Coal Shortage Re-emerges

What is the issue?

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- Despite last year’s assertion by the government that the era of coal shortage is over, most power plants are currently facing shortages.
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- Systemic shortcomings in both demand and supply-side management are hence apparent, which needs to be addressed.
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What is the current scenario in the sector?

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- The union power minister stated in 2017 that except for a few power plants along the coast, India didn’t have to import coal for the foreseeable future.
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- It was thought that shortages will no longer creep up as ‘Coal India Limited’ (CIL), which produced the bulk of coal within India, stepped up production.
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- But this transformation turned out to be short-lived, with many coal-based power plants in the country going almost out of stock recently.
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- **Enhanced Demand -** While it is difficult to point to a single reason, enhanced demand for coal is regarded as one of the primary reasons.
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- Thermal power production increased by more than 4% in the last 2 quarters and coal imports have risen despite a 40% jump in international prices.
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- Also, e-auction prices for coal have risen and the premium rose 76% in Q3 of FY18 as against 24% in the same period last year.
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What are the other specifics?

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- **Logistics -** Poor rail links from the mines, insufficient loading infrastructure and non-availability of rakes, are other aspects that continue to persist.
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- Notably, all the 20 power plants that have critical coal stock levels are non-pithead plants (away from mining zones).
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- This is hence also a classical case of inventory mismanagement by both Coal India and the power plants.
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- **Market Fluctuations -** Domestic supply from CIL did rise initially, it then moderated to a mere 1.6% average rise in the last 6 months of 2017.
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- This was because, while CIL was increasing production, the Indian economy plummeted and hence there was a slower increase in demand for electricity.
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- Significantly, in 2016-17 the plant load factor of thermal power plants fell below 60% (lowest in a decade), which consequently, saw coal stocks piling up.
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- As CIL closed FY16-17 with a massive 68 million tonnes of stock, it began to cut back on production to clear older stocks.
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- But when the demand picked up suddenly in recent months, it wasn't able to ramp up supply at the expected rate.
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What needs to be done?

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- As 66% of the country's electricity generated from coal, shortages tend to prove costly, for the industry, economy and public at large.
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- The need for improving productivity, infrastructure and the financial position of power utilities is a long standing one and needs to be improved.
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- The latest episode of shortage points to the need for a technology-driven system that enables better prediction of demand swings.
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- This would help both coal producers and consumers to react faster and

recalibrate their actions appropriately.
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Source: Business Line

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