



Economic Review – Coal Mining in India

Energy Transition Efforts in India

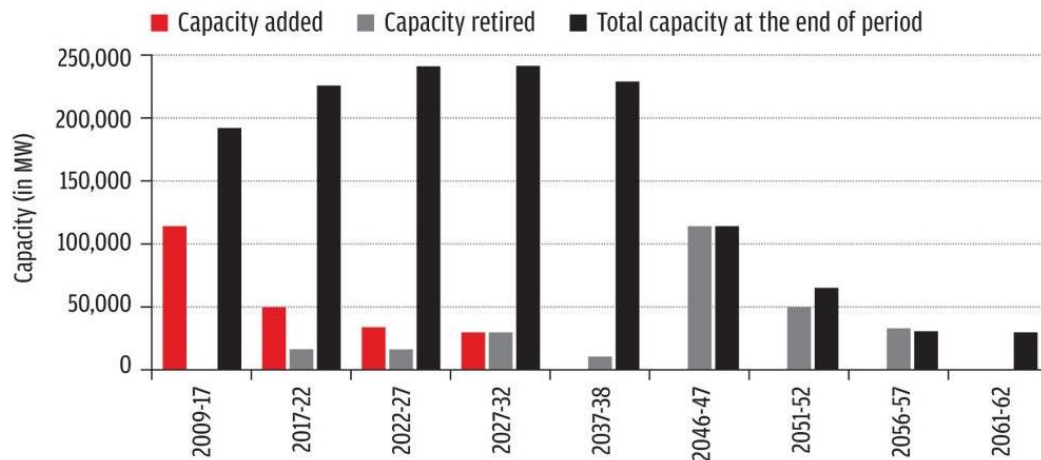
- India is one of the few countries in the world to have made consistent year-on-year progress since 2015 towards energy transition from fossil fuels to renewables
- For India, gains have come from a government-mandated renewable energy expansion program, now extended to 275 GW by 2027
- Several states, including Maharashtra and Gujarat, have announced no-new coal based capacity additions
- From economics of electricity generation perspective, tariffs of coal based power in comparison to renewable energy have been in the zone of being unfavorable.

Renewables are picking pace

- The winning tariffs for electricity generation capacities have been progressively reducing
- Coal capacity additions have tapered – PLFs have been low in the range of 57-60%
- COP26 – PM announced Net Zero Target for 2070

Phasing out coal plants

2061-62: The last coal power plant could be closed

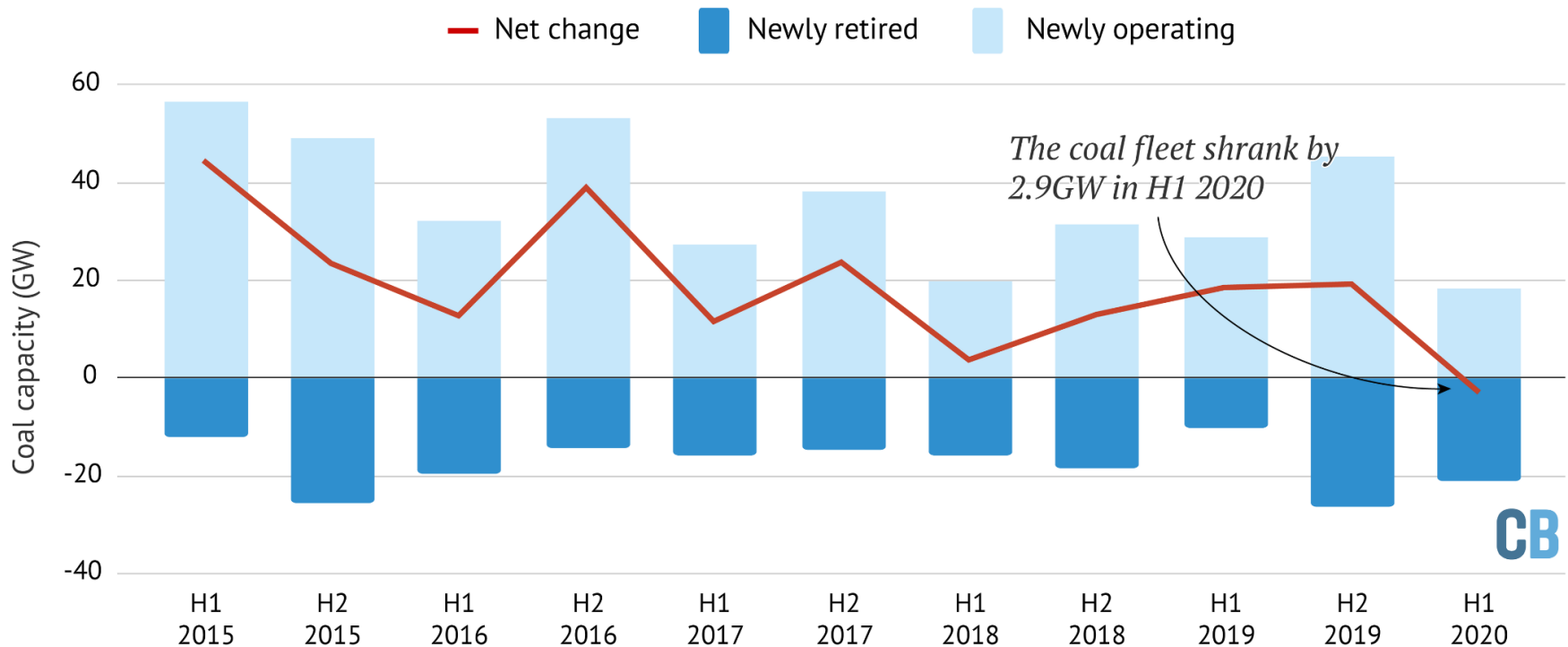


Source: Centre for Science and Environment, 2017

Globally, thermal coal based power is in a decline

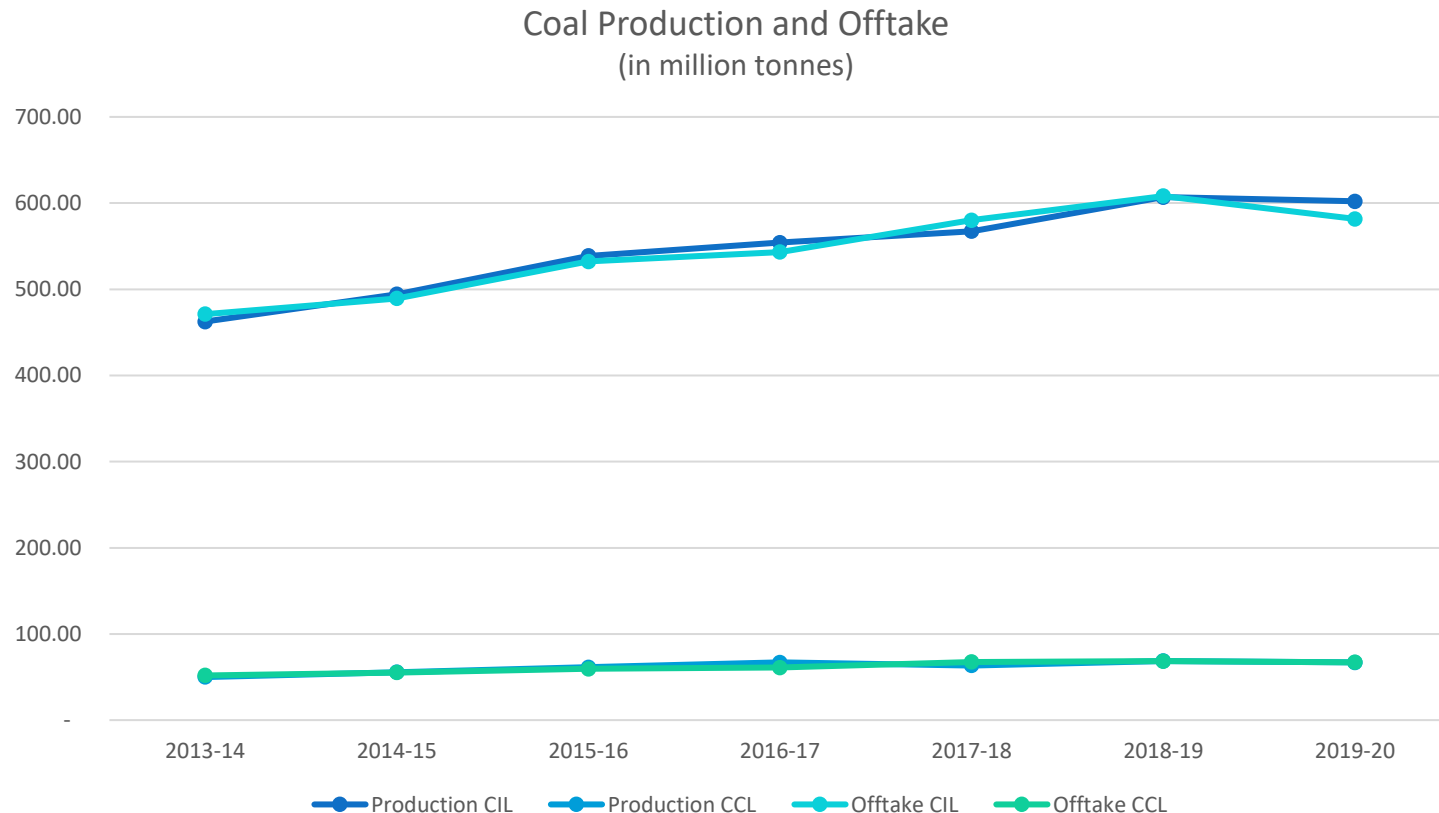
Global coal capacity shrank for the first time on record in 2020

Plants newly operating in H1 2020 were outweighed by retirements



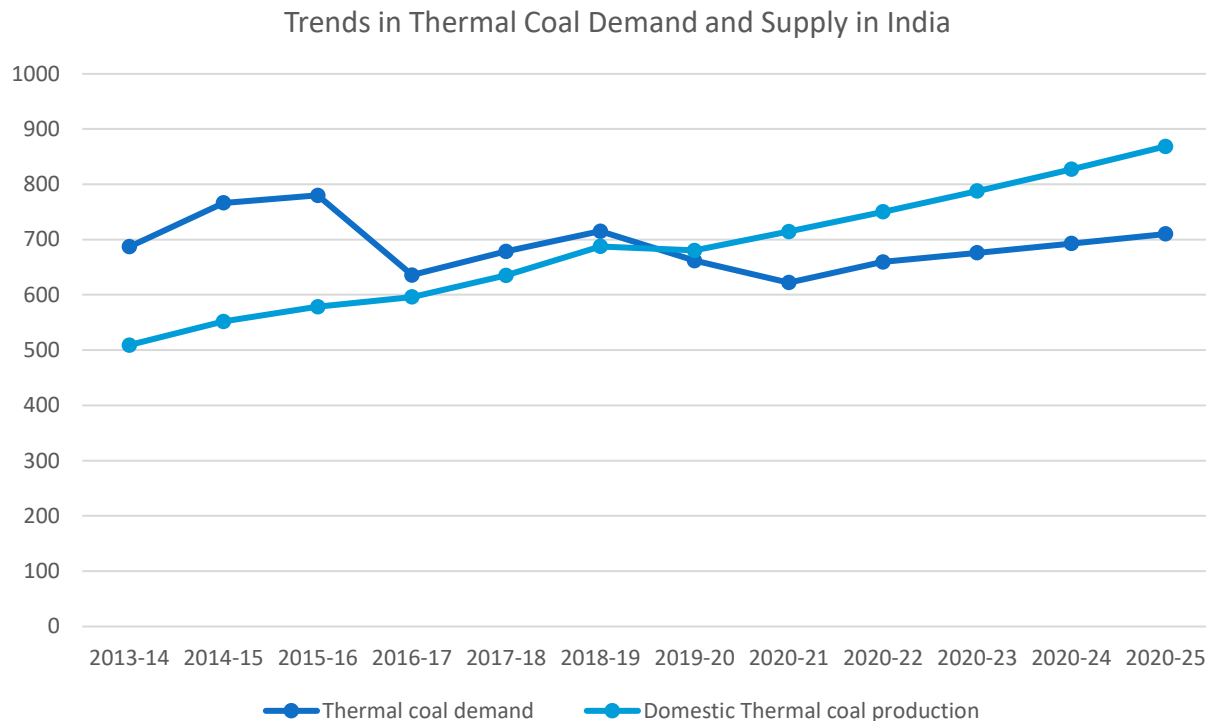
CIL and CCL Production and Offtake

- Prior to COVID-19 pandemic, CIL and CCL's production and offtake were evenly balanced.



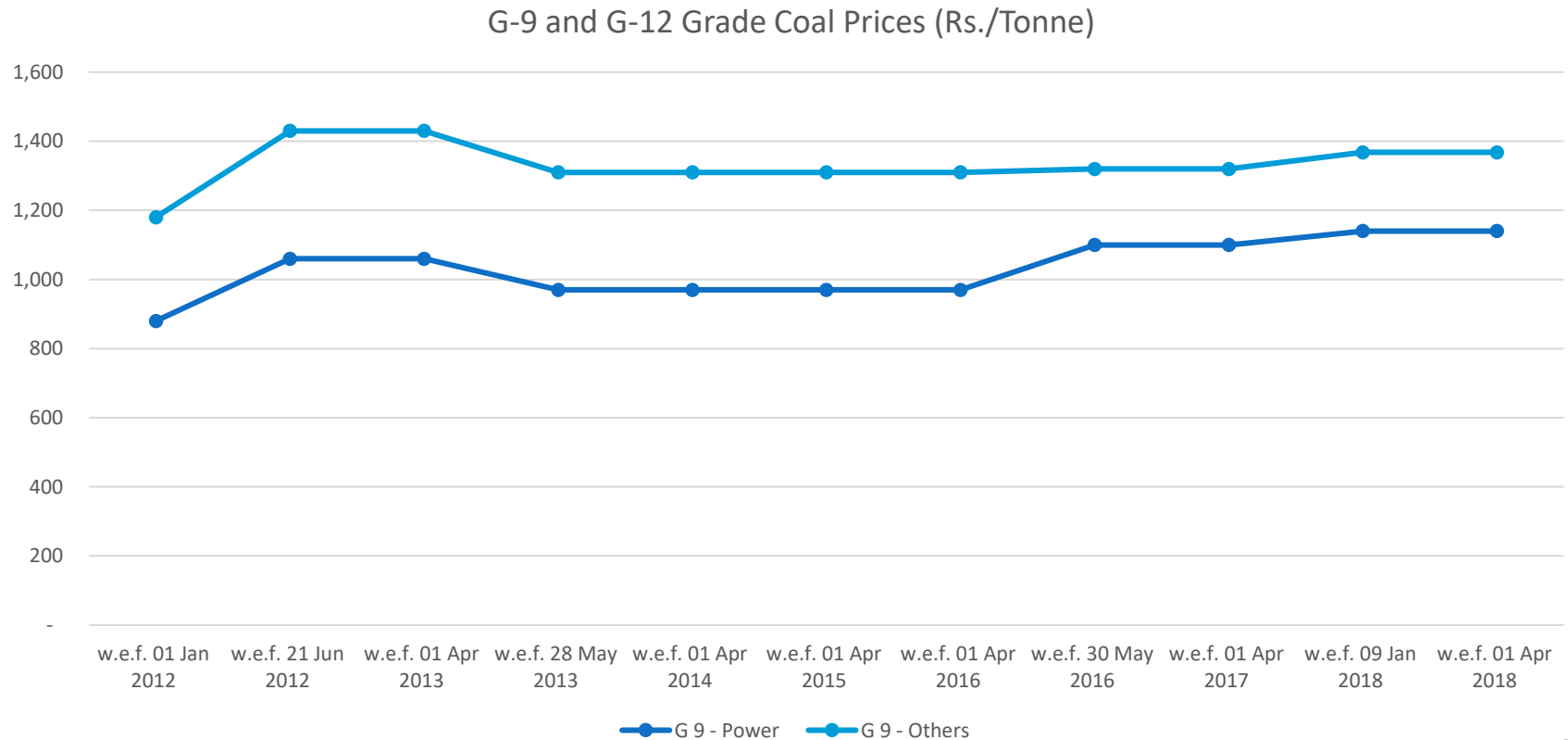
Considering CIL's growth in production, coal will be in oversupply in India

- CIL has not lowered its production targets yet and in the light of reduced demand for coal, CIL's success in adding new production capacity will mean coal market oversupply in India



Coal Prices

- Commonly supplied high and low grade coal prices in India have remained more or less stagnant



Global Prices have peaked recently



Indonesia Coal Prices have also risen up

INDONESIAN THERMAL COAL PRICES



Source: S&P Global Platts

Indian Spot Auction Premiums Follow Global Trends

- Internationally, coal prices are at a 10-year high. Indian coal notified prices, after adjusting for calorific value, are at a discount to international prices.
- However, spot and forward e-auction prices follow global prices – premiums over notified prices have been in the range of 15% to 85% in the past
- May not affect power generation sector as much – only a few IPPs depend on spot auctions for supplies

Short Term Shortage but Long Term Oversupply

- Shorter term imbalances are on account of lapses in strategic planning – through the supply chain elements
- Pandemic has made short term responses slower
- In long term, however, if CIL continues its production capacity augmentation, market will see oversupply – but not necessarily price drops.

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