

## **Inevitability of coal industry - India**

### **What is the issue?**

India's coal-dependence seems inevitable in the short to medium term and hence clean coal needs a finance and technology push.

### **What is the status of coal industry across the globe?**

- There are growing international consensus around the withdrawal of financial capital from the coal industry.
- Large sovereign wealth funds and pension funds, as well as multinational aid agencies like the World Bank have undertaken this exercise by announcing their exit from coal financing.
- Coal-based generators in the developed countries were already on the back-foot because of rising regulatory costs.
- These countries are aiming at the decline of coal-based power generation and encouraging cleaner alternatives in its place.
- Hence, most of the coal expansion in the 2010s has come from Asia, particularly India and China.

### **What is the reason behind their expansion?**

- Many Asian countries are continuing to expand their thermal coal-based power generation fleet, despite the falling costs of renewables.
- Some countries that have reduced coal-based generation continue to rely heavily on exports of coal (Australia) or coal-generation power equipment (China).
- This is because, coal-based power generation is not a singular industry.
- It is a network of upstream miners, machinery manufacturers, transporters, engineering consultants, plant operators, and consuming utilities.
- These industries not only collectively employ many people, but are also part of an ecosystem which has been running smoothly for decades.

### **What are the concerns with their operations in India?**

- **Regulatory issues** - Coal plants have much higher intermittent operations and maintenance (O&M) costs.
- As regulations, particularly around fly-ash disposal, stack emissions, and effluent waste-water treatment, have become stricter over the last few

decades, O&M costs have increased.

- But India's power regulators are not regularly updating prices to accommodate increases in operational costs due to regulation.
- - State Pollution Control Boards (PCBs) have not been particularly effective at monitoring or enforcing compliance **Liquidity issues** to their regulations.
- This is because, Indian generators are being suffered from short-term liquidity problems and hence they have few incentives to comply with regulations.
- **Debt financing** - Above all, expansion in power generation in India has been largely on the back of state financing.
- Almost all coal power plants in India are constructed through massive debt financing from state-owned banks, regardless of whether the promoter is a state-owned enterprise or private company.
- This shows that international investment in coal generation assets in India has been minuscule.

### What should be done?

- A large number of power generators have been classified as non-performing or gone into bankruptcy, who are in desperate need for capital.
- Thus, creative, targeted financing proposals should be brought in to India to address the power sector's burgeoning problems.
- For this, manufacturers of plant machinery should approach large power generators and show them the massive efficiency gains that can be made from applying integrated control systems to old plants.
- Multinational infrastructure investment banks should be involved to finance technologies like CO<sub>2</sub> scrubbers, flue-gas desulphurisation technology systems, and other kinds of stack emissions management in power plants.
- This should be made on the condition that there would be continual public reporting of all stack emissions from the benefiting plants.
- Also, steps like more careful material management, managing coal dust and stack emissions, and ensuring that plant effluents do not mix with local water supplies are needed.
- Clean coal as an idea has huge potential in India because of the age and inefficiency of some of our plants.
- Given the short to medium term inevitability of coal-dependence, the potential gains to implementing clean coal are massive.

**Source: Business Line**



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