

National Coal Index (NCI)

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In news : Recently, the Union Minister of Coal mentioned the National Coal Index (NCI) in his written reply to Lok Sabha

What is NCI?

The NCI is a price index which reflects the change of price level of coal on a particular month relative to the fixed base year. NCI is a price index combining the prices of coal from all the sales channels- Notified Prices, Auction Prices and Import Prices.

More about NCI

- The Ministry of Coal has started Commercial Auction of coal mines on revenue share basis. In order to arrive at the revenue share based on market prices of coal, one National Coal Index (NCI) was conceptualized.
- **Base year:** The base year for the NCI is FY 2017-18
- NCI has already been rolled out on 4th June 2020 and the same is placed on the website of the Ministry of Coal
- In the auction process, the National Coal Index (NCI) and Representative Prices (RP) would play a very important role.
- The concept and design of the Index as well as the Representative Prices have been developed by the Indian Statistical Institute, Kolkata.

How does NCI work?

- 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.

Components of NCI

- 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

Difference between Coking and Non Coking Coal

Coking coal:

- **Coking coal, also known as metallurgical coal, is used to create quality coke**, one of the key irreplaceable inputs for the production of steel.
- Coking coal is heated to produce coke, a hard porous material which is used to blast in furnaces for the extraction of iron from the iron ore.
- **A Coking coal, when heated in absence of air leaves a solid coherent residue possessing metallic grayish luster** & which possesses all the physical & chemical properties in the coke when manufactured commercially.
- Coking coal after heating in absence of air **leaves a residual coke**

Non-Coking coal:

- A non-caking coal is that coal which **on heating in absence of air doesn't form a coherent mass of residue**.
- Non Coking Coal **does not have any caking properties** and it is **mainly used as thermal coal for power generation**.
- It **has a higher ash content and also used in industries like cement, fertilizer, glass**, ceramic, paper, chemical

and brick manufacturing.

- A non-coking coal also leaves a solid coherent residue which may not possess the physical & chemical properties of the coke.