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CIL awards underground mines to private players to bolster revenue stream

Contract given on revenue-share model; idea is to unlock more coal production and industry participation

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The Mines In The BCCL Area Would Be Excavating Coking Coal, Which Will Boost Supply To The Non-Power Sector, Said An Official.

In an effort to bolster its revenue stream, national miner Coal India Ltd (CIL) has awarded its abandoned coal mines to private players on a revenue-sharing model. CIL had identified 23 coal mines — most of them underground ones — which were closed or discontinued for technical or financial reasons. These mines have a cumulative peak-rated capacity of 34.14 million tonnes per annum (MTPA), while the total extractable reserves are estimated at 635 MT, a CIL statement said on Wednesday.

Senior CIL officials said the idea was to unlock more coal production and industry participation. Lately, CIL has increased the share of contractual mining with more than 75 per cent of the company's coal excavation outsourced to private players through the MDO (Mine Developer and Operator) route. The company plans to take the share of MDO to 90 per cent in five years. MDOs are contractual miners, who are paid as per the production.

CIL executives said while the revenue impact is barely 10-12 per cent due to this latest initiative on abandoned mines, “the idea is more towards increasing domestic production and reducing imports”. Out of

the awarded mines, seven each are of Bharat Coking Coal Ltd and Eastern Coalfields Ltd, followed by five mines of Western Coalfields Ltd and the rest four of other subsidiaries of CIL.

“These mines are ready to be excavated, so the turnaround time of production will be faster. Import substitution is the primary target followed by conservation efforts as underground mining is environmental friendly,” said a senior CIL executive.

Among the winning bidders are mostly coal traders such as Coal Mines Associated Traders Pvt Ltd, mineral mining companies like BSE-listed Sarda Energy & Minerals and Shree Amarnath Mineral Pvt Ltd, and construction companies such as Vensar Constructions Company Ltd, Eagle Infra India Ltd, BKB Transport Ltd, etc. No leading coal and mineral mining company participated in this auction.

According to the statement, mine operators would be responsible for selling coal mined from these mines at market-driven price through an auction process on behalf of the authority. “They shall have the freedom to adopt their preferential method of technology and deployment of mining machinery to extract coal from the mines,” it said.

The mines in the BCCL area would be excavating coking coal, which will boost supply to the non-power sector, said an official.

“The advantages are conservation of resources, effective substitution of imported coal for non-regulated sectors with good quality coal locked up in these mines, and provision of livelihood for local communities where these mines are revived. From an environmental point of view, there would be no land degradation as the mining infrastructure is already in place,” said the CIL statement.

These mines would also be utilised for coal gasification. The statement said, “On the total quantity of coal sold exclusively for coal gasification or coal liquefaction purpose in a year, a 50 per cent on contracted percentage of revenue share of the authority will be provided to the operator.”

Ministry claims record high coal stock

The Union Ministry of Coal on Wednesday said the total coal stock at the end of thermal power stations stands at 45MT, which is the highest-ever stock build-up. This translates into 15 days of coal stock with the thermal stations.

“Despite extremely high demand for power, coal stocks at thermal power plants remain robust, exceeding 45MT as on June 16, 2024, which is 31.71% higher compared to the same period last year, when it was 34.25MT,” said a ministry statement. It further said, currently, cumulative coal production stands at 207.48MT, showing a growth of 9.27 per cent compared to the corresponding period last year, which was 189.87MT.

CIL has recorded coal production of 160.25MT, growing by 7.28 per cent over last year. Similarly, coal production from captive and commercial mines reached 33MT, with a growth of 27% compared to the corresponding period of previous year, the ministry said.

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