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Managing a Fair Transition Away from Coal in India

A collective Statement on Issues and Priorities

While coal has been the mainstay of energy in general and electricity in particular in India, its use has also led to problems such as environmental pollution, adverse health impacts and climate change. Driven largely by economics and climate considerations, India's energy sector is experiencing a shift towards renewable energy, backed by ambitious government policies. This does not imply that India will stop coal combustion anytime soon, but that the share of coal in India's energy basket is likely to reduce gradually. Given the interlinkages between the coal sector and other sectors, the transition away from coal is likely to be complex, and hence, merits immediate policy attention. In this context, Prayas (Energy Group) and Centre for Policy Research convened a roundtable on December 20, 2019[1], to explore and understand the issues around the transition away from coal in India. A follow up roundtable was organised on January 20 & 21, 2021[2] to discuss the priorities to manage this transition. Participation in both events included representatives from research groups, grassroots organizations, trade unions and consultancy organisations. Drawing on these roundtable discussions, we present below a statement of issues and priorities to manage a fair transition away from coal in India.

1. Coal in India is more than a fuel for the economy and industrialisation. Rather, coal and coal-dependent sectors have been an engine of development and welfare, often state-directed. The coal industry has been contributing to livelihood, public finance, physical infrastructure and welfare services. While the coal industry is the primary source of these benefits in coal-bearing low-income regions, it has arguably not done enough to address the legacy of unequal development performance in these regions, as is evident in the poor environmental conditions, low level of economic and human development in coal-bearing regions.
2. Besides being polluting, coal is no more the cheapest source of energy for many applications, particularly electricity generation. While electricity generation from variable renewable energy is already cost competitive in many situations, emerging technologies and solutions are likely to help mitigate its challenges of variability and make it more dependable and dispatchable in the coming years. A renewable-heavy energy system in the next decade is projected to be cheaper than a coal-heavy system. Coal may remain a significant source of energy in India for a long time, but its importance will diminish over time.
3. This transition will disrupt the existing political and economic patterns in India's energy system. The modularity of clean energy is likely to spur migration of load from centralised supply to tap the cheap power promise, and thus, will shake the configuration of technology, institutions and politics around energy. However, this transition is also an opportunity to fix existing inefficiencies and address historical injustice and inequity. Tapping the opportunity and minimizing the disruptions will require a greater role by the state and proactive planning.
4. Energy is an important driver of economic growth. However, different energy sources have different macroeconomic spillovers. India's dependence on coal economy has created lock-ins to specific spillovers. Whether renewables will have same implications for employment, industrial development and economic structure is a contested question. Moreover, the spillovers of renewables may not be spatially distributed to compensate the coal-bearing regions. The transition will require unwinding those lock-ins to coal economy and efforts to plan an alternative, inclusive and sustainable development trajectory around new energy sources that acknowledges potential trade-offs between various environmental, social and economic goals.

[1] See a summary of discussion at www.cprindia.org/events/8538
[2] See a summary of discussion at www.prayaspune.org/peg/past-events/256.html

5. Building multi-level and multi-actor alliances to manage and facilitate the transition is critical. The multi-dimensional nature of transition requires an institutional arrangement that has representations from different tiers (Centre, state, district and local administration) of governance, and recognise that communities must have a say in determining their future. To address the limits of a single top-down solution framework, planning must include all interest groups, including local communities, in a transparent process that acknowledges and factors in the necessary trade-offs. Building such alliances is a challenging task owing to India's institutional rigidity, but a necessary priority to enable a smooth transition. Governments are particularly well placed to orchestrate such an ecosystem of collaboration and coordination.
6. The actual pace of the phase-out of coal will be driven by prevailing political economy, economic considerations, effectiveness of India's environmental regime, and international climate commitments. The phase-out is likely to be the fastest in the electricity sector where cheaper alternatives with lower environmental and health impacts are available or will soon be available. Future investments in coal-fired electricity generation, if any, run the serious risk of becoming stranded assets and hence need to be stringently evaluated. Indeed, there may be a necessity to even revisit existing plans for coal-based capacity addition that is in the early stages of construction.
7. The environmental regime in India has been accused of being ineffective to hold entities accountable for pollution and environmental damage. In the transition context, closure of coal assets (mines and thermal plants) and local environment restoration will be a critical aspect. While there are some guidelines for coal mine closure, there are none for thermal power plants. These is a need to develop comprehensive guidelines for coal asset closure and local restoration, based on public consultation, and strengthen the institutional structure (especially, the Pollution Control Boards) for effective enforcement.
8. Loss of jobs is a key concern in the transition discourse. Coal industry has been an important source of employment, both formally and informally, in the coal-bearing regions. The clean energy industry promises to offer jobs but requires different skill sets and may or may not be able to offer employment at the required scale in the coal-bearing regions. A priority is to plan for the current generation of coal dependent workers and communities, and provide alternative non-coal options to the next generation. The formal workforce is often organised, and therefore, has the ability to bargain for compensation. The informal workforce which is directly or indirectly dependent on coal, and is often invisible or unrecognised, needs more support to find alternative, healthier livelihoods. This would require proactive interventions for skill training, resource deployment to enable livelihood options and local enterprises. Such interventions need to factor local resource endowments, traditional knowledge and skills, and must be conceived at a local level through community participation.
9. Coal has been an important source of public finance for several states and the Centre, while subsidising critical infrastructure like railways. A reduction in coal share has direct implications for public finance, and thus, on infrastructure and welfare spending by governments at various levels. Clean energy with a different institutional trajectory does not provide an assurance to compensate for the loss of public finance. Transition planning must consider the loss of public finance and its consequential effects.
10. Finally, the transition away from coal is happening while India is at the cusp of a larger economic transition that entails rapid industrialisation, automation, digitalisation, electrification, shift of workforce from agriculture, market expansion and greater spread of the private sector. It is important to locate the coal transition as part of the larger economic transformation rather than treating it separately. In fact, a well-managed coal transition could be a catalyst for economic transition in coal-bearing, and low-income, regions of India. Simultaneously, it will offer critical institutional and process insights for managing future transitions.

Given the imminent and unavoidable transition away from coal and its likely economic and political consequences, we, the signatories below, urge the governments and policy makers to initiate a deliberative planning process with participation of concerned interest groups and communities, and based on rigorous and context-specific analysis of economic, social, political and environmental costs and opportunities. Proactive planning and interventions are essential to avoid major disruptions, minimise losers and losses, address historical injustices and build a resilient future.

Signatories:

The following participants (listed in alphabetical order), who joined the roundtables convened by PEG & CPR, have contributed to preparing the statement and endorse it in their individual capacity. Affiliations are listed purely for identification of the individuals, and does not imply institutional endorsement or linkage. For any comments or clarification on the statement, please contact **Ashok Sreenivas** (ashok@prayaspune.org) and **Ashwini K. Swain** (ashwini@cprindia.org).

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