



कोयला मंत्रालय  
**Ministry of Coal**

भारत सरकार

# REPORT ON PRICE TREND OF COAL

**List of officers associated**

**Shri. M. Nagaraju**

**AS & NA MoC**

**Shri Ajitesh Kumar**

**Director, MoC**

**Shri Marapally Venkateshwarlu**

**Director (Tech), NA Office**

**Shri Alok Verma**

**Under Secretary, NA Office**

**CS Darshita Chaturvedi**

**Financial Analyst, NA Office**

## PREFACE

This report has been prepared by the **Energy Cell** founded under aegis of office of **Nominated Authority**, Ministry of Coal, Government of India. Energy Cell is mainly responsible for preparing various Financial & Technical analysis on the Coal Sector of the country, to monitor the price trends in coal and coal based products, to monitor and analyse domestic market and possible policy changes.

This report provides a brief analysis on the global and domestic price trends in the Coal Sector during a period of previous 4 years from 2020 to 2023. During the period of previous four years there have been many extra-ordinary events the impacts of which have been felt in the coal sector as well. This report has been prepared using information from various sources including Ministry of Coal, World Bank Monthly Commodity Price, Government of USA website, Coal India Ltd. and SCCL. Further, the calculations done for the various data sets is based on the Weighted Average Method and the conversion of values in INR to US\$ is done using the exchange rate issued by Government of India for the relevant period for the 'Import Goods'.

Subsequently, the monthly National Coal Index issued by the Government of India is used in this report as a base for comparison with the Global Coal Prices since it is calculated on the basis of auction price, import price & notified price and is a standard indicator of domestic Coal Prices in India.

**Date of publication:** January 2024

## Index

<b>1. Preface</b>	<b>3</b>
<b>2. Introduction</b>	<b>4</b>
<b>3. Coal Price in India</b>	<b>5-10</b>
<b>a. Representative Prices</b>	
<b>b. Auction Prices</b>	
<b>c. Hike in price of coal by Coal India</b>	
<b>4. Global Coal Prices</b>	<b>11-12</b>
<b>a. Indonesia</b>	
<b>b. Australia</b>	
<b>c. South Africa</b>	
<b>d. United States of America</b>	
<b>5. Comparative Analysis of Indian and Global Coal Prices</b>	<b>12</b>
<b>6. Conclusion</b>	<b>13-14</b>

## Introduction

Coal is the primary source of energy in India accounting for upto 55% of the total energy consumption and 75% of the total electricity generation, followed by Oil, Natural gas, Renewable Sources, Nuclear and Hydro-electric. Many of the essential commodities critical to the Indian economy, such as electricity, steel, cement, fertilisers etc., depend on coal. Thus, it becomes imperative to understand the trends of coal prices in order to better gauge the effects of movement of coal prices on the Indian economy and the state exchequer. In 2022, India stood at second position in coal production with a contribution of 8.6% in the overall total coal production in world followed by Indonesia, USA, Australia, Russia and South Africa.

The instant report considers and analyses the benchmark Indian coal prices for the month of March from 2020 to 2023 being calculated with reference to the Indian National Coal Index beginning March 2020. Further, the auction prices hosted by Coal India Limited (CIL), Neyveli Lignite Corporation (NLC) (for Lignite) and Singareni Collieries Company Limited (SCCL) will also be examined to get a comprehensive idea of the financial aspect of the coal sales taking place in the country.

The financial aspect of the Coal Sector is specifically critical to the growth & development of the India in terms of its significant impact on around 3.89 cr. people of the country who are impacted by the operations of the sector while also belonging mainly to the deprived and vulnerable sections of the society such as the Scheduled Tribes and the Scheduled Castes.

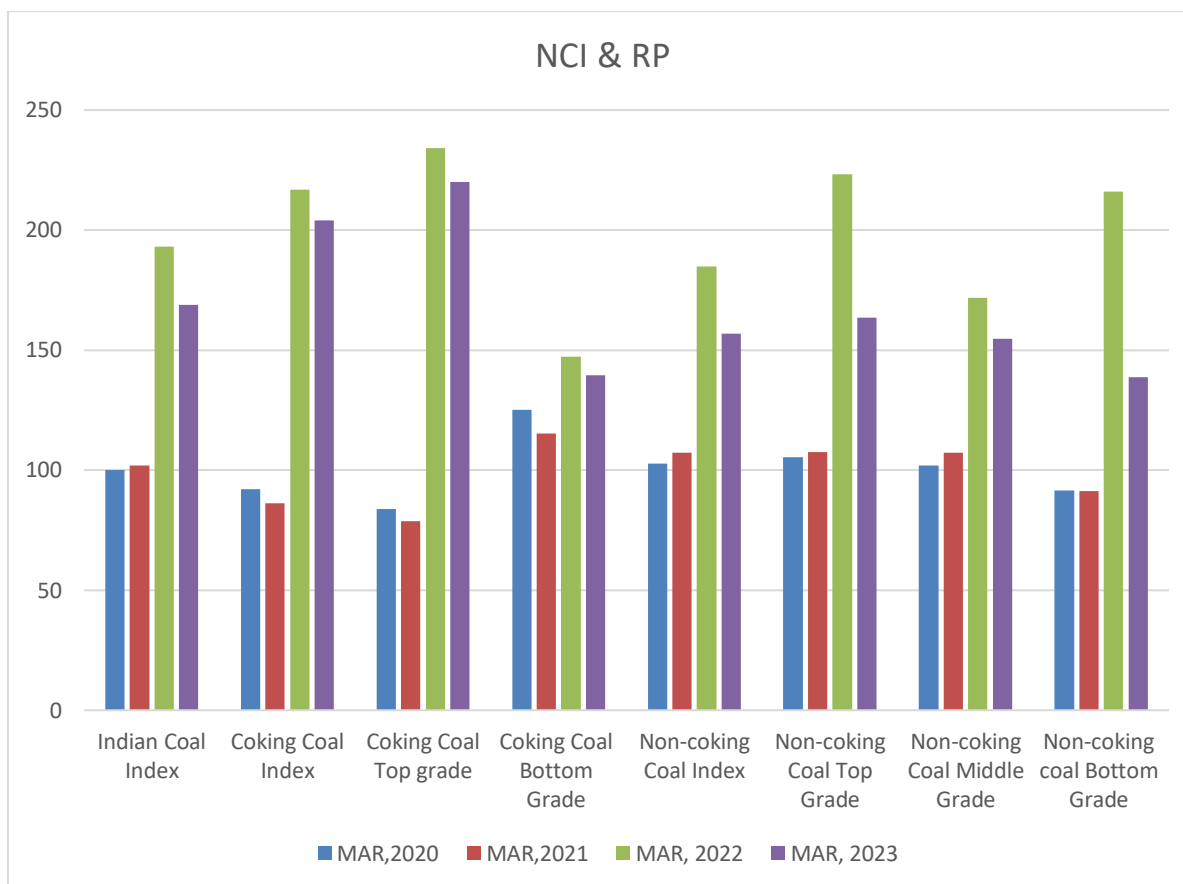
## 2. Coal Prices in India

### 2.1 Representative Price (RP) and National Coal Index (NCI)

In the period of 4 years ending 2023 many such events have taken place globally which have severely impacted the global economy and supply chains of many essential commodities and also many of the key industrial inputs.

From the data of National Coal Index and Representative Prices (**Annexure-1**) for the referred period, it can be inferred that there has been a decline in the Index in all the Coal Grades in March 2023 in comparison to increasing trend of the Index in March 2021 and March 2022. The reasons for such a decline in the Index of March 2023 may be attributed to some extent to factors such as the partial recovery of supply chains from the after effects of Russia-Ukraine War, impact of Covid-19 etc., however, the main reason of decline in the NCI is the increase in the production quantity of the domestic companies which produced a staggering **893.19 MT** of coal in the financial year 2022-23 with a **positive growth rate of 14.77%** from the financial year 2021-22.

Here, it would be necessary to mention that in the financial year 2022-23 India has seen an **incredible 47% increase** in the production of coal in comparison to the period of last 9 years.



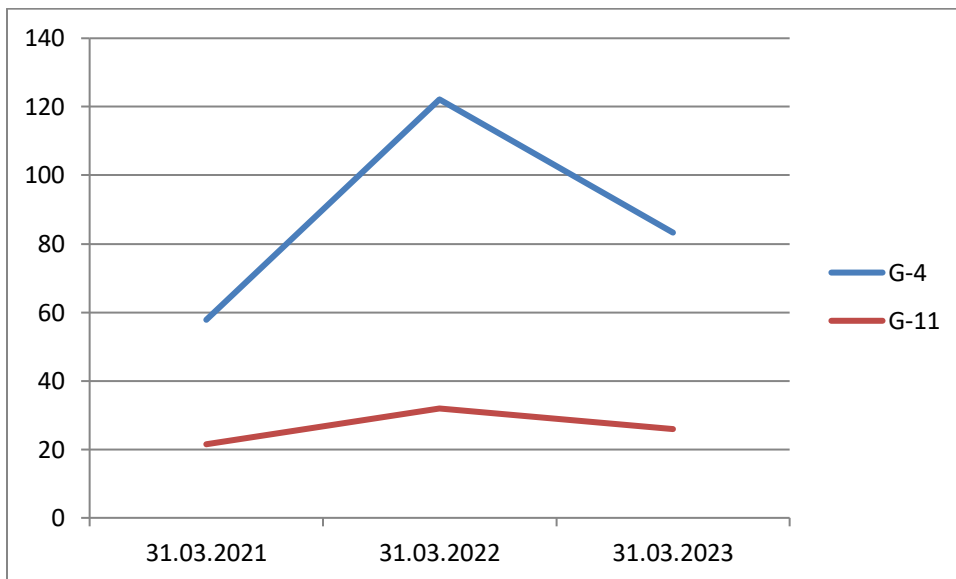
**Fig.1 –NCI & RP (Annexure-1).**

Further, for the sake of comparison between the Indian Coal Prices and Global Coal prices the price data of G-4 and G-11 grade of Indian Coal for the period of March-21 to March-23 as calculated from NCI & RP's (**Annexure-1**) and the exchange rates in the relevant period which is as follows have been taken because the global price for coal from Indonesia is of G-4 category and for South Africa & Australia of G-11 category:

*(Price in \$/Metric Ton)*

S.no.	Grade	March-21	March-22	March-23
1.	G-4	57.82	122.16	83.30
2.	G-11	21.49	31.93	25.85

The representative price (RP) for the year March-2020 is not available as the NCI & RP are being published from April-2020 onwards. Furthermore, Representative Prices taken from NCI & RP's (Annexure-1) are being given in 'Rs./MT' however for the sake of comparative analysis of Indian Coal Prices with Global Coal Prices subsequently these prices have been converted into '\$/MT' by taking the foreign exchange rate for imported goods (Exchange Rate Notification) for the relevant month i.e. March and relevant year.



**Fig.2 – NCI & RP of G-4 and G-11(Annexure-1).**



## 2.2 Auction prices of Coal

In addition to its use for captive power generation, coal is commercially auctioned by the Coal India Limited (CIL) and the Singareni Collieries Company Limited (SCCL) and thus the auction prices of coal discovered periodically by the two aforementioned corporations help to provide a fairly accurate indicator of the national wholesale coal price.

The Auction Bid prices quoted to the Coal India Ltd. and Singareni Collieries Company Ltd. for the month of October 2023, for certain grades of coal are as follows:

*(Price in \$/Metric Ton)*

S.no.	Company	G-4	G-11
1.	Coal India Ltd & Subsidiaries (CIL)	71.71	40.96
2.	Singareni Collieries Company Ltd. (SCCL)	----	45.01

Here the auction prices of coal offered by CIL and SCCL for Grade-4 & Grade-11 has been provided to make the auction price data relatable with the global coal prices provided hereunder. These auction prices are exclusive of any kind of taxes, cess, duties and other charges.

The auction price of CIL and Subsidiaries for each grade has been calculated by taking the Weighted Average of the coal of same grade auctioned from different locations. However, no such calculation has been done for the G-11

grade (ROM) coal of SCCL and it has been directly taken from the available data. Additionally, SCCL has **not auctioned** G-4 grade of coal from any of its units, it has only auctioned G-11 grade of coal at a price more than the price at which CIL & Subs. has offered its G-11 grade coal.

From the above given data it could be inferred that the difference in locations from where the coal has been supplied and the transportation mode creates a substantial impact on the price of the coal, as the G-11 grade of coal offered by CIL & Subsidiaries is \$ 40.96/MT and by SCCL is \$45.01/MT.



***Fig.3 – Coal Auction price from CIL & SCCL.***

Further, these prices for G-4 & G-11 have been calculated by taking the weighted averages of the quantity and successful bid prices of the different

collieries from which these grade of coal have been auctioned. The successful bid price used for weighted average is excluding of any taxes, duties, charges or any other additional levies.

### **2.3 Recent Hike in Price of Coal**

Recently, Coal India Limited the biggest producer of domestic coal in India, has increased the prices of coal effective from 31.05.2023 by 8% in the grades of G1 to G10 which would cater to various factors such as:

1. Stock valuation of coal
2. Covering the increased employee cost subsequent to the wage hike given by CIL to its non-executive employees.
3. To commensurate with the increased global & domestic inflation

This hike in coal price would also help Coal India to earn additional revenues.

Since, the prices of coal have a substantial ripple effect on the economy of the country, its prices trends ought to be accorded utmost consideration which could result in a positive impact on the economy as well as on the financial position of the coal companies.

### 3. Global Coal Prices

Apart from India some of the major Coal producing countries in the world namely Indonesia, Australia, United States of America, Russia and South Africa wherein the prices of coal significantly influence the benchmark global coal price which subsequently the impact coal prices in India since the coal

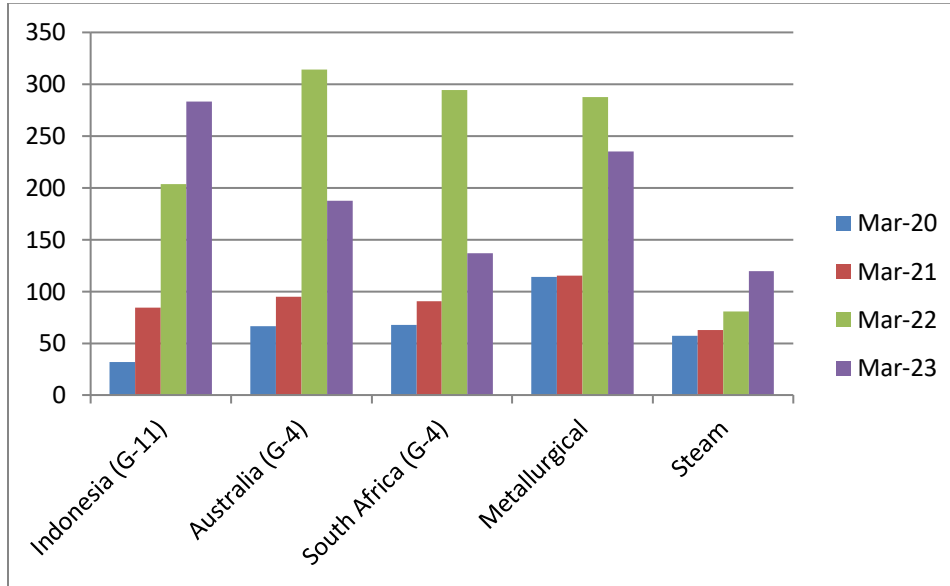
price in India is calculated from the National Coal Index which in turn is calculated by taking into consideration the import prices.

The F.O.B. (Free on Board) prices of coal for the financial years ending on March 2020 to March 2022 can be referred from the below provided schedule:

*(Prices in \$/Metric Ton)*

S.No.	Country	March-20	March-21	March-22	March-23
1.	Indonesia (G-11)	31.60	84.47	203.69	283.08
2.	Australia (G-4)	66.74	94.92	314.04	187.23
3.	South Africa (G-4)	67.89	90.66	294.42	136.84
4.	USA (\$/short tonne)				
	Metallurgical	114.15	115.19	287.75	234.88
	Steam	57.18	62.76	80.62	119.75

The grade for Indonesian coal has been approximated to G-11 grade as the prices are given for coal of 4200 kcal/kg and as for Australia & South Africa, these have been taken from the World Bank Commodity monthly price list which has been provide for the coal of these countries with various kcal/kg quality, of which the weighted average has been taken approximating to G-4 grade of Indian Coal.



*Fig.4 – Coal Prices from Statista (Indonesia), World Bank Monthly Commodity List (Australia & South Africa), eia.gov (USA Metallurgical & Steam).*

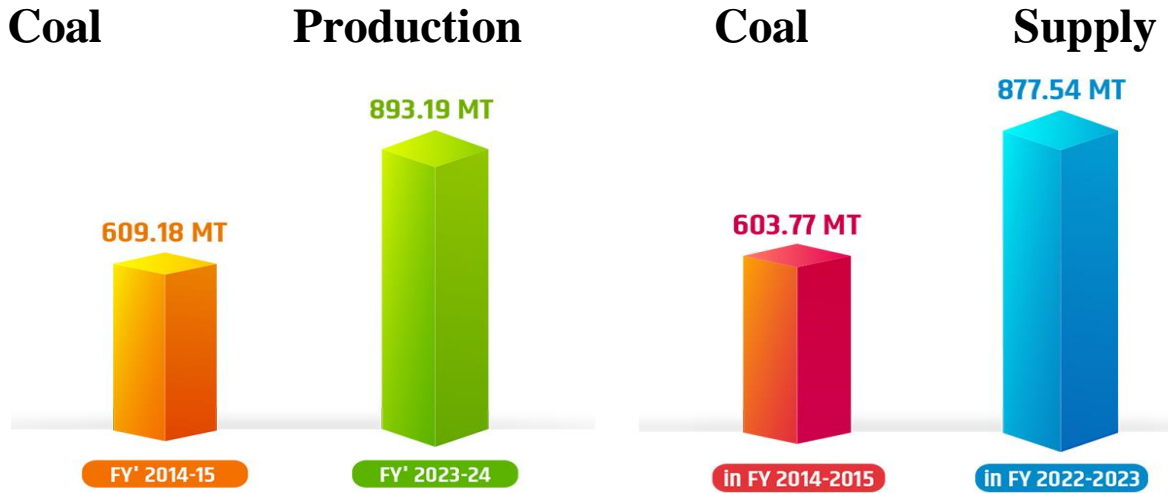
#### **4. Comparative Analysis of Indian and Global Coal Prices**

There are a number of factors that contribute to the notable discrepancy between the prices of coal in India and around the world, including additional custom duties and cesses, import freight, freight insurance, lighterage and demurrage charges and the GST on the imported coal.

Based on the global and Indian data mentioned above, it is apparent that the cost of Indian coal is significantly lower than the cost of coal in the nations that India imports coal from. Therefore, more emphasis should be placed on enhancing domestic production in order to increase the usage of coal produced domestically, which would benefit both the Indian economy and the coal consumers.

## 5. Conclusion:

1. The price trends observed in the coal sector present a nuanced and dynamic landscape. Overall, the analysis reveals several key patterns and implications. Firstly, the persistent demand for coal, driven primarily by energy needs in various industries has kept prices relatively stable despite intermittent fluctuations, 75 % of the India's energy need is catered by the coal making it the largest energy source for the country.
2. Secondly, regional variations in coal pricing, influenced by factors such as supply chain disruptions, geopolitical tensions, and shifts in energy policies, have led to diverse pricing dynamics across different markets.
3. Additionally, the significant decline in most of the prices & NCI (as NCI also takes into consideration Import Prices) in comparison to previous years can be explained through the restoration of disrupted global supply chains caused due to Covid-19, Russia-Ukraine War and increased demand of Australian Coal by the western countries.
4. However, it is pertinent to mention that in recent years India's domestic industry has also increased its production & supply capacity substantially from 609.18 MT in FY' 2014-15 to 893.19 MT in FY'2023-24 and 603.77 MT in FY' 2014-15 to 877.54 MT in FY' 2022-23 respectively to meet the nation's ever-growing demand for coal.



5. Thus, this increasing production capacity of the country will also be creating an opportunity for the export of domestic coal to meet the world demand for coal ultimately helping to create a positive balance of trade for the nation, in addition to fulfilling the domestic demand in accordance with the government of India's "Atmanirbhar Bharat Mission".



सत्यमेव जयते

भारत सरकार

कोयला मंत्रालय

**Ministry of Coal**