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A COAL COMMISSION FOR INDIA

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In Germany today, there is an existential tug-of-war between the declining remains of a historic, deep-rooted and culturally significant coal industry and the country's "coal commission," (formally known as the Committee on Growth, Structural Change and Employment), which is slowly but surely setting targets for the phase-out of coal-based power generation from the country's energy mix. The commission is made up of 28 members with voting rights, which includes trade union leaders, industry associations, academics, and regional representatives. This commission is a political settlement mechanism which will determine how and when coal's phase-out will occur while preventing massive structural unemployment.

Why is this interesting for India? India is at the early stages of a major energy transition. After a few years of renewable energy (RE) deployment, supplemented by unprecedented declines in RE prices, the consensus around RE seems to be clear: Within a few decades, RE will become an increasing part of India's energy mix. However, like in Germany, the how and when questions loom large. India's thermal coal base, which still provides over 60 per cent of the country's overall generation, is still growing (albeit more slowly). More importantly, roughly 15-20 million people in the coal belt are dependent on the coal industry, either directly or indirectly, for their livelihood. The comparative geography of India's wind and solar resources versus coal makes one thing abundantly clear: RE jobs will not be coming to the coal belt in large numbers. Then what is the transition strategy for the coal belt? This will be the defining question for these regions, particularly in eastern India.

At various points in recent history, central government committees have been set up to look into mining and energy industries from beyond the traditional silos of line ministries. In the early 1970s, the Fuel Policy Committee under Sukhomoy Chakrabarty made influential recommendations about the direction of Indian energy policy after the oil price shocks, which rocked the global economy. In the 1990s, the Chari Committee made prescient recommendations about opening up India's coal industry to private involvement. More recently, in the 2000s, the Hoda Committee made sweeping recommendations about changes needed in India's mineral exploration environment to encourage private mining companies. More than a decade later, these ideas are slowly being implemented. And finally, the Integrated Energy Policy of 2006 articulated India's energy security priorities while laying out a roadmap for phasing out capital subsidies and providing early support to RE.

The government should consider putting together such a committee to consider the future of India's coal industry, and the PSUs engaged in these industries. While companies like Coal India face no immediate threat to either coal demand or their market power, in a multi-decadal timeframe both these concerns will become real.

As the previous Economic Survey has shown, the divergence in economic performance and incomes between India's states has intensified over the last decade, and public spending and investment have become increasingly necessary in poorer states to keep them afloat. Not surprisingly, many coal-bearing states are also in the bottom third by income per capita

(Jharkhand, MP, Odisha, Chhattisgarh and West Bengal in ascending order). But one of the big benefits of public investments is that they can be guided. This is already visible from the way the current government has been taking financial surpluses from both the NTPC and Coal India to invest in solar power, fertiliser plants, and other areas far from the core business areas of these companies.

In fact, for all the criticisms of the public sector, one of its greatest achievements is that PSUs have continued to operate in eastern India for decades, despite the political complexities, adverse business environment, and infrastructural constraints that accompany the region. While large private investment has largely evaded the coal belt, PSUs like Coal India have built up considerable social and political capital in these regions which allow them to conduct business. Can this social and political capital be used to pivot towards other activities? Can companies like Coal India become diversified national champions as part of a new industrial policy for the coal belt? Can Indian coal be used for non-combustion purposes and what technologies would be necessary for such a transition? These are the kinds of questions an Indian "coal commission" should consider.

An interesting experiment with coal has been the Dankuni Coal Complex outside Calcutta, which was created in 1974 by the recommendation of the Fuel Policy Committee to substitute away from fuel oil consumption after the global oil shocks in the early 1970s. The goal of the plant was to produce piped gas for Calcutta, and various smokeless fuels and other chemical products derived from coal. While Dankuni's financial performance and efficacy has been variable, it is exactly the kind of forward-looking pilot project which should be studied and updated.

Ultimately, an Indian "coal commission" needs to articulate a credible economic future for the coal belt and the companies that exist there. If the recent electoral outcomes in MP and Chhattisgarh are any indication, the social contract around coal in those states is simply inadequate. And as the latest COP in Katowice (Poland's coal capital) delivers another disappointing outcome, it is clear that international financing for such projects is an unrealistic expectation. Instead, if the Indian state can engage in some good old long-term planning it can anticipate and prevent the large-scale economic distress which will be experienced in eastern India with the decline of the coal industry.

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