

Historical Coal Production growth: Cheaper and Assured Availability

Posted On: 04 MAR 2024 4:17PM by PIB Delhi

Our country is endowed with 5th largest geological reserves of coal. We are 2nd largest consumers of coal. More than 70% of our power generation is contributed by Thermal Power Plants. For growing economy, the requirement of power is fast increasing. The Indian coal sector has undergone radical changes during last 10 years. The all-encompassing strategy, evident in initiatives such as commercial coal mining, policy reforms, gasification endeavours and a commitment to sustainable practices, signifies a radical shift towards efficiency, responsibility and resilience. India's coal sector's transformative journey extends beyond addressing energy demands; it lays the foundation for a sustainable and self-sufficient future. This multifaceted approach encompasses policy reforms, production growth, environmental stewardship, logistical enhancements and social responsibility.

The Production Trajectory

The coal production which was 382.62 million tons (MT) in the year 2004-05 has grown to 893.19 MT in 2022-23 and is all set to touch 1000 MT in the year 2023-24. The overall annual Coal Production has surged from 565.77 MT in FY 2013-14 to 893.19 MT in FY 2022-23, witnessing a massive growth of 57.87 % over the last 10 years. The historical coal production data since 2008-09 is as under:

Year	Coal Production (MT)
2008-09	492.76
2009-10	532.04
2010-11	532.69
2011-12	539.95
2012-13	556.40
2013-14	565.77
CAGR	2.80% from 2008-09 to 2013-14

Year	Coal Production (MT)
2014-15	609.18
2015-16	639.22
2016-17	657.87
2017-18	675.40
2018-19	728.72
2019-20	730.87
2020-21	716.08
2021-22	778.21
2022-23	893.19

2023-24	870.26 as on date 26 th Feb, 2024
CAGR	5.20% from 2014-15 to 2022-23

Enhanced production capacity resulting in import reduction

The CAGR of coal production from 2008-09 to 2013-14 was 2.8%. Had this trend continued then the coal production in 2022-23 would have been only 725.39 MT. With the continuous proactive initiatives of the Government the CAGR has been at a 5.20% high with the production in 2022-23 being 893.19 MT. This jump in production of 167.80 MT (savings of approx. of Rs 2.71 Lakh Crore) has helped in reduction of coal import, which the country would have been compelled to import had the CAGR remained at the meagre 2.8% as was the scenario prior to 2014.

Supply of Coal and affordability of coal price: India fulfils most of its coal needs through domestic production and supply. Notably, Coal India Limited (CIL) plays a dominant role, contributing over 80% of the country's indigenous coal production and supply. Under the current system, public sector coal companies, including CIL, supply coal to the power sector at notified prices.

There has been no increase in notified price by CIL since 2018. The recent price revision was done by CIL in May 2022, in which the company has hiked only the notified prices for high grade coal of Grade G2 to G10 by 8% to increase production of high grade coal & reduce the dependence on imports, and this marginal increase in price will effect less than 28% dispatches of CIL and incremental revenue will be only about 3.37%.

In FY 2022-23, CIL's Average Fuel Supply Agreement (FSA) price was around Rs 1450/- per ton, a 3.37% increase in the overall FSA Pricing translates to increase in average FSA rates by only around Rs 48/- per tonne. Rs 100 increase in coal prices translates to an increase in power tariff by about 6 paise per unit, with the above marginal increase in coal prices the possible increase in tariff will be less than 3 paise per unit.

Further, the Royalty rates on coal produced in all States has remained unchanged since 2012 thereby maintaining a stable price of notified price of coal and at the same time the State Finances improved with royalty collection commensurate with the enhanced coal production.

All the above has resulted in affordable power to the consumers

Reduction in premium of auction coal

With the growth in coal production in the country the coal availability has increased for the consumers, which is evident from the reducing trend of premium in the coal auctions. The coal auction data indicating the reducing trend is as below:

Year 2022-23	% premium over notified price	Year 2023-24	% premium over notified price
Apr-22	345%	Apr-23	137%
May-22	425%	May-23	78%
Jun-22	357%	Jun-23	54%
Jul-22	290%	Jul-23	58%
Aug-22	312%	Aug-23	78%
Sep-22	276%	Sep-23	106%
Oct-22	242%	Oct-23	118%
Nov-22	241%	Nov-23	83%

Dec-22	179%	Dec-23	62%
Jan-23	188%		
Feb-23	183%		
Mar-23	146%		

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(Release ID: 2011252)