MINSITRY OF COAL

~Mehar Vrishti, Namya Arora, Lavanya Sharma

Coal mining and coal-fired thermal power generation industries account for about 10% of India's Index of Industrial Production (IIP), demonstrating the significance of these sectors for the country's economy.

PROBLEMS:

The profits in the metal industry declined in the second quarter of FY 2023 due to a combination of factors, including falling realizations and higher coal prices. Domestic metal manufacturers are facing a more difficult path as the external environment becomes more challenging due to higher inflation and rising interest rates.

Metal consumption growth in key countries such as China, Japan, South Korea, Europe, and the United States is expected to remain subdued. Given the current weak external environment, the health of the domestic metal industry in FY 2024 will be critically dependent on growth in infrastructure spending, which remains the largest end-use sector.

For the first time, the combined capital expenditures of the central and state governments in the current fiscal year are expected to exceed the average annual run rate of about Rs. 14.5 lakh crore projected in the National Infrastructure Pipeline (NIP). A continued emphasis on the central government's infrastructure-led growth strategy in the upcoming union budget will be crucial for the health of the domestic metal industry in FY 2024.

The availability of raw materials is critical for the metal industry, and the sector has been facing rail and coal availability shortages for over a year. As a result, the government has prioritized coal supplies to the power sector, resulting in a 10.4% year-on-year increase in combined coal dispatch to the sector (by Coal India and the Singareni Collieries) while supplies to the non-regulated sector decreased by 19.2% year on year in the same period. This has made metal players increasingly reliant on more expensive imported coal, reducing profit margins.

India still relies on imported coal to meet its demand. For example, of the 980 MT demand, only 777 MT could be fulfilled domestically, and 210 MT had to be imported from various countries. In order to reduce our dependence on imported coal and prevent the use of foreign reserves, we must diversify our sources of energy.

SOLUTIONS:

35,000 Crores are being invested in the Shift I Energy Transition, and the budget of the Ministry of Coal has decreased by 49%, with only 192 crores allocated for decarbonization. To resolve concerns about coal movement constraints and bring down the current account deficit, options to expand rail availability and increase budgetary allocations to improve logistical infrastructure in mineral-rich regions should be considered.

In India, per capita consumption of energy resources, especially electricity, is far lower than the world average, so it's crucial to ensure that it reaches every individual. Despite an increase in consumption from 650 MT in 2013 to 775 MT in 2021, the Government of India is focusing on the Sustainable Development Goals and has decided to import fewer resources from foreign countries and make better use of domestic stock.

According to the coal inventory published by the Geological Survey of India on April 22, 2022, India has a total coal reserve of 361,114.6 million tonnes, making it unjustifiable for the country to continue importing the resource. By taking steps such as diversifying energy sources, we can work towards making the earth a better place to live.

BUDGET ALLOCATION

Keeping this in mind, the coal and mining budget allocation for FY 2023-24 has been set aside at Rs 192.32 crore, including:

- Establishment costs of Rs 68.18 crore.
- All central sector programs and projects with Rs 113.50 crore.
- Additional central government spending of Rs 10.64 crore.