

POWER MINISTRY MAY ISSUE ORDER SOON

Relief on Imported Coal Blending Rule on Cards

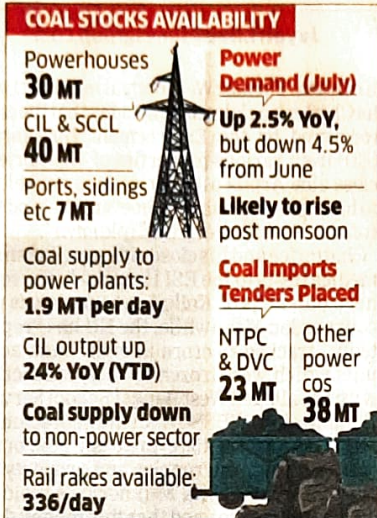
Relaxation could be available to power plants with high coal stocks

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New Delhi: The Centre is considering partially retracting the rule that required power plants to blend imported coal with domestic supplies to tide over the coal shortage. The relaxation would only be available to power-generating stations that have high coal stocks.

An order in this regard is likely to be issued by the power ministry in the next couple of days linking the blending requirement to the coal stock position so that only the plants that do not have adequate stock require blending, a government official said.

NTPC and DVC, which have already placed tenders for imported coal and have adequate stocks, are also likely to be asked to defer the shipments for use after the monsoons when the country sees high electricity demand.



“The coal stock situation is comfortable as of today. Had we not blended imported coal, we would have right now had 9 million tonnes of stock,” said a power ministry official.

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Coal India Output up 24% from a Year Ago

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“Blending is not being ruled out completely, but we can regulate it and the resulting costs since the power demand has moderated,” the official said.

Blending 10% coal raises power tariff by 50-60 paise.

A coal ministry official said the total coal output in the country is at a record high with dispatches to the power sector averaging 1.9 million tonnes a day in July. High railway rake availability and moderation of supplies to the non-power sector helped as well.

Coal India production as of date is up 24% from a year ago. The coal stocks with Coal India and Singareni Collieries Company Ltd are at 40 million tonnes.

The power ministry had in April asked all domestic coal-fired power plants to import 10% of their fuel requirement for blending with domestic supplies as electricity demand hit a record high depleting coal stocks at a fast pace. The power-generating companies had subsequently placed large orders for imported coal. NTPC and DVC have placed close to 23 million tonnes of contracts for the fiscal, majorly awarded to Adani Enterprises. Coal India early this month placed orders for 6 million tonnes of coal from Indonesia’s Bara Daya Energi. Data available with the Central Electricity Authority (CEA) showed 30 million tonnes of stock at power stations on Saturday. Electricity demand in July rose about 2.5% to 125 billion units till Saturday over the same period last year, well below the 18% rise in April-Jun.

The average daily demand in the month rose to 4,148 million units compared to 4,049 million units in July 2021. Power demand typically declines in July as compared to the April-June quarter but rises sharply post-monsoon. Last year, July and August witnessed a sharp surge in electricity demand due to less rainfall, which triggered a coal crisis.

“Note that July and August 2021 demand was relatively high due to abnormal heat plus opening up of the economy post second wave,” said DAM Capital’s senior vice president Mohit Kumar said.



Power shift

India should balance its renewables shift with meeting energy security goals

The Ukraine-Russia war, and the Covid-related supply disruption before that, have led to serious questions the world over on whether the 'clean energy transition' goals of the past can still hold. Many developed countries, faced with an energy crunch and sky-high prices, have gone back to mining coal and are backtracking on their promise to stop using nuclear power. The impact of this shift towards coal, oil and gas on meeting global emission reduction goals can hardly be brushed aside. But as India's Chief Economic Advisor V Anantha Nageswaran pointed out recently, India cannot be railroaded into compromising its energy security in the garb of meeting so-called ESG goals. India finds itself in a dilemma. It aspires to be a global leader in climate action, having promised a lot at COP26 in terms of ramping up the share of renewables in its energy mix. However, geopolitical imperatives are leaving it no option but to fall back more on fossil fuels. That said, India's non-fossil fuel energy capacity (including hydel and nuclear) stands at close to 170 GW, or over 41 per cent of total electricity capacity of 403 GW.

India recently faced a perilous crisis of coal. As a result, it has struggled to meet its electricity needs, as thermal power accounts for 75 per cent of generated power. To mechanically apply a 'Western' template of meeting ESG goals does not make sense in all situations. In fact, renewables the world over have failed to plug the energy deficit caused by the reduced supplies of coal and gas. This applies to India as well – where wind and solar account for over 28 per cent of total installed capacity. India should regard coal as a permanent baseload option along with nuclear power (which accounts for just 1.7 per cent of total installed capacity), as these are not really subject to seasonal fluctuations. It is understandable that in 2021-22, India produced 778 million tonnes of coal compared with 716 mt in the previous year; the current year's production may be even higher, given that in Q1 of FY23 the country produced 205 mt of coal, 31 per cent over Q1 of last year. Analysts concur that India's production of coal would peak at around 2030.

There can be no question that India should safeguard its energy security and persuade the world not to thrust down ESG in a one-size-fits-all style. However, it has merely been shuffling along on the climate action front. Fresh solar installations last year were a record 10GW, but it could have been more. The 175GW target for renewable energy capacity for CY2022 will be missed. As at end June, solar capacity stood at 57,705 MW; the target for December 2022 is 100,000 MW. Likewise, wind power capacity was 40,788 MW against the target of 60,000 MW. Four years after the government announced its vision for offshore wind, a draft "strategy paper" has just been brought out for public comments. Years after it became clear that the reverse bidding mechanism for wind auctions was not working well, the government is mulling alternatives. The push towards nuclear power is absent. The 500 MW Prototype Fast Breeder Reactor (PFBR), which was expected to provide a template for a fleet of breeder reactors, has been over two decades in the making. In this context, the CEA's message should neither be seen as a prescription for fossil-fuel addiction, nor one for a climate action holiday.