

**GOVERNMENT OF INDIA
COAL
LOK SABHA**

UNSTARRED QUESTION NO:3451
ANSWERED ON:19.03.2013
CHANGE IN FORMULA FOR COAL PRICES
Siddeswara Shri Gowdar Mallikarjunappa

Will the Minister of COAL be pleased to state:

- (a): whether the Government is aware that coal prices have been increased by 150- 250 per cent upon changing the Gross Calorific Value (GCV) formula;
- (b): if so, the reasons for changing the formula adopted earlier i.e. Heat Value formula for fixing coal prices for consumers;
- (c): whether there are differences between the Ministry and the coal companies on changing the formula for coal prices and this is the reason for high increase in coal prices in the year 2012 suddenly; and
- (d): if so, the details thereof along with the corrective action being taken by the Government in this matter?

Answer

MINISTER OF STATE IN THE MINISTRY OF COAL (SHRI PRATIK PRAKASHBAPU PATIL)

(a)&(b): Following the Government's announcement of switching over from Useful Heat Value (UHV) to Gross Calorific Value (GCV) system of grading of coal, the coal companies revised their coal prices in terms of GCV bands with effect from 01.01.2012. The decision to migrate to the new system is based on international coal trading practices. Besides, the Integrated Energy Policy Document and the Expert Committee on road map for coal sector reforms headed by Shri T.L. Sankar on Coal Sector have recommended for the same. The new mechanism is more scientific and accurate and ensures uniform price across the subsidiary companies of Coal India Limited (CIL). This system will ensure a high degree of consistency in quality of coal supplies and result in higher consumer satisfaction.

(c)&(d): No Sir, there are no differences between the Ministry and the coal companies on implementation of the GCV based grading system. However, based on the feedback received from various coal consumers, the Government advised CIL for immediate corrective measures and accordingly, the issue of coal pricing has been reviewed by the CIL and prices have been 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, ensuring that revenue neutrality to the extent possible is maintained for CIL, as a whole.