

## Why has coal mining been opened up?

*The Centre opened up commercial coal mining for the private sector on February 20. About 70% of power generated in India uses coal. Domestic coal has been able to meet only 75% of our annual coal demand.*

### What is the significance of the move?

The government has termed it the most ambitious coal sector reform since 1973 when the sector was nationalised. With an aim to boost coal production, the state-owned Coal India Limited (CIL) was set up in 1975. Ever since, it has monopolised the sector, and is now the world's largest coal-producer.

With the latest decision, the Centre said, the sector will move from an era of monopoly to that of competition.

### What led to this move?

The coal ministry had, from 1993 to 2011, allocated 218 coal blocks to eligible Public Sector Undertakings and private firms for specified end-use projects, that is power, steel and cement, as well as for commercial mining by PSUs.

However, these allocations were challenged before the Supreme Court, which in August 2014 cancelled the allocation of 204 blocks after finding that the allocations were arbitrary and illegal.

To manage and reallocate the cancelled blocks, the Coal Mines (Special Provisions) Act, 2015 was enacted.

In March 2017, the coal ministry brought out a discussion paper on auction of coal mines for commercial mining. The paper said "given the present demand-supply situation and the projected economic growth of the country, it will be necessary to further augment the production through commercial mining... certain mines will be offered to all eligible companies in private as well as public sector through auction mode."

### How will the February 20 decision be implemented?

The approved methodology for auction of coal mines / blocks for sale will prioritise on transparency and ease of doing business.

There will be an 'ascending forward auction' -- a two-stage online auction comprising (i) technical bid and (ii) financial bid with initial and final price offers. There will be no curbs on the sale or use of coal from the mine.

### What are the benefits, and where is the catch?

It is expected to bring in greater efficiency, technology, higher investment and more employment. It would also lead to more revenue that can be used for development of the area and inhabitants around the mine by the State. Jharkhand, Odisha, Chhattisgarh, West Bengal, Madhya Pradesh, Telangana and Maharashtra would benefit the most.

Angel Broking said the move could be the first step towards the full privatisation of the mining sector, adding that global mining giants like BHP, Rio Tinto, Anglo American and Glencore have

expressed interest in prospecting for coal in India. However, it said, coal blocks would be commercially viable only if they are offered in minimum blocks of 40-50 million tonnes.

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