



Liberalisation of Coal Mining

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This article is based on **Coal comfort, Mining deep: on Cabinet easing mining laws**. It talks about the implications of Mineral Laws (Amendment) Ordinance 2020 on Coal Mining Sector in India.

India is one of the largest coal producers in the world with an output of 729 million tonnes in 2018-19. However, despite sluggish economic growth, the import shipments have surged. This has led to further deterioration of the balance of trade.

In this context, the Union Cabinet approved the promulgation of the **Mineral Laws (Amendment) Ordinance 2020**.

The ordinance permits **commercial coal mining** for local and global firms without imposing any end-user restrictions, also it extends the validity of clearances for mining leases expiring in 2020. This amendment could result in a **paradigm shift in the coal mining sector**.

Importance of Coal Mining

- The mining industry serves as the base for the power sector, with around 72% of India's current power being generated through coal.
- Further, coal forms the basic building blocks of manufactured products and many agri-inputs. Thus, from a national interest standpoint, the coal industry is key to ensuring the country's energy and raw material security.

Positive Impact of the Decision

The removal of these restrictions is in line with the objective of facilitating commercial coal mining in the country.

- The ordinance amends the existing provision that allowed only companies engaged in iron and steel, power, coal washing sectors and others to bid for coal mines.
 - Now all end-user restrictions have been removed, easing the entry of companies not engaged in any coal-use industry in coal mining.
 - End-user restrictions mean that even if the private player has mined the coal, there were many restrictions on final sale of that coal.
- Moreover, existing private owners will now be able to sell their surplus coal in the market.

Earlier, private players were restricted to use coal (mined by them) for their captive use in powerplants only.
- It will also encourage private players to participate in the auctions that are to be held to reallocate the captive coal blocks that were cancelled by the Supreme Court in 2014.

So far, only 29 of the 204 blocks that were cancelled have been auctioned.
- Opening up the sector is also likely to spur interest in coal mining and, therefore, boost investment from Indian and foreign majors.

The country may also benefit from the infusion of sophisticated mining technology, especially for underground mines, if multinationals decide to invest.
- Large investment in mining will create jobs and set off demand in critical sectors such as mining equipment and heavy commercial vehicles.
- The relaxation in regulations, along with previous initiatives such as allowing 100% foreign direct investment through the automatic route in commercial coal production, can aid in boosting coal production in the country and help reduce imports.

Other Government Interventions To Boost Mining

- Amendment to the **Mines and Minerals (Development and Regulation) Act (MMDRA) 1957**, which extends the validity period of the environment and forest clearances for two years for mining leases expiring in 2020. The seamless transfer of clearances will help minimise any disruption in operations.
- **National Mineral Policy (NMP) was approved in 2019**, to ensure transparency in the allotment of mining blocks.

NMP 2019 emphasises on themes such as sustainable mining, boosting exploration, encouraging the use of state-of-the-art technology and skill development.
- In September 2019, **100% FDI** under the automatic approval route was allowed for the sale of coal and coal mining activities including associated processing infrastructure.

Associated Challenges

There is no guarantee that these amendments would encourage large multinational miners to invest in the coal sector in India. This may be because:

- There is **no clarity on pricing**. Without a remunerative price, few would be willing to invest billions of dollars in the latest mining techniques.
- Further, miners have to currently pay huge amounts upfront to get a mine after winning an auction. Due to this, often there are no bidders for the auction.
- The other problem is that coal has a '**dirty fuel**' tag and few global lenders are willing to put their money into the sector.

Way Forward

- Over the last few years, exploration by private players has come to a near standstill. Interventions such as introducing a seamless transition from exploration to mining licence, permitting the sale of licence at any stage, and allowing private companies to proactively approach government of India for exploration areas will help overturn this trend.
- Streamlining the auction process will also lead to greater efficiency and more effective outcomes.
- Mining companies in India are subject to much higher financial levies than other countries, (due to high royalty rates, multiplicity of levies and double taxation). Therefore, royalty rates should be reduced in line with international benchmarks.
- The government must ensure that all policy interventions take cognisance of emerging global trends in mining, such as smart mines, deep-sea mining and the changing composition of the mining workforce.

The mining sector in India is highly underdeveloped relative to its enormous potential. It has the domestic capacity to absorb significantly higher mineral production. The government must expeditiously implement a reform agenda in the sector to realise the industry's full potential.

Drishti Mains Question

Liberalising coal mining in India could result in a paradigm shift in the coal mining sector. Discuss.
