

SE SNL Extra
HD Global **coal** projects relying on Indian demand face financial risks, says IEEFA
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Global **coal** export projects that see India as the next big **coal**-importing country after **China** could face financial risks as the dependence of Indian utilities on expensive imported **coal** is expected to further stress their financial positions, according to a briefing note issued by the Institute for **Energy** Economics and Financial Analysis.

According to the report, importing **coal** into India from Australia would be "prohibitively expensive" for the domestic power sector.

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Many of the huge power plants in India have been unable to source discounted domestic **coal** supplies, forcing them to either operate below designed utilization rates or import expensive **coal**, the report said. The authors said the massive proposed **coal** projects owned by Adani Group and GVK Group in the Galilee Basin of Queensland, Australia, which are running three to four years behind schedule, are "likely to prove uncommercial."

If India imports **coal** from the Australian **coal** projects, electricity rates will have to be doubled to meet the expenses involved in constructing a new 4,000-MW **coal** plant in India, the research **firm** estimated. The IEEFA expects the cost of imported **coal**-fired power generation to go up by 40% to 90% compared to current Indian wholesale power prices.

"India's economic and financial situation creates further uncertainty for companies relying on its ability and willingness to import **coal**, with negative implications for India's inflation, current account deficit and economic instability," according to Tim Buckley, a director at the IEEFA. "A greater reliance on imported **coal** undermines India's national **energy** security position and weakens its push for greater **energy** sector diversity," Buckley added.

Indian **coal** buyers have been forced to import expensive **coal** mainly due to **Coal** India Ltd. failing to meet its annual **coal** production targets. As a result, the share of Indian thermal **coal** imports in total **coal** usage has increased to more than 20% from 10% in 2009/2010, the IEEFA said. **Coal** India is the country's largest **coal** producer.

In an email to SNL **Energy**, Tom Sanzillo, director of finance at IEEFA, said **Coal** India has consistently missed its annual production goals in the last few years. "We are skeptical that this year will be any different," he said, which will only force Indian **coal** buyers to import more thermal **coal**. When asked whether weak **coal** prices and a supply glut could work in favor of Indian **coal** importers, Sanzillo said, "even with low prices for **coal** on the global market it is still too expensive for India's economy to absorb. Our report shows there is a need for far-reaching reform of the Indian utility system."

Adani is reportedly planning to sell half of its **stake** in the Carmichael **coal** mine in Queensland, a 60 **million**-tonne-per-year **coal** project. GVK is required to meet certain conditions in order to secure a **mining** lease approval for its 30 **million**-tonne-per-year Alpha **coal** project, also in Queensland.

CO adexns : Adani Enterprises Ltd
IN i8396 : Diversified Holding Companies | ibcs : Business/Consumer Services
NS ccat : Corporate/Industrial News

RE india : India | austr : Australia | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | indsubz : Indian Subcontinent | sasiaz : Southern Asia

IPD Mining and Supply

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