Coal Crisis

Coal is responsible for meeting almost half the energy needs of the entire world.\(^1\) It plays a vital role in steel production and the manufacturing of cement. However, today, depletion of conventional energy resources has made conservation of energy and the identification of new and/or renewable energy sources vital. Take coal itself for instance, which take thousands of years to form naturally and are not replaceable at the pace they are consumed. According to the ‘Peak Coal’ theory, global coal output is likely to reach a plateau by 2025, albeit after initially rising over the next few years. Thereafter, it is likely to be on a permanent decline, marking the ‘beginning of end’ of the resource.\(^2\)

What’s the impact?

- Increase in price due to growing gap between demand and supply of coal
- Dependency on other fuels for the generation of electricity. In a developing nation like India, this would mean relying on fuels such as diesel, which in turn would drive up the subsidy burden of the government. On the other hand, many established power generation capacities would face the threat of sitting idle and being underutilised in absence of coal. This can cast a dark shadow on the future prospects of these companies.
- Companies across sectors will have to grapple with increasing power cuts or blackouts, leading to shut downs which in turn would impact their production and margins.

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\(^1\) World Coal Association – Coal Statistics
\(^2\) Energy Watch Group, Coal: Resources And Future Production
Therefore, a coal shortage can have a ripple effect across industries, which will ultimately reflect in the growth rate of economies.

In developing nations such as India and China, coal is a preferred choice of fuel as it is the most affordable source of energy. About 80 percent of India’s thermal power generation is based on coal. By 2017, India is expected to surpass the US as the second-largest consumer of coal.3 Studies show that India’s coal demand is expected to increase to 980 million tonnes by 2016-17, while domestic production is expected to touch 795 million tonnes.4 This leaves a wide gap of 185 million tonnes. The fact that Coal India Limited, the largest coal producer in the world, has not supplied coal according to its committed quantity to power developers is also widening the gap.5 Considering India’s high usage of coal and shortfall in domestic production, a considerable portion of its demand is met through imports. Subsequently, coal imports are expected to rise by at least 35 percent between 2012 and 2017.6 Additionally, new laws by exporting countries such as Indonesia and Australia may increase the cost of the fuel for domestic players.7 What makes matters worse is the government’s say in power tariffs. As power producers are unable to entirely pass on the costs to the consumers, they face increased pressures on their margins.

In the light of all this, it is prudent to not rely on any non-renewable resources including coal. Instead, industries and countries should concentrate on increasing productivity and efficiency of the existing technologies such that they conserve energy while maintaining output. This will also bring down energy costs with minimal interference in processes. Siemens makes all this possible with ‘Perfect Harmony’.

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3 International Energy Agency, Coal’s share of global energy mix to continue rising, with coal closing in on oil as world’s top energy source by 2017
5 Observer India, India’s Coal Supply Security: Pushing Imports at the Expense of Domestic Reforms?
6 The Economic Times, India’s coal imports projected at 185 MT by 2017
7 The Economic Times, Resolving imported coal crisis: Clear national policy needed for competitive bidding