

# **SHAKTI POLICY - ECONOMY**

NEWS: The Cabinet Committee on Economic Affairs (CCEA) has accorded its approval for the Revised SHAKTI (Scheme for Harnessing and Allocating Koyala Transparently in India) Policy for Coal Allocation to Power Sector.

## WHAT'S IN THE NEWS?

### SHAKTI Policy

#### 1. Introduction in 2017

- The SHAKTI (Scheme for Harnessing and Allocating Koyla Transparently in India) Policy was introduced in 2017 to bring transparency and efficiency in coal allocation for the power sector.
- It replaced the earlier nomination-based regime, which was often criticized for lack of transparency and accountability.

#### 2. Paradigm Shift in Coal Allocation

- The policy marked a transition to an auction/tariff-based competitive bidding system for granting coal linkages to thermal power plants (TPPs).
- It emphasized market-oriented allocation mechanisms, ensuring fair competition and improved efficiency in coal distribution.

#### 3. Objectives of the Current Revision (2024–25)

- The updated policy aims to enhance flexibility, broaden eligibility criteria, and improve coal accessibility for power generators.
- It ensures that all power producers, including Independent Power Producers (IPPs), have a fair chance of securing coal linkages, thereby ensuring:
  - Increased power generation,
  - Lower electricity tariffs, and
  - A positive macroeconomic impact.

## Overview of India's Coal Sector

## 1. Coal Production Milestone (FY 2024–25)

- India achieved a historic milestone by surpassing 1 billion tonnes of coal production, marking a 4.99% year-on-year growth.
- This reflects the government's continued focus on domestic production to meet rising energy demands.

## 2. Global Standing

- India is the second-largest coal producer in the world, following China.
- It is also the second-largest coal consumer, highlighting the critical role of coal in India's energy and industrial sectors.

## 3. Decline in Imports

- Coal imports reduced by 8.4% in the past year, signaling an improvement in domestic availability.
- This contributed to foreign exchange savings and reduced India's dependence on international coal markets.

## 4. Energy Mix and Power Generation Role

- Coal accounts for 55% of India's total energy consumption and fuels over 74% of electricity generation.
- Its dominance in the energy mix makes it vital for energy security, especially for a growing economy like India.

## 5. Key Coal Mining Regions

- Major coal reserves and operational coalfields are located in:
  - Jharkhand, Odisha, and West Bengal (Eastern India),
  - Chhattisgarh and Madhya Pradesh (Central India).

## 6. Economic Contributions

- Indian Railways earns nearly 49% of its total freight revenue from coal transport.
- The coal sector contributes over ₹70,000 crore annually to the government exchequer through royalties, GST, and other levies.

- Coal India Ltd. alone employs 239,000 workers, with thousands more in contractual and allied sectors like transport and loading.

## Challenges Facing the Indian Coal Sector

### 1. Environmental Concerns

- Coal mining and combustion cause air pollution, land degradation, and greenhouse gas emissions.
- Communities near coal mines often face health issues and ecosystem disruption.

### 2. Import Dependence Despite Reserves

- India holds the fifth-largest coal reserves globally, yet it still imports large volumes of coal, particularly:
  - Coking coal for the steel industry, and
  - High-grade thermal coal not available domestically.
- This leads to foreign exchange outflows and vulnerability to global price fluctuations.

### 3. Delays in Environmental and Land Clearances

- Obtaining forest and environmental approvals, as well as land acquisition, are major bottlenecks in starting new coal mining projects.

### 4. Underutilized Mining Capacity

- Public and private miners often operate below optimal capacity due to:
  - Regulatory delays,
  - Uncertainty in power demand,
  - Infrastructure gaps in evacuation and logistics.

### 5. Global Climate Commitments

- Coal is the most carbon-intensive fossil fuel, making it incompatible with India's Net Zero by 2070 target and its Paris Agreement commitments.
- Pressure is mounting to diversify energy sources and gradually phase down coal usage.

#### 6. Low Private Sector Involvement

- Coal mining is still dominated by PSUs like Coal India Ltd. (CIL) and Singareni Collieries Company Ltd. (SCCL).
- Private players are hesitant due to regulatory risks, market uncertainties, and environmental opposition.

### Key Government Initiatives and Reforms

#### 1. Commercial Coal Mining (2020)

- Allowed private entities to mine coal for commercial purposes, removing the end-use restriction.
- Encourages market competition, improves supply efficiency, and aims to reduce imports.

#### 2. Single Window Clearance Portal (2021)

- Provides a centralized online system for obtaining all required mining-related approvals.
- Aims to streamline project implementation, especially for new entrants in the sector.

#### 3. Auction of Coal Blocks for Non-Regulated Sectors

- Regular coal block auctions are held for sectors like steel, cement, and aluminum.
- Promotes diversification of coal usage beyond power generation.

#### 4. Promotion of Coal Gasification and Liquefaction

- The government aims to gasify 100 million tonnes of coal by 2030.

- Supports cleaner use of coal, in alignment with energy transition goals.

#### 5. Adoption of Technology and Automation

- Use of drones, GPS tracking, automated loading systems, and online coal sale portals is increasing.
- Enhances operational transparency, safety, and production monitoring.

#### 6. Coal Logistics and Evacuation Reforms

- Investment in dedicated freight corridors, coal corridors, and first-mile connectivity to reduce transport delays and costs.

#### 7. Coal Access for Small Consumers

- Introduction of e-auctions enables SMEs and small industries to procure coal at market-based prices, improving access and affordability.

### Conclusion and the Way Forward

#### 1. Short-to-Medium Term Role of Coal

- Despite global trends toward renewables, coal will remain indispensable for India's power sector in the near future due to its affordability and availability.

#### 2. Strategic and Balanced Energy Transition

- India must adopt a calibrated approach by:
  - Increasing renewable energy share, and
  - Modernizing coal-based generation to reduce emissions.

#### 3. Self-Reliance and Energy Security

- By boosting domestic production, the Ministry of Coal seeks to:
  - Ensure energy security,
  - Support economic growth, and

- Advance the vision of Viksit Bharat (Developed India).

#### 4. Towards a Sustainable Energy Future

- The coal sector must evolve in a way that balances economic needs, social welfare, and environmental obligations.
- Integrating clean coal technologies, enhancing efficiency, and phasing down imports will be key pillars of a sustainable energy strategy.

Source:

<https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2127652#:~:text=The%20Cabinet%20Committee%20on%20Economic,Coal%20Allocation%20to%20Power%20Sector.>