



इस्पात मंत्रालय  
MINISTRY OF  
**STEEL**

**Draft Policy - Promotion of Greenfield  
investments in the steel sector**

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# Policy for promotion of Greenfield investments in the steel sector

## 1. Context:

- 1.1 The steel industry in India is well established and has recorded a steady growth over the past 5 years. The demand for finished steel has consistently grown at 5.6% over the past 5 years reaching 99 MTPA<sup>1</sup> in 2018-19. In accordance with this, crude steel capacity in the country has also increased to 142 MTPA<sup>1</sup>.
- 1.2 However, going forward, the domestic steel consumption would need to increase significantly to ~160 MTPA by 2024-25<sup>2</sup> in line with India's vision to become a \$5 Trillion economy. Current planned capacity expansions of existing players is expected to add approximately 28-30 MTPA<sup>3</sup> by 2024-25. To meet the increased demand, an additional capacity of 25-30 MTPA would be required. In order to achieve such a substantial expansion in steel capacity, it would be imperative to enable set up of Greenfield steel plants with investments to the tune of ~ ₹1-1.5 Lakh Crore.
- 1.3 Given the long gestation period for these projects, in order to ensure actualization, it is important to support steel players in addressing five key challenges that they currently face in the set-up of Greenfield steel plants:
- i. Availability of encumbrance-free, possession ready land
  - ii. Long term availability of iron ore at competitive price
  - iii. Faster grant of statutory clearances (specifically forest clearances)
  - iv. Sufficient capacity in logistics and evacuation infrastructure
  - v. Provision of incentives for mega investment
- 1.4 Addressing the above challenges would require concerted efforts from the Ministry of Steel, State Government as well as the steel CPSEs. This document hence aims to outline the key areas of intervention required to address the above challenges and facilitate the investments required to enable this growth.

## 2. Benefits from Greenfield steel plants:

- 2.1 Set-up of Greenfield steel plant (over 4MTPA in capacity) has multiple benefits for the state. These large integrated steel plants typically lead to an investment

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<sup>1</sup> Source: JPC Report

<sup>2</sup> Source: Projections calculated basis regression analysis

<sup>3</sup> Source: CRISIL Steel Projections report, Vision documents

in the range of ₹25,000-30,000 Crore<sup>4</sup>. In addition to that, these plants also lead to other benefits:

- i. **Contribution to GDP:** Investment in the steel sector has a multiplier effect on the GDP due to the associated supply chain as well as consumption related industries. Every ton of steel produced typically leads to an impact of approximately ₹25,000 on the GDP<sup>5</sup>.
- ii. **Increase in Employment:** Large Greenfield steel plants contribute to employment both directly within the plant and indirectly in associated industries. Every job created in steel has a cascading effect typically leading to ~8x jobs in the economy. A 4-5 MTPA setup typically leads to generation of over 25,000 direct and indirect jobs<sup>6</sup>.
- iii. **Development of Infrastructure:** Greenfield steel plants would necessitate development of world class infrastructure to ensure connectivity and access. This would include multi-lane paved roads to highways, rail sidings, stockyards, townships.
- iv. **Spur Industrialization:** Large plants act as anchors and drive industry developments across the value chain- e.g. Formation of ancillary clusters to serve captive demand for the steel player.

**2.2** Overall, setting up Greenfield steel plants would drive large investments thereby boosting GDP, generating employment and creating critical infrastructure. It would also enhance value addition in the state thereby furthering the vision of “mining to manufacturing”.

### **3. Key enablers to drive investments in the sector:**

#### **3.1 Land:**

**3.1.1** Availability of sufficient, encumbrance free and possession ready land is one of the critical enablers for setting up of large scale Greenfield steel plants. Integrated Steel Plants (ISPs) typically require land parcel(s) that meet most of the following criteria:

- i. Contiguous encumbrance free area in excess of 1500 Acre

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<sup>4</sup> Source: Investment assumption of ₹5,000 - ₹6,000 Cr. per MTPA (Basis industry consultation and press search)

<sup>5</sup> Source: National Steel Policy, 2017 (90 MT produced contributed to ₹ 2.27 trillion GDP)

<sup>6</sup> Direct employment - ~4,100 & Indirect employment – ~23,000 (Source: Calculated Basis National Steel Policy 2017)

- ii. Proximity to iron ore mines and/ or right of way/access for slurry pipeline
- iii. Proximity to Railway main lines to ensure efficient inbound and outbound transportation
- iv. Availability of multi-lane highways at a sufficient distance for efficient last mile connectivity
- v. Coastal land preferably with dedicated port access
- vi. Preferably non-forest land to avoid damage to forest land and to avoid statutory clearance procedures

**3.1.2** It would hence be required to pre-identify land parcels meeting majority of the above criterion. A template to collect information for land qualification has been provided at **Annexure-1**.

## **3.2 Iron Ore:**

**3.2.1** Long term supply of iron ore at a competitive price is a key requirement for integrated steel plants (ISPs). Iron ore related requirements are as follows:

- i. ISPs typically prefer high grade iron ore supply (preferable Fe content over 62%) for use through the Blast Furnace – Basic Oxygen Furnace (BF-BOF) route. Hence, long term supply of high grade iron ore should be ensured to lend confidence to the ISPs.
- ii. Supply should preferably be ensured from pre-specified mine(s) to reduce need for equipment recalibration
- iii. Pricing for the iron ore should be done in a fair and competitive manner to incentivize investment in the sector

**3.2.2** Ensuring long term supply at competitive market rate would encourage investment and help maximize value from iron ore, which is an important source of competitive advantage for the steel sector in India. Also, potential investors express a strong preference for access to captive mine(s).

## **3.3 Statutory Clearances:**

**3.3.1** **Forest clearance (FC)** involves coordination with several stakeholders including State Forest Department and MoEF&CC. The FC process also requires multiple steps including counting forest species, compensatory afforestation land identification, NPV calculation etc.<sup>7</sup>

**3.3.2** This can potentially prove challenging for ISPs to navigate through and can typically take upto 3-5 years to complete. In order to ease the process, the possibility of obtaining Forest Clearance (Stage-I) ab initio for the mine under

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<sup>7</sup> Forest Conservation (Rules), 2003 Notification : Section 6 – Submission of proposal seeking approval of the Central Government, Section 2

the Forest (Conservation) Act, 1980 and Forest Conservation Rules, 2003 may provisionally be explored, before the bidding for the identified captive mine(s)<sup>8</sup> along with land parcel. Non-forest land may be prioritized for the steel plant. However, in case the identified plant land requires Forest Clearance a similar procedure may be explored.

- 3.3.3** Timelines for **Environmental clearance** (EC), though streamlined to a large extent, can potentially become time consuming given the contingencies on multiple stakeholders (MoEF&CC, EAC (Expert Appraisal Committee), State PCB (Pollution Control Board), and general public for consultation) in the process.
- 3.3.4** In order to reduce the timelines required to obtain EC, the environmental baselining for the project under the EIA Notification, 2006 may be undertaken provisionally pre-transfer to end user<sup>9</sup>, in order to shorten the Environmental clearance process. This data may then be used by the end users to prepare Environmental Impact Assessment (EIA) reports post issuance of Terms of reference.
- 3.3.5** Additionally, steel plants require access to various utilities like water<sup>10</sup>, power<sup>11</sup> etc. Support on clearances for various **utility linkages** can help fast-track source identification and ensure access, thereby facilitating faster operationalization of the envisaged plants.

### **3.4 Logistics:**

Every ton of steel necessitates transport of ~4 tonnes of materials (including iron ore, coking coal, slag, limestone, etc.). Therefore, in order to enable steel capacity expansion, requisite augmentation/ expansion in existing and/or new modes of logistics and evacuation infrastructure like railways, roads, slurry pipelines, inland waterways etc. would be necessitated. For the same, support in expansion of these modes and facilitation of clearances for slurry pipelines related to **Right of Way/Use** may increase investor confidence and help drive investments in the state. Additionally, provision of common services (E.g. Logistics parks) for these steel plants may be explored.

### **3.5 Incentives**

- 3.5.1** These large steel plants are opportunities to attract mega investment and avail multiple associated benefits such as employment generation, infrastructure creation and value addition from mining to manufacturing. In this context,

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<sup>8</sup> Handbook of guidelines for effective and transparent implementation of the provisions of Forest (Conservation) Act, 1980 : Part B, Chapter 5: Transfer/Re-diversion

<sup>9</sup> Office Memorandum J-11013/41/2006-IA-II (I) (Part), Ministry of Environment, Forest and Climate Change

<sup>10</sup> Typical requirements range in the region of 4-5 cusec per MT, Source: Industry consultations

<sup>11</sup> Typical requirements range in the region of 75MW per MT, Source : Industry consultations

provision of incentives under relevant state and/or central schemes shall support in attracting these mega investments.

- 3.5.2** Additionally, use of relevant fund(s) for promoting ecologically friendly technologies may be explored.

#### **4. Potential operating models to operationalize these suggestions:**

- 4.1** There can be two potential routes which may be leveraged for operationalizing the envisioned suggestions:

##### **4.1.1 Steel CPSEs driven:**

Excess land available with the steel CPSEs may be leveraged by Steel CPSEs as per approval of their Boards. Additionally, supply of iron ore from mines available with the steel CPSEs at arm's-length basis may be evaluated for the project.

##### **4.1.2 State Government driven:**

Operationalizing the envisioned interventions shall require close coordination between the Ministry of steel and the State government. The below section outlines three potential operating models that may be leveraged to actualize this:

- i. Joint Auction:** The State government may identify a suitable land parcel and mine(s) for end use in the Greenfield Steel Plant. Both the land parcel and the mine may then be jointly auctioned to the end users through a fair and transparent process.
- ii. Long term linkage Auction:** The State government may identify suitable land parcels for the project. The Ministry of Mines and the State government may then identify mine(s) for end use in the Greenfield Steel Plant and reserve it for a specified CPSE/ State PSU. A joint auction may then be conducted to transfer land and guarantee long term linkage on cost plus basis (ideally greater than 15 years) for the end user through a fair and transparent process. Additionally, delivery commitment from specified mine(s) shall be ensured by the CPSE/State PSU for the plant.
- iii. Minority Share Auction:** The State government may identify suitable land parcels for the project. The Ministry of Mines and the State government shall then identify mine(s) for end use in the Greenfield Steel Plant and reserve it in the name of State Government company (mine

company) for end use in the Greenfield Steel Plant. A joint auction may then be conducted by the State Government to transfer ownership of the land and transfer 26% equity of the mine company to the end user through a fair and transparent auction process. Majority government ownership of the mine company shall be maintained to ensure continuance of mining lease.

## **5. Support from the Ministry of Steel:**

The Ministry of Steel is committed towards bringing in large investments from both local and foreign organizations. Pursuant to this, the Ministry of Steel shall:

- 5.1** Facilitate single window clearance: Environmental and Forest clearance shall be facilitated for the project, as needed. For this, suitable mechanism will be set up in consultation with concerned Departments/ Ministries of State and Central Government.
- 5.2** Liaise with Ministry of Mines, State Government and mining PSEs to help facilitate iron ore linkages.
- 5.3** Support in drafting model tender documents, Request for proposals (RFPs) and concessionaire agreements to ensure robust process of transfer.
- 5.4** Set up project monitoring cell to drive completion of the project with specified timelines and adherence from the bidders on the terms of the contract.
- 5.5** Liaise with potential investors and coordinate efforts to drive appropriate demand for the investment.
- 5.6** Facilitate to ensure appropriate prioritization of projects for addition of new and/or expansion of existing logistics infrastructure like railways, roads, slurry pipelines, inland waterways etc. with relevant Central Ministries and State Government(s). Setting up of multi-modal logistics network shall also be explored.
- 5.7** Facilitate the setting up of common services Eg. Logistics parks, as required
- 5.8** Leverage incentives under relevant State industrial policies and Central Government schemes for the project.
- 5.9** Set-up Taskforce: A Task Force shall be constituted for reviewing of the project and for facilitating approvals and/or infrastructure support for the project. This task force will be chaired by the Chief Secretary of the respective State and co-chaired by the Secretary, Ministry of Steel. This task force shall comprise of representatives from the Ministry of Steel, concerned Central Ministries, State Government(s) as well as stakeholders from private institutions or CPSEs/State

PSUs, as applicable. Therefore, the Task Force may potentially include the following members:

<b>Potential members of Task Force for facilitating Greenfield Projects in Steel Sector</b>	
1	Chief Secretary, State Government – Chair
2	Secretary, Ministry of Steel – Co-Chair
3	Secretary, Ministry of Mines or his/her representative not below the rank of JS
4	Secretary, Ministry of Environment, Forest and Climate Change or his/her representative not below the rank of JS
5	Chairman, Railway Board or his/her representative not below the rank of Additional Member
6	Secretary, Ministry of Road Transport and Highways or his/her representative not below the rank of JS
7	Secretary, Ministry of Coal or his/her representative not below the rank of JS
8	Secretary, Department of Commerce (Logistics Division) or his/her representative not below the rank of JS
9	Secretary, Department for Promotion of Industries and Internal Trade or his/her representative not below the rank of JS
10	Chairman/CMDs of Steel CPSEs

## **6. Support required from other Ministries, Departments and Steel CPSEs:**

In order to realize the envisioned interventions, it requires cohesive effort of all relevant stakeholders. Specific support would be needed from:

### **6.1 Steel CPSEs:**

To ensure operationalization of the envisioned model, Steel CPSEs shall:

- i. Identify and facilitate excess land available for the project
- ii. Identify mine for linkages at market price with the project
- iii. Support in the facilitation of clearances for the project

### **6.2 State Governments:**

To ensure achievement of this vision, the State Government shall:

- i. Identify and facilitate land for the project
- ii. Identify mine for linkages with the project
- iii. Support in the facilitation of clearances (including expedition of clearances such as consent to operate and consent to establish via State Pollution Control Board), logistics linkages and utility linkages for the project
- iv. Explore provision of potential incentives to promote mega investments in the state E.g. SGST rebate for a fixed period of time capped at capex value of the investment etc.



### 6.3 Other Central Ministries/Departments:

S. No.	Ministry/Department	Concerned Ministry/Department shall:
1	Ministry of Mines	<ul style="list-style-type: none"> <li>Facilitate iron ore linkages for the projects across envisioned models. This would involve identification of and approval of mine(s) for use in the project.</li> <li>Facilitate and provide support in the RFP process as needed to ensure long term linkage and/or transfer of equity.</li> </ul>
2	Ministry of Environment, Forest and Climate Change	<ul style="list-style-type: none"> <li>Ensure timely forest and environmental clearances for the project.</li> <li>Facilitate ab-initio Forest Clearance, when required.</li> <li>Ensure timely approvals and transfer of Forest Clearance to the end users post auction, if applicable.</li> <li>The Central Pollution Control Board shall provide necessary support to expedite relevant clearances for the project.</li> </ul>
3	Ministry of Railways (Railway Board)	<ul style="list-style-type: none"> <li>Ensure appropriate approvals and/or prioritization for the project to build the required rail infrastructure.</li> <li>Facilitate Right of Access for slurry pipelines for the project, if required.</li> </ul>
4	Ministry of Road Transport and Highways	<ul style="list-style-type: none"> <li>Ensure appropriate approvals and/or prioritization for the project to build the required road infrastructure.</li> <li>Facilitate Right of Access for slurry pipelines for the project, if required.</li> </ul>
5	Ministry of Coal	<ul style="list-style-type: none"> <li>Facilitate coking coal linkages for the project, in case required.</li> </ul>
6	Ministry of Shipping	<ul style="list-style-type: none"> <li>Ensure appropriate approvals and/or prioritization for the project to build the required maritime transport and ports infrastructure.</li> </ul>
7	Inland Waterways Authority of India	<ul style="list-style-type: none"> <li>Ensure prioritization for the project to build the required inland waterways infrastructure.</li> </ul>

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# Annexure 1

## Format for capturing land parcel details

Land Parcel Name	Area (Total) (Acre)	Distance to nearest iron ore mine (km)	Distance to nearest railway line (km)	Distance to nearest highway (km)	Distance to nearest port (km)	Forest Area (Acre)

Additionally, collection of the following information is requested to better help prioritize land parcels:

- Map:
  - General map, contour map (difference in elevation), survey map and flood inundation map (for past 100 years)
  - Aerial photograph of the site
- Geological Features:
  - Topographic survey (with earthquake records for past 50 ~ 100 years)
  - Survey of geological features
- Climate:
  - Annual precipitation (past 30 years, 50 years and 100 years), wet season and dry season,
  - Natural disasters (past 100 years)
  - Annual temperature(lowest/highest), extreme precipitation forecast
- Soil Pressure and General Conditions
- Details about any other obstacles present within site
- Utilities:
  - Water: Source and allocation possibility
  - Waste Water Capacity
  - Power: Electricity source and availability
  - Gas: LNG availability