

# Coalgate scam essay



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Colgate Scam is the recent coal scandal that happened in the country due to poor allocation of coal blocks. This scam is also called the “ Mother of all scams’. CAG report shows that private companies had gain around Rs 1. 86 lakh crore from coal blocks that were allocated to them on nomination basis instead of competitive bidding, which amounted to the loss to national exchequer. 194 coal blocks were not auctioned between 2004 and 2011 which causes these huge losses. The losses occurred in a way that the coal mined from the coal blocks given away for free could have been sold at a certain price in the market.

Since the government gave away the blocks for free, it lost that opportunity. The government gave away 6282. 5 million tonne of coal for free. It could have sold it at a price of Rs 295. 41 per tonne. One important thing to be noted that while calculating this loss he CAG does not take into account the blocks given away free to government companies. CAG feels that the loss could have been avoided or at least have been lower, as the procedure for auction of the precious natural resource could easily have been put in place in 2006.

The failure to do so means that 25 firms including Essar power, Hindalco, Tata steel, Tata power and Jindal steel and power received a windfall through coal blocks on nomination basis, instead of competitive bidding. There was no specific criterion for coal allocation in India till 1993. From 1993 onwards, the ministry of coal started awarding blocks to private parties for the captive mining on recommendations of the inter-Ministerial screenings committee or through direct allocation. Reason for allocating coal blocks for free

This was done to increase the total coal production in the country. The government-owned Coal India Ltd, which accounts for 80% of the total coal production in the country, hasn't been able to produce enough to meet the growing energy needs of the country. Between April 1, 2004 and March 31, 2012, the production of coal by Coal India has increased by just 65 million tonne to 436 million tonne. This means a growth of a mere 2.3% per year on an average. People involved behind the scam The PM also happened to be the coal minister between 2006 and 2009.

During this period, 134 coal blocks were given away for free. Estimates suggest that between 2006 and 2009, the coal blocks given away for free had geological reserves of around 40 billion tonne. India has around 286 billion tonne of geological reserves of coal. This means around 14% of total geological reserves of coal was given away free during the period Manmohan Singh was the coal minister. So directly or indirectly UPA government is responsible for this entire blunder. How's government reacting now

At the end of June 2012, coal ministry decided to form an Inter-Ministerial Group (IMG), to decide on either de-allocation or forfeiting the Bank Guarantees (BG) of the companies that did not develop allotted coal blocks. The government has accepted all the recommendations by Inter-Ministerial Group (IMG), which has decided to de-allocate 13 mines and deduction of bank guarantees of 14 allottees after scrutinizing 31 coal blocks allotted to private companies. So in nutshell the scam has a great impact on the economy.

The UPA government and Prime Minister Manmohan Singh are majorly involved behind the scam. However, they argue that this decision was taken for the benefit of the country as during that period there was not much increase in the production of coal and India had to import the coal besides having so many resources. But their argument was contradicted as there was no mining done in these blocks since their allocation. So in my opinion it is one more example of corruption in the economy showing the depth of corruption in the country.