Coal Mine Auctions

Why in news?

The Central government has launched the auction of 41 coal blocks for commercial mining.

What is the decision?

- The decision was part of the announcements made by the Centre under the Atmanirbhar Bharat Abhiyan.
- The private players will be allowed to mine coal for commercial mining purposes, **without any end-use restrictions**.
- Successful bidders will obtain leasing rights from State governments to mine a coal block for a certain period.
- A **revenue-sharing basis** is opted for payment as against the current method of paying fixed rupee per tonne.
- In the revenue-sharing basis, a percentage of revenue share (final bid) has to be paid to the government on the sale of coal.
- The operational efficiency parameters have been liberalised.

Why mining was nationalised previously?

- India has a long history of commercial mining, starting from 1774.
- In second half of 20th century, the private players could not make adequate **capital investments** to meet the energy needs of India.
- Some private miners were found to be using **unscientific coal mining** practices and providing **poor working conditions** for labour.
- This led to the Central Government to nationalise private coalmines.
- The nationalisation was done in **two phases**, from 1971-1973.
- The Coal Mines (Nationalisation) Act, 1973 was enacted for this purpose.
- This Act restricted coal mining operations mainly to government entities.

Does India import coal?

- India imports around **240 million tonnes** (mt) of coal a year valued at about ₹1.7 lakh crore.
- The 41 mines opened for auction now can hit a peak production of 225 mt in 2025-26, saving foreign exchange.
- A High Powered Expert Committee (2017) recommended a shift from the

allocation of coal blocks for own consumption to commercial mining.
- Commercial mining would help **tap the locally available reserves**.
- It would also increase the availability of coal in the Indian market at a cheaper price making India **less dependent** on imports.

What is the significance of the decision?

- The private sector involvement would help realise ₹33,000 crore of **capital investment** in the next five years.
- It can give a leg up to the economic activity within the country.
- It would play an important role in **job and income creation**.
- Higher production and surplus availability of coal may lead to fall in its prices.
- This, in turn, may **reduce the cost of electricity** consumed by the households and industries.
- Currently, coal-fired plants generate about 70% of India's electricity.
- However, there needs to be a fine balance between short-term cost savings and long-term environmental impact.

Source: Business Line

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