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 allot tees.
- The new allot tees 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^{th} 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

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