

New Initiative by Coal Ministry towards Commercial Coal Mine Financing

Reforms Underway to make Coal Sector more Investor Friendly

Ministry Holds Stakeholder Consultation on Commercial Coal Mining Funding

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The Ministry of Coal (MoC) has undertaken a significant initiative to liberalize the coal sector in India. This initiative introduced Commercial Coal Mining, removing restrictions on the sale and utilization of coal. It also introduced provisions for financing coal mines and flexible auction terms to encourage wider participation.

Pursuant to the launch of the first tranche of Commercial Coal Mine auction by Prime Minister Shri Narendra Modi in June 2020, the Ministry of Coal has successfully auctioned 91 coal mines across seven tranches. To enhance broader participation in these auctions, the Ministry is implementing a series of reforms in the coal sector making it more investor-friendly sector. One key area of focus has been securing financial assistance to operationalize coal mines. Industries have highlighted the challenges confronted in obtaining financial support from Banks/ Financial Institution (FIs). With the rising impetus of Environmental, Social and Governance (ESG) norms, most of the Banks/Financial Institutions are reluctant in engaging in projects related to coal.

To address these challenges and streamline the financing process, the Ministry conducted a 'Stakeholder Consultation' on "Funding of Commercial Coal Mines in India." The event was attended by coal mine allocatees and senior officials from financial institutions and banks. The consultation aimed to address concerns related to financing Commercial Coal Mining and gather feedback and suggestions from all stakeholders.

During the consultation, Banks have expressed their willingness to finance Coal Mines, provided project viability and equity infusion visibility were demonstrated through detailed business plans. Recognizing that coal is expected to remain a primary energy source in the foreseeable future, Coal Ministry requested the Department of Financial Services (DFS) to consider classifying the coal sector under the 'Infrastructure Sector.' This reclassification would enable banks and financial institutions to formulate policies more effectively to meet the increasing requirements of the coal sector in a time bound manner. The Ministry invited response from Coal Mine allocatees to determine the quantum of financing imperative towards coal mine development and operationalization, along with the associated timelines meeting the requirement. This collated information has been shared with Banks/Financial Institutions (FIs) to help address industry demands efficiently.

Banks and financial institutions have also undertaken steps to identify nodal branches that will act as a single window to meet the financing needs imperative for coal mine operationalization. As of now, the State Bank of India (SBI) has extended financial assistance for the development of one Commercial Coal Mine, and others are under the process of doing the same. Banks/ Financial Institutions (FIs) are also in the process of formulating board-approved policies to extend financial support in line with development and

operationalization timelines.

Considering the significant transformation of Indian coal sector over the past four decades and the abundance of indigenous coal reserves, coal is envisaged to remain a primary source of energy for the foreseeable future.

BY/RKP

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