

**GOVERNMENT OF INDIA
MINISTRY OF COAL
RAJYA SABHA
STARRED QUESTION NO. * 221
TO BE ANSWERED ON 16.12.2024**

Revision of coal royalty for Odisha

*** 221 Shri Subhasish Khuntia:**

Will the Minister of **Coal** be pleased to state:

- (a) whether Government is aware of the long-pending demand of Odisha for a revision of coal royalty;
- (b) if so, the reasons for rejecting the proposal for revision and the impact it will have on the State's revenue, particularly the loss of thousands of crores annually; and
- (c) whether Government has any plan to address this issue in the future and provide a fair compensation mechanism for Odisha, which contributes significantly to the country's coal production?

ANSWER

**MINISTER OF COAL AND MINES
(SHRI G. KISHAN REDDY)**

(a) to (c) :- A statement is laid on the table of the House.

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Statement referred to in reply to part (a) to (c) of Rajya Sabha Starred Question No. 221 for answer on 16.12.2024 asked by Shri Subhasish Khuntia:

(a) The issue raised by the State of Odisha for enhancing rate of royalty was discussed during the Eastern Zonal Council meeting held on 28.02.2020 and after deliberations, it was decided to drop the issue.

(b) The Study group constituted on 21.07.2014 for the purpose of examining the issue of revision of present royalty rates on coal and lignite, while recommending no change in the rate of royalty, had considered factors such as levy of District Mineral Foundation (DMF) @ 30% on royalty and National Mineral Exploration Trust (NMET) @ 2% of royalty, which makes the effective rate of @ 18.48%, i.e., approximately 19% $\{(14\% + 4.2 (30\% \text{ of } 14\%) + .28 (2\% \text{ of } 14\%))\}$. Further, the study group inferred from the comments of the stakeholders that the coal producing States had suggested to increase the rates of royalty from existing 14%, whereas the coal consuming stakeholders suggested to reduce the rate of royalty from 14% to roughly 5 - 6%. The Study Group recommended no increase in the rate of royalty and the recommendation was accepted by the Government.

As the present rate of royalty has been made completely ad-valorem, any increase in price of coal will increase royalty collection to States and any increase in the rate of royalty puts domestic coal in a disadvantageous position competitively vis-a-vis the imported coal.

(c) The existing royalty structure is already a very rational mechanism as the royalty levied is completely ad-valorem. This means any increase in the prices of coal will automatically increase the royalty collection of States. The price of the coal is revised by companies taking into account general rise in price of inputs and the ad-valorem structure of royalty thus provides a fair compensation to States including Odisha.
