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COMMENT

Of Growth and Energy

INDIAN BUSINESSMEN HAVE BEEN hollering for increase in supply of coal by Coal India Limited. The earth's capacity to produce electricity, however, is limited. It is not possible to raise the consumption of energy of the 1.2 billion Indian citizens to the levels of the West.

There is much evidence that economic growth in India is no longer linked with higher levels of energy consumption. A study titled "Electricity consumption and economic growth in India" by Sajal Ghosh of Indira Gandhi Institute of Development Research, Mumbai found an absence of long-run relationship between economic growth and electricity consumption. Implication is that economic growth leads to higher consumption of electricity but higher consumption of electricity does not lead to economic growth. The study concludes, "Electricity conservation policies can be initiated without deteriorating economic side effects". In another study, titled "Electricity Prices in India" by Pierre Audinet of International Energy Agency, Washington concludes : There has been a "sharp decrease of the ratio of electricity consumption growth to GDP growth in the 1990s (in India)."

This same phenomenon has been observed for China. Fengqi Zhou has made a study titled 'Economic development, energy, and the environment in the People's Republic of China'. Zhou says : "Energy consumption per 10,000 yuan GNP decreased from 13.36 lee in 1980 to 9.3 lee in 1990. Nearly two-thirds of this was saved indirectly through changing macro-economic structures; the rest was saved directly by industrial enterprises. This indicates a de-coupling of energy consumption and economic growth." Similarly S H Yoo of Hoseo University, Republic of Korea says in a study that "uni-directional causality runs from economic growth to electricity consumption in Indonesia and Thailand without any feedback effect. Thus, electricity conservation policies can be initiated without deteriorating economic side effects in the two countries."

The straightforward method of dealing with the problem is to discourage energy-intensive industries like aluminium and steel and promote the services sector. Likewise one must discourage energy-intensive crops like grapes and sugar cane and encourage coarse grains that consume less water. But Indian businessmen and government functionaries do not understand this because they are enthralled by the Western growth model.

The demand made by the Indian corporate lobby for increased production of domestic coal by Coal India Limited (CIL) is really a ruse to access the scarce natural resources at a low price. There is a conflict of interest between the producers and consumers of electricity. High price of electricity is beneficial to the producers while low price is beneficial to the consumers. The strategy adopted by them to get out of this contradiction is to seek low price for domestic coal.

Then the price of electricity too will be low and both producers and consumers can make merry. They have demanded increased production by CIL so that cheap domestic coal is made available aplenty. Coal could, of course, be imported and the shortage of electricity removed. But international prices of coal are high. Therefore, they want domestic production to be speeded up so that cheap domestic coal can be made available in greater quantities. In other words, the issue is not inefficiency of CIL but the cheap price of domestic coal. Then the price is cheap because the Government imposes fewer taxes on this resource.

In truth the solution to energy crisis lies not in perpetual increase in generation and consumption of energy. On the contrary the solution will lie in reducing the consumption of energy to levels that are sustainable in terms of the capacity of earth. □□□