provisions of the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957. The term "associated processing infrastructure" would include coal washeries and coal crushing, handling, and separation (using magnetic and non-magnetic techniques).

Coal mining in India has been racked by controversies in recent years. The "Coalgate" scandal on the misallocation of coal-bearing areas to "captive" users of the mineral over a period of nearly two decades from 1993 came to light during the tenure of the second Congress-led United Progressive Alliance government.

In August 2012, the Comptroller and Auditor General of India sharply indicted the Union government for the arbitrary and non-transparent manner in which coal blocks were allotted to private and public companies. In September 2014, the Supreme Court ordered the cancellation of 214 coal blocks out of the 218 that had been allotted.

Many have argued that this scandal for which former Prime Minister Manmohan Singh was sought to be held at least partly

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responsible, contributed to the downfall of the government he headed for 10 years till May 2014.

In 2015, the Bharatiya Janata Party-led National Democratic Alliance government passed two key pieces of legislation – the Coal Mines (Special Provision) Act and an amendment to the Mines and Minerals (Development and Regulation) Act. The first stipulated that the coal blocks, whose allotments had been cancelled, would now be re-allotted to private and public sector companies either through auctions or allotted directly to public sector companies. But the new rules had gaping loopholes.

The Supreme Court judgment had nullified all joint venture agreements between public-sector undertakings or PSUs set up by state governments and private companies. While all the state PSUs cancelled their joint venture agreements, one company, Parsa Kanta Collieries Limited (PKCL), has continued to function in violation of the apex court's verdict. This company was formed in 2007 as a joint venture between Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL), the power generation company set up by the Rajasthan government and Adani Enterprises Limited (AEL) headed by Gautam Adani.

Companies in the Adani group also figure in the allegations made by the Directorate of Revenue Intelligence against 40 of the country's biggest energy companies in both the public sector and the private sector, alleging tax evasion of ₹29,000 crore since 2014 by over-invoicing imports of coal (mainly from Indonesia).

Speaking to *NewsClick*, Partha S Bhattacharyya, former Chairman and Managing Director of CIL, supported the government's decision. He described it as an "enabling provision for international coal mining companies to enter India." The change in policy was the first step, he said, pointing out that "now the Ministry of Coal will have to devise policies for allocation of coal blocks via auction, create a single-window clearance policy for environment and forest clearances, land allocation and so on and also set allocation, auction and pricing policies."

Bhattacharyya added that international coal mining companies would only be willing to enter India if the investment conditions are attractive, and that they are not likely to be interested in bidding to mine coal under contract.

However, there is another view that with the change in the FDI policy announced on August 28, international companies may not be averse to becoming mine development operators (MDOs).

The extant FDI policy provides for 100% foreign direct investment under the automatic route in the manufacturing sector. There is no specific provision for contract manufacturing in the policy. In order to provide clarity on contract manufacturing, the government has now decided that it would allow 100% FDI under the automatic route in contract manufacturing in India as well.

The government's press note states: "Subject to the provisions of the FDI policy, foreign investment in (the) 'manufacturing' sector is under (the) automatic route. Manufacturing activities may be conducted either by the investee entity or through contract manufacturing in India under a legally tenable contract, whether on principal-to-principal or principal-to-agent basis."

It is not clear whether the new FDI policy will apply to contract mining as well.

Speaking to the *Economic Times*, Kameswara Rao of PriceWaterhouseCoopers India, said that power companies would benefit from the decision "as they can now attract larger global operators with lower cost of capital to undertake end-to-end coal mining of their allocated blocks to reduce the fuel costs."

Some major international companies and groups that may be interested in coal mining in India include BHP (formerly known as Broken Hill Proprietary), Rio Tinto, Peabody, Anglo American plc, Glencore and Xstrata.

Bhattacharyya said that CIL accounts for roughly 83% of total coal that is produced in India, and 67-68% of the coal that is consumed in the country – the rest being imported.

A total of 965 million tonnes of coal was consumed in India in 2018-19, of which 730 million tonnes was domestically mined, with CIL accounting for 607 million tonnes.

Of the remaining 235 million tonnes, 110 million tonnes had to be imported, argues Bhattacharyya, as India does not possess high quality coking coal (or metallurgical coal) used in steel plants and certain thermal power plants located near the coast – including the ones in Mundra, Gujarat, owned by the Adani, Tata and Essar groups – were built on the assumption that these would only use superior quality imported coal.

The remaining 125 million tonnes, Bhattacharyya argues, was "unnecessarily" imported by India at a cost that was 25-30% higher than what the prices would have been if domestic coal had been used. "The country could save $8-9 billion if imports are curtailed," he said.

He added that although CIL performed very well in 2018-19 by adding 40 million tonnes of incremental output, the company was "over-stretched" and could not be expected to expand coal mining capacity to the extent required. Hence, Bhattacharya contends that it is necessary for the government to allow the entry of foreign investors.

Opposing the government decision and demanding that it be reversed, the Communist Party of India (Marxist) issued the following statement:

"The Polit Bureau of the CPI(M) strongly opposes the decision of the Union Cabinet to allow 100 per cent FDI in coal mining for all commercial purposes along with 100 per cent FDI in contract manufacturing. This reckless measure will enable foreign companies to plunder the mineral resources of our country.

"This decision will also have a harmful effect on Coal India Ltd.

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which is the premier national coal miner. The Modi government is bent upon weakening the public sector coal company. It had already opened coal mining to Indian private entities during its last tenure. The BJP government is surrendering national control over the mineral resources which is highly detrimental to the country's interests."

Meanwhile, a source familiar with the government's investigation into the alleged over-invoicing of imported coal by Indian companies, speaking on condition of anonymity to NewsClick, apprehended that "there is a possibility that money obtained through over-invoicing and parked abroad in tax havens, may be routed back into India in the form of FDI into coal mining operations."

AUCTIONS CAN'T GET NEW MINES RUNNING, NO LEASE INKED FOR GREEN-FIELD ASSETS

Before the auction regime, 2,754 mining leases were executed during 2006-10 and 494 were executed between 2010 and 2014, most of which were greenfield

he process of mineral auctions has crippled the pace of development of greenfield mines in the country. Since the enactment of the amended Mines and Minerals- Development & Regulation (MMDR) Act, 2015, and the subsequent framing of Mineral Auction Rules, mining lease is yet to be executed even for a single greenfield mineral block.

Data from the Union mines ministry shows 68 mineral blocks have been actually auctioned. Of this eight were offered as composite licenses- prospecting licenses (PL) cum mining lease (ML) and the rest 60 being ML. Out of the 60 MLs, 42 are greenfield mines, 14 Category C mines auctioned by Karnataka and the balance four being mining leases lapsing by March 31, 2020.

Though four MLs have been executed in respect of the Category C mines in Karnataka, not a single ML has been entered into for a virgin mine.

Even after three to four years of auction, all the greenfield projects are far from being operational. None of these has been able to reach mine development stage and are languishing for want of various clearances. Of the 14 auctioned 'C' category mines in Karnataka, despite being previously operational and possessing valid environment clearance (EC) and forest clearance (FC) , only four have been able to operate and remaining 10 are yet to receive all permissions or approvals to start mining. Only one PL-cum-ML has been granted so far under the auction regime in last four years.

"Clearly, auction has failed to bring mines into operation and thus create the much needed domino effect in the economy. Most adversely, auction has resulted in negative NPV (Net Present Value) for many potentially viable mineral deposits and has put these out of the list of prospects. Since many of these deposits will not be developed, it means less employment opportunities, lower production and hence lower revenues than what could have otherwise been accrued to states as mineral royalty", said R K Sharma, secretary general of Federation of Indian Mineral Industries (Fimi).

He opined that auctions have been a total failure in execution and operationalization of mines in the country, bringing job creation in mining sector to a halt.

Before the introduction of the auction regime, 2,754 mining leases were executed during 2006-10 and 494 mining leases were executed between 2010 and 2014, most of which were greenfield, data from the Indian Bureau of Mines (IBM) illustrated. After the auction regime, only four brownfield mining leases have been executed, having pre-existing EC and FC. In the auction regime, not even a single mining lease has been executed in case of green field auction blocks.

The experience in case of exploration- Reconnaissance Permit (RP) and PL under auction regime has been very discouraging- only 1 PL- cum- ML has been granted so far under the auction regime in last four years. On the contrary, 123 RPs and 688 PLs were granted prior to the auction regime during 2006-14.

HIGHER IRON ORE IMPORTS BY INDIA LOOM AS MINING LEASES EXPIRE

India is set to auction 48 mining leases of independent miners before March 31

The Federation of Indian Mineral Industries (FIMI) stated that the delays in auctions of mining leases that are due to expire in March are threatening to disrupt India's iron ore production and are raising the prospect of higher imports.

"We see a bleak scenario as of now for the next year for the mining industry and employment in the sector. If we cannot produce, then we will import," RK Sharma, Secretary General of FIMI.

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The industry group isn't alone in its prognosis. Citigroup Inc, last month, forecast the country could become a net importer of 25 million to 30 million tons as the expiry of mining leases threatens to disrupt nearly a quarter of India's output. That would be the most in records going back to 2009.

In 2015, India embraced competitive auctions as the best long-term approach to clamp down on corruption after scandals over allotments of mines. The slow pace of auctions could push the domestic iron ore market to a deficit from a surplus, and lead to a disruption of as much as 55 million tons of production capacity in the next fiscal year, ICRA Ltd said.

Under the new policy, India is set to auction 48 mining leases of independent miners before March 31, according to the mining federation. The new mining leases will be effective for 50 years.

Market distortions

The auctions have been a total failure and even after three to four years, many projects are far from being operational, Sharma said. He added that about 2,60,000 people may lose their jobs if the mines up for auctions by next year stop production.

"With the kind of taxes we have on mining and the cost of auctions, it will distort the market. That is likely to push steel mills to evaluate whether importing the material would be a cheaper alternative to local purchases," he said.

India was last a net importer of the raw material in 2015 when the country shipped in 10.6 million tons of the mineral compared with 4.3 million tons of exports, according to trade ministry data. Last year, it exported 18.3 million tons and imported 15.89 million tons.

Sources said that the Government is taking steps to avert supply disruptions. The mines department is in talks with the federal environment ministry to allow winning bidders of mines whose leases expire by March 2020 to start operations without delay if the mine has valid environmental and forest approvals.

Last month, it allowed state-run Steel Authority of India Ltd (SAIL) to sell 25 per cent of its annual production in the local markets to boost supplies.

This year, everybody is trying to extract as much they can, because they don't know what will happen after March 31, Sharma said.

ONE OF INDIA'S LARGEST COAL MINES IS FLOODED, SPELLING MORE BAD NEWS FOR DOMESTIC OUTPUT

An unusually rainy stretch towards the end of India's monsoon season this year has halted production at a major coal mine, worsening the shortfall in the production of the fossil fuel in the country.

On Sept. 29, the Lilagar river in the central state of Chhattisgarh abruptly changed its course, flooding the Dipka coal mine in Korba district.

Chhattisgarh produced the highest quantity of coal in the country in financial year 2018-19. In the past seven days alone, rainfall in the state has been 261% more than its average for this time period over the last 50 years.

All workers at the Dipka mine have been rescued, but some heavy machinery has been damaged.

Coal India, the state-owned monopoly miner which owns the Dipka mine, supplies over 80% of India's domestic coal. Dipka alone has an annual output of more than 30 million tonnes, almost 5% of the firm's total production. A Coal India executive told Reuters on the condition of anonymity that production at the mine will be halted for a month due to the flooding.

Coal from Dipka would have been supplied to the Sipat power plant, which is owned by the state-owned generator NTPC and has a capacity of 2.98GW. Power from here is transmitted to the states of Chhattisgarh, Maharashtra, Gujarat, and Goa.

Amid an ongoing supply shortage from Coal India, coal stock at the plant is already down to zero, though the Central Electricity Authority guidelines require such plants that are located close to the mines to maintain enough reserve quantity of coal so that they can keep running for at least seven days.

Falling production

This year has been the first in nearly a century when India's overall monsoon rainfall has exceeded its average levels despite a scanty start to the season in June. Multiple climate change studies forecast that the monsoon will become less plentiful in future, but they also suggest a rise in extreme weather events such as floods over central India.

Coal generates nearly 75% of India's electricity. Prime minister Narendra Modi's government is trying to ramp up domestic production amid a rise in coal imports which are affecting the country's trade deficit. But till September, Coal India's output

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GEMCO KATI

had already fallen by 6% compared to the same period in the last financial year. Apart from rains, production also took a hit due to a strike by coal unions on Sept. 24, who are protesting a new policy.

The government has announced that it will begin allowing private and foreign firms to mine coal for sale in India, ending Coal India's monopoly in the commercial coal mining industry. The unions have decried this as a threat to workers' job security. Conglomerates like Adani and Vedanta, which already have mining interests, are expected to enter the market, but the response from international giants such as Glencore and BHP will likely be muted.

For now, though, Coal India continues to be responsible for the lion's share of the country's supply. The miner now seems unlikely to meet this financial year's production target of 660 million tonnes, already scaled down from a proposed goal of 1 billion tonnes.

OPENING UP OF COMMERCIAL COAL MINING TO 100% FDI UNLIKELY TO BOOST SECTOR

The central government's decision to allow up to 100 per cent foreign direct investment for any commercial coal mining project does not mean a ready flow of such money, says a study.

As global capital flees thermal coal, the time is not congenial to attract foreign investment. Leading global investors are moving towards renewable energy (RE), says the Delhi-based Centre for Financial Accountability.

Their study analysed 54 energy projects in 2018 and says 80 per cent of the total credit of Rs 30,534 crore was parked in RE ones. Only the remaining 20 per cent went to coal-based generation projects. More, primary finance to the latter fell by 93 per cent in value terms compared with 2017.

In 2018, most of the credit for coal-fired generation projects was made available by government-owned bodies or where the government had majority stake. By contrast, 75 per cent of the finance for RE projects came from private banks.

The global trend is similar. Over 100 globally significant financial institutions have divested from thermal coal. The figure includes 40 per cent of the top 40 global banks and 20 leading global insurers.

"In this context, it could be challenging to attract foreign investment to a declining sector, when India's economic growth is (also) slowing and global investors are shying away from the dirtiest fossil fuel," said Vibhuti Garg, energy economist with the US-based Institute for Energy Economics & Financial Analysis.

Adding: "The government should channel its resources to a greater offtake of RE. This would require grid strengthening, imp-roved inter-state transmission capacity and, ideally, a stronger price signal to incentivise peaking power supply to reward fast ramping and on-demand peak supply."

The country's power sector is grappling with issues across the value chain. The thermal generation sector was exposed to a colossal non-performing asset burden of $144 billion (as of the end of the 2017-18), a deficient transmission network leading to grid congestion and curtailment, and a rising debt pile. Resulting in deteriorating financial health of distribution companies (discoms).

At thermal power plants, average capacity utilisation has stayed below 60 per cent for over two years. Some of the stressed coal-based units are highly leveraged as well, making debt servicing difficult. More, late payments by loss-accumulating discoms and renegotiation of rates over power purchase agreements have added to the problems for thermal power producers.

INDIA MANDATES EXTENSION TO MINING LEASES TO SECURE IRON ORE SUPPLY

India has made it mandatory for mining leases granted to state-run companies to be renewed for up to 20 years, the steel ministry said Tuesday, thereby ensuring iron ore production will be secure as several leases were due to expire in March 2020.

The ministry of mines has amended legislation to allow the leases to be extended before they are due to expire, "ensuring raw material security and seamless renewal of mining leases allocated to the government companies," the steel ministry said. Under "Minerals (Mining) by Government Companies) Rules, 2015", the mines ministry said it substituted "may, for reasons to be recorded" with "shall, for reasons to be recorded."

The lease extension will be granted after an application has been made by the state-run company at least 12 months before the lease is due to expire.

However, the amendment does not apply to private sector companies seeking to extend mining leases due to expire in March 2020. There are at least 31 iron ore mining leases due to run out on March 13, 2020. The upcoming expiry has caused market concerns about "probable disruptions," the ministry said.

"This will also ensure price stabilization of raw materials and will have

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positive effect on the secondary steel industry," said Shri Dharmendra Pradhan, minister of petroleum and natural gas and steel.

The lease amendment comes after state-run SAIL was allowed in September, to sell 25% of its annual total iron ore production, which includes about 70 million mt in iron ore fines.

Previously, SAIL could not sell its iron ore fines in the open market or export them as it obtained its iron ore from captive mines.

PLANS TO BOOST MINERAL OUTPUT BY 200 PC IN 7 YRS: PRALHAD JOSHI

Aiming to boost India's mineral output by 200 per cent in the next seven years, Union Minister Pralhad Joshi on Thursday said about Rs 1,500 crore lying in exploration trust, could be used for accelerating this work.

He said the mining industry is undergoing reforms through transformative investor friendly interventions like the Mines and Minerals (Development and Regulation) Amendment Act 2015, that introduced transparent and competitive auction process for grant of mineral concessions besides setting up of National Mineral Exploration Trust (NMET) to accelerate mineral exploration activity.

"More than Rs 1,500 crore has been accumulated in the NMET fund during last three years. And as far as the information I have, today out of that ...around Rs 200 crores have been spent...For exploration activities there is a fund to invest," he said urging geoscientists to come forward.

Mines and Coal Minister Joshi urged the geo-scientists to come forward to unearth deep-seated minerals as demands on mineral resources in the country are at an all-time high.

"Mining sector has a pivotal role to play in the 'Make in India' vision of the Prime Minister. Growth of economy is dependent on uninterrupted supply of minerals, which form the basic raw materials for industry... The Government aims to increase mineral production (in value terms) by 200 per cent in 7 years," the Minister said during National Geoscience Award 2018.

He said to boost mining, National Mineral Policy 2019 has been unveiled that proposes to attract private investment through various incentives like financial package, right of first refusal at the time of auction etc.

The Minister said that since the search for the near surface deposits have reached a point of saturation, the country now faces the challenge of finding deep seated and concealed mineral resources by applying state-of-the-art technologies.

He said apart from the District Mineral Foundation (DMF), to work for the interest and benefit of people and areas affected by mining related operations, the government has also set up the Pradhan Mantri Khanij Kshetra Kalyan Yojna (PMKKY) to ensure long-term sustainable livelihoods for the affected people in mining areas.

He said the Geological Survey of India has almost doubled its exploration activity by implementing about 400 mineral exploration projects on various mineral commodities.

Mines Secretary Anil Mukim, Secretary, Ministry of Earth Sciences M Rajeevan, Economic Advisor, Mines Alok Chandra and Director General, GSI, Suresh N Meshram were also present on the occasion.

GOVT AMENDS MMRD ACT, NMDC TO REGAIN IRON ORE MINE IN DONIMALAI

NMDC has been the leaseholder for Donimalai iron ore mine since 1968

In a major relief to National Mineral Development Corporation, the Central Government has amended the Mineral (Mining by Government Company) Rules, 2015, and made renewal of mining leases of public sector companies mandatory without going through the auction process.

The amendment effected through a notification said the State Government, upon receiving an application for the renewal of a mining lease by a government company shall for reasons to be recorded in writing, extend the period of mining lease for further period up to 20 years at a time.

As per the old norms, the word "may" was used in placed of "shall" giving scope for various interpretations by the state governments. The new amendment paves way for renewal of NMDC's iron ore mining lease at Donimalai in Bellari district of Karnataka. NMDC suspended operations at the mine after its lease expired in November 2018.

NMDC has been the leaseholder for Donimalai iron ore mine since 1968. Last November, the Karnataka government issued a letter for extension of the lease for 20 years on a condition that the state-owned company should pay a premium of 80 per cent on the sale value of the mineral, as determined by the Indian

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Bureau of Mines.

NMDC challenged the premium demand in the Karnataka High Court through a writ petition. In July, the High Court set aside the condition for premium.

Subsequently, in August the Karnataka government withdrew the approval for extension of the lease and decided to auction the iron ore mine as per the Mines and Mineral Regulation (Development) Act.

NMDC moved the Revisionary Authority in the Union Ministry of Mines, which agreed to hear the case if Karnataka government withdraws the plan to auction the mine and stayed further proceedings in the case.

Ending the stalemate, the Centre on September 27 amended the MMRD Act and ensured that NMDC lease is renewed.

With several mine leases owned by NMDC and MOIL mines coming up for renewal over the next two years, the Central government has passed a clear message to state governments and ensured that renewal of mine leases owned by government companies in the future are not jeopardised.

GOVT TO AUCTION 7 MINERAL BLOCKS FROM OCTOBER 22 - NOVEMBER 1

Of the seven mines to go under the hammer, four are limestone blocks, two are chromite ore mines and one is graphite block, according to mines ministry data.

The government will auction seven mineral blocks having reserves of 148.011 million tonnes (MT) in Odisha from October 22 to November 1.

Of the seven mines to go under the hammer, four are limestone blocks, two are chromite ore mines and one is graphite block, according to mines ministry data.

Last month, mining minister Pralhad Joshi said the government will not go back to the first-come, first-served system for granting leases as auction regime was the law of the land.

The statement came in the wake of mining body Federation of Indian Mineral Industries (FIMI) pitching for implementation of the original system.

Echoing similar views, mines secretary Anil Mukim said auction was a very transparent process and state governments were fully geared to carry forward this process.

More than 65 mines were auctioned and nine mines were operationalised, he added.

Last month, FIMI had said that in view of the dampening results of auctioning of mineral blocks so far, the private sector should be the main source of investment in reconnaissance, exploration and mining by following the system of first-come, first-served for granting mineral concessions.

FOREIGN INVESTMENT IN COAL MINING

The policy reform by the government now allows 100% foreign direct investment (FDI) under the automatic route for the sale of coal and for coal mining activities, including associated processing infrastructure subject to provisions of the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957, amended over time. Under the earlier policy, this was allowed only for captive consumption. Specifically, 100% FDI via the automatic route was allowed in coal and lignite mining for captive consumption by power, steel and cement units. Further, 100% FDI was allowed via the automatic route for the setting up of coal washeries. However, firms could sell washed coal only to those units that supply raw coal for processing and not in the open market. The changed policy regime, thus, allows foreign companies to extract coal for commercial purposes for sale in the open market and in "associated infrastructure" that include washeries, crushing, coal handling and separation.

The new policy regime governing the coal mining industry is of considerable significance due to several reasons. First, India has one of the largest reserves of coal, amounting to 286 billion tonnes. Coal mining in India, the third largest in the world, is an important industry that supplies the largest commercial source of primary energy. Coal, being a vital raw material, is mainly used by the power plants, and metallurgical and cement industries. Therefore, the industry plays a key role in the growth of the economy in general.

Second, India has been importing coal to meet its growing energy requirements, as domestic production by Coal India Ltd (CIL) has been unable to keep up with the demand for coal and also meet its production targets. Owing to insufficient supplies of coal, power plants had been operating below their installed capacity, necessitating imports to meet demand. But, imports of coal also had been made at a cost higher than the prices of domestic coal. In 2018–19, India imported 235 million tonnes of coal. It also spent about $8 billion on importing 125 million tonnes of coal for non-coastal thermal plants. The rising imports and higher prices in turn have had an adverse impact on the current account deficit. With the implementation of the liberalised policy enabling the entry of foreign coal mining companies, it is expected that domestic production would be augmented. It is also presumed to bring into India newer and efficient exploration technologies and methods for mining coal, especially high-end technology for underground mining used by global miners, which would also help in lowering costs.

Third, the policy would also enable the opening up of the industry to competition, which until now had been the monopoly of CIL, a public sector company. Only CIL could mine and sell coal in the country. Later, along with CIL, private and public sector companies with captive mines were allowed to mine and sell 25% of the coal in the open market. CIL, with a 70.96% government stake, produced over 83% of the coal in India in 2018–19,

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of which 81% catered to the needs of the power sector alone. To remain competitive, CIL, which is beset with the problems of low productivity, would therefore need to bring down its escalating operating costs.

Fourth, the new coal mining policy would also push forward the implementation of related policies such as those for auction and allocation of coal blocks, environment and forest clearances, land allocation, and so on. This is because the changed FDI norms alone may not meet the desired objectives of the policy. The entry of new companies would necessitate fast-tracking of approval processes in a time-bound manner to reduce uncertainties regarding regulations and clearances in order to avoid risks to production. This is because foreign firms usually avoid sectors in which the regulatory risks tend to be high, especially with regard to natural resources. These include risks involved in land acquisitions and other permits, which may prevent the entry of foreign firms.

Private investments in captive coal mines have been minimal due to risks to production. Entrants to the industry would have to acquire and develop new coal mines. This would lead to the need for a certain gestation period before the commencement of commercial operations that would also require large financial outlays. Additionally, bidding and environmental clearances, inadequate infrastructure, and issues regarding land availability would take time before 100% FDI in mining by new firms commences. Constraints on profitability could also discourage new entrants and investments.

However, from the perspective of sustainable development of natural resources there is a risk of creating imbalance in the environment and ecology that would be caused due to indiscriminate mining. Would the Scheduled Tribes and Other -Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, which provides community rights over forest resources and other rules, be violated by states competing for foreign -investments, further displacing and adversely affecting Adivasis and indigenous communities' livelihoods? Would the pursuit of foreign investments lead to a "race to the bottom"? To -assuage such apprehensions and to further the larger objective of sustainable development, regulations and safeguards need to be strictly imposed on the mining firms so that they abide by environmental laws and regulations as well as health and safety norms for workers in mines.

FDI IN COAL: LOOK WHO'S COMING TO THE PARTY

Some of the world's most ruthless companies may enter India to gobble up its priceless mineral resources.

With the Narendra Modi government announcing that 100% foreign direct investment (FDI) will be allowed into the country's coal mining sector, it is very likely that world's biggest mining conglomerates will eagerly step in. India has an estimated 319 billion tonnes of cumulative coal reserves, mainly in Jharkhand, West Bengal, Chhattisgarh, Odisha and Madhya Pradesh, with more in Telangana, Andhra Pradesh, Maharashtra, and smaller deposits in several other states, including the North-East.

At present, about 92% of the mining is done by the public sector behemoth Coal India Limited (CIL) and the smaller public sector undertaking, Singareni Collieries Company Limited (SCCL). In 2018-19, India produced about 730.54 million tonnes (MT), according to provisional figures of the coal ministry, of which 606.89 MT was produced by CIL and about 64.4 MT by SCCL.

On the face of it, there appears to be no need for the government to invite foreign companies to exploit India's coal deposits. The public sector undertakings are doing well, their production is growing, they have paid almost Rs.1.27 lakh crore as dividends and reserves to the government in the past decade, in addition to various taxes and royalties amounting to Rs.44,000 crore last year. They are also a source of huge employment, with some five lakh employees working in CIL itself, although just about 2.7 lakh of them are regular employees (the rest are on various types of contract or casual workers). In fact, CIL is counted amongst the world's top 10 coal mining companies.

So, it seems strange that foreign capital – that means, foreign companies – are being invited to a invest in Indian coal mines. Why this is so has been written about earlier in Newsclick, but here, let's take a look at who all are likely to join this party.

Financials of Top 40 Global Mining Companies (USD billion)

	2019 Est.	2018	2017
Revenue	686	683	632
Profit Before Tax	109	93	95
Tax	33	27	30
Net Profit	76	66	65

Source: Mine 2019, PwC

The Big Mining Companies

According to a recently published report of the global auditing company PricewaterhouseCoopers (PwC), the revenue of the world's top 40 mining companies was a staggering $683 billion in 2018 and was likely to increase to $686 billion in 2019. Their combined profit before tax was $93 billion in 2018 and was likely to increase to $109 billion in the current year. That's a jump of nearly 13%! Their net profit (after taxes and all other deductions) was $66 billion in 2018, likely to increase to $76 billion in 2019 – an increase of a phenomenal 15%.

These mining conglomerates are part of the larger set of major transnational companies (TNCs) that are today dominating the

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world's economy. As a Tufts University/UNCTAD study of 2015 showed, the top 2,000 TNCs held assets that were 229% of world GDP, while their net sales made up nearly half (48.8%) of world GDP (gross domestic product) . The mining companies – or more properly, the extractive industries' companies – made up about 5.5% of these 2,000 top TNCs. The study revealed that profits of extractive TNCs rose from 9.3% in 1996 to 13.3% in 2015.

What about coal mining specifically? As the table below, drawn from Statista, shows, five of the top 10 coal mining giants in the world are Chinese and one is Indian – Coal India. The Modi government is unlikely to invite the Chinese to exploit Indian coal. So, the potential candidates are the top three, or number five.

Note that Coal India is already among the top 10, yet the balance is being shifted elsewhere – out of India, towards one of the British or Australian companies.

How Do Mining TNCs Make Profit and Where Does It Go?

These giant companies are not coming to India to do charity work. They want to make profits -- more and more. Various studies, summarised here, have shown that these companies ensure large profits by

- Intentionally establishing operations in countries where it is possible to exploit low-wage workers.
- Investing in locations where it is possible to take advantage of regressive tax codes.
- Ensuring business-friendly production-sharing agreements with local governments.

Nate Singham, writing in Common Dreams (from where the above is drawn) quotes empirical studies done by the Tricontinental Institute of Social Research (TISR) in Zambia to show that Konkola Copper Mines (KCM) corporation, a subsidiary of Vedanta, gives an average monthly wage of $172 to local mine workers whereas the statutory monthly minimum wage in Zambia is $176.4. TISR reviewed wage agreements to supplement their empirical surveys and found that the owner of Vedanta, Anil Agarwal, earned 584 times of what the temporary contract worker was earning in copper mines.

The PwC report quoted above shows that the top 40 mining companies spent, on an average, just 22% of the value generated by their mining business went to their employees while 25% went to shareholders. This shows that the mining operations of these TNCs are highly exploitative of labour. It is this key factor that will draw Big Coal to India because wages here are quite low, especially among contract workers.

Top 10 Coal Mining Companies by revenue (USD billion)

Glencore, UK	220.1
BHP, Aus/UK	43.58
Rio Tinto, Aus/UK	40.74
China Shenhua	37.59
Anglo American, UK	27.65
Zijin Mining, China	16.34
China Coal Energy	15.72
Coal India	14.47
Yanzhou Coal, China	9.8
Shaanxi Coal, China	8.6

Source: Statista

The tax part is also important. The PwC report shows that the top 40 mining companies paid $27 billion as taxes of all kinds in 2018 over revenues of $683 billion. That's an effective tax rate of just 3.95%! With these kind of tax rates, it is small wonder that the mining companies are raking in profits with both hands.

It might be argued that India will not have such low tax rates as prevalent in very poor and weak African countries. That is possible, but here we need to note the immense power these TNCs wield over the political rulers of the countries they operate in. Once they get their teeth into mining operations in a country – as Modi is inviting them to do in India – the full force of their deep pockets, their political clout with governments in the UK, the US or Australia, their connections with multilateral finance agencies, such as the International Monetary Fund and World Bank, and with financial institutions, like banks, will become increasingly evident in India too. They will ensure that by hook or by crook, their profit margins are not affected by anything, especially taxation.

So, as New India gets ready to welcome these ruthless giants to start operating fully in the country's natural resources sector, dark clouds are amassing for lakhs of workers who will see retrenchments, changes in service conditions and curtailment of benefits. More than that, the country will be sucked dry by these companies. Keeping this in mind, the five lakh coal workers who are going on a protest strike on September 24 against this disastrous decision, deserve a salute – they are not just fighting for themselves; they are fighting for the country's sovereignty.

NEW BOOSTER PACKAGE ON ANVIL TO LIFT MINING SECTOR IN INDIA

The government is planning another booster policy dose to attract investments in the mining sector, according to official sources here.

Mining has been identified as a critical activity that needs a big push to help other capital intensive and employment generating industries. The sector is in thye grip of a slowdown that has seen

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declining investment and production.

The informed sources said that the mining package would revolve around allowing existing operations to flourish while giving sops to boost new operations.

According to officials, the concept of captive mines would be diluted to allow all mines to use the mineral resources either for captive consumption of end-use plants or sold for commercial purposes. This would be a major reform that would allow companies such as Tatas, Vedanta and JSW to commercially sell out from their captive iron ore mines for higher gains.

Already, state-owned SAIL has been permitted to commercially sell iron ore from its captive mines.

A high level committee headed by the NITI Aayog Vice Chairman and having top representation from the Finance, Mines, Coal and Environment Ministries has suggested that all mines henceforth be auctioned for commercial production. For companies taking mines largely for captive use, 50 per cent of production from mines would be permitted to be sold in the open market.

The package would also include changes in law that would offer full mining leases to global companies which decide to take up the risk of finding new mineral resources in unprospected areas.

Currently, the initial exploration activity (reconnaissance permit) is given on non-exclusive basis, meaning an explorer may not automatically get the lease to mine the mineral. This would change under a new composite mineral mining licence where the explorer would automatically get to mine and reap benefit from its find.

Also, the investor would be free to sell his mining licence after one year of mining if 15 per cent of the agreed investment has already been spent.

In yet another relief for the mining sector, the government is set to make provisions in the mining legislations that would allow transfer of captive mining rights in favour of the purchaser of an end-use plant. This would be done by allowing transfer of existing non-captive mining leases (granted other than auction) in any merger and acquisition activity in the sector. Besides, transfer of lease of captive mines would also be allowed without payment of 80 per cent royalty.

Any extension of mining lease for captive mines will come along with extension of environment and forestry clearances, unless there are changes mining areas. A purchaser of a mine can also use the same clearances for a time period and plan on taking fresh clearances later.

Mining would also be given a level playing field and put an end to reservation of areas for government entities.

Moreover, areas that are yet to be developed by government companies, or where no activity has taken place for three years, can be put to auction for all interested entities in government and the private sector. A proposal is also being considered to allow private sector in beach sand mining.

The package could also deal with lowering of taxes on the mining sector. The effective tax rate in India is 64 per cent for existing mines, and 60 per cent for new mines granted through auction. This compares with as low as 31.3 per cent in Mongolia and highest at 45.5 per cent in Indonesia, as per a Federation of Indian Mineral Industry report.

A high level committee has recommended rationalisation of taxes for the sector that includes discontinuation of net present value (NPV) levy at exploration and prospecting stages, as there is hardly any damage to ecology or diversion of forest land. Also, the Centre would ask states to avoid levying additional financial burden on miners.

The issue of higher bidding has been addressed by the decision on a stage-by-stage bidding process involving revenue sharing and production profile.

There is also a plan to put a mining regulator at the Central and state levels to regulate mining activity and prevent illegal mining from flourishing. Though the contours of the mining regulator would be finalised later, it is expected to be a two-tier structure with the National Mineral Regulatory Authority at the Centre and state mining regulatory authority to cover minor minerals at the state level.

GREEN ACTIVISM AFFECTS INVESTING IN COAL MINING’

Despite having one of the largest reserves in the world, India imported 235 million tonnes of coal in 2018-19. This gap can be filled by foreign investors.

Rising “green activism” has led to disinclination among investors to invest in coal mining and it is unlikely that the country’s move to open 100% foreign direct investment (FDI) will be successful in attracting investors in the current scenario, coal experts have said.

According to coal experts, opening up of the mining sector for private players by introducing 100% FDI is indeed a first good step, but many more steps are needed to attract investors. Despite having among the largest reserves in the world, India imported 235 million tonnes (MT) of coal in 2018-19. This gap can be filled by bringing in foreign investors.

Abhijeet Banerjee, a scientist at the Central Institute of Mining and Fuel Research (CIMFR), told The Sunday Guardian: “From Chhattisgarh’s Mand Raigarh coalfields that hold 3.675 billion tonnes of coal, to Meghalaya, the green protest and a confused green policy has led to the failure of the coal mining policy. The negative environment is such that till now, no investor has shown any interest in putting in money in coal mining.”

“We need to understand that coal is a source of energy and it lights up houses and factories and for that mining is necessary. If

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we don't exploit our coal fields, they will go waste after certain years and we will end up spending money on imports. So being conscious about climate change is good for the health of the country, but for the economic health of the country, the government in place must clearly make a policy regarding their environment commitment," Banerjee said.

"The investor needs surety that the money they are going to put into a business will not go waste. Look what happened in Chhattisgarh, coal mining was shut for more than 30 days due to the green protest. The protesters had halted production at South Eastern Coalfields Limited (SECL)—the second highest-producing subsidiary of public sector giant Coal India Limited (CIL)—as well as at previous mine owners Jindal Steel and Power Limited (JSPL). This kind of situation discourages investors," Banerjee, who was also associated with the CIL, said.

Terming the 100% FDI move in coal a delayed step, Gautam Singh, a former scientist of CIL, said: "The 100% FDI in the mining sector is a delayed decision, but even now, the government should ensure a single-window clearance and speedy approvals of environment clearances, mining leases and land acquisition. If the government fails in ensuring these steps, the decision of opening up to FDI will not benefit the sector."

"The country's demand of coal is still high. The supply and production gap is being filled by imported coal and that is hurting the economy. Imports of coal also had been made at a cost higher than the prices of domestic coal. Also, the insufficient supply of coal has led to lower production in power plants against their installed capacity. In my view, FDI would enable competition in the coal sector which until now had been under the monopoly of CIL, a public sector company," Singh said.

In 2018-19, India imported 235 million tonnes of coal. It also spent about $8 billion on importing 125 million tonnes of coal for non-coastal thermal plants.

The policy reform by the government now allows 100% FDI under the automatic route for the sale of coal and for coal mining activities, including associated processing infrastructure, subject to provisions of the Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957, amended over time.

Earlier, 100% FDI via the automatic route was allowed in coal and lignite mining for captive consumption by power, steel and cement units only. Also, 100% FDI was allowed via the automatic route for the setting up of coal washeries. However, firms could sell washed coal only to those units that supply raw coal for processing and not in the open market.

RINL MANAGEMENT DENIES DIFFERENCES WITH NMDC

Rashtriya Ispat Nigam Limited (RINL), the corporate entity of Visakhapatnam Steel Plant, on Monday refuted the allegations made by CPI State assistant secretary on difference of opinion between the managements of the company and National Mineral Development Corporation (NMDC).

In response to the allegations, the RINL management said,"the allegations are baseless. The RINL and NMDC have been maintaining an excellent relationship with regard to supply of iron ore."

The management stated that it had signed a long-term agreement with the NMDC for supply of iron ore. However the supply from the NMDC mines in Chhattisgarh got disrupted during the breakdown of the KK line owing to rain and it had an impact on the production.

During emergencies, RINL ties up with alternative sources such as NMDC mines in Karnataka, OMC mines in Odisha. It has plans to source iron ore during exigencies from the SAIL, considering the preliminary sanctions given to them recently," a release said.

To meet the exigencies, the RINL has also started using the 'slime' material procured from the NMDC by blending with iron ore fines, the release added.