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ISSUE BRIEF

# INDIA'S COAL BLOCK AUCTIONS: A CONTEXTUAL REAPPRAISAL

NIKHIL VARGHESE MATHEW



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Cover photo: Jharia coal mine, Jharkhand, India by TripodStories- AB

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## ABSTRACT

This paper seeks to objectively assess the Government of India's (GoI) move this year to open the Indian coal mining sector to commercial operations by private industry. The paper delves into why it is unlikely for any additional increase in capacity to occur in the absence of significant interventions from the GoI on behalf of private industry. The paper further concludes that while the move may not contribute to the stated aim of minimising imports, it could instead lead to the dispossession and exploitation of forest-dependent communities.

## INTRODUCTION

The Ministry of Coal (MoC), through a notification on 18 June 2020, officially launched the process of auctioning 41 coal mines, thus opening up the Indian coal mining sector to commercial operations by private industry. Launched under the "Atmanirbhar Bharat Abhiyan", the stated aim of the move is to "enable the country achieve self-sufficiency in meeting its energy needs and boost industrial development" (Press Information Bureau 2020b). Industries that were earlier subjected to end-use restrictions can now freely utilise coal extracted from the mines identified for auction under the process either for captive consumption or for sale, including export. The GoI claims that this would enable the generation of capital investments in India amounting to INR 33,000 crore over the next 5-7 years and the simultaneous creation of over 2.8 lakh direct and indirect jobs. Notably, the auctioning of the coal mines under the Coal Mines (Special Provisions) Act, 2015, and the Mines and Minerals (Development and Regulation) Act, 1957, is being carried out post their amendment in January 2020, whereby the qualification of prior experience in coal mining was removed as a restriction to participate (Press Information Bureau 2020a). Additionally, the move comes on the back of a decision by the Union Cabinet on 28 August 2019 allowing 100% foreign direct investment (FDI) for coal mining under the automatic route (Press Information Bureau 2019).

## PRIVATE INDUSTRY IN COAL MINING: MAJOR TRENDS

After the nationalisation of the coal industry in the 1970s and the creation of Coal India Limited (CIL) in 1975, widening demand-supply gap of coal owing to prevalent industrial practices were increasingly curtailed and effectively bridged by 1991. However, with the liberalisation of the economy and the resultant increase in the industrial energy demand, GoI in 1992 identified coal blocks for allocation that were not already a part of production plans. Coal mines thus recognised began to be allocated from 1993 onwards to both private industry and Public Sector Enterprises after amending The Coal Mines (Nationalisation) Act, 1973, with those for private enterprises being allocated through the recommendations of an Inter-Ministerial Screening Committee (Comptroller and Auditor General of India 2012). Between 1993 and 2011, a total of 218 coal blocks were allocated by the MoC (Ministry of Coal 2016).

In 2012, the Comptroller and Auditor General of India tabled a report titled 'Performance Audit of Allocation of Coal Blocks and Augmentation of Coal Production' wherein it asserted that

***"Minutes of the Screening Committee did not indicate how each one of the applicant for a particular coal block was evaluated. Thus, a transparent method for allocation of coal blocks was not followed by the Screening Committee." (Comptroller and Auditor General of India 2012).***

Consequently, the Supreme Court, in a judgement on 25 August 2014, cancelled the allocation of 204 out

of the 218 coal blocks, stating that “the allocations made, both under the Screening Committee route and the Government dispensation route, are arbitrary and illegal” (Ministry of Coal 2016, Supreme Court of India 2014). The Coal Mines (Special Provisions) Act, 2015, was thus promulgated by the GoI on 30 March 2015 to enable the reallocation of the 204 coal blocks to new allottees. The allocation of several other coal/lignite blocks apart from the ones above were sought to be carried out under the provisions of the Mines and Minerals (Development and Regulation) Act, 1957 (Ministry of Coal 2016).

## THE IMPORT DILEMMA

An important rationale behind the latest move is to supposedly ensure a reduction in India’s import dependence for coal (Figure 1 below). Prime Minister Modi stated in this regard, “it is ironic that India, with the world’s fourth largest coal reserve and being the second largest producer, is also the second largest coal importer.” (Press Information Bureau 2020b).

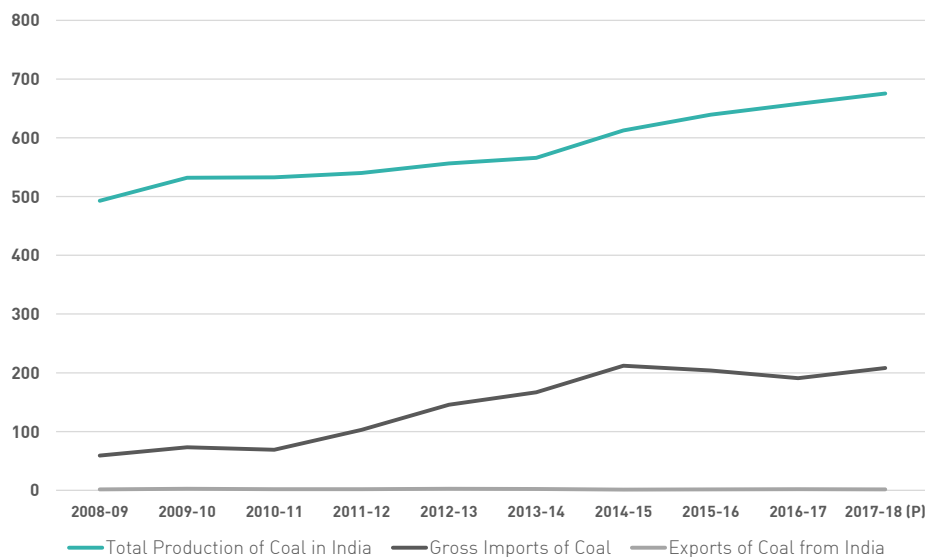


Figure 1: Trends in Coal Production and Trade (2008-09 to 2017-18)  
Source: Central Statistics Office 2019

However, a key point to note is that India has an abundance of relatively low-grade coal that is characterised by low calorific value and higher ash content (Coal Controller’s Organisation 2020).

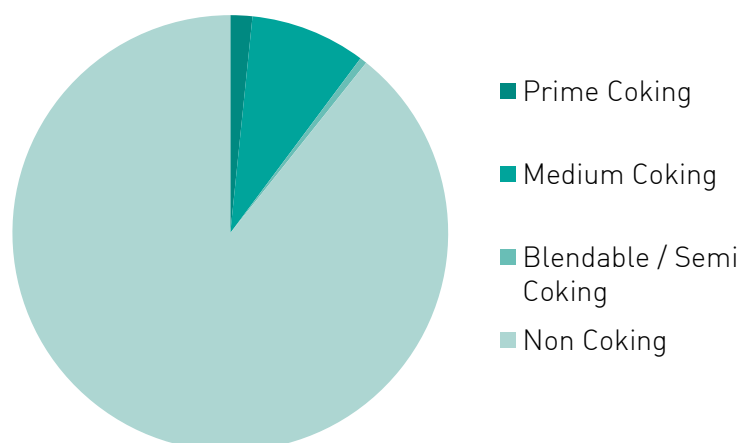


Figure 2: Distribution of Proved Reserves of Coal in India as on 01.04.2019  
Source: Coal Controller’s Organisation 2020

As indicated in Figure 2, non-coking coal — used typically as steam coal in the generation of power — constitutes over 89% of India's proved coal reserves (as on 01 April 2019). The vast majority of India's proved geological reserves of non-coking coal is composed of low-quality coal, as indicated by Figure 3. Given that over 50% of India's non-coking coal imports in 2019 was of higher-quality coal, there exists little scope for the substitution of India's existing requirements of coal by domestic production of the same, given the energy and industrial requirements of India (Department of Industry, Innovation, and Science 2019). Further strengthening this argument is the fact that a vast majority of thermal power plants under construction in India would employ supercritical and ultra-supercritical technology, requiring a steady supply of imported coal.

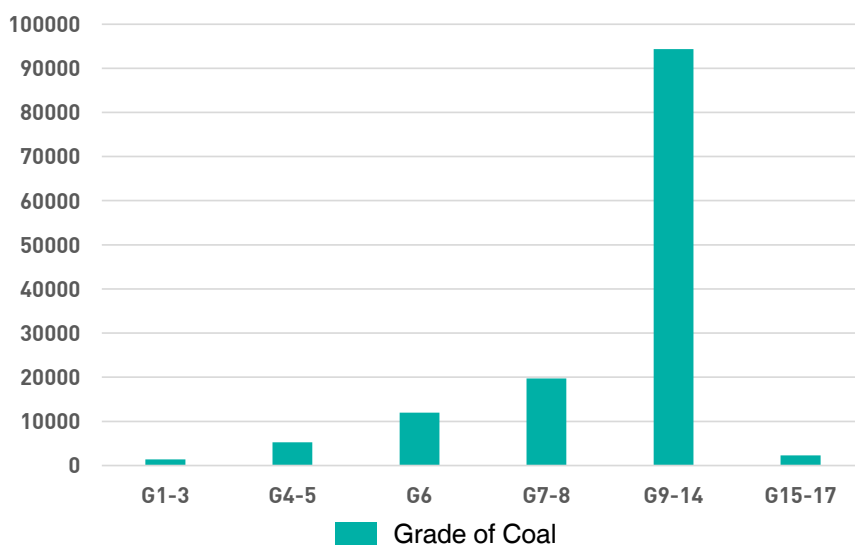


Figure 3: Gradewise Proved Geological Reserves on Non-coking Coal in Gondwana Coalfields as on 01.04.2019

Source: Coal Controller's Organisation 2020

The Central Electricity Authority's National Energy Plan in this regard projects India's dependence on imported coal for power generation to be 50 Million Tonnes even for 2026-27 (Central Electricity Authority 2018). The use of imports cannot be nullified in the short term either since most operational coastal power plants in India have been designed such that they can use only high-grade non-coking imported coal (Mondal 2016). Additionally, the low-ash coking coal that finds usage in the production of steel is not abundantly available in India. Given, therefore, that India's structural requirements for high-quality coal will only increase in the future, it remains unlikely that future demand of the same can be met adequately by domestic production (Spencer et al. 2018).

## CONTEXTUAL CHALLENGES

Furthermore, national and international markets have been clouded in pessimism over the future of coal in the recent past. Some of the reasons for this are: constrained economic growth projections for India and the world, the Non-performing Assets (NPA) crisis that has come to characterise power generation and steel industries, and the uptake in solar and other renewable energy sources in India's energy matrix. In this context, it remains unlikely that any additional increase in capacity can occur in the absence of significant support from the government in terms of subsidies (Buckley et al. 2019).

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**(Central Electricity Authority 2018)**

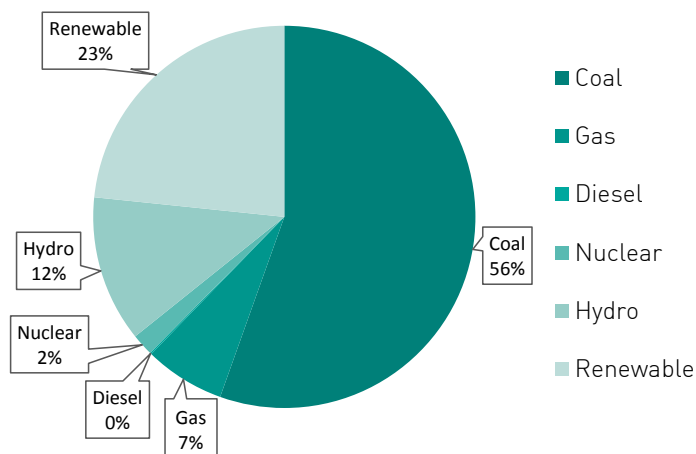


Figure 4: Share by type of energy resource in Installed Capacity as on 30.09.2019  
Source: Central Electricity Authority 2019

## NPAs Amidst Cheaper Renewable Alternatives

In a March 2018 report on ‘Stressed /Non-performing Assets in Electricity Sector’, the Standing Committee on Energy (2018) noted a list of 34 coal-based thermal power plants that had a total outstanding debt of INR 1,74,468 crores and cumulative stressed capacity amounting to 40,130 MW. Given that renewables are becoming increasingly low-cost, already distressed DISCOMS are turning to sources of renewable energy.

India has witnessed a sharp decline in the bidding price of solar and other renewables recently, with solar power tariffs reaching a record low of Rs 2.36/ kWh in a bid by the Solar Energy Corporation of India (Pandey 2020). Furthermore, although India has now amongst the lowest solar tariffs in the world, it is still higher than the tariffs in regions like the Gulf owing to a multitude of reasons including lack of access to similar low-cost capital (Koshy 2020). With an increase in government intervention towards ensuring access to cheaper land and capital, the price of solar energy is set to fall even further in the future (Chawla and Aggarwal 2016).

## Declining Fortunes

With an expected lead time between auction and production of three years, the extent to which the economic slowdown in the aftermath of the COVID-19 pandemic would affect bidding prices remains to be seen. States like Jharkhand have claimed on record in a suit filed before the Supreme Court that the Govt's auction would bring about “undeserving, collusive, cartelized, restrictive trade practices” (Sharma 2020, Shrivastava 2020). Additionally, that the fossil-fuel industry is increasingly faced with a crisis of existence is evident by the fact that between 2007-2017, the market capitalisation of fossil-fuel companies has reduced drastically - with only eight such companies figuring in 2017 among the top 100 of the Forbes Global 2000 list as opposed to 16 in 2007 (Coal India Limited 2018).

## IMPLICATIONS: SOCIETY, LABOUR AND THE ENVIRONMENT

It is important to note that multiple coal blocks to be auctioned under the Coal Mining (Special Provisions) Act, 2015, are situated in areas that have been identified as “High Conservation Zones” (Ministry of Coal 2020b). Many of these are concomitantly situated in the regions that are inhabited by Adivasi settlements. One of the ways through which dispossession of such zones is carried out is by pushing through with it in the name of development and taking over peasant lands without adequate compensation.

### The Nature of Livelihoods

The assertion by the GoI that this exercise would lead to the generation of over 2.8 lakh jobs is also to be contextualised in this regard. Of the 41 coal mines, only seven are underground mines, with another seven being mixed, i.e., both underground and opencast (ibid). A majority of these mines would employ opencast mining which involves a higher degree of mechanisation that is labour-throwing in nature as opposed to labour-intensive underground mining. The argument, therefore, that the above exercise would lead to the creation of 2.8 lakh direct and indirect jobs is questionable. The extent of formal employment at CIL in this regard is illustrative, with the number of such employees seeing a drastic reduction from nearly 4 lakh in 2010, to under 3 lakh in 2019 (figure 5 below).

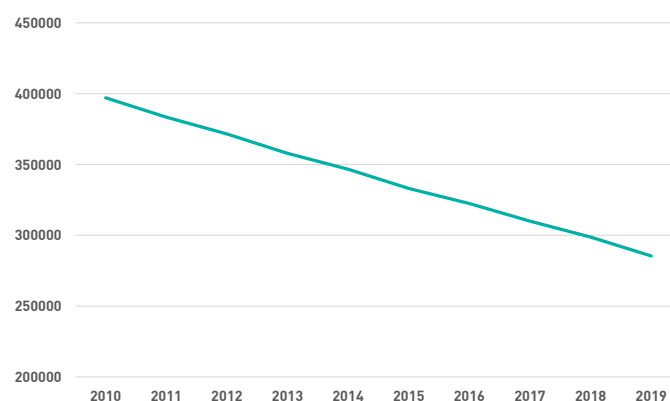


Figure 5: CIL Year-end Manpower (2010-2019)  
Source: Ministry of Coal 2020c

Furthermore, the nature of these jobs remains to be seen. Most new jobs that would be created are, by the GoI’s own admission, indirect jobs. A cursory perusal of trends in coal mining employment in India reveals the extent to which this implies the exploitation of dispossessed local communities that are forced to eke out a living amidst a changing socio-economic scenario. Millions of households are thus dependent in the coal-belt region upon either contract or subsistence mining with little to no hope of job security (Lahiri-Dutt 2003). A study sponsored by the NITI Aayog in this regard has gone on to state,

***“The intervention of mining has posed a serious question on sustainable livelihoods. People now depend on mining and allied areas for their survival but issue at hand is what will happen once the mining activities are over in these areas?” (Mishra 2016).***

The report goes on to note changes in societal relations due to the introduction of mining in forest-dependent communities including: an increase in the preponderance of criminal activities, uptake in



**A cursory perusal of trends in coal mining employment in India reveals the extent to which this implies the exploitation of dispossessed local communities that are forced to eke out a living amidst a changing socio-economic scenario.**

alcoholism, a perceivable shift to a class-divided society from a largely egalitarian one, and a general breakdown of village life (ibid).

## Global Labour Arbitrage

The availability of cheap resources is of utmost importance for the sustenance of the system of globalised production today. Thus, the opening up of the Indian coal mining sector to private investments needs to be situated within the process of resource expropriation from the global periphery. It must also be viewed in the context of loosening environmental regulations in India amidst record levels of disinvestment by the Government of India. Of the Rs 4.67 lakh crore that the Gol has received by way of proceeds from disinvestment since 1991-92, INR 3.14 lakh crore (over 67%) has come since 2014-15 (Department of Investment and Public Asset Management 2020). The above, resulting in an increase in the rate of transfer of resources from the periphery, leads undeniably to the wanton devastation of the global South, seeing as to how it disproportionately bears the ecological costs of resource extraction (Wiedmann et al. 2015).

The extent to which the move is driven by increasingly anti-coal sentiments elsewhere across the world, by enabling the substitution of higher-wage labour with cheaper labour from countries such as India — a process termed in critical theory as the “global labour arbitrage” — needs to be studied. The output per man-hours in the Indian coal mining industry is lower than that elsewhere. Expected to rise further with an increase in the uptake of mechanisation, it is thus that India presents an opportunity for the industry to capitalise on increasingly cheaper labour by forcing a race to the bottom (Sengupta 2020). This trend of a divergence in output driven by increasing mechanisation is evidenced in the figure below.

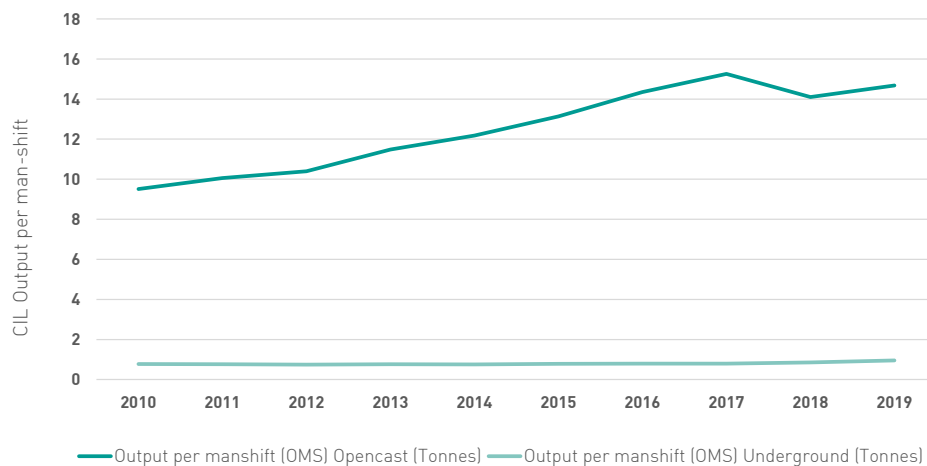


Figure 6: CIL Output per man-shift (OMS) for Opencast and Underground Mining (2010-2019)  
Source: Ministry of Coal 2020c

## The Emissions Dilemma?

Fossil-fuel-driven growth is an inescapable reality in the developmental trajectories of countries like India. On the flip side, private investments into the coal industry would effectively lock-in fossil-fuel-driven emissions for the foreseeable future, owing to the need to make a return over time on the investments made. This is the emissions dilemma India must navigate going forward. However, it must also unequivocally resist increasing attempts to undermine the principle of “common but differentiated

responsibilities”, such as the UN Secretary General’s call for India to reduce its emissions by 45% by 2030 at par with developed countries (Jayaraman and Kanitkar 2020).

That said, it is doubtful that the promotion of private (including foreign) investments into coal would enable the furtherance of India's developmental objective of attaining broad-ranging equity. The Gol is pushing ahead with the same even when projections indicate that growth in demand for coal can be fulfilled by coal mines that have been already auctioned or allocated. Coal India Limited (2018) in its Coal Vision 2030 document clearly states that

***“The total capacity of mines allocated/ auctioned (including to CIL, SCCL and NLCIL) as on date is about 1,500MTPA at the current rated capacity. In view of the likely demand (base case scenario), there is limited requirement of starting new coal mines except the ones already auctioned/ allocated.”***

Additionally, the 37th Report of The Standing Committee on Energy (2018) has gone on to note that “Ministry of Coal has stated... that CIL had adequate availability of coal and coal stock to meet the requirement of Power Sector.” These statements inevitably lend credence to the argument that the current move is an attempt to enable capital to tide over the increasingly intensifying barriers to accumulation it is faced with, by opening up newer avenues to stimulate investments.

## CONCLUSION

India imported, according to provisional figures by the MoC, a total of 248.54 Million Tonnes of coal in 2019-20. Of this, non-coking coal was 196.71 Million Tonnes whereas coking coal constituted 51.83 Million Tonnes (Ministry of Coal 2020a). While the former can be minimised to a large extent through existing domestic supplies as is indicated above, the same cannot be said for the latter, owing simply to the fact that India lacks adequate deposits of quality coking coal. Therefore, while failing to achieve the stated aim of minimising imports, the new coal block auctions could instead lead to the dispossession of traditional forest-dependent communities. The GoI should instead look at locally relevant and sustainable ways in which employment and development opportunities may be brought to such states and regions. The above would ensure substantive ecological security by taking advantage of existing local resource potentialities through measures such as forest-based livelihood schemes. This would also include existing legislation, such as the Forest Rights Act and MGNREGA, the rigorous implementation of which could generate employment and enhance the standard of living for millions of families who are otherwise in the throes of a complete social and economic collapse.



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