

Standing Committee Report Summary

Production of Coal Bed Methane

- The Standing Committee on Petroleum and Natural Gas (Chair: Mr. Pralhad Joshi) submitted a report on the production of Coal Bed Methane (CBM) in August 2016. CBM is a natural gas found in coal seams and considered to be a clean source of energy.
- **Comprehensive policy:** The Committee observed that the CBM Policy, 1997 has not been able to achieve its objective of production of CBM to the promised potential. It recommended that a revised and new CBM policy should be released. The new policy should address issues such as (i) coordination between multiple agencies, (ii) simultaneous mining of coal and CBM, (iii) use of CBM from existing coal mines, and (iv) pricing of CBM.
- **Reassessment of CBM:** The assessment of CBM availability in the country was last done in 1990s. Post that, no exercise to assess the new CBM potential in the country has been undertaken. The Committee noted that this could be one of the reasons for poor performance of the CBM blocks. It recommended that the CBM potential in the country should be reassessed.
- **Technology sourcing for CBM:** The Committee observed that the technology needed for coal mining from coal blocks and for drilling of coal seams for evacuation of CBM are different. The drilling required in CBM evacuation is directional in nature as it has to follow the coal seams. This is similar to the horizontal drilling used for the exploration and production of crude oil and natural gas. However, even though the technology relating to CBM evacuation is available in the country, it is not being put to use, particularly where simultaneous extraction of CBM in active coal mines is possible. The Committee recommend that an empowered task force should be constituted that will decide the appropriate technology that Coal India Limited (CIL) can use to carry out extraction of CBM at the earliest from its own coal blocks.
- **Award of CBM blocks:** Between 2001 and 2008, four rounds of bidding for awarding 33 CBM blocks have been carried out. Of these 33, four have been relinquished, and 18 more are under relinquishment due to delays in obtaining statutory clearances, and poor CBM prospects. Since 2008, no new blocks have been awarded. The Committee recommended that the award of new blocks and the relinquished blocks should be initiated at the earliest under the new Hydrocarbon Exploration Licensing Policy (HELP).
- **Areas for CBM mining:** The Committee noted that the 33 CBM blocks awarded in the four bidding rounds in 2001, 2003, 2005 and 2008 covered an area of 16,600 sq km. 35% of the originally identified area (26,000 sq. km.) with CBM potential is yet to be released for CBM operations. In addition, since huge areas have been relinquished due to poor availability of CBM, the predictions with regard to CBM availability in the 16,600 sq. km. area was also not up to mark. Further, the production of CBM was 0.625 MMSCMD in 2014-15 and is projected to go up to 5.77 MMSCMD in 2017-18. The Committee noted that the projected production is much below the potential and the government should set higher targets. It recommended that the Ministries of Petroleum and Natural Gas, and Coal should jointly conduct CBM exploration and identify new areas for CBM extraction.
- **CBM pricing:** Coal mining in the CBM blocks comes under the control of the Ministry of Coal. CBM being a natural gas, is priced as per guidelines of the Ministry of Petroleum and Natural Gas. Further, the government approves CBM prices on a case to case basis. However, CBM pricing has been brought under HELP, where the formula for determining prices for natural gas including CBM is provided. The Committee observed that the prices of CBM under HELP appear low as compared to the prices being charged by the existing producers. It recommended that the Ministry should formulate a separate pricing and marketing mechanism for CBM. This mechanism should consider the various variables in CBM operations such as availability of small volume of gas, number of drillings required due to low productivity, remote location, and should also incentivize the CBM producers.
- **Rights of coal block allottees:** As per the existing system of award of CBM blocks, there may be an overlap between companies having rights over coal and CBM. This situation has given rise to delays due to which production has suffered. The Committee noted that this may be occurring because of lack of clearances for simultaneous drilling of coal and CBM. It recommended that the government may formulate a simple procedure to grant coal block allottees, if they desire, rights for extraction of CBM under HELP.

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