

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

STARRED QUESTION NO:22
ANSWERED ON:14.03.2012
NEW FORMULA FOR COAL PRICE
Singh Shri Ravneet;Sivasami Shri C.

Will the Minister of COAL be pleased to state:

- (a) Whether the Government has adopted a new mechanism/formula for fixing coal prices in the country;
- (b) if so, the salient features of the new and old mechanism/formula and the reasons for adopting the new mechanism;
- (c) the likely rise in the price of coal as a result thereof and the extent to which power steel and cement industries would be affected by the coal price hike;
- (d) whether various coal consumers such as power, steel and cement industries have opposed the new mechanism; and
- (e) if so, the details thereof alongwith the steps taken/proposed to be taken by the Government to address the apprehension expressed by these industries?

Answer

MINISTER OF COAL (SHRI SRIPRAKASH JAISWAL)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT AS MENTIONED IN ANSWER TO LOK SABHA STARRED QUESTION NO. 22 FOR ANSWER ON 14.3.2012
ASKED BY SHRI RAVNEET SINGH AND SIVASAMI C. REGARDING NEW FORMULA FOR COAL PRICE

(a) & (b) : The Government has switched over from the existing Useful Heat Value (UHV) based grading system to Gross Calorific Value (GCV) based classification of non-coking coal with effect from 01.01.2012. Following the Government's announcement of switching over from UHV to GCV system of grading of coal the coal companies revised their coal prices in terms of GCV bands with effect from 01.01.2012. In the UHV based system, the coal grading was determined in seven bands based on ash and moisture content. In the new mechanism, the coal was classified on the basis of gross calorific value into seventeen bands with bandwidth of 300 Kcal/kg. each. The GCV is an international practice of grading of coal which has been recommended for adoption by a number of high level committees including the Integrated Energy Policy. This system will ensure a high degree of consistency in quality of coal supplies and result in high consumer satisfaction. The new mechanism is more scientific and accurate and ensures uniform price across the subsidiary companies of Coal India Ltd (CIL) for similar calorific value of coals except for some adjustments being made for prices of Western Coalfields Ltd. (WCL).

(c) : Concurrently with the switching over from UHV to the GCV based grading system a pricing structure has been notified which has been kept revenue neutral to the extent possible for CIL, as a whole. However, some impact of price revision (upward or downward) on the coal consuming industries, depending on the actual GCV band of coal being supplied to such industries, cannot be ruled out.

(d) & (e) : Initially the price of coal in the GCV system was finalised by CIL on the basis of Rupees per Million Kilo calorie heat value by providing various discounts on ex-unload port price of imported Coal. Based on the feedback received from various coal consumers, the issue of coal pricing has been reviewed by the CIL and revised, taking into account the weighted average price of CIL for a particular grade and linking the same to the midpoint of the relevant GCV band and ensuring that revenue neutrality to the extent possible is maintained.