



National Coal Index

Why in News

Recently, the **Ministry of Coal** has started **commercial auction of [coal](#) mines on a revenue share basis** using the **National Coal Index (NCI)**.

- NCI was **rolled out in June 2020**.

Key Points

▪ About:

- It is a price index which **reflects the change of price level of coal in a particular month relative to the fixed base year**.
- The base year for the NCI is [Financial Year 2017-18](#).

▪ Compilation:

- **Prices of coal from all the sales channels of coal**, including import, as existing today are taken into account for compiling the NCI.
- The **amount of revenue share** per tonne of coal produced from auctioned blocks would be arrived at using the NCI by means of defined formula.

▪ Sub-Indices: NCI is composed of a set of **five** sub-indices:

- Three for **Non Coking Coal** and two for **Coking Coal**.
- The three sub-indices for Non Coking Coal are combined to arrive at the Index for Non Coking Coal and the two sub-indices for Coking Coal are combined to arrive at the Index for Coking Coal.
- Thus, **indices are separate for Non Coking and Coking Coal**.
- As per the grade of coal pertaining to a mine, the appropriate sub-index is used to arrive at the revenue share.

Coal

- Coal is the most abundant fossil fuel which **holds 55% of India's energy need**.
- Based on the **uses**, coal is divided into **two types**:

◦ Coking Coal:

- This type of coal when subjected to high temperature carbonisation i.e. heating in the absence of air to a temperature above 600 degree Celsius, **forms a solid porous residue called coke**.
- **Coke** is fed into a blast furnace along with iron ore and limestone to produce steel in steel plants.
- Coking coal is desired to be of **low ash percentage**.

- **Use:**
 - Mainly used in steel making and metallurgical industries.
 - Also used for hard coke manufacturing.
- **Non Coking Coal:**
 - These are coals without coking properties.
 - **Use:**
 - This is the coal used in thermal power plants to generate electricity, so it is also known as **steam coal or thermal coal**.
 - Also used for cement, fertilizer, glass, ceramic, paper, chemical and brick manufacturing, and for other heating purposes.
- Coal is **also classified into four ranks: anthracite, bituminous, subbituminous, and lignite**. The ranking **depends on the types and amounts of carbon the coal contains** and **on the amount of heat energy** the coal can produce.

[Source:PIB](#)

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