

# Standing Committee Report Summary

## Import of Coal—Trends and Issue of Self-reliance

- The Standing Committee on Coal, Mines, and Steel (Chair: Mr Rakesh Singh) presented its report on ‘Import of Coal—Trends and Issue of Self-Reliance’ on December 22, 2022. Key observations of the Committee include the following:
  - **Reducing import dependence on coal:** The Committee observed that the demand for coal grew by 3% between 2014-15 and 2021-22, and is further expected to grow by 4-5% in 2022-23. However, the supply of high-quality coal (low-ash coal/coking coal) is limited. The production of prime coking coal is also limited, which makes coking coal and prime coking coal non-substitutable. Metallurgical industries, particularly the iron and steel industries, are dependent on imports of high-quality coking coal. Coking coal is coal which has been heated to remove non-combustible impurities. The Committee noted measures taken by Coal India Limited (CIL) to reduce import dependence. These include: (i) increasing the minimum assured level of supply to consumers from 75% of the Annual Contracted Quantity to 80%, (ii) enabling flexibility in the transportation of coal to consumers between road and rail transport, and (iii) enabling coal consumers to purchase coal through letters of credit. The Committee recommended exploring new mining sites and increasing efforts to open mines in these areas after obtaining the required environmental clearances. It also noted that further progress in setting up coal washeries is required to reduce import dependence. The Committee recommended further measures to reduce import dependence, including the following:
    - **Auctioning mines on a revenue-sharing basis:** The Committee identified that auctioning of commercial mining on a revenue-sharing basis, which began in June 2020, is a positive development since it takes place on liberal terms and since participants may
  - **Mechanisation of mining:** The Committee identified that mechanisation of mining has contributed to both safety and productivity. Therefore, the Committee recommended ensuring further mechanisation of mining processes. Where private companies may be reluctant to switch over to new techniques, the Committee recommended that the central government should ensure that they do.
  - **Rationalising of coal prices:** The Committee observed that in light of high coal prices, coal companies have taken measures to contain the rise. These include using more recent technology in mining and transportation such as using earth movers for excavation and conveyor systems for haulage. The Committee recommended that the central government rationalise railway freight charges and port handling charges to ensure lower coal prices to plants and consumers in the southern and western parts of the country.
  - **Acquisition of overseas coal blocks:** CIL has previously explored the acquisition of coal blocks in other countries, including Mozambique. Such acquisitions were found not to be cost-effective. However, the Committee observed that the domestic supply of high-quality coking coal would continue to be insufficient for demand. Therefore, the Committee recommended that the Ministry of Coal and CIL continue to explore the possibility of acquiring coal mines in other countries to reduce import dependence.
- avail incentives for coal liquefaction and gasification. The Committee recommended that the Ministry of Mines auction more mines on a revenue-sharing basis to encourage public or private players to enter.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research (“PRS”). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.