

Comments of Prayas (Energy Group) on Coal Vision 2030

At the outset, we are glad that a “Coal Vision 2030” document is being prepared and comments are being sought on a draft of the key highlights and summary of the vision document. We provide our comments below and will be happy to provide any clarifications or follow-ups that may be required.

Our comments are classified into two categories: overarching and specific. The overarching comments refer to the process and manner of the vision development and finalization, and comments that cut across various sections of the document. The specific comments refer to specific pages or parts of the key highlights and summary vision document.

We understand that the last date for comments was Jan 30, 2018. However, since there was no public announcement about such a document being available for comment, it only came to our attention recently. Therefore, we urge you to consider our comments before finalizing the Vision document.

Overarching comments

No.	Category	Comment
1.	Process of seeking comments	<p>While it is welcome that comments are being sought on the draft vision document, there are a few significant shortcomings in the process of seeking such feedback:</p> <ul style="list-style-type: none">• Only the “key highlights and summary” of the Coal Vision document is made available for comments. This not only makes it a less transparent exercise but also makes it harder to comment, as not all information is available to the commenter.• There was no pro-active attempt at all to reach out to citizens and inform them that such a document was available for comments. It was discovered only by accident on the CIL website following which some of us are trying to give comments.• It is not clear when the document was put up for comments. But since the file name has “27012018” in it and the last date for comments was 30 Jan, 2018, it seems at most three days were given for providing comments, which is highly inadequate.
2.	Agency preparing the vision document	<p>It is interesting that the tender for the Coal Vision was issued by CIL, the draft vision document is hosted on the CIL website and comments are sought to be sent to CIL, even though the Vision seems to be for the entire coal sector including its policy and regulatory framework. This seems to indicate a conflation of roles between the Ministry of Coal (the policy making and governing agency) and CIL, which is only a mining company (albeit the largest).</p>

3.	Terms of Reference for the Vision document	Though it is well known that the Indian coal market is highly concentrated, the scope of work in the tender document did not explicitly include elements related to introducing greater competition or efficiency. Similarly, though coal beneficiation is an internationally accepted best practice which is hardly practiced in India, the scope of work did not include it though Indian coal has very high ash content. This is reflected by these issues not getting sufficient attention in the draft vision document.
4.	Finalising the Vision document	When the Vision document is finalized (hopefully by the Ministry of Coal), it should also publish all the comments received – perhaps in a collated and anonymous form – and its response to each comment. This is an established practice in many sectors such as electricity.
5.	Demand estimation	<p>The projected demand of coal (page 11 and other places) seems rather high, in particular the high case of 1900 MTPA and the projected thermal coal demand of around 1150 - 1750 MTPA. This translates to more than 400 GW capacity @60% PLF (and even higher at lower PLFs). In contrast, CEA's draft NEP projects a coal-fired capacity of just 250 GW (and coal demand for power at only 850 MTPA) in FY27. IEA's WEO 2015 India focus report also projects only ~320 GW coal-fired capacity in 2030.</p> <p>Another indicator that the demand is over-estimated is that the GDP elasticity of coal production assumed seems to be close to 1 in the demand estimation while it has historically been only around 0.8, and is likely to go down further in future with increasing share of renewables and reducing energy intensity of GDP. Therefore, the demand figure needs to be revisited.</p>
6.	Market structure	<p>The document seems conflicted between building a genuinely competitive coal sector and a coal sector dominated by current players such as CIL. Thus, while there are multiple references to enhancing competition (e.g. pages 6, 16, 19), there are also multiple indications that it will remain PSU dominated as shown below.</p> <ul style="list-style-type: none"> • The graphs on pages 12-14 indicate that most production will be from PSUs • It is (correctly) recommended that no new mines need be given out to meet demand up to 2030. But practically all mines given out so far (except for under-performing captive mines which are seeking to return them to the government) are to PSUs • Policies such as SHAKTI and the draft note on commercial mining issued last year favour the public sector over the private sector. <p>Therefore, we suggest that the Ministry of Coal should be clear about the direction in which it wants the coal sector to go: if it is to be a PSU-dominated sector, then focus should be on improving its efficiency, accountability and transparency; while if it is to a competitive market structure with a level playing field, then different issues need to be addressed. Currently, this clarity seems to be missing and trying to ride both horses is likely to result in sub-optimal results for both PSUs and commercial mining.</p>

7.	Some good recommendations	<p>The Coal Vision draft summary has some good recommendations and directions. Some of these are:</p> <ul style="list-style-type: none"> • Introducing a coal sector regulator • Recommending that no more mines need to be allocated to meet demand up to 2030 • Classifying all coal resources using the UNFC methodology • Expediting exploration of resources • Continuously monitoring and revisiting the supply and demand scenario regularly in a dynamic market • Allowing captive mine owners to exit • Online coal trading platform
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Specific comments

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1.	Page 8 (Coal allocation)	It states that “India migrated to auction as a mechanism for allocation”. This is true only for private sector players while most mines are allocated to the public sector. So, most resources are still allocated through allotments rather than auctions.
2.	Page 8 (New norms)	The estimated cost to meet the new environmental norms from many sources (e.g. CEA, CSE) is higher than 0.20-0.30 Rs / kWh
3.	Page 10 (SWOT analysis)	<ul style="list-style-type: none"> • It is not clear why “environmental concerns guiding policies” is a weakness, since such concerns are genuine and relevant • Perhaps “Poor social acceptance of (coal) mining” may be considered as an additional weakness of the sector
4.	Page 12 (Short term coal demand and supply)	It states that the estimated production in the short term of 1050 MTPA is comparable to demand by FY20-22. If this is true for the overall coal sector, then since India is unlikely to produce sufficient coking coal to meet its demand, it means that the likely production of thermal coal could be higher than domestic demand. This could lead to stranded assets in coal mining if more mines than required are opened.
5.	Page 14 (International coal prices)	The projections for international coal prices in 2030 are quite low. It would be good to justify this with some credible references and/or analysis.
6.	Pages 12-14 (Role of lignite)	It is not clear if lignite has been considered in the discussions on these pages (and elsewhere). The graphs seem to suggest that it is not, but if demand estimation includes lignite then the supply overhang becomes more pronounced.
7.	Page 15 (Phasing out mines)	The suggestion to phase out costly mines is good. Similarly, since it appears that potential supply may outstrip demand and much of the production is concentrated in only a few large mines, gradual closure of other mines that are producing little, are costly and/or likely to be exhausted soon may be considered. Such lands can be restored and returned back to the people to enhance trust between coal mining companies and citizens.
8.	Page 15 (Carbon sequestration)	We believe carbon sequestration need not be a priority for India. Instead, focusing R&D investments on local pollution aspects such as ways to deal effectively and practically with issues of air pollution, ash disposal, water usage / discharge etc. associated with coal mining and its uses would be more productive for India.

9.	Page 16 (Policy vertical)	The policy vertical states that “Less government, more governance” should be a goal with simplification and rationalization as the suggested actions. We suggest that, in addition, “Enhanced effectiveness” should also be an action as that appears to be a challenge currently.
10	Page 17 (Coal regulator)	<p>Prayas has long argued for setting up a regulator for the coal sector. However, it is not enough to only have a regulator but to have one that is sufficiently empowered to deal with the various players in the sector; is accountable; functions transparently and encourages public participation. For example, the difference in design between regulators such as PNGRB and electricity regulatory commissions has most likely led to the relative ineffectiveness of the former as compared to the latter.</p> <p>The proposed regulator should coordinate with the various Electricity Regulatory Commissions in addition to the ministries and other agencies as mentioned in the draft vision document.</p> <p>With the establishment of a regulator, the Coal Controllers’ Organization could be dissolved and merged into the regulator.</p>
11	Page 17 (Single window clearance)	<p>While a single window clearance may be acceptable to streamline clearance processes, care should be taken that</p> <ul style="list-style-type: none"> • It does not dilute environmental and social oversight processes • It is accompanied by suitably robust, transparent and accountable processes for oversight during mine operations and closure which is currently lacking. • Since no new mines need to be allocated, this may even be a moot issue as many allocated mines are likely to be well into the process of obtaining clearances.
12	Page 18 (Underground mining)	Given that coal demand growth is unlikely to be robust, UG mining is costlier and our geology is not amenable to significant mechanisation of UG mining, India could perhaps consider phasing out UG mining.
13	Page 19 (Captive mines)	Flexibility in the captive block policy for currently allocated mines may be a welcome move but the parameters of the flexibility and its implications for all stakeholders need to be well understood. Therefore, if a flexibility policy is introduced, it should be finalized only after public consultations. For the future, we suggest that the approach of captive mining itself should be abandoned, as it is sub-optimal in many ways and has not worked anywhere in the world.
14	Page 19 (Online coal trading platform)	The online coal trading platform is a welcome idea. But it should include all coal sales by CIL including its medium/long term contracts. Moreover, the platform should be as transparent as possible so that all information is publicly available except that which is commercially sensitive to individual organizations.
15	Page 20 (Exploring CBM, CMM etc.)	While these may be useful energy sources, it is perhaps appropriate that a need to explore them should arise out of a larger national level assessment of energy needs and sources to meet the needs, rather than in the Coal sector vision document.

16	Page 20 (Increased ash utilization)	This is a useful suggestion. But, a rule for 100% ash utilization already exists which is not adhered to. Therefore, it is necessary to devise robust mechanisms by which this suggestion can be implemented effectively in practice.
17	Page 21 (Land acquisition and R&R)	<ul style="list-style-type: none"> • We think the suggestion to extend the Coal Bearing Areas Act to all coal mines is not desirable, because the Act does not give affected citizens a fair say and opportunity in the matter. • In any case, with the sector being dominated by PSUs, it is perhaps a moot point since there would hardly be any acquisition by a private sector party. Hence we suggest that the recommendation to extend Coal Bearing Areas Act should be removed. • Currently, there is no publicly available information on collection and utilization of funds contributed to the District Mineral Fund and National Mineral Exploration Trust. It would be good if the vision document asks for publication of such information.
18	Page 30 (Sampling and testing agency)	The vision document mentions a single sampling and testing agency that would be appointed for this purpose. It is desirable that a set of agencies are empanelled and available.
19	Page 31 (Coal washing)	<p>It is good that coal washing capacity addition is suggested. However, this needs to be accompanied by suitable policies and regulations regarding related issues such as pricing of washed coal, pricing of rejects, oversight of quality and quantity of rejects, and disposal of rejects / ash.</p> <p>In addition, there is a need to understand why washeries have not come up as planned and why existing washeries are under-utilized, so that appropriate models can be developed going forward.</p>
20	Page 32 (Safety)	In addition to a regulatory review, we suggest that it should also be mandated that an independent inquiry be held in cases of fatal or serious accidents to identify the cause, apportion blame and identify corrective steps.
21	Page 38 (Acquisition of coking coal assets)	Before embarking on such acquisitions, it would be useful to do a cost-benefit analysis and a geo-strategic analysis to ensure that such acquisitions would provide a cost advantage and/or strategic benefits such as avoidance of price shocks.

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