Coal's Deadly Grip over Development is Coming to an End

What is the issue?

Much of India's 33 GW of coal-fired power capacity under construction and 29GW in the preconstruction stage will end up stranded, according to the Institute for Energy Economics and Financial Analysis (IEEFA).

What was the recent coal crisis about?

- The post-covid boom in economic demand, coupled with flooding in coal-producing regions, has led to major shortages of coal at power plants across the country.
- By October, some coal plants had dangerously low stocks of only two days.
- Given the global energy supply crunch, this situation could prevail in India for the next six months.
- To mitigate the pressure on coal supply, the government has ordered the temporary closure of some power plants and reduced electricity supply, particularly across rural India.
- These random power cuts that last 5-7 minutes will hurt the small-scale industrial outfits with basic operational setups (like power loom shacks).

To know more about the recent coal shortage, click here

What attributes to the economically unviable nature of new coal fired plants?

- **Competition of renewables**- India has set a target of 450GW of renewable energy capacity (including solar, wind, hydro and biomass) by 2030.
- Coal-fired power cannot compete with the ongoing cost reductions of renewables.
    - For instance, solar tariffs in India are now below the fuel costs of the running existing coal-fired power plants.
- Government regulation allows 100% FDI in renewable energy projects without prior government approval.
- A $600-million incentive scheme for new solar power projects will boost the production of polysilicon, wafers, cells and modules over the next five

years.
- NTPC has said that it will not be pursuing any new greenfield development of coal-fired power projects and has announced a target to install 32GW of renewable energy capacity by 2032.



- **Financial issues** -In the last 12 months no new coal-fired power plants have been announced, and there has been no movement in the 29GW of preconstruction capacity.
- This reflects the lack of financing available for new coal-fired power projects.
- IEEFA notes there is little confidence from investors to risk new capital in this sector which carries 40-60 billion dollars of non-performing or stranded assets.
- Nearly half (49%) of the 33GW of capacity now under construction in India is sponsored by state power generation companies such as NTPC and NLC India Ltd.
- The recruitment in Coal India, the state-run giant that accounts for nearly 80% of domestic coal output, has fallen below its retirement level.
- The International Energy Agency's (IEA) recent roadmap on reaching net zero emissions by 2050 recommends no new investment in fossil fuel supply projects, and no further final investment decisions for new unabated coal plants.

What measures have to be taken to ensure energy security?

- The government must introduce fiscal incentives like tax breaks and excise relaxations for research, development and production of renewable energy technology, particularly off-shore wind and hydro power.
- India should take advantage of the falling cost of renewables and rising viability of battery storage to meet power demand.
- Accelerating renewable energy capacity commissioning is critical to lower India's overall energy costs and support faster electrification of transportation and other industries.
- Ultra-low cost renewables would enable the development of a green hydrogen economy that can be utilised to strengthen India's long-term objective of energy security.

References

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