

## **Rolling Auction of Coal Reserves**

### **Why in news?**

Recently the Coal Ministry has said that it proposes to adopt rolling auction mechanism for conducting future sales of Coal resources.

### **Why was new mechanism adopted?**

- In 2014, Supreme Court declared all allocations of the coal blocks through the Screening Committee and through Government dispensation route since 1993 as illegal.
- It also cancelled the allocation of 204 coal blocks out of the 218 coal blocks.
- In order to manage and reallocate the cancelled coal blocks, the government promulgated Coal Mines (Special Provisions) Ordinance, 2014.
- This ensures smooth transfer of rights, title and interest in the mines along with land and other associated mining infrastructure to the new allottees.
- The new allottees are selected either through an auction or through allotment to Government Company.

### **What is rolling auction of coals?**

- In a rolling auction, a pool of coal blocks will always remain available for bidding.
- Hence the investors will have the option to select the mines to be included in the next tranche of auction.
- The unsold blocks will be available for sale from the open pool in subsequent rounds of auction.
- This will increase investor's interest and gives them the option to select the blocks to be auctioned that best suits their needs.
- Moreover coal is the first mineral resource where the rolling auction mechanism is being implemented.

### **What are the benefits of this new mechanism?**

- This will bring in predictability in the process and help bidders to plan and eliminate the need of bidding aggressively.
- It will open the coal economy to its full potential-despite India having the world's 4<sup>th</sup> largest coal reserves, it has imported 247.1 million tonnes (mt) of coal in 2019-20.

- This can save \$15-20 billion in annual foreign exchange and commercial coal mining has the potential to create large-scale jobs.
- This auction-based regime will ensure greater transparency in the allocation of resources and helps in better price discovery.
- But states play a key role in the process of land acquisition, R&R (rehabilitation and resettlement), granting of statutory clearances, and signing of mining lease.
- So any delay by the respective governments to award clearances can lead to cost and time slippages in commissioning the mines.

### **What will be the mode of auction?**

- The auction of coal block is decided to be carried out through the e-auction mode.
- The allotment of blocks to private and public sector companies and earmarking the blocks to eligible sectors will be made according to the contemporary requirement of the sector.
- Moreover the second tranche of commercial coal mining will offer the highest number of mines after the commencement of auction regime since 2014.

**Source: Business Line**