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Economy

Coal demand zooms, while supplies struggle to keep pace

Twesh Mishra Updated on December 25, 2018



Imports have spiked due to demand from new power plants - Bloomberg

India's domestic coal supplies will continue to struggle to meet the zooming demand in the next fiscal year too. According to NITI Aayog, the country's total coal demand will rise to 991.35 million tonne in the

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current financial year (2018-2019). This is 9.13 per cent higher than the 908.40 million tonne demand reported in FY18.

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Domestic production is also on the rise. In the current year, during April-November, 2018, coal production across India was 433.90 million, with a growth rate of 9.8 per cent over the corresponding period of the last financial year. Despite similar percentage increases (in demand and production), the gulf between requirement and supply has widened, putting pressure on the need to ramp up imports.

In a reply to a query by the Lok Sabha, the Ministry of Coal blamed the demand for coking coal and the power plants that are designed to run on imported coal for the huge quantity of imports.

Till September this financial year, the coal imports stood at 111.6 million tonne.

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“Imports will increase not just to cater to the demand for coking coal, but also to cater to demand for thermal coal. This will be because of coal supply issues and prioritised allocations to public sector companies undertaking power plants,” an official at a diversified coal and power company told *BusinessLine*.

“With the general elections approaching, the state and centre governments are expected to try and improve the power supply to domestic consumers, as a poll pitch to reflect developmental achievements. This will come at the cost of supplies to captive and independent power producers who will resort to imports to keep their industries running,” he added.

Even if the government does not divert any committed coal supplies, the lack of rail evacuation infrastructure will continue to make it difficult to meet demand.

Published on December 25, 2018

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