

**GOVERNMENT OF INDIA  
COAL  
LOK SABHA**

UNSTARRED QUESTION NO:235  
ANSWERED ON:24.02.2010  
INTEGRATED ENERGY POLICY  
Thakur Shri Anurag Singh

**Will the Minister of COAL be pleased to state:**

- (a) whether the Integrated Energy Policy adopted by the Government of India calls for fiscal policies that take care of the externalities;  
(B) if so, the details thereof;
- (c) whether the Policy also calls for leaving the pricing of coal to the market;
- (d) if so, the details of the mechanism the Government has established to integrate the environmental externalities related to coal, especially ill health of human population and eco-systems due to coal mining and coal-based electricity generation plants and other industries, into the market determined pricing of coal; and
- (e) if not, the time by which such mechanism would be set up?

**Answer**

MINISTER OF STATE (IC) IN THE MINISTRY OF COAL AND MINISTER OF STATE (IC) IN THE MINISTRY OF STATISTIC AND PROGRAMME IMPLEMENTATION (SHRI SRIPRAKASH JAISWAL)

(a)&(b) : The Integrated Energy Policy recommends that for economic efficiency and for promoting optimal investment in energy, the energy market should be competitive wherever possible. However, competitive markets alone will not ensure efficiency in the area because of negative environmental externalities associated with some fuels, potential supply risks and also the scope for exploitation of temporary shortages. These problems can only be addressed through appropriate fiscal policies to take care of externalities and independent regulation to take care of anti-competitive market behaviour.

As a general rule, the prices of all commercial energy sources which are tradable i.e. exportable or importable, such as petroleum products, coal and natural gas, should be set at trade parity prices at the point of sell. Competitive markets would lead to trade parity prices ensuring that energy use and inter-fuel choices would be economically rational.

(c) : The said policy suggests, inter-alia, that high quality coking coal and non-coking coal which are exportable should be sold at export parity price as determined by import price at the nearest port minus 15 %.

(d) : The unit cost of coal production provides for environmental cost including mine closure cost, compensatory afforestation cost and cost of environmental mitigation measures.

(e) : Does not arise in view of the reply to part (d) above..