

# Unleashing Coal

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## India launches auction process of coal blocks for commercial mining

The Indian government today launched the auction process of 41 coal blocks for commercial mining to private sector. The commencement of commercial coal mining is a part of the series of announcements made by the Government of India, under the AatmaNirbhar Bharat Abhiyan. The Coal Ministry in association with FICCI launched the process for auction of these coal mines under the provisions of Coal Mines (Special provision) Act and Mines and Minerals (Development and Regulation) Act to achieve self-reliance in meeting energy needs and to give thrust to economic development. India is expected to save around Rs 30,000 crore annually on import bill of thermal coal once commercial mining from these mines pick up.

### **Composition of 41 coal mines:**

- Location-wise: Eleven coal mines are situated in Madhya Pradesh, followed by nine each in Chhattisgarh, Odisha and Jharkhand and three in Maharashtra.
- Coal type-wise: 37 non-coking, two coking and two combo mines i.e. coking plus non-coking mines are put up for sale
- Mine category-wise: 26 opencast, seven underground and eight underground-cum-opencast mines are to be auctioned
- Size-wise: 31 mines having up to 500 million tonnes (MT), four mines over 500 MT to up to 1,000 MT, three mines over 1,000 MT to 1,500 MT and remaining three mines having over 1,500 MT to 2,000 MT geological coal reserves
- Capacity-wise: 27 mines have peak rated capacity up to five million tonnes per annum (MTPA), nine over five MTPA up to 10 MTPA and remaining five mines having more than 10 MTPA capacity.
- Exploration-wise: 34 coal blocks are fully explored, four are partly explored and three are regionally explored. Land acquisition which is considered a major challenge for investors, has been completed in 12 of the 34 fully explored coal blocks.

A two stage electronic auction process is being adopted for allocation of the coal mines. Bids are invited in digital format only on electronic platform created by MSTC and no physical bids shall be accepted or considered from the eligible companies for shortlisting of Qualified Bidders. Qualified Bidders will be allowed to participate in e-auction for the coal mines/ blocks. Last date for purchase of tender document after payment of a fee of Rs. 5,00,000 (Rs. Five Lakh Only) per mine/ block on MSTC Limited website is 14<sup>th</sup> August 2020 and last date for submission of bid on MSTC Limited website is 1400 hours on 18<sup>th</sup> August 2020.

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These 41 mines upon attainment of peak production capacity of 225 million tonne (mt) will account for around 15% of India's total coal production in 2025-26. Commercial mining will add Rs 20,000 crore annually to the state governments' revenue. Also, the implementation of a National Coal Index will help India move towards a free market structure for coal. Since these coal mines are situated in the backward regions of the country, commercial coal mining is expected to contribute about Rs 20,000 crore annually to these states as revenue and strengthen the development of local economies, as per the Coal Ministry.

For the coal extracted from the coal mine/ block, there shall be no restriction on the sale and/ or utilisation of coal including captive consumption, sale to affiliates, coal gasification, coal liquefaction and export of coal. This will be helpful for Eastern and Central India by providing the local population with employment near their homes. The government will spend Rs 50 thousand crore on creating infrastructures for coal extraction and transportation, which will also create employment opportunities. It will also lead to employment generation for more than 2.8 lakh people — direct employment to approximately 70,000 people and indirect employment to approximately 2,10,000 people, as per the government. India also plans to gasify 100 mt of coal by 2030 which will require an investment of Rs20,000 crore.

#### **Concluding remarks:**

- India has the world's fourth largest coal reserves, however, the country meets about one fourth of coal requirements through imports, with import of around 243 million tonnes in FY20, about half of which can be substituted with domestically produced coal. This is mainly due to shortfall in domestic coal production and logistical constraints in evacuation infrastructure.
- The move to allow private sector participation in commercial coal mining which till now has remained the domain of the public sector will help in curbing imports and improve domestic production of coal in the medium to long-term.
- Aluminium, steel, cement and power companies have been buying coal at a premium in auctions. Aluminium industry stands to benefit from the joint auction of bauxite and coal blocks and it will help in bringing down electricity cost of aluminium smelters. Cement and steel companies that rely on imports to meet their coal requirements also stand to benefit.
- Private sector participation will bring in new technology and competition which will improve performance of existing players
- However, this comes at a time when the economy is grappling with slowdown in demand due to the Coronavirus-induced nationwide lockdown. Subdued economic activity and liquidity constraints may result in lower interest among the private players to invest in commercial mining rights. Besides, stricter environmental norms are being adopted world over and with that many companies are increasingly moving towards greener and cleaner fuels. This may therefore fail to entice participation from foreign companies. Indian companies have increased investment in renewable power while that in conventional has been on a decline.
- Nonetheless, we expect there would be some interest from private sector as many end user industries have been starved of coal compelling them to rely on imports.

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