

NOTE

## Vanishing Dream

A Correspondent writes :

Shortage of electricity power coupled with random blackouts is seriously affecting India's industrial capacity and infrastructure. The gap between demand and supply for power has jumped to 10.2% in June 2012, from 7.7% a year earlier. The blackouts in the south Indian states have become so common that many factories report getting more electricity from diesel generators, than they do from the grid, at a three times higher cost. Outside West Bengal, the production of textiles and metal products has been reduced by 30% of capacity, with daily six hour power cuts. The drive by the government and the private sector to build scores of new power plants is facing difficulties because the country cannot get enough fuel, principally coal, to run the plants. Haphazard policies, power management, and environmental concerns are impeding India's efforts to produce fuel fast enough to cater to the growing demand for power. Investment in coal and natural gas has been limited by an intricate system of subsidies and price controls. Retail electricity prices are lower than the cost of producing power, which leads to big losses at state owned utilities. Coal production has been hampered by the ongoing debate of the area of forests, India should turn over to mining. Dozens of large power projects planned near industrial areas, have been scrapped or put off, since there is not enough coal to fuel them.

Coal provides 55% of India's electricity. While power plant capacity has jumped 11%, coal production increased just by 1% in 2011. India's coal reserves are among the world's largest, but the country has not been able to exploit them effectively. 80% of production of coal is controlled by state owned Coal India, which is mandated to sell coal at 70% discount to domestic market prices. There is lack of investment in new mines and technology. Coal is being imported by some electricity producers but this option has become untenable recently, with the doubling of coal prices by Indonesia, which is India's biggest supplier. □□□