FIRST LIGHT

21 August 2026

RESEARCH

COAL

Rising power demand to sustain coal demand

SUMMARY

COAL

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- Power demand is est. to grow at CAGR 9.0% over FY26 – FY30E. Per capita consumption to increase to 2,000KWh by 2030 from 1,460KWh
- Sector outlook - Positive driven by increased urbanization, industrial activity and uptick in Global thermal prices; benefiting Coal producers

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Industry – demand primarily served by Coal India (CIL) & Singareni Collieries company Ltd. (SCCL): Coal India (CIL) is a largest player meeting 74% of coal demand in India. In FY26, the combined coal supply of Coal India (CIL) (74%) and SCCL (5%) accounted for approximately 79% of the total domestic coal supply by volume, with the remaining 21% supply is met via captive /other commercial blocks. India coal production reported a CAGR of 7.5% over FY22-FY26.

Coal demand primarily driven by offtake from power sector, to benefit from high correlation of power demand with GDP growth: Demand for coal is primarily driven by consumption from power plants (70% share) followed by steel (6%), Cement (1%) and others (Fertilisers, Paper, Brick etc.) – 23%. The demand growth of power and GDP growth is highly correlated, with both following a similar trend since 2018.

Power demand to grow at a CAGR of 9.0% over FY26-FY30E driven by demographic driver; Per capita consumption to increase: India power demand is expected to improve in the long term on the back of improvement in access to electricity, in terms of quality & reliability, rising per capita income, increasing EV penetration, railway electrification. Going forward, power demand is estimated to grow at CAGR 9.0% & coal based power demand is estimated to grow at CAGR of 4.2% over FY26 – FY30E. India per capita consumption stands at 1,460 KWh per person – which is lower than World average, USA and China. Under the draft National Electricity Policy, India aims to increase per capita consumption to 2,000 KWh by 2030. This will likely benefit Coal India and other coal producing companies.

Rise in global coal prices due to higher demand will likely lead to improvement in e-auction price: Prices of e-auction volumes are broadly linked to global coal prices. Post Middle East crisis, gas shortage has resulted in increased demand for Coal from Asia and Australia. Richard Bay Thermal coal price – Australia has risen from USD95/tonne in Dec.2025 to a level of USD108/tonne in August 2026. Japan and South Korea have significantly increased their thermal coal imports due to fuel switching from high priced LNG post supply disruptions from Middle East.

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