The rise and rise of fossil fuel

Though green energy was the focus of India Energy Week, India's rising demand for coal, gas and oil dominated the talks

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Green energy was supposed to take centre stage at the India Energy Week, the ministry of petroleum's flagship programme. Ironically, it was fossil fuels, coal in particular, that hogged the limelight.

The key number there is that India will shoot past 1 billion tonnes of coal production in FY24. This marks an impressive 11.6 per cent annual growth rate over FY23, something the country has never achieved. That serves to emphasise an impressive growth in India's demand for fossil fuel as was evident in Prime Minister Narendra Modi's speech at the inauguration of the India Energy Week. "Today India's share in global oil demand is around 5 per cent but it is expected to reach 11. India's gas demand is expected to increase by 500 per cent," he said.

These are big numbers. Though the pace of energy transition to renewable energy (RE) and green hydrogen will also accelerate, there is, for the time being, a massive rush to create capacity in oil, gas and coal in India. In 2022, the sharp escalation in global gas prices had sowed deep doubts over how far it could remain a transition fuel in India's energy mix, considering its share in the economy had come down to 6 per cent from more than 8 per cent in 2015. But Modi pointed out to the global energy sector leaders assembled in Bengaluru: "In the next 4-5 years, the gas pipeline network in India will reach 35,000 km. This means that huge investment opportunities are being created for you in India's natural gas infrastructure."

Supporting Modi's statement on the role of fossil fuel economy, Sultan Al Jaber, UAE's minister of industry, CEO of Abu Dhabi National Oil Company and designated COP 28 president, said India was grappling with policies that held back emission and not progress. He described this position as an "inclusive energy transition".

Paradoxically, India expects coal demand to shoot up precisely because of the introduction of electric vehicles to replace internal combustion engine-based ones that run on mostly imported oil. Coal Minister Pralhad Joshi had made this point last year at an investors' meet. "The need for coal is going to double by 2040 with the rise in electric vehicles and the increased demand for electricity. Therefore, we need to ramp up our coal production to meet this growing energy requirement."

What does this mean in terms of numbers for the coal sector in the near term? In a Parliament reply in February this year, the target for coal production has been fixed at slightly over 1 billion tonnes for FY24. Even if rake shortage and other usual supply-side challenges rear up, the target is likely to be achieved since the pace of increase till January is already above 16 per cent, according to coal ministry data. The ministry is particularly concerned that a hot summer should not create a crippling shortage of fuel at the power plants this year.

For next year, Coal India Limited (CIL), the country's largest producer, has already identified 15 additional projects with a total rated capacity of 168.58 million tonnes (MT) annually for award to the mine development operators. Of these 15, a Letter of Award has already been issued to nine projects.

The coal entrepreneurs seem to have cottoned on to the fact that there is no doomsday arriving for the sector anytime soon. In the on-tap auctions for coal mines that the coal ministry has been running since June 2020, where there were often no bidders, a total of 99 bids for 36 coal mines were received for the fifth round of auctions in November 2022. "This is the biggest response received for commercial coal mine auctions," the ministry noted in its website.

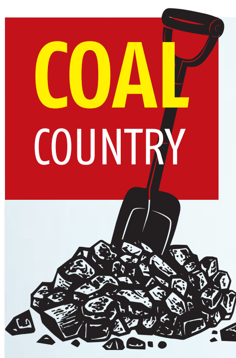
This has international implications. Energy consultancy CoalMint data shows India's imports of thermal coal rose 15 per cent in calendar 2022 despite the domestic ramp-up in production. It has helped keep the prices of coal in the international markets high. Indonesia, from where India imports about 12 per cent of its domestic requirements, has targeted an export of 500 MT in calendar year 2023, a 10.6 per cent annual rise.

Nowhere is this more evident than in the demand for gas by India's leading importers like Petronet and Gail. Akshay Kumar Singh, managing director of Petronet, told reporters at the India Energy Week that it wanted to secure 12 MT a year of additional supply under long-term contracts. "That's equivalent to about 60 per cent of the nation's deliveries last year, according to ship-tracking data," noted *Bloomberg*.

Similarly the government has already cleared a ₹35,000-crore support to the Ministry of Petroleum and Natural Gas as allocation for energy transition, net-zero objectives and energy security. Ministry officials said the sum would help them finance the cost of building environmentally better equipped refinery capacity to process crude. India's current capacity is around 250 million metric tonnes per annum (MMTPA), which is being increased to 450 MMTPA under a vast expansion plan. While it is the oil marketing companies that will mostly finance the modernisation expected to cost ₹1 trillion, the budget support will come in handy, they said.

Minister for Petroleum and Natural Gas Hardeep Puri made the same points in favour of the three dirty fuels at the event. "Unless we survive the present, we will not be able to go into the world of clean and green energy." His prescription is that "while affordable traditional energy resources are essential for meeting the base-load requirements, new sources of energy, which are cleaner, sustainable, and innovative, are critical for combating the menace of climate change". Expect more records in domestic coal production soon.

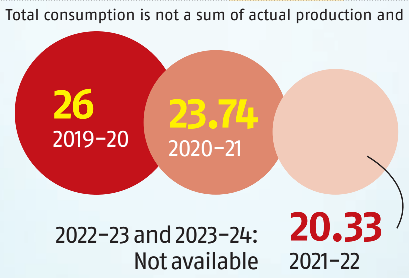
COAL COUNTRY



Year	Total consumption (MT)	Actual coal production (MT)	Import (MT)
2019-20	955.91	730.87	248.54
2020-21	906.33	716.08	215.25
2021-22	1,027.92	778.19	208.93
2022-23	1,109***	698.24*	168**
2023-24	Not available	1,017***	Not available

Total consumption is not a sum of actual production and import

% OF CONSUMPTION MET FROM IMPORT



* Figures till Jan 2023 ** Figures till Nov 2022 *** Target for full year

Source: Coal ministry

Influencer marketing gets a new leash

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While on the jury panel for an ad award competition, I was floored by the number of brands that use influencers. From soft drinks and snacks to skincare and fashion, the brand communication playbook is now incomplete without a significant influencer marketing component. If so much of this is happening, why should the government issue new rules ("Endorsement disclosures", January 24) and even threaten influencers with a jail sentence for non-compliance?

Celebrities endorsing brands has been something that this country has had an overdose of, over the last two decades. If a film star or a cricket celebrity can feature in an ad and goad you to take a sip of a cola brand, drive a car or buy an apartment, why are the authorities worried about the damage influencer-based messages may cause?

Marshall McLuhan, in his classic *Understanding Media*, categorised media as "hot" and "cool". He explained that a "hot" medium is high-definition and engages the consumer deeply like cinema; while a "cool" medium like a comic book is low-definition and requires the consumer to participate to extract value. If truth be told, the book was published in 1964 way before social media and the digital onslaught on our senses. If you extrapolate this theory, a video ad featuring a film star is clearly an ad; it is high-definition and delivers the message sharply. In contrast, an influencer-led video message is cool, it may or may not sell actively; it calls for the viewer to engage with the brand and the influencer. This is especially true when it comes to providing stock tips. Influencers are experts in building a loyal follower base by engaging with them regularly. You can ask them a question and get an answer. So consumers see influencers as "friends". When that friend suggests that you buy a particular TV or stock, you take it more seriously; you engage with the message since you think that the influencer is your friend. Two years ago, the Advertising Standards Council of India and the government brought out guidelines to ensure that all paid content was tagged "sponsored" or "promotion". Obviously that is not being seen in the same light as a celebrity-led ad. Hence the need for tighter measures.

While consumers are being warned about influencer ads, companies are also struggling with the task of managing the growing battalion of influencers. In an article in the *HBR* ("Does Influencer Marketing Really Pay Off", November 24, 2022), the authors present a framework on how brands should select and use influencers. They say that 75 per cent of brands are using or planning to use influencers. After analysing social media posts by influencers (in China) numbering an astounding 5,800, the researchers arrived at a way brands can use influencer-led marketing better. The posts in their dataset were written by 2,412 influencers for 861 brands across 29 product categories, at costs ranging from \$200 to almost \$100,000 per post. The researchers found on average 1 per cent increase in influencer marketing spend led to an increase in engagement of 0.46 per cent, suggesting that the strategy can in fact yield positive RoI. So obviously influencer marketing is working, at one level. But they say that there are seven levers that brands have to use. The obvious one: the bigger the following of the influencer, the better the effect on RoI. Also, the more original the posts, the better the response. Then comes a few surprises. An influencer, who posts too frequently, does not help the brand. Similarly, brands should not obsess over the influencer-follower fit; if an influencer has a diverse set of followers that may actually be a positive. Links to the brand pages obviously work, no prizes for guessing that. But what came as a surprise is that pushing new products does not seem to help and has a negative effect. Is it possible that the followers don't want their influencers to become empty mouthpieces for the brand: "New cream from brand X works miracles"? Unlike a celebrity ad that screams "ad", an influencer-led post is seen as more engaging and personal.

What we are seeing work best are messages woven into the influencer's discourse. But that is also the problem regulators are trying to fix

There are four sides to this equation: the brand, the influencer, the consumer and the regulators. What we are seeing work best are messages woven into the influencer's natural discourse. But that is also the problem regulators have identified and are trying to fix. It is likely to assume that consumers will slowly realise influencers are not really "friends" and when they endorse a brand, they too have received monetary or other inducements, just like a celebrity. Until then, some leash would be helpful to protect or at least alert the consumers.

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