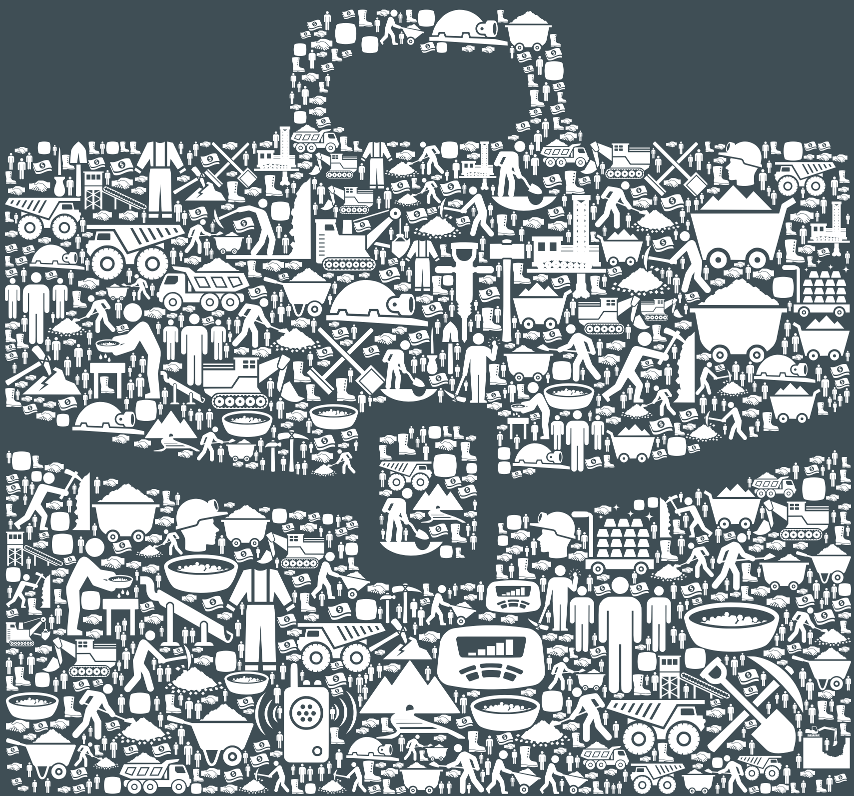
ENABLING THE USE OF COAL CESS FOR JUST ENERGY TRANSITION



An Agenda for Progressive Financial Reform

iFOREST
INTERNATIONAL FORUM FOR ENVIRONMENT, SUSTAINABILITY & TECHNOLOGY

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List of Abbreviations

BT	Billion Tonnes
CEC	Clean Energy Cess
GoI	Government of India
GST	Goods and Services Tax
GW	GigaWatts
IMG	Inter-Ministerial Group
MMT	Million Metric Tonne
MMTPA	Million Metric Tonne Per Annum
MNRE	Ministry of New and Renewable Energy
MSME	Micro, Small, and Medium Enterprises
NCEEF	National Clean Energy & Environment Fund
NCEF	National Clean Energy Fund
UNFCCC	United Nations Convention on Climate Change

Executive summary

India will need trillions of dollars in the coming decades to support a just and inclusive energy transition, to build a net zero economy and meet the climate change goals agreed upon in the Paris Agreement (2015). The just energy transition measures will need to be financed through public financing and private investments from both domestic and international sources. However, it will be important for India to maximise the potential of domestic financial resources so that the country remains more self-sufficient in driving the transition.

A. Potential of the coal cess to support just energy transition

The cess on coal, instituted under the Finance Act of India in 2010, constitutes an important domestic resource for supporting just energy transition measures in the country, especially the coal states and districts, that will face transition challenges in the coming decades. Some of these states (and specifically the districts) are already facing transition challenges due to a large number of end-of-life and economically unviable mines. These include coal districts, particularly in the states of Jharkhand, Chhattisgarh, Madhya Pradesh, West Bengal, and Maharashtra.

The cess on coal was originally levied to finance and promote clean energy initiatives and measures and referred as the Clean Energy Cess. In 2014, the purpose of the cess was extended to support clean environment initiatives as well. However, in 2017, with the enactment of the Goods and Services Tax (Compensation to States) Act, 2017, the cess on coal was subsumed under the GST compensation cess.

Being levied at Rs.400 per tonne of coal production and imports currently, the coal cess is a very significant source for implementing just energy transition measures. An analysis of the cess collected from 2017-18 till 2022-23, shows that over rupees two lakh crore has been cumulatively collected through payment of the cess by coal companies. Further, considering India's target of reaching one billion tonnes of coal production in the current year, the yearly collection of coal cess will be about Rs.40,000 crores. Cumulatively India will have over rupees four lakh crores collected as the coal cess in the next seven years considering a production target of 1.6 billion tonnes by the year 2030 (and about 170 million metric tonnes of import).

The coal cess also remains a significant component of the GST compensation cess, currently having a share of about 40%. For the coal states (particularly of Eastern India), the coal cess on an average accounts for more than 90% of the contribution to the GST compensation fund from these states.

To leverage the huge potential of the coal cess to support just energy transition measures in India in the coming decades, specifically in the coal-dependent regions, necessary financial reforms need to be instituted at the earliest.

B. Regulatory reforms for reinstating the coal cess as a just energy transition cess and its utilisation.

The GST compensation cess will come to an end on March 31, 2026. Considering the timeframe, the Government of India (GoI) needs to proceed with the necessary reforms in a timely manner so that this important resource can be utilised to support a just energy transition in the coal states and districts starting this decade and at the earliest possible time. The coal cess should be reinstated as a just energy transition cess for such purposes.

To reinstate the coal cess as a just energy transition cess, and to enable its utilisation by the states and the central government for supporting and implementing just energy transition measures, a set of reforms will be required. The most important reform that will be required is introducing amendments to the Finance Act to institutionalise the just energy transition cess and allow its disbursal to the State Governments.Besides, rules need to be developed to ensure utmost transparency and accountability in fund realisation, disbursal, and utilisation.

The following are some of the specific reforms that will be required to ensure the utilisation of the cess to support just energy transition measures:

(i) Amendment of the Finance Act (Act 14 of 2010) to reinstate the coal cess as a just energy transition cess. The purpose of the cess shall be to support just energy transition initiatives and investments in coal-dependent states and districts.

(ii) A dedicated Just Transition Fund needs to be created at the central level to support and implement just energy transition measures. The revenue generated from the coal cess, alongside other sources, will be kept in this fund to ensure a dedicated source of funding for transition initiatives.

(iii) A state-level Just Transition Fund should be created towards which the just energy transition cess (or the coal cess) can be deposited by the Central Government.

(iv) Till the time a Just Transition Fund is created at the central and state levels, an interim/ad-hoc fund can be created. The ad-hoc fund shall be under the ambit of the Ministry of Finance at the central level and with the Department of Finance at the state level.

(v) Fifty percent of the just energy transition cess (the coal cess) accrued to the central Just Transition Fund in a financial year, shall be disbursed to the state governments of coal-producing states, in proportion to the amount of coal cess realised from the respective states.

(vi) The Central Government may utilise the remaining 50% of the fund for supporting and advancing just energy transition measures to achieve the climate action targets and goals.

(vii) The Central Government shall develop Rules under the Finance Act, for utilisation of the just energy transition cess. The utilisation of the cess should be aligned with the objectives and intended outcomes of a just and inclusive energy transition.

(viii) Some of the specific issues for which the funds realised from the cess can be used for include, supporting the repurposing of land available with abandoned and end-of-life mines, supporting green businesses, particularly micro, small, and medium enterprises (MSMEs) and entrepreneurship through financial incentives, supporting renewable energy (RE) development in the coal mining districts, supporting investments for augmenting social infrastructure (such as for education, healthcare, among others) to build community resilience, supporting reskilling and skilling of the workforce, and supporting green innovation.

(ix) To ensure utmost transparency and accountability, the just energy transition cess should be subject to the same obligations and mechanism of financial review and scrutiny applicable to public funds.

(x) Some of the key mechanisms to ensure accountability will include instituting audit mechanisms, including audits by the Comptroller and Auditor General (CAG) of India, submission of the annual accounts and audit reports by the State Governments to the State Assembly and also the Centre, submission of the annual accounts and audit reports by the Central Government to the Cabinet, and disclosure of all information related to the payment, disbursal and utilisation of the funds in the public domain.

Overall, through progressive reform, the coal cess can be a very important resource to support a just energy transition and green growth in the coming decades and also set a leading example of green taxation that can be used for such purposes, without increasing the tax burden on industries.

1. Context

As the energy transition continues to unfold backed by national and international climate change policies, green energy targets, technological innovations, market opportunities, and initiatives by various industries, it is now well recognised that the transition will need to be a just and inclusive process creating better opportunities for all. Planning and implementing a just energy transition, therefore, will involve a range of costs for which financial resources will need to be secured.

India's Long-Term Low-Carbon Development Strategy (officially referred to as the Long-term low greenhouse gas emission development strategies or LT-LEDS), presented to the United Nations Framework Convention on Climate Change (UNFCCC) in 2022 highlights the need for significant financial resources to decarbonise the country's electricity sector in a just and equitable manner. The strategy mentions that financial resources will be required to install renewable power plants, upgrade the transmission grid, and introduce energy storage systems. It also elaborates on the resource requirements to support a just transition of workers and communities, which includes investments in social and physical infrastructure, ecological restoration of affected areas, building capabilities of the local community to adapt to the transition, and creating new livelihood opportunities.[1]

A study undertaken by iFOREST on determining just energy transition costs shows that India will require at least a trillion dollars over the next 30 years for a just energy transition only of the coal mining and coal-based thermal power sectors. These investments reflect the cost of closing coal mines with a 1,315 million metric tonne per annum (MMTPA) cumulative production capacity and phasing out 237.2 gigawatts (GW) of coal-based power capacity. The various cost components associated with the transition of these sectors include coal mine reclamation and repurposing, thermal power plant decommissioning and green repowering, green energy investments, economic diversification, labour support and transition, community resilience, planning, capacity development, and governance, and revenue substitution (against the revenue that the government may forego due to any early closure of the assets). Many of these cost components are also those that have been highlighted in the LT-LEDS.

A large sum of money through public financing and private investments will be required to implement just energy transition measures in India.

However, the estimate is still conservative as it does not include the investments needed to set up renewable power plants, upgrade the transmission grid, and introduce energy storage systems. These will be essential to meet the country's future energy demand and can be estimated to be in trillions of dollars. In addition, financial resources will be required to ensure a just energy transition of various other fossil fuel industries, including micro, small, and medium enterprises (MSMEs).

Overall, a large sum of money will be required to implement just energy transition measures in the coming decades. The financial requirements will need to be met through private investments and public financing, from both domestic and international sources. Apart from government budgetary allocations, including through grants, schemes, and subsidies, domestic financing can further be leveraged by repurposing some of the taxes paid by the industry that are primarily meant for environmental and green energy development purposes, or the public welfare contributions made by the companies under various laws. In this regard, the Clean Energy Cess (CEC), commonly referred to as the coal cess, is a significant opportunity.

An inter-ministerial committee appointed by the NITI Aayog to look into Just Transition from Coal in their report in 2022 also identified the CEC as a potential resource to aid communities, regions and states to chart an alternative development path in the event of the energy transition.[2]

This paper evaluates the scope of utilising the coal cess for supporting a just transition in the coal-dependent states of India and the reforms that are necessary for such purpose. The evaluation is based on systematic secondary research of various government documents, including press notifications related to the payment, disbursement and utilisation of the coal cess. The observations and recommendation also draw upon interviews with government officials, economic experts and the officials of the coal industry.

2. Institution of the coal cess

A cess is a form of tax charged over and above the base tax liability of a taxpayer and is usually imposed when the government wishes to raise funds for activities targeted towards societal benefits.[3] To this effect, the CEC was introduced by the Government of India (GoI) under Section 83 of the Finance Act of 2010 (No.14 of 2010).[4] The purpose of the cess was *"financing and promoting clean energy initiatives, funding research in the area of clean energy or for any other purpose relating thereto"*.[5]

The Act conferred Central Government the sole power and responsibility of using the CEC for various purposes related to the promotion of clean energy. It specified that the proceeds of the cess will *"first be credited to the Consolidated Fund of India and the Central Government"*,[6] and *"shall not be distributed among the States"*.[7]

Following the institution of the CEC, the CEC Rules were notified in June 2010, outlining the payment obligations. The cess was levied at a rate of ₹50 per tonne of coal[8] produced and imported into the country.[9] The CEC came into force on July 1, 2010.[10]

To utilise the funds under the CEC, a corpus called the National Clean Energy Fund (NCEF) was created in 2010. An Inter-Ministerial Group (IMG) was constituted to approve the projects/schemes eligible for financing under the NCEF. The IMG was chaired by Finance Secretary with Expenditure and Revenue Secretaries as Members. It also had representatives from ministries of Power, Coal, Chemicals and Fertilizers, Petroleum and Natural Gas, New and Renewable Energy and Environment and Forests.[11] Any project/scheme by public or private sector entities related to the innovation of methods for the adoption of clean energy technologies and research and development was eligible for funding under the NCEF.[12]

The cess on coal production and imports introduced under the Finance Act in 2010 is one of the most significant sources of domestic public fund to support just transition measures.

Later, under the Finance Act (No. 2) of 2014, the purpose of the CEC was extended to also include clean environment initiatives. It was specified that the cess will be used *"for the purposes of financing and promoting clean environment and energy initiatives, funding research in the area of clean environment or clean energy, or for any other purpose relating thereto"*.[13]

In 2016, an amendment was introduced in the Finance Act 2010 to rename the "Clean Energy Cess" as the "Clean Environment Cess".[14] The linked fund was simultaneously renamed as the National Clean Energy & Environment Fund (NCEEF), broadening the scope of the projects that could be further funded under this initiative.[15]

Over the years, between 2010-2016, the amount to be levied as the cess was also revised. The revisions are as follows:

- ₹50 per tonne (effective from July 1, 2010 - July 10, 2014)
- ₹100 per tonne (effective from July 11, 2014 – February 28, 2015)
- ₹200 per tonne (effective from March 1, 2015 - February 28, 2016)
- ₹400 per tonne (effective from March 1, 2016 onwards)

3. GST compensation cess and subsuming of the coal cess

The GST Compensation Cess was introduced in the Goods and Services Tax (Compensation to States) Act of 2017.[16] With its introduction, the cess on coal levied as the clean environment cess, was subsumed with other items under the GST compensation cess along with other 'sin' and 'luxury' items such as aerated drinks, pan masala, cigarettes, and automobiles.[17] However, there was no change in the amount and the coal cess continued to be levied at the rate of ₹400 per tonne on coal production and imports (US$ 5 per tonne).[18]

The objective of the compensation cess introduced in 2017 was to compensate the states for any potential losses that arose on account of GST implementation for up to five years, i.e. till June 30, 2022.[19] The GST Compensation Fund, a "non-lapsable fund" was created to utilise the proceeds of the cess.[20]

It has been further noted, that after the five-year period, any amount left in the fund would be shared on 50% basis between central government and the states.[21] In June 2022, under the Goods and Services Tax (Period of Levy and Collection of Cess) Rules, 2022, the GoI extended the period for levy and collection of cess under the GST Act till March 31, 2026.[22]

4. Payment and disbursement of the coal cess

As noted above, the payment of the coal cess, and subsequently its scope of expenditure, has changed since its institution in 2010. The accrual and corresponding disbursal/spending of the coal cess has been analysed considering two time periods- the pre-GST reform, and the post-GST reform.

Between 2010 and 2017, only about 28% of the coal cess collected was utilised for clean energy and environmental projects and a large sum of the unspent money was diverted to the GST Compensation Fund thereafter.

4.1 Pre-GST reform

As per the NCEEF brief released by the Department of Expenditure, between 2010-11 to 2017-2018, about ₹86,440 crores (US$ 10.39 billion) was paid as coal cess, out of which ₹56,740 crores was realised until 2017, before the GST Act was enacted. Out of the ₹56,740 crores, about 37% was transferred to the NCEEF between fiscal years 2010 and 2017. Of the total transferred amount, about 76% was utilised for financing various clean energy and environment-related projects.[23]

Therefore, between 2010 and 2017, only about 28% of the coal cess collected was utilised for clean energy and environmental projects. Overall, a large sum of money remained unspent, which was diverted to GST Compensation Fund with the GST compensation cess coming into force.

Table 1: Payments of coal cess and utilisation for clean energy and environmental projects (2010-11 to 2017-18)

Year	Coal cess collected (₹ crore)	Amount transferred to NCEEF (₹ crore)	Amounts financed from NCEEF for projects (₹ crore)
2010-2017	56,740	20,950	15,910
2017-2018	29,700	8,700	
Total	**86,440**	**29,650**	**15,910**

Source: Department of Expenditure, Ministry of Finance, 2017-18

4.2 Post-GST reform

The coal cess, which was initially implemented as a separate tax, was later subsumed into the GST compensation cess along with several other items as noted earlier. Despite being amalgamated with other cesses under the GST regime, the share of coal cess within the total GST compensation cess has remained significant since 2017-18 till date, with an average share of about 40%.

Table 2: Year-wise collection of GST compensation cess and share of coal cess

Year	GST Comp cess collected (₹ crore)	Estimated amount of coal cess in GST compensation cess (₹ crore)	Share of coal cess in GST compensation cess (%)
2017-18	62,614	28,047	44.8
2018-19	97,369	40,532	41.6
2019-20	98,745	40,977	41.5
2020-21	88,338	38,868	44
2021-22	1,07,708	41,373	38.4
2022-23	1,28,286	47,034	36.7
Total	**5,83,060**	**2,36,831**	**40.6**

Source: iFOREST analysis based on Goods and Service Tax Network report on 6 year of GST.
* Estimated amount of coal cess in GST compensation cess has been calculated taking ₹400 per tonne of coal that was domestically produced (coal and lignite) plus imports as per the Ministry of Coal Annual Reports and the Coal Statistics published by the Coal Controllers Organization for the corresponding periods

On an average the share of coal cess in the GST compensation cess is about 40%.

The share of coal cess in the GST compensation further increases drastically if payment by the coal mining states, such as Jharkhand, Odisha, Chhattisgarh and Madhya Pradesh, are considered. While the exact data regarding how much cess from coal production (or removal) went towards the fund from each of these states for the corresponding time period is not available, the contribution has been estimated based on coal production for the corresponding period and review of the annual reports of the coal companies. The estimates show that, in Jharkhand, Odisha, and Chhattisgarh, the top coal producers in Eastern India, the coal cess remains the largest contributor to the GST compensation cess. It is to be noted here that the share of coal cess as part of the compensation cess is at instances more then 100%, due to discrepancies in actual payment period. As the the Clean Energy Cess Rules, 2010 (Section 6), the cess on coal removed for a month can be paid by the 5th of the second month, following the month in which the removals were made:

As per clarifications of coal industry officials, therefore, the actual coal production and the actual cess paid (as estimated) in a financial year do not always match, considering such time lag.[24]

Table 3: Coal cess contribution towards GST compensation cess in coal-rich states

State name	State contribution to GST compensation fund between 2017-2023 (₹ crores)	Coal cess calculation		
		Coal production between 2017-2023 (MMT)	Estimated amount of coal cess to be accrued @ actual rate of ₹400 per tonne between 2017-2023 (₹ crores) *	Share of coal cess in GST fund contribution (%)
Jharkhand	29,475	799.70	31,988	108
Odisha	38,516	988.86	39,554	97
Chhattisgarh	36,528	959.61	38,384	105
Madhya Pradesh	32,463	773.02	30,921	95

Source: Provisional Coal Statistics 2022-23, Ministry of Coal[25]; GST Council[26]
*Calculated on the basis of yearly coal production and actual rate of coal cess.

However, for compensation to states from the GST compensation fund, the top coal states of Eastern India have received some of the lowest share from the fund in the past years.[27] For example, Jharkhand has received ₹8,695 crores since 2017, which is only 29% of the GST compensation cess paid, and about 27% of the coal cess paid (considering estimated cess based in Table 3). Similarly, Odisha has received ₹16,1 65 crore since 2017, which is about 42% of the GST compensation cess paid, and about 41% of the coal cess paid. For Chhattisgarh, the GST compensation received is 35% of the GST compensation cess paid and about 33% of the estimated coal cess paid.

Table 4: Comparison for GST compensation contributed and received by States

State name	Amount contributed to GST Compensation Fund by states between 2017-23 (₹ crores)	Contribution as share of India total (%)	Amount of GST compensation cess released to states between 2017-23 (₹ crores)	Released fund as share of India total (%)
States receiving a higher percentage share from GST Compensation Fund				
Maharashtra	73,513	13.94	74,239	13.37
Gujarat	28,773	5.46	46,311	8.34
Tamil Nadu	38,022	7.21	40,146	7.23
Punjab	1,188	0.23	39,997	7.2
Delhi	5,845	1.11	31,755	5.72
States receiving a lower percentage share from GST Compensation Fund				
Jharkhand	29,475	5.59	8,695	1.56
Odisha	38,516	7.3	16,165	2.91
Chhattisgarh	36,528	6.93	12,688	2.28
Madhya Pradesh	32,463	6.16	24,842	4.47

Source: Goods and Service Tax[28]; PIB notification[29], and iFOREST analysis.

While the coal states, largely concentrated in Eastern India, contribute to the GST compensation fund in similar proportions as other industrial states, but in terms of receiving compensation they are among the lowest ones.

Overall, the analysis of GST payment versus compensation received by the states show that the coal states are among the ones receiving some of the lowest share of the GST compensation as compared to other states of the country. For example, both Tamil Nadu and Odisha have nearly equal share of contribution to the GST Compensation Fund which is slightly over 7%. However, while over 7% of thr funds has been released to Tamil Nadu, Odisha has only received a share of only 2.9%.

From the perspective of the energy transition the release of the funds to coal states hold much significance. As noted above, a large share of contribution to the GST Compensation Fund come through the coal cess. The coal cess going towards the compensation fund from the coal states is based on the extraction of coal resources which will require a phase down planning in the coming years. The coal cess, therefore, is an important revenue for the states, which is made available to the state governments, can help to start investment in just energy transition measures. This will help these states to better prepare for the energy transition that is already unfolding and will accelerate in the coming years.

5. Reform of coal cess to support just energy transition in coal states

The coal cess provides a crucial opportunity to support just energy transition in India in the coming years considering the significant amount of corpus generated from this cess, and considering the objective with which the cess has been levied under the Finance Act. Additionally, utilising the coal cess for supporting just energy transition measures will also help India to maximise the potential of domestic financial resources so that the country remains more self-sufficient in steering the transition and build an inclusive net zero economy.

Between 2023-2030, an estimated ₹4.1 lakh crores of coal cess will be generated considering India's coal target.

An analysis of the estimated coal cess based on the coal demand in India until 2030 shows that a very significant amount will be collected through the coal cess which can be utilised to support a just energy transition and green growth in the coal states that will face transition challenges in the coming years. This particularly includes the states of Eastern India, such as Jharkhand, Chhattisgarh, Odisha and West Bengal, and Madhya Pradesh in Central India, which have poorer development indicators and financial strength. For example, as per the latest government projections,[30] the total coal production target is one billion tonnes (BT) for FY 2023-24[31] and about 1.6 BT by year 2030.[32] Considering this target, FY 2023-24 alone can result in an inflow of coal cess of more than ₹40,000 crores ($ 5.8 billion) from just domestic production. In fact, if the rate of cess applicable on coal remain unchanged, the estimated production and imports would generate a cumulative amount of about ₹4.1 lakh crores ($ 51 billion) of coal cess between 2024-2030.

Table 5: Projected coal supply and estimated coal cess till 2030

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Domestic coal supply (in MMT)	1,012	1,098	1,192	1,294	1,404	1,488	1,577	**9,065**
Imported coal (in MMT)	178.86	172	172.50	172.50	173	171.50	170	**1,210**
Total (in MMT)	1,190.86	1,270.32	1,364.49	1,466.16	1,577	1,659.49	1,747	**10,275**
Coal cess projection @ ₹400 per tonne (in ₹crores)	47,635	50,813	54,580	58,646	63,080	66,380	69,880	**4,11,013**

Source: iFOREST analysis based on Coal Forecasting, Ministry of Coal;[33,34,35]

However, to ensure the utilisation of the coal cess to support just transition in the coal states, a set of progressive policy reforms need to be instituted. The key reforms are outlined below.

5.1 Regulatory reform measures

The Finance Act (Act 14 of 2010) needs to be amended to reinstate the coal cess as a "just energy transition cess". The purpose of the just energy transition cess shall be to support just energy transition initiatives and investments in coal-dependent states and districts. The utilization of the funds should contribute towards economic diversification and green growth in the coal regions, enhance opportunities for green jobs, and ensure economic continuity, social vitality, and sustainable development in the coal-dependent regions as coal mining activities phase down in the coming decades.

5.1.1 Payment of just energy transition cess

Every producer shall pay the just energy transition cess to the Central Government in the same mechanism as payment of the clean environment (energy) cess, under the Finance Act, 2010 (Section 83), and the Rules developed under it.

Every producer shall maintain accounts of the total amount of cess payable during a month and the total amount of cess paid.

5.1.2 Contribution towards Just Transition Fund

A dedicated Just Transition Fund needs to be created at the central level to support and implement just energy transition measures. The revenue generated from the coal cess, alongside other sources, will be kept in this fund to ensure a dedicated source of funding for transition initiatives.

A state-level Just Transition Fund will need to be created towards which the just energy transition cess (or the coal cess) can be deposited by the Central Government.

5.1.3 Creation of ad-hoc fund

Till the time a Just Transition Fund is created at the central and the state levels, an interim/ad-hoc fund can be created. The ad-hoc fund shall be under the ambit of the Ministry of Finance at the central level and with the Department of Finance at the state level.

5.1.4 Disbursal of the cess to State Governments for implementing just transition measures

Since state governments will be at the forefront of planning and implementing just transition measures at the district and block levels (the transition regions), it will be important to ensure a disbursal of the just energy transition cess to the state governments of the coal-producing states.

The Finance Act (Act 14 of 2010) needs to be amended to reinstate the coal cess as a 'just energy transition cess' to augment the source of domestic public financing for just and inclusive energy transition.

Section 83(6) of the Finance Act, 2010 should be amended to ensure the disbursal of the cess to the concerned state governments. Under Section 83, the following may be specified:

(i) Fifty percent of the just energy transition cess (the coal cess) accrued to the central Just Transition Fund in a financial year, shall be disbursed to the state governments of coal-producing states, in proportion to the amount of coal cess realised from the respective states, for supporting and investing in just energy transition measures.

(ii) The remaining fifty percent of the funds may be utilised by the Central Government for supporting and advancing just energy transition measures to achieve the climate action targets and goals.

5.1.5 Utilization of the cess

The Central Government shall develop Rules under Section 84 of the Finance Act, for utilisation of the just energy transition cess. The Rules shall specify the details related to collection, operation/disbursement, monitoring, and accountability in realising and utilising the cess, The utilisation of the cess should be aligned with the objectives and intended outcomes of a just and inclusive energy transition.

Concerning fund utilisation the following shall be emphasised:

a. **Support repurposing of land available with abandoned and end-of-life mines:** The fund can be used for repurposing of the land available with abandoned and end-of-life mines (which will close by 2030), following assessment of repurposing potential and assessing funds required. The funds must be used to fill the funding gap required for repurposing. The objective of the repurposing activities should be to support sustainable economic development in the local community and enhance opportunities for green jobs.

b. **Support green businesses through financial incentives:** A fund can be used to support the promotion of green businesses and industries (with a specific focus on MSMEs) to promote green entrepreneurship and create local green jobs.

c. **Support renewable energy (RE) development in the coal mining districts:** The fund shall be used to support RE development in the coal districts to ensure the supply and access of green and affordable for the local community and businesses. The type of RE projects (such as solar, wind, small hydro, etc.) can be determined based on the RE potential of such states and districts based on the latest scientific assessments.

d. **Support investments for augmenting social infrastructure to build community resilience:** The fund can be used to support the development of social infrastructure and resources to build community resilience. This may include supporting education and health infrastructure and supporting facilities for old and disabled, among others.

e. **Support reskilling and skilling of the workforce:** The fund shall be used for reskilling and skilling of the coal-dependent workers (particularly informal workers), and the local community (with a specific focus on women and marginalized community members) to enhance their scope of employability in the low-carbon economy.

f. **Support green innovation:** The funds may support research and innovation for green energy and green industry development. This could include funding for research institutions, startups, and businesses working on such issues in the state.

5.2 Financial accountability

The utilisation of the just energy transition cess should be subject to the same obligations and mechanisms of financial review and scrutiny applicable to public funds. To ensure utmost transparency and accountability of the fund use, the following mechanisms need to be instituted.

a. The Central and the State Government authorities shall maintain detailed accounts and other relevant records on fund realisation, disbursal, and utilisation.

b. The authorities shall prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India.

c. The accounts of the just energy transition cess should be audited annually.

d. The accounts of the central and state authorities shall be subject to be audited by the Comptroller and Auditor-General of India, as considered necessary.

e. The annual statement of accounts and the audited reports shall be placed before the State Assembly by the concerned Government Department and shall also be submitted to the Central Government.

f. The annual accounts and the audited reports of the Central Government shall be placed before the Cabinet chaired by the Prime Minister of India.

g. The fund realised as the just energy transition cess shall not be transferred for any other purposes, other than for activities and projects for supporting just energy transition measures as specified by the Rules.

h. All information related to the payment, disbursal, and utlisation of the just energy transition cess should be shared on public platform through websites developed at the centre and state levels.

50% of the just energy transition cess (the coal cess) accrued to the central fund in a financial year, shall be disbursed to the state governments of coal-producing states, in proportion to the amount of coal cess realised.

As the GST compensation cess comes to an end on March 31, 2026, the coal cess needs to be reinstated as a just energy transition cess. The Government needs to proceed with the necessary reforms in a timely manner so that this important resource can be utilised for the purpose. Repurposing the coal cess as a just energy transition cess through necessary policy reforms offers a pragmatic and financially sustainable approach to addressing the environmental, social, and economic challenges of coal-dependent regions in India in the event of an energy transition while minimizing the need for additional carbon taxes or debt financing for the country.

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