Privatizing Commercial Coal Mining

What is the issue?

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- The union government is considering opening up the commercial mining of coal to the private sector – a move that was long overdue.
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- This is expected to ramp up investments and help in meeting the surging local demand for coal.
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How has the coal sector in India evolved over the years?

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- India’s coal industry was predominantly driven by the private sector in the early years after Independence.
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- Indira Gandhi government in 1973 transferred all coal holdings to public sector company “Coal India Ltd” through the Coal Mines (Nationalisation) Act.
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- The key reason cited for nationalising was that it was essential to meet the growing need for coal to feed the critical power sector.
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- Currently, the sector is a virtual monopoly of the public sector behemoth “Coal India Ltd”, which accounts for over 80% of indigenous coal production.
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- Another public sector firm, “Singareni Collieries Company” account for the majority of the rest.
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- Private players have been allocated some “captive coal mines” to cater to fixed specific end-use domains such as the steel sector.
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- Commercial coal mining is currently not open to private players at present.
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How is the current demand scenario?

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- Despite an aggressive push for renewable and nuclear sources, India has a high dependence on coal for power generation.
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- Currently, 70% of electricity generation is through coal-fired thermal plants.
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- Despite its rich coal-bearing belts and increased output, and Coal India Ltd is unable to keep pace with demand from new power plants.
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- Consequently, there has been a significant surge in coal imports lately.
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What are the other recent developments in the coal sector?

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- The present government has moved swiftly in this domain to fix the inherited irregularities in coal block allocation (coal scam).
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- In 2014, Supreme Court cancelled the allocation of 204 coal mines to various parties as irregularities were discovered by the CAG.
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- An ordinance was brought in quickly and a transparent auction process was evolved for the affected mines.
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- The intention was to ensure that there are no supply shocks for power producers on account of abrupt disruptions in mining operations.
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What are the moves towards privatising coal?

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- **The initiatives -** Enabling provisions for commercial mining and sale of coal were already included in the Coal Mines (Special Provisions) Act of 2015.
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- Cabinet Committee on Economic Affairs (CCEA) has now allowed their

implementation by approving the methodology for auctioning rights.
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- The government holds that the move will boost energy security, make coal affordable and enable more job creation.
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- It remains to be seen if the government will open up valuable coal blocks for bidding or merely the lesser profitable ones of Coal India.
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- **The concerns -** For genuinely generating private interests, a considerable chunk of the valuable mines needs to be opened up.
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- It is also important to ensure the integrity of the auction process and the checks needs to be placed to dissuade unviable bids.
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- These are highly critical to ensure that a reliable and continuous coal supply is ensured for the power sector.
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- Also, India has for long had a poor record on miner's safety, and these major reform initiatives should also have provisions concerning these.
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Source: The Hindu

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