APP Comments on Draft Coal Logistics Policy

The background to the Draft Policy correctly assesses that in order to achieve the target of 'Atmanirbhar Bharat', robust coal evacuation infrastructure is needed in the country. We have seen from recent examples that spikes in power demand have resulted in critical coal stock conditions in thermal power plants all across the country due to logistical and evacuation challenges in ramping up coal despatches to the power sector.

Spikes in power demand based on seasonal variations have always been a predominant feature in our country and such variations are likely to increase in the future. The need of the hour is to strengthen the logistics framework and infrastructure so that coal supply and transportation to the power plants moves from 'business as usual' towards being geared up for higher efficiencies. In this context, our following suggestions on improving coal evacuation, reducing rail freight and clear demarcation of responsibilities between the coal consumer, coal companies and railways may be considered for inclusion in the Coal Logistics Policy by Ministry of Coal:

A. Suggestions pertaining to Coal Evacuation / Coal Logistics:

a. **Improving first-mile connectivity for coal movement to railway sidings** – Currently the coal availability at sidings is a major bottleneck for achieving required growth in rake loading from CIL sidings. Availability of proper sized coal at railway siding is necessary for achieving lower wagon turn around time and to reduce freight cost.

b. **Faster implementation of rapid loading silos** – This is required at CIL mines to reduce the time for rake loading, which shall result in higher offtake via rail mode by way of increased utilization of CIL sidings.

c. **Work completion on fast-track mode for 14 critical mega Rail infrastructure projects identified by Ministry of Rail and Ministry of Coal** – this will help to achieve the required coal production targets and rail mode offtake targets.

d. **Carrying capacity of Wagons/Wagon haulage capacity and Rakes size may be enhanced** to achieve higher throughput. Faster procurement of new wagons by Indian Railways would also help to tide over the wagon shortages.

e. **Development of new sidings with Silo loading** to decrease the loading time as well as addressing the issues of underloading & overloading of railway wagons to optimize use of railway rakes.

f. Immediate enhancement in railway network and haulage capacity around all the Indian ports to facilitate faster movement from the ports.

g. **Increase the speed of freight trains** to reduce the transit time.

h. **Sharing and integration of Railway sidings with CIL sidings/captive coal block owner sidings** – Since a significant quantity of coal will be dispatched from captive coal blocks in the near future, this would help in increasing dispatches.

i. **Grouping of Trunk line infrastructure –** Acquisition of land in a linear manner is a major challenge in the construction of rail sidings to connect mines, plants, cluster of industries etc. While serving a cluster of mining blocks having different ownership, the same area will require laying of more than one siding, which not only increases the land requirement but also results in sub optimal use of assets. It would therefore be advisable to create ***a shared rail siding***, which has a trunk taking off from main rail line and branches off to different blocks at appropriate places – hub and spoke model.

j. **Putting in place mechanism to consider actual tare weight in place of pre-determined tare weight** - The actual tare weight of wagons is more than the fixed tare weight considered by Railways for preparation of RR, and this results in the thermal power plants getting billed for more quantity of coal than is actually transported. The Policy may provide for tare weight of empty wagons to be measured by the in-motion weighbridges installed at all coal sidings during inward movement of coal rakes for their placement.

B. Suggestions pertaining to Rail Freight

Railway freight is a major component of the total landed cost of coal for power plants (~50%) and sometimes even more than the cost of coal itself. Currently however, railway freight charges are quite high since the Indian Railways business model is based on passenger underpaying and freight overpaying. Further, the freight charges are based on opaque distance slabs which lead to a non-uniform applicability of freight charges to generating stations within a particular slab – an inefficient pricing method.

The above factors lead to an avoidable increase in power generation costs across the board, and results in increased dependence on road transport especially over shorter distances. This can be seen from the following table, which shows that rail mode offtake of coal has been less than 60% in each of the 5 preceding years.

Particulars/FY	2017-18	2018-19	2019-20	2020-21	2021-22
Rail Mode Offatke	294	291	283	325	366
CIL Total Offtake	580	608	581	574	662
Rail Share in CIL Offtake	**51%**	**48%**	**49%**	**57%**	**55%**

In an ideal situation, rail transportation of coal is preferable over road transportation, even for shorter distances, due to the following reasons:

- **Better coal visibility for TPPs** - The planning process for coal procurement and visibility of coal via rail mode becomes easier and committed as compared to coal transportation via road mode The power plants are also generally designed for rail coal and road transport of coal is preferred only for marginal coal requirement during contingencies, since coal utilization is more convenient when transported via rail.

- **Environment friendly option**- Rail coal transportation is much more environment friendlier than road coal transportation in view of lesser pollution and utilization of scarce resource for transportation. During road transportation, a lot of agricultural land gets affected because of the dust from coal and emissions from the vehicles.

Eg- the cotton lands in the city of Warora, Maharashtra have been affected majorly because of the pollution caused by coal dust which affects the cotton growth.

- **Financial benefit to Railways** – With rationalization in railway freight, the usage of wagons for shorter movements would increase considerably as compared to the present situation where wagons are typically used for longer distances from the siding. This will increase the productivity for Railways as the same wagon can be used multiple times in a day.

In this regard, our suggestions to increase the rail mode share of total coal dispatches and disincentivize road transport are as follows:

a. **Reduce railway freight for coal transportation by elimination of cross-subventions.**

b. **Charge freight on per MT per Kms basis instead of per MT and slab basis. There can be fixed charges for first 0 - 50 Kms and for any distance more than 50 Kms, the freight charges should be per MT per Kms basis.**

C. **Signing of Tripartite Fuel Supply and Transport Agreement for Coal supplies to Power Sector**

There has been constant blame-shifting between Railways, Coal companies and Power Generators when it comes to coal loading and materialization issues, along with associated commercial disputes. The main cause of this finger pointing is the absence of an enforceable commercial agreement between all the three entities involved. Without such a tripartite agreement, there are no clear responsibilities assigned and **supply of coal to the power plants is usually on a 'best effort' basis** – without any accountability of shortfall in wagons despite advance deposit of payments.

Both the Expert Committee headed by Shri T.L. Sankar on Coal Sector Reforms and the Planning Commission Expert Group on Integrated Energy Policy headed by Shri Kirit Parikh had recommended that the sector should move towards Fuel Supply & Transport

Agreements and this suggestion was reiterated in the 11th Plan Working Group report as well. **Such a Tripartite Fuel Supply and Transport Agreement between the consumers of Coal, Coal companies and Railways would help to assign responsibilities appropriately and ensure smooth flow of Coal to Generators as per their entitlements while optimize wagon allocations for coal transportation by providing clarity to the Railways for round-the-year supplies.**