

FACT SHEET ON COAL SECTOR RESTRUCTURING

Introduction

- Restructuring of the coal sector, an integral part of energy sector reform, has been a World Bank focus since the early 1990s. It has been undertaken in major coal producers and other countries, including India, Mongolia, Poland, Romania, Russia, and Ukraine.
- The restructuring takes different forms, depending on the state of reform in a particular country and the country's commitment to broader policy, regulatory, and institutional changes to help the industry become competitive financially and socially as well as environmentally responsible.
- At the root of World Bank assistance is an initial assessment of the internal and external markets for a country's coal and how this balances with the country's supply.
- In most cases, particularly in transition economies, potential supply far exceeds demand in the short and long term, and consideration of downsizing, in both capacity and employment, is critical. Industry cost curve analysis can help identify potential mine closures and environmentally acceptable programs to discontinue higher-cost operations, allied to socially responsible programs to displace or retrain workers or provide financial support to them.

Pilot Mine Closure Programs

- Pilot mine closure programs are important tools to establish government understanding and acceptance of coal sector reform and restructuring. It is equally important to ensure that the profitable core of coal mines can be operated on a financially sustainable basis; this necessitates commitments to remove subsidy programs and avoid cross-subsidization.

Policy and Regulatory Frameworks

- The policy and regulatory frameworks under which the coal industry operates are often poorly developed and not internationally competitive, particularly in transition economies. Where appropriate, the Bank helps governments address these issues, providing for a clearer definition of roles for the coal industry, for government as the sector administrator and regulator, for existing public sector companies, and for the private sector.

Competition

- The introduction of competition is a precursor to an efficient coal industry. An internationally competitive regulatory and fiscal regime is also important to the industry's future health, as are well-developed environmental rules and regulations, including arrangements for effective environmental monitoring and control.

Supporting Restructured Coal Mines

- Much of the World Bank's initial coal sector restructuring is undertaken through structural or sector adjustment lending. Following such programs, there may be a further role for the World Bank to support restructured coal mines by introducing more advanced technology that enhances productivity and reduces costs, and by developing the country's public institutions so that they can better administer the sector and cooperate with private sector interests.
- The World Bank may also continue to support commercialization of state mining companies, disinvestment of government holdings, and partial or full privatization.

Additional Resources

- **[Coal Sector Restructuring](#)**
- **[Coal Mining and Production, World Bank 1998](#)**
- **[It's Not Over When it's Over: Mine Closure Around the World](#)**

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