

The supply of coal in India is well below the demand

Initially, there was a huge debate on whether there was a coal crisis at all. We aren't discussing coal any more. Hence, wasn't there a crisis? Or, if there was one, is it all over?

"Crisis" is a subjective term. There are no objective criteria of determining whether there is a crisis or not. However, "shortage" can be determined objectively. No one can deny the fact that the supply of coal in India is well below the demand. Whereas the demand is nearly a billion million tons (MT), the supply is well below 800 MT within the country. When this shortage becomes acute, in terms of the availability of coal at power plants, it is sometimes called a crisis. The acute shortage can be on the account of production, an increased demand or a failure of supply chain management when the stocks are sufficient at the pit head but requisite supply is not made to the power plants.

Coal crises keep recurring in the country primarily due to the shortage in coal production. Ironically, India sits on 300 billion MT of coal and, as mentioned earlier, our annual requirement is around a billion MT per annum. A similar crisis had occurred in 2014. Back then, it was on account of a Comptroller and Auditor General who played to the gallery after making his calculations just like an accountant. It led to devastating consequences and coal production suffered. The crisis was managed through meticulous planning and execution.

The immediate coal crisis is attributed to an increase in the demand for power on account of the post-pandemic economic recovery, an increase in international prices of coal, unseasonal rainfall and a mismanagement of the supply chain within the country. Apparently, some of it has been managed and we are no longer discussing the crisis. No one seems to be talking about the stagnation in the production of coal by Coal India Limited (CIL). The production has stood at 600 MT for the past three years. Had the production grown at the rate at which it was increasing (8-9%) during 2014-16, the current production of CIL itself would have been more than 750 MT. Also not being discussed is the stagnant coal production from the non-CIL domain.

A number of mines were allocated to entities other than CIL. Why haven't these mines augmented coal production? Non-CIL coal production fell from 128 MT in 2019-20 to 120 MT in 2020-21. The dependence on imported coal increased and, hence, when the international prices shot up, as they did recently, there is a crisis.

The crisis will recur in case the coal production is not augmented. How then can the production of coal be increased? Some of the answers lies in what happened during 2014-16.

Supported but Not Monitored :-

CIL has a fabulous team. It needs to be '**supported' and not 'monitored'**'. The Union Government has an important role to play. CIL should focus on mining. Government officers should interact with the States, but before that, this ongoing "war" between the Union Government and the States will have to stop. Ironically, all the coal resides in States that are ruled by non-National Democratic Alliance (NDA) parties. Officers from the Union Government will have to go down to the States, convey a value proposition and sit with State-level officers to resolve issues related to land acquisition and forest clearances. During 2014-16 not a single meeting with the States was held in Delhi. All meetings were held at the State headquarters. The Union Government will also have to take up clearance-related issues with the Ministry of Environment, Forest and Climate Change.

CIL, which had reserves of around ₹35,000 crore in 2015, now appears to be strapped for funds, especially cash flows as power generating companies (GENCOs) owe more than ₹20,000 crore to CIL. Funds will have to be arranged for the expansion of existing mines as well as the opening of new ones. First, the Union Government should stop squeezing more funds out of CIL as it has done during the past few years by way of dividends to balance its own Budget, when this money should have been used for opening new mines and expanding existing ones. Second, it should consider providing cash to CIL against the dues owed by GENCOs. Non-CIL production will have to be augmented. There was an inter-ministerial Coal Project Monitoring Group (CPMG), which was set up in 2015 to fast-track clearances, that became dormant. This will need to be revived.

The coal crisis may be temporarily over, but if the fundamentals of the crisis are not taken care of, it is likely to recur. What also needs to be looked at is the financial crisis that is brewing in the power sector. GENCOs have a receivable of more ₹2,00,000 crore from distribution companies. They, in turn, owe more than ₹20,000 crore to CIL. There is, hence, a serious cash crunch though most of these entities show profit in their balance sheets.

Expected Questions (Prelims Exams)

- Q. Which of the following statement is true regarding the current coal crisis in India?**
- (a) There has been an increase in the production of coal by Coal India Limited in the last three years.
 - (b) Coal production from non-Coal India Limited sources has come down.
 - (c) India's annual coal demand is about one million tons.
 - (d) All of the above

Expected Questions (Mains Exams)

- Q. "The coal crisis in India is a collective result of policy failures of the central government and increase in its global prices." Examine this statement. (250 Words)**

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Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC main examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.