

**Relevant Recommendations culled out from the Report of the Working
Group on Cement Industry for XII Five Year Plan (2012-17)**

Ministry of Coal

68. **Coal Requirement:** The range of coal requirement for the cement industry during the different years of 12th plan period is assessed to be in the range of 63-96 million tonnes (46-70 million tonnes for cement production and 18-27 million tonnes for captive power).
69. **Increasing supply of coal under Linkage for Cement:** Post 2007, no new linkage has been granted to any cement manufacturer. Even in cases where linkage has been granted, actual supply against such linkages is poor. Thus, unless the linkage coal is quickly increased the fuel supply gap shall put upward pressure on cement production costs.
70. **Equal priority in grant of Coal linkage vis-a-vis other sectors:** Priority linkage needs to be provided for 100% requirement to all cement players at administrative price.
71. **Reserving sufficient coal blocks for cement industry:** Out of total coal reserve blocks, a proportion of high grade coal blocks should be reserved exclusively for cement sector keeping its current production capacity and future expansion into consideration.
72. In addition, the following observations/recommendations are made for the long term planning and availability of coal to cement sector:
73. The strategic plan of the Ministry of Coal reveals that the coal sector, inter alia, is currently facing the following challenges:
 - a. Poor quality of thermal coal available in India, mostly E and F grade coal.
 - b. Inadequate extractable reserves of coking coal.
 - c. Low productivity in coal mines operated by CIL.
 - d. Coal sector is yet not truly open up for commercial mining.
 - e. Problems and constraints in underground mining – use of old technology and labour intensive processes for mining and safety issues.
74. The coal sector remains highly regulated under government control, is monopolistic in nature, faces mining and exploration bottlenecks, particularly in underground mining, has attracted low levels of private investments over the years, and faces logistical bottlenecks and technological obsolescence. As such,

it is proposed that the possibilities of unbundling the various operations of the coal sector under a regulator with Public Private Partnership be seriously explored by revisiting the Coal Mines (Nationalisation) Act, 1973. This will enable private participation in a competitive manner in a regulated environment in areas which is their core competency. The various operations in the supply chain of coal such as mining and exploration, supply of mined coal and distribution and logistics can be unbundled for attracting technology and investments by the private sector at various points in the value chain resulting in increase in efficiency and productivity.

75. The Mines and Minerals (Development and Regulation) Amendment Act provides for allocation of coal and lignite blocks through competitive bidding route. This was notified on 9.9.2010. As is the case with other minerals, it is imperative that the quality and quantity of coal deposits in a specified coal block placed for competitive bidding for captive use is determined with reasonable accuracy to avoid speculative bidding – whether the reserves are proven reserves, probabilistic reserves or inferred reserves as per acceptable international norms. The basis of bidding should provide complete information on mineral reserves after full exploration. It is, therefore, proposed that coal blocks should be placed for competitive bidding for captive use only after detailed exploration. This will help in avoiding speculative bidding because of incorrect initial valuations.
76. It is also recommended that all requisite clearances as may be practicable should be obtained by Coal India Ltd. before putting the Coal blocks for competitive bidding in order to streamline the process and reduce delays. This will also improve the realization from the bidding process as it will reduce the uncertainty about when the block can come into production.
77. Mining should be done in accordance with a pre-approved mining plan and a close monitoring of the mining activity throughout the mining period should be carried out through the deployment of latest technology.

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