

Standing Committee Report Summary

Production, Marketing and Distribution of Coal

- The Standing Committee on Coal and Steel (Chair: Mr. Rakesh Singh) submitted a report on ‘Production, Marketing and Distribution of Coal’ on January 3, 2018. Key observations and recommendations of the Committee include:
- **Demand and supply:** The Committee noted that the coal demand-supply gap has increased from 15.5 MT in 2015-16 to 55.3 MT in 2016-17. The increase in this gap was due to subdued demand for coal from various sectors such as power and cement. The increased gap between the demand and supply during 2016-17 was primarily due to coal stock already piled up at thermal power stations. Further, supply of coal by Coal India Limited (CIL) has consistently shown a rising trend since 2014-15. The Committee recommended that the demand projections for coal be revised to reflect the actual demand across sectors.
- **Supply of coal to the unregulated sector:** The Committee noted that there has been a steady decline in the supply of coal to the non-regulated sectors like steel, cement, and sponge iron. The steel and sponge iron sectors had been facing a bad patch (lower productivity, poor market demand) for several years, due to which coal supply to them had reduced. The cement sector had started using petcoke as a substitute leading to a decline in the supply of coal. The Committee noted that through the coal linkage auction policy the supply of coal to these sectors had improved through periodic coal linkage auctions. It recommended that the periodicity of these linkage auctions should be increased. Further, more non-regulated sectors should be brought under the linkage auction policy to ensure that they too have a regular supply of coal.
- **Coal production:** The Committee noted that during 2015-16 and 2016-17, though CIL enhanced its production by 9% and 3% respectively, it missed its production targets. However, it noted that CIL fixes its targets higher to improve efficiency, and non-achievement of targets has not affected any consumers. The Committee also noted that the major impediments for CIL in implementing its coal mining projects are land acquisition, rehabilitation and resettlement, delays in forest clearance, environmental clearance, and law and order issues. It suggested that the government should address these issues urgently in consultation with all stakeholders.
- **Coal imports:** The import of coal has decreased from 174 MT during 2014-15 to 149 MT during 2016-17. The Committee noted that the Ministry of Coal and CIL have been trying to substitute the imported coal with domestic coal options, which has led to decreasing imports. It also noted that currently the imported coal based Thermal Power Plants only have consent to use imported coal. Their use of indigenous coal is dependent on policy interventions by the government for allowing use of domestic coal along with imported coal. It recommended that the import of coking coal may be reduced by augmenting domestic production, or by acquiring coking coal mines abroad.
- **Coal linkage policy:** The Scheme for Harnessing and Allocating Koyla (Coal) Transparently in India (SHAKTI) was announced in May 2017. It seeks to allocate coal linkages (buying coal from a mine closer to the power plant) to the regulated sectors in a transparent and objective manner. The Committee noted that between 2014 and 2016, the rationalisation of coal linkages has resulted in estimated savings of Rs 3,000 crore per annum on transportation cost to the power utilities. It noted that auctioning coal linkages through SHAKTI will give consumers the option to bid for a source of their choice, thereby reducing coal transportation costs. It recommended that the new linkage policy (SHAKTI) be linked with the savings from the transportation of coal.

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