

# India's love affair with coal cools as pressure grows on sector

November 24 2020

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India has the world's fourth-largest reserves of coal

Funding for coal projects in India has plunged for the second straight year, new figures showed Tuesday, as the world's second biggest coal importer weans itself off the dirty fuel.

Research was released showing a drop in investment days after Prime Minister Narendra Modi reaffirmed the country's commitment to exceeding its targets under the Paris climate agreement.

India has the world's fourth-largest reserves of the fossil fuel and its cities are often shrouded in [coal](#)-induced smog, but Modi on Sunday told a virtual G20 summit that the South Asian giant was "exceeding" its targets.

Coal financing dropped 82 percent last year following a 90-percent decline in 2018, the Delhi-based Centre for Financial Accountability said in a report.

The authors, who analysed 50 loans to 43 coal-fired and renewable projects in India last year, said there was also a "significant drop" in state financing for coal.

Lending to renewable developments contracted by six percent but it made up 95 percent of total investment in energy, the group said.

"A significant drop in project finance to coal means that financial institutes are beginning to realise the associated financial and reputational risk in investing in coal," the group's executive director Joe Athialy said.

Modi told the G20 summit hosted by Saudi Arabia that India was "not only meeting our Paris Agreement targets, but also exceeding them".

He said the vast nation of 1.3 billion people had adopted low-carbon and climate-resilient development practices.

India was among the world's biggest investors in renewables last year, ploughing \$9.3 billion into the sector, according to a report jointly issued

by the UN Environment Programme and Bloomberg New Energy Finance.

The latest funding report comes weeks after a subdued response to the country's first round of coal mining auctions, which were announced earlier this year by Modi in a bid to boost the coronavirus-hit economy.

Only half of 38 mines were auctioned, and all went to domestic players despite the government now permitting 100 percent foreign direct investment.

"Commercial mining has been opened at a time when the world is transitioning away from coal as a fossil fuel to cleaner energy sources," India Ratings and Research said in a note last week.

"Globally, the funding sources to fossil fuel have declined as large financial institutions and equity investors have stayed away from the sector."

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Citation: India's love affair with coal cools as pressure grows on sector (2020, November 24) retrieved 26 April 2024 from

<https://phys.org/news/2020-11-india-affair-coal-cools-pressure.html>

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