

Fuel for reform

The government's decision to open up the coal mining sector to private companies is a long-overdue reform. It will end the 41-year-old near monopoly of Coal India Limited over commercial mining. Though the state-run miner's production has increased by more than 100 million tonnes in the past five years, it has consistently missed government targets. CIL's provisional figures for the April-December 2017 period show that it fell short of the government's production target of 406.5 million tonnes by six per cent.

The premier miner's lacklustre performance is one reason for the country having to import coal despite being the world's third-largest producer of the fossil fuel.

In November last year, the Indian Captive Power Producers Association wrote a worried letter to CIL about coal shortage in its plants. These companies, which produce electricity for their own use, "are being pushed towards costlier imports because they are getting barely half the supplies contracted from CIL," it said.

In the same month, the Aluminium Association of India wrote to the Prime Minister's Office: "An investment of Rs 1.2 lakh crore in the aluminium sector is holding a debt of Rs 70,000 crore and the employment of 7.5 lakh people is at a very critical risk because of the coal shortage." And in December last year, the Competition Commission of India penalised CIL "for imposing unfair/discriminatory conditions in fuel supply agreements with power producers for supply of non-coking coal".

CIL's monopoly has also reflected on the quality of coal produced in the country. Indian coal has an average ash content of about 45 per cent — far higher than the 25-30 per cent that ensures efficient power generation. The efficiency of the country's thermal power plants has also been compromised because they have to contend with stones and boulders in the coal they procure from CIL. While geological factors are the main reason for the poor quality of Indian coal, the country's premier miner should also take a large measure of the blame.

Introduction of competition in mining could take care of some of these concerns. Given, however, that a significant proportion of India's coal resources lies under lands that require forest and environment clearances, the government should ensure that private coal miners are transparent about adhering to these regulations.

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