

Press Release

India's biggest coal and power districts will face energy transition challenges much earlier than anticipated; economic restructuring and development intervention will be essential, shows the latest study by iFOREST.

- The report - *Korba: Planning a Just Transition for India's Biggest Coal and Power District* - shows that the energy transition, propelled by the fast-growing and cost-competitive renewable energy sector, coupled with declining coal reserves and unprofitable coal mines, necessitates just transition planning to start urgently.
- Report released by Shri T.S. Singh Deo, Minister of Panchayat and Rural Development and Minister of Health, Government of Chhattisgarh, Shri Amitabh Kant, CEO, NITI Aayog and Shri Anil Kumar Jain, Secretary, Ministry of Coal.
- Korba, India's biggest coal producing district, is highly dependent on the coal industry for jobs and growth. Over 60% of Korba's GDP and one-in-five jobs are from coal mining and coal-related industries.
- Korba's coal mines are getting exhausted, and half of the thermal power capacity is older than 30 years. Under the 'Current Policy Scenario,' which aligns with India's net-zero target of 2070, all the coal mines in Korba can be closed by 2050 and power plants by 2040 in a phased manner.
- Closing down all eight unprofitable underground mines in Korba in the next few years is a win-win for the South Eastern Coalfields Limited (SECL), as the resources saved can be diverted to start a just transition in Korba.
- Korba has an aging formal workforce – at least 70% of SECL and NTPC workers are 40-60 years of age. Their retirement can be synchronized with plant and mine closures. The biggest challenge is the re-employment of informal workers and skilling for the new economy.
- Economic and industrial restructuring and physical and social infrastructure investments will be essential for a just transition
- Substantial policy and legal reforms in land, labour, and finance will be required to enable a smooth just transition.
- Both domestic and international finance will be required for just transition financing. However, just transition financing will be less of a challenge if coal cess is used for supporting the transition.
- Public sector companies – CIL and NTPC – will have a significant role in enabling a just transition in India's coal-dependent regions.

New Delhi, February 16, 2022: The International Forum for Environment, Sustainability & Technology (iFOREST), Delhi based environment think tank, today released one of the most comprehensive studies to understand what a just energy transition will mean and entail for India's top coal and power districts in the coming years. iFOREST studied Korba district in Chhattisgarh, India's biggest coal-producing district, to analyze the challenges and opportunities of the energy transition.

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The report- *Korba: Planning a Just Transition for India's Biggest Coal and Power District* - was released at an online event by Shri T.S. Singh Deo, Minister of Panchayat and Rural Development and Minister of Health, Government of Chhattisgarh, Shri Anil Kumar Jain, Secretary, Ministry of Coal, and Shri Amitabh Kant, CEO, NITI Aayog.

Speaking at the occasion, Shri T.S. Singhdeo said, “justice will be the most critical aspect of the energy transition, and this will need to be addressed. This will be possible through not only state intervention, but through a collaborative effort at various levels.” “As coal phases out, what industry could come in coal regions like Korba for employment generation is the big question which needs to be deliberated upon,” he added.

Shri Anil Kumar Jain, said that “A place-based approach is the answer to ensuring a just transition as districts have different issues. A strategic approach will be needed as there is a big human aspect involved in the energy transition.” He also said that for building a new economy land will be a key issue, and for countries like India, repurposing of mining land can provide a key opportunity,” he added.

Shri Amitabh Kant, on the occasion of the release, said “Just transition has emerged as a concept to ensure that the local communities in coal and power regions do not face the repercussions of untimely mine and thermal power closure. For India, development intervention will be a key aspect of just transition. We also need to invest in human capital in states like Chhattisgarh, Jharkhand, Odisha. These states have the opportunity to build the new economy, and for that cooperative federalism will be necessary.

“India's biggest coal and thermal power districts face a twin challenge. The first is the energy transition propelled by the fast-growing and cost-competitive renewable energy sector. The second is the declining coal reserves, unprofitable coal mines, and an aging thermal power fleet. A combination of these will lead to a significant economic disruption in coal regions in this decade and beyond. This necessitates just transition planning to start urgently. Districts like Korba will need to start planning for the future to prevent socio-economic disruptions,” said Chandra Bhushan, President and CEO, iFOREST.

Korba produces over 16% of the country's coal and is also an electricity hub, with 6,428 MW of thermal power capacity.

Key findings of the study

- Korba is a Schedule V district with over 40% tribal population. It is an Aspirational District with 41% people living below the poverty line and over 32% of the district's population being ‘multidimensionally poor’ with limited access to healthcare, education, and basic amenities.
- It is highly dependent on the coal industry for jobs and growth. Over 60% of Korba's GDP and one-in-five jobs are from coal mining and coal-related industries.
- A coal-centric economy has stymied the growth of other economic sectors, including agriculture, forestry, manufacturing, and services. Poor socio-economic status and high dependence on the coal economy make it highly vulnerable to the unplanned closure of mines and industries. Therefore, unplanned disruptions in the coal industry will have severe socio-economic consequences.

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- Korba has 13 operational mines, and four mines are in the pipeline. As per the current plans of SECL, Korba's coal production will peak at 180 million tonnes by 2025.
- Among the operational mines, three open cast mines- Dipka, Gevra, Kusmunda- produce 95% of the coal. Eight underground mines are low-producing and are unprofitable.
- But Korba's coal mines are getting exhausted, and half of the thermal power capacity is older than 30 years. Big mines like Gevra and Kusmunda have a remaining life of less than 15 years. As per the recommendation of the Central Electricity Authority, 10 units with 2,940 MW capacity (46% of the current capacity) can be retired by 2027.
- Under the 'Current Policy Scenario', which aligns with India's net-zero target of 2070, all the coal mines in Korba can be closed by 2050 and power plants by 2040 in a phased manner.
- Shutting down all eight unprofitable mines in Korba in the next few years is a win-win for the South Eastern Coalfields Limited (SECL), as the resources saved can be diverted to start a just transition in Korba.
- Korba has an aging formal workforce – at least 70% of SECL and NTPC workers are 40-60 years of age. Their retirement can be synchronized with plant and mines closure. So, the transition of the formal workers is less of a challenge.
- The biggest challenge is the re-employment of informal workers, who constitute over 60% of the workforce in the coal industry. They will require job support and reskilling. Skilling for the new green economy is another challenge.

Based on the findings, the report has developed a just transition planning framework for Korba – **based on the 5 R's principle** -- which can also be a blueprint for other districts. The just transition in Korba will require:

- 1. Restructuring of the economy:** Korba's economy will have to be restructured to reduce the contribution of coal and increase the contribution of other sectors in the district's GDP. This will require investments in agriculture, forestry, and fishery sectors, supporting low-carbon industries based on local resources, including agro and food processing, non-timber forest product (NTFP) processing, renewable energy-based industries, and strengthening the service sector. Investments in education and skill development will be essential.
The coal mining and power companies – SECL and NTPC -- will have a crucial role in supporting the transition. Restructuring their business portfolios and investing in green businesses will help create jobs and substitute for the loss of revenue from the closure of coal mines and coal-dependent industries.
- 2. Repurposing of land and infrastructure:** Currently, 24,000 ha of land and massive infrastructure is with the coal and power companies. Scientific closure and repurposing of mining land hold significant potential to build a new green economy and attract investments.
- 3. Reskilling and skilling of the workforce:** For formal workers in coal mining and power plants, securing retirement benefits and skilling of the workforce for new industries will be necessary. The informal workers will need government support for employment and income.
- 4. Revenue substitution:** Coal mining Korba currently contributes over Rs. 7,000 crores (\$US 1.0 billion) in royalty, District Mineral Foundation (DMF) funds and coal cess. These are important sources of revenue for the central, state and district. A progressive plan for economic diversification will be required to substitute this revenue.

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- 5. Responsible social and environmental investments and practices: Korba will need massive investments in health, education, amenities like water supply, and physical infrastructure to enable a just transition.** About Rs. 500-550 crores of the DMF fund, collected annually in Korba, provides a significant opportunity to invest in social and physical infrastructure.

To fund just transition, both domestic and international finance will be required. DMF fund, CSR funds and coal cess will be the most significant domestic sources for transition financing. These three currently contribute about Rs. 5300 crores (\$US 750 million) in Korba, which will increase to Rs. 7500 crores (\$US 1.0 billion) by 2035. Overall, coal cess can be the most critical green fund for a just transition.

“Just transition is not just about climate change action; it is an opportunity to reverse the resource curse in the coal districts. The next 10 to 20 years will be crucial for Korba to plan and implement a just transition. We need to have the right policies and governance mechanisms to ensure that this opportunity to build a new inclusive economy is realised” said Srestha Banerjee, Director, Just Transition, iFOREST.

“Our study of Ramgarh district of Jharkhand in 2020, and now of Korba in Chhattisgarh essentially shows just transition in India is about re-development of the coal regions. Major policy and legal reforms in land, labour, and finance will be required to enable a smooth just transition. We need to develop a strategic roadmap for this and secure necessary finances to support it, both domestically and through international cooperation”, said Chandra Bhushan.

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