

COAL PAYS ONES' BILLS, WELFARE DOESN'T" - The Importance Of The Coal Industry Amidst The Lockdown

written by Rhea Susan Verghese | May 21, 2020



THE 2020 COAL WAR

The Importance of Coal Manufacturing in COVID-19 Lockdown

The COVID 19 pandemic has not only forced India, but the whole world to come to a snowballing standstill. Huge disagreements and rapid chaos have been the result of the continuous lockdown which was imposed worldwide, and the same which has been in continuity till today. The poor workers, daily wage earners, farmers, and many other marginalized classes of society have faced the brunt of this menace.

Even though peoples' lives have stalled, the mining segments never really stopped working. The declaration of a national lockdown in India from 24th March 2020 onwards, routed towards the compulsory imposition of Section 10(2)(i) of the Disaster Management Act, 2005 which guarantees power to the National Executive Committee to analyze the preparedness of the governmental entities to respond to the life-threatening disaster and support them by enhancing preparedness.[1]

Under this law, the central government ought to issue guidelines of preventive measures that need to be taken up by the states and the union territories for the containment of the widely spreading pandemic. The central government ministries and the statewide authorities take the lead in terms of the proper implementation of such guidelines.

According to these guidelines, all industrial activities including construction, mining, and manufacturing units will be shut down except for the manufacturing industries in the businesses of essential commodities and certain other production entities with the prior permission of the government authorities.[2] Further, an addendum was issued declaring certain institutes to be excluded from the implications of the lockdown which included *"coal and mineral production, transportation, supply of explosives and activities incidental to mining operations."*[3]

'AN ESSENTIAL STEEL'- MINING AND STEEL GRADED AS ESSENTIAL SERVICES!

All the states in India which are majorly associated with mining have developed their own set of legislations that guarantee mining operations without any deterrents. One such instance is in when the Orissa Government invoked the Epidemic Diseases Act, 1897 for the unhindered continuance of the mining activities.[4] The state government issued the Orissa COVID 19

Regulations, 2020 which allowed the government to exclude all the essential commodities and the manufacturing units of such essential commodities from the lockdown orders.

The Ministry of Health and Family Welfare passed certain orders on 24th March 2020 where the lockdown restrictions do not apply to the essential commodities manufacturing units subject to the measures of social distancing and sanitation.

“v. Operation of mines of iron ore, coking coal, thermal coal, limestone, dolomite, manganese, chromite, etc. as well as operations of ferroalloys, iron ore pellet plants, etc. which supply critical raw material for steel making”[5]

The Odisha exchequer greatly profited due to the contribution to the mining royalty. About INR 10,300 crores have been collected in the form of mining royalty by the Odisha Government. The Essential Services Maintenance Act, 1981 has also provided for permission along similar lines for excluding the service or establishments which undertake the activities of production, supply, and distribution of commodities like coal, steel, fertilizers, and power which arose as a consequential bearing of the lockdown restrictions.[6] The steel ministry and private companies like JSW and CIL have sought protection under this law to keep their manufacturing operations in continuance. This law is initiated in order to prevent the worker from strikes and lockouts of industries.

DOES THE EXCEPTION TO COAL & MINING INDUSTRIES SWALLOW THE RULE?

Why did the central and the state governments provide relaxations to the coal and iron mining and the production of steel and ferroalloys despite the emergency that has emerged all over the world? The answer is generative of the question, meaning it is these very sectors and the associated government ministries that generate enormous inventories in times when the economy is on a gradual slowdown and the demand is invariably low.

These sectors have hugely relied on thousands of workers including Dalits, Adivasis, and daily wage laborers who work in such dangerous workplaces like the mines risking their health and life. The risk associated with working in these mines is far too high than the risk which is incurred from COVID 19. Even though these workers have specifically been exempted from the lockdown restrictions, the police authorities are restricting their movements under the so-called ‘village nakabandi’.

There are a lot of workers who do not want to attend work due to the risks associated with the same but the contractors and the employers have time and again threatened these workers to come for work and if not reduced wages or removal from their jobs is the way forward. The truck drivers who carry all the materials like coal are stranded alongside accompanied by a lack of food as a major disadvantage with all the roadside dhabas or restaurants being shut.

This exemption granted to the mining sector has been more of an incentive to all those companies which are facing losses of them being an essential commodity during these emergencies. The main doubt that arises is, why is this exemption not extended to the rural sector with food security being one of those sectors which are hugely affected? People have hoarded all such essential commodities as wheat and cereals and they are not allowed to distribute them also. There are a lot of tribal villagers and fishermen who have sunk into financial losses. The supply chain of even essential

commodities like milk, fruits, vegetables, cereals, and groceries has been hampered.

COMMERCIAL MINING IMPROVES COAL AVAILABILITY AND ATTRACTS FOREIGN DIRECT INVESTMENT ("FDI")

During the COVID 19 pandemic, the government has opened the coal mining sector to the private institutions which would assist in better distribution of coal by enhancing its availability. This will attract FDI from the foreign companies in accordance with the new economic package which was introduced by Nirmala Sitharaman, i.e the revenue sharing mechanism which will follow commercial mining instead of the money per tonne conceptually.[7]

By the initiation of this revenue-sharing mechanism in the sector of commercial mining, the coal and its products will be available at market price. The liberalization of entry into the coal mining sector will not only increase the efficiency but the allow the participation of a large number of entities that would receive incentives for producing the product well before the given deadlines. The economic package permits 100% FDI in the commercial mining sector which will also lead to the initiation of the auctioning of the commercial coal mines.[8]

There are certain advantages that one may observe due to the entry of the private sector entities into the coal mining sector which include transparency of mine valuations, mine planning, and an increase of efficiency to have successful mine acquisitions through the bidding process.

Even though in the present scenario the companies are not very optimistic about the commercial coal mining opportunity, they have kept their hopes on the long-term viability of the reforms that have been announced by Nirmala Sitharaman in the mining sector to boost the fallen economy. By privatizing the coal mining sector, the import of coal from other countries will reduce but at the same time increase the self-reliance power of India in the sector of coal production.[9]

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 - [2] Guidelines on the measures to be taken by Ministries/ Departments of Government of India, State/Union Territory Governments, and State/ Union Territory Authorities for containment of COVID-19 Epidemic in the Country Order No. 40-3/2020-DM-I(A) dated 23.03.2020
 - [3] Addendum to Guidelines annexed to the Ministry of Home Affairs Order No. 40-3/2020-DM-I(A) dated 24.03.2020 Clause 5, Sub Clause (c)
<https://www.mha.gov.in/sites/default/files/MHA%20order%20with%20addendum%20to%20Guidelines%20Dated%2024.3.2020.pdf>
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 - [5] Order No.9015/H&FW dated 24.03.2020 issued by Department of Health and Family Welfare, Government of Odisha <
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- [9] FP Staff, 'Nirmala Sitharaman on Economic Package: Centre hikes FDI in defense, allows commercial mining of coal, opens space sector for private players in 4th tranche; key takeaways (First Post, 16 May 2020)
[https://www.firstpost.com/business/nirmala-sitharaman-on-economic-package-centre-hikes-fdi-in-defence-allows-commercial-mining-of-coal-opens-space-sector-for-private-players-in-4th-tranche-key takeaways-8374741.html](https://www.firstpost.com/business/nirmala-sitharaman-on-economic-package-centre-hikes-fdi-in-defence-allows-commercial-mining-of-coal-opens-space-sector-for-private-players-in-4th-tranche-key-takeaways-8374741.html)
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