

FICCI for Coal Sector Reforms

New Delhi, 26 July 2013: FICCI in its Twelve Point Action Agenda for stimulating Indian economic growth submitted to the Government in June 2012 enumerated various measures to energize the coal sector by fostering competition. Introduction of commercial mining with participation of private coal production/ mining companies, a graduated and controlled restructuring of Coal India Limited (CIL), setting up of a coal regulator, allowing coal swapping to optimize coal's physical movement etc. were the broad tenets of FICCI's reform mantra.

FICCI has been strongly emphasizing the necessity of having a robust domestic coal production, which would not only give a thrust to India's mining sector but will also secure India's needs to fuel its power plants thereby ensuring domestic energy security. We may achieve this by:

- Structural changes in coal sector to bring in more competition
- Adoption of environmentally benign technologies and practices
- Incentivization of higher coal production

Towards this, FICCI recommends the following:

1. **Amendment of Coal Mines Nationalisation Act, 1973** (the Act): It is necessary to bring in private participation to ensure increased competition, infusion of technology, greater mechanization and subsequently a rational market based price discovery. Pursuant to this, the amendment of the Act will increase the domestic coal throughput and offset India's steadily growing reliance on Coal imports which strains the exchequer.
2. **Restructuring of CIL:** The Ministry of Coal is already working in the direction of giving greater autonomy to CIL's subsidiaries. However, it is also necessary to streamline the functioning of the CIL itself, by gradual disinvestment, increasing the mandate and autonomy of CMPDIL to include exploration of potential coal bearing sites.
3. **Increasing of Coal Production from 25% to 50% in Existing EC Approved Areas:** FICCI has commended the MoEF directive which has permitted a 25% increase of Coal production in regions which have environmental clearance without seeking fresh clearances. It would like to stress for this permission to be extended to 50%, as since the sites already have the requisite EC/FC clearances, the production increase is unlikely to have any detrimental effect on the surrounding ecology, a fact also appreciated by the MoEF.
4. **Bolstering Coal Evacuation Infrastructure:** The lack of adequate fuel supply rakes, dedicated railway lines to coal rich areas, and underutilization of waterways has hampered the effective movement of Coal volumes from mines to industrial centers. FICCI has strongly recommended the usage of bottom discharge wagons, increasing the number of fuel rakes to bring in transport efficiencies in the short term.
5. **Accelerated Private Participation:** This will require a multi-pronged strategy:

- An expedited **introduction of MDO** (Mine Developer cum Operator) licenses would pave the way for a greater private participation in domestic coal mining.
- A **Policy for Disposal of Surplus Coal** could be another way to leverage private participation. This could incentivize the captive mine developers to increase coal production thereby boosting domestic supplies.
- Pursuant to the announcement by the Hon'ble Finance Minister in the Union Budget 2013, FICCI has constituted an industry Working Group to examine the viability of a **PPP structure in coal mining** in India. The report, examining the interventions needed at the policy, technology and implementation levels to describe a model, which is workable, sustainable and incentives domestic production, is expected to be finalized shortly.

FICCI MEDIA DIVISION