

## Indian coal-fired power utilities feel the heat as import coal loses market share

INDIA



When Adani Power reported another net loss of US\$48m in the three months through December 2016, the company was well on its way to racking up a fifth year of large losses, and has become a poster boy for the troubling times that have befallen the Indian coal-fired power sector.

“The latest numbers highlight the strategic weakness of new import coal-fired power generation in the Indian market, where declining real wholesale electricity tariffs are increasingly the norm and import coal is losing market share to lower-cost domestic coal and ever more cost-competitive renewable energy sources,” says Tim Buckley, director of Energy Finance Studies, Institute for Energy Economics and Financial Analysis (IEEFA).

The country’s falling power demand and capacity oversupply have made it harder for import coal-fired power players to make a profit. The government’s power policy making and monitoring body Central Electricity Authority has indicated that there will be no need for additional coal-based power generation from 2017 to 2022. Demand projection for coal-based capacity addition is at 44,085MW but India currently has coal-based capacity of 50,025MW already under construction. “Growth in electricity demand is falling below expectations

due to rapid energy and grid efficiency gains,” says Buckley. “Claims that India needs this new imported coal are not supported by facts: Indian coal imports fell at a record 25% year-on-year in December.”

### Coal imports are falling down, falling down

Indian coal imports have been falling since its supposed peak in the mid-2015, says IEEFA, with record falls in the last couple of months of 2016. A permanent and rapid decline has been forecasted for Indian thermal coal imports, an abrupt turnaround from earlier industry forecasts that the country will experience sustained thermal coal import growth.

Imported coal-fired power generation has also withered amid rising domestic Indian coal production. Previously constrained, domestic production has accelerated faster than expected through government support and infrastructure improvements. Energy security has also become a government priority to support the country’s rapid urbanisation and expanding manufacturing economy.

In the face of such adverse operating conditions, players have seen their bottom lines wither and share prices plummet. But Adani Power remains hopeful it can weather the current storm, pointing out that during the third quarter of FY 2016-2017, it maintained high levels of plant availability factor and made improvements in operational efficiency. “We are navigating a challenging environment which is marked by non-availability of domestic fuel linkages, regulatory complexity, and lower power demand,” says Vneet Jaain, CEO at Adani Power. “These challenges are temporary deterrents which shall be resolved with intervention of key stakeholders and the company is hopeful of achieving its long-

## COAL VS RENEWABLES

PHILIPPINES



Cynthia Hernandez, KPMG

The power market has become a game of survival of the greenest. Cynthia Hernandez, principal advisor at KPMG discusses the optimal mix for the Philippines.

### What’s the future of renewables in the next 3 to 5 years?

The emphasis on renewables is actually a good thing. But how much do we need to really invest in renewables, given our current generation mix? Compared to most countries that really need to reduce their carbon output, I think the Philippines is actually doing well. In terms of energy policy, we need to focus on universal access, power quality and power cost, to improve our economic competitiveness.

This is going to boil down to what’s really an optimal mix for the country. The good thing is prices of renewables are dropping so steeply, and we should be taking advantage of that. But we shouldn’t really be sacrificing what’s practical and what’s good for the economy for an ideal power mix, and basically that’s really the question that the market should try to address.

## Why China may be doing solar wrong

When China recently completed a 200MW solar facility on top of a fish farm, analysts knew that the country is dead serious in being a renewables leader. This project spans 299.5 hectares and is expected to provide the energy needs of 100,000 homes. China started improving its solar capacity in 1999, and no one expected that solar installation would reach 42GW in just a decade and a half.

But unless they shift from large-scale power plants towards distributed solar, the massive amounts of solar energy they produce may not reach the homes of their intended consumers. Only 16.6% of their solar energy is produced at, or near, the point where it is used. The rest is produced by big solar arrays that pose problems in transmission to Eastern China — along the coast — where electricity is most needed.

### China knows the answer

“The advantage of distributed energy — and

the Chinese government knows this — to its big power plant counterpart is that it is installed on buildings and in neighbourhoods, providing greater efficiency from being close to the consumption site and not losing electricity over long transmission distances. They are also smaller scale and, in theory, easier to finance,” says Winston K.H. Chow, head of China Country Program at Global Green Growth Institute.

Mun Ho, a senior economist at Dale Jorgenson Associates, agrees that green growth should be incorporated into policy. “Although efforts have been substantial, they have not matched the scale and complexity of the pollution problem generated by rapid economic growth in China. They have started down this path of reform, but the scale of the problems need greater efforts.”



Mun Ho



Shifting towards distributed solar