

'Competition via commercial mining of coal will enhance energy security'

The success of commercial mining will hinge on the size of mines being offered, their reserve price, and the norms pertaining to the auction of mines, but the ensuing competition would enhance India's energy security, according to industry insiders.

Opening up commercial coal mining for Indian and foreign companies in the private sector, the Cabinet Committee on Economic Affairs, on February 20, approved the methodology for auction of coal mines/blocks for sale of the commodity.

A key feature of the proposal is allowing 100% FDI in commercial mining as well as coal export. "Coal production is likely to increase in future, transforming into a competitive scenario," said Subhashri Chaudhuri, secretary general of the Coal Consumers Association of India. "This [new norms] would be a great opportunity to overseas companies in countries where coal mining is either on the wane or has been stopped completely, but there is a need to choose companies with superior technology and competence," according to former Coal India Ltd. chairman Partha S. Bhattacharyya.

'Not just revenue'

Mr. Bhattacharyya said proven mining experience and core competence should get more weightage in bidder evaluation rather than mere revenue maximisation. Revenue maximisation should not be the only focus of the auction methodology.

Moreover, it was also important to offer larger coal blocks, say about 50 million tonnes of annual capacity, for about 25 to 30 years.

"Offering smaller mines will not attract either the right type of companies or adequate investment — it may rather defeat the very purpose of this reform if a small mine of 2 to 5 million tonne capacity is to be offered," he said.

"We have seen the ill-effects in the first round of coal auctions, after the cancellation of the 204 coal mine blocks — most of the blocks auctioned have not been developed so far as the buying cost was too high to make the investment feasible", said Mr. Bhattacharya, who was on one of the first Advisory Groups set up by the NDA government to suggest integrated development of power, coal and renewable energy. On the competition likely to be faced by CIL, Mr. Bhattacharya, under whose charge CIL's listing took place in 2010, said that CIL was unlikely to suffer beyond facing a competitive pressure as its prices had always been at a discount to import prices and it did not utilise its position to raise prices.

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