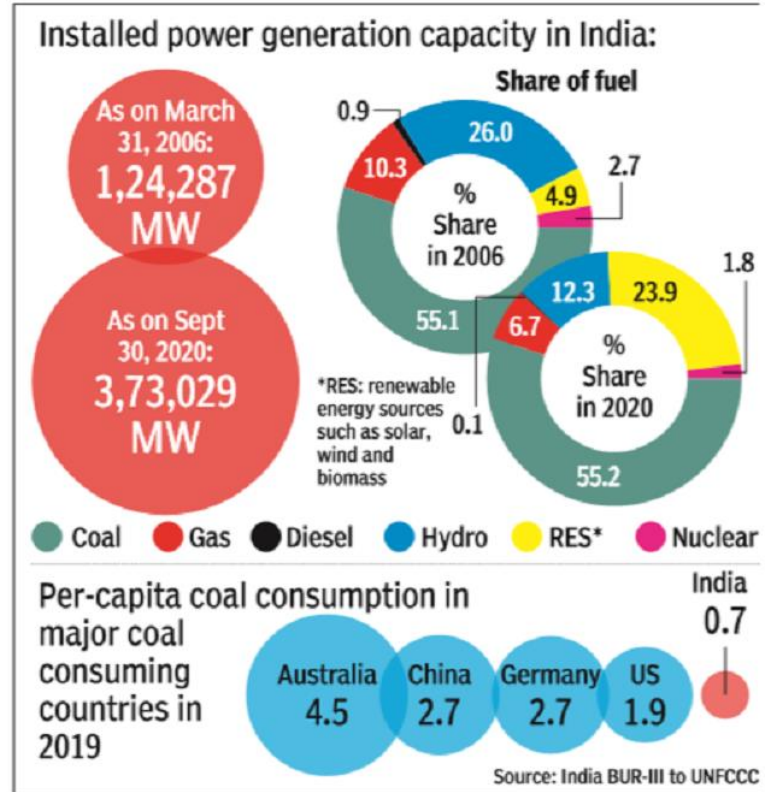


Three interlinking factors that explain the coal crisis

1. India was hit by a power crisis in late April. In October 2021, India experienced a similar crisis induced by coal shortages. Monsoon-induced coal shortages and power crises are annual events in Indian electricity.
2. However, an early summer power shortage, as seen this time, is unprecedented. The current crisis can be explained by three interlinked factors: A demand surge, supply disruptions and dysfunctional cash flow.

DESPITE GREEN PUSH, COAL IS VITAL



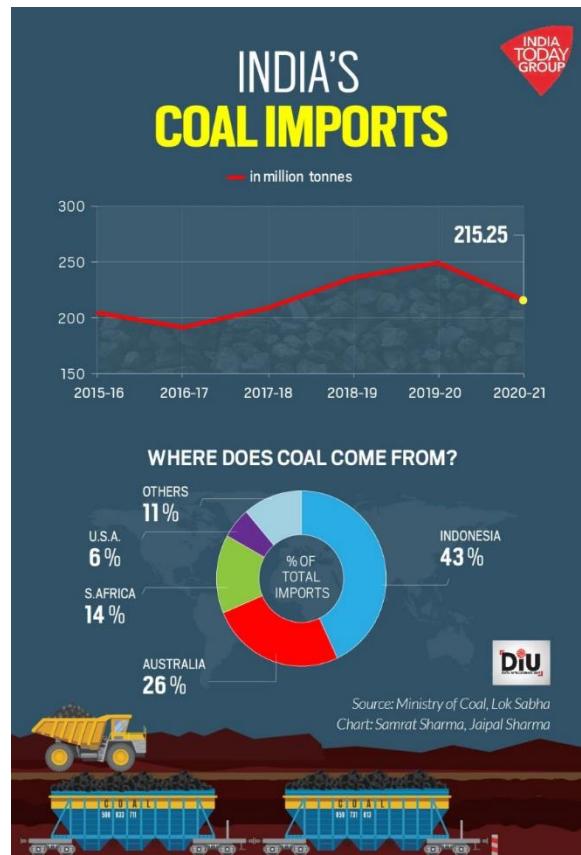
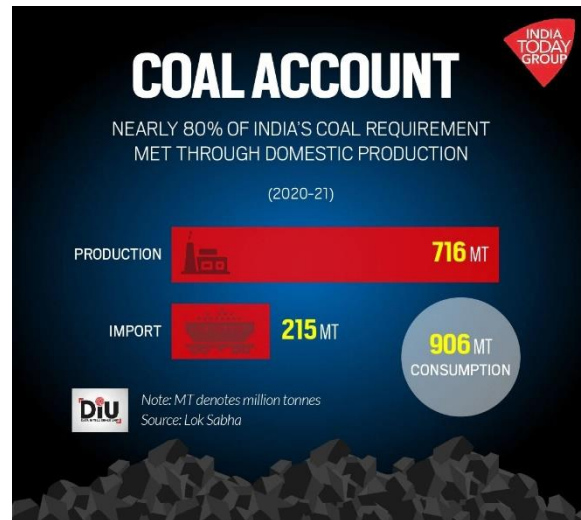
3. First, the heatwave and revival of economic activities after Covid-19 disruptions propelled electricity demand.
4. Second, the TPPs' inability to ramp up power generation is explained by critical coal stockpile levels at plant sites. CIL has enough to fuel the TPPs for three weeks. However, the coal didn't reach plants on time, partly due to a shortage in railway wagons.
5. Inflation in imported coal prices also had some impact. Power production from 17GW TPPs, which run only on imported coal, has slowed down.
6. The third factor is a cash flow problem in the electricity sector. The inability of discoms to recover costs has resulted in outstanding dues of over ₹1 lakh crore to power generation companies. Consequently, genscos default on payments to CIL.



At the root of the current crisis lie multiple structural fault lines

1. First, the chronic insolvency of discoms has disrupted upstream supply chains. This has been a longstanding policy priority but fixing this through prepayment, cost recovery and bailouts is misplaced. It creates no incentives to plan fuel reserves for a sudden demand surge.
2. Second, utilities do not undertake effective resource planning that allows them to keep everyone's lights on. Instead, given legacy shortages, political and economic expediences have historically determined whose lights stay on.
3. Finally, periodic power shortages and their management have been opportunities to leverage political legitimacy. With every crisis, states blame the Centre for faulty coal allocation and dispatch, and the Centre blames states' inability to pay upstream suppliers. The result is band-aid solutions to suppress the crisis rather than fixing structural fault lines.

The shortages testify that coal dependency is neither predictable nor cheap. A strategic approach to the energy transition that harnesses the low-cost power promise of renewable energy and opportunities for diversification in the energy mix is critical in addressing persisting power shortages.





COAL SHORTAGE AND INDIA'S LOOMING POWER CRISIS

WHY IS THERE A COAL SHORTAGE?

- 108 of 173 thermal power plants have critically low levels of stock
- Power demand is hitting record highs due to economic recovery after COVID-19
- Some imported coal-based power plants are not in production due to high international prices of coal
- surges and a major heatwave spell across India



#QUIXPLAINED



- Poor financial performance of distribution companies has left some of them unable to resume supply at higher prices
- Some states, including Jharkhand and Maharashtra, have large outstanding dues to coal companies
- The railways has thus far been unable to transport sufficient coal to thermal power plants to meet current demand and build up stock

#QUIXPLAINED

2

The time has come to change the poverty narrative in India

1. Thirty years ago, a job meant stability and respect and good middle-class kids did not become businessmen. The last decade has seen a wave of entrepreneurship across the country.
2. From 733 new startups in 2016-17, the number rose to 4,000 in 2021, bringing the total number of start-ups to 61,400 by January 2022 (Economic Survey 2022).

Much Maligned Men: hatred towards rich in public discourse

1. While the aspiration to be rich is manifest in collective behaviour, the narrative of money being bad and the rich being evil is still around in conversations at dining tables and in living rooms and in newspaper headlines and social media posts.
2. The moral uproar over the opulent houses of the rich and how much they spend on their weddings is just one case in point. The outrage over Mukesh Ambani

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spending his tax-paid money on his kids' weddings drove the news agenda for weeks.

3. Political posturing and social media chatter too have an underlying thread of discomfort with the rich. Profit seems to still be a dirty word, even if tax is paid at the marginal rate of 42.7%.
4. The critics seem to be unable to see that behind what is being condemned as ostentatious are industries, businesses and services that make money and pay salaries – consumption feeds not just the Gross Domestic Product but millions of households.

Need a change in the narrative:

1. A nation emerging out of generations of poverty and a socialist political mindset needs a change in narrative. “I want to be rich” should not be shamefully imagined but be owned and aspired for; how to do it and what to make of it are second-order questions.
2. A collective narrative is a powerful driver of change as it has the power to become self-fulfilling. In *Narrative Economics: How Stories Go Viral and Drive Major Economic Events*, Robert Shiller documents how popular narratives drive recessions, depressions and other major economic events.
3. A change in the poverty narrative to an I-want-to-be-rich one has the potential to drive the next few decades of economic growth in India.