Russia's Coal Export to India and its Connection to Eurasian Integration

When the mass withdrawal of coal use in countries following green policies began, many experts predicted that this fuel would soon be forgotten entirely. Its extraction and exports would cease to be profitable for the countries implementing them. Even then, it seemed unlikely because “developed” countries such as all Western countries, which stopped burning coal in their territories, would not give up the benefits of civilization and industrial goods. The fact is their “dirty” production had long been transferred to the area of “developing” countries - first of all, to China.

Apart from China, other countries cannot give up such cheap and reliable fuel as coal since they need to support and develop their industry to overcome poverty. India now ranks second after China in terms of coal consumption. It is interesting to note that the third place, according to 2020 data, belongs to “the main guardian of Western values”, the USA.

In February 2018, the Coaltrans Conference, an event that takes place across the globe, bringing together thousands of coal mining, transportation, buying and selling professionals from all over the world, was held once again in Goa, India. It was announced that the Indian government would soon embark on some infrastructure and energy projects that would require a lot of steel and fuel. Moreover, there was a plan to increase steel production in India to 300 million tonnes per year by 2030. Then Coaltrans agreed that the Indian steel industry would be heavily dependent on coking coal imports for the next ten years. According to the conference participants, India's own coal will not be enough to implement these plans. Its demand for imported coal was expected to increase by more than 10 million tonnes in fiscal 2018-2019 alone (it then stood at 100 million tonnes per year). The conference also suggested that increased Indian and Chinese demand would create a deficit in the global market for coal, leading to a significant
increase in the price of this fuel.

At that time, the leading coal supplier to India was Indonesia, and Australia was the principal supplier to China. The increase in global coal prices was expected to have a positive impact on Russia's coal business as well. Knowing the situation in the international market, Russian coal mining companies began to boost production in 2018.

Indeed, India's thermal coal imports expanded by 19% in 2018, exceeding 172 million tonnes. Then Indonesia, South Africa, and the US were the key Indian suppliers, but the Russian Federation showed the fastest upsurge in coal exports to India in 2018-2019.

In 2020, the COVID-19 epidemic swept the world, and quarantine measures were imposed by the Indian leadership, causing many manufacturing companies to shut down temporarily. As a result, India’s fuel demand has declined significantly, and India's coal imports have begun to drop rapidly. Exports had to be reduced for all countries in the top ten Indian suppliers, including Russia. However, in 2020, the Russian Federation still sold more than $681 million in coal to India, ranking fifth among India's coal exporters. There is no direct railway connection between Russia and India, which makes this achievement particularly remarkable, and most of Russia's freight enters India by sea through the Suez Canal.

Realizing that to recover from the coronavirus-induced economic crisis, it would have to restore production and ramp it up soon to make up for lost time, in the same year, 2020 the Indian leadership thought about a crucial future increase in coal imports. An essential role in this was assigned to Russia.

In August 2020, it was reported that New Delhi and Moscow were in talks to step up Russian exports of anthracite and coking coal to India. These are high-quality coals, which not all coal suppliers can offer, and they are especially useful for metallurgy needs. India has declared its readiness to increase its exports to 40 million tonnes per year (at that time, such an amount of coal was worth about $4.5 billion). That meant, India was going to buy almost 87% of the volume of these Russian goods destined for export.

As mentioned above, large shipments between India and the Russian Federation are transported through the Suez Canal. It is quite time consuming and expensive, and if it is for regular deliveries of large coal volumes, a shorter route is desirable. There is such a route - it is the International North-South Transport Corridor (INSTC). The project for this corridor, running from India through Iran to Russia and then, if desired, to other European countries, was conceived in the 1990s. Since then, the participating countries have been gradually developing their transport routes and linking them into a single, ramified corridor of rail, sea, and road segments. While the Russian Federation has already done much of the work in its territory, for example, extending the Russian railway network to the Port of Olya on the Caspian Sea, India, Iran, and Azerbaijan, which has joined the project, still have much work to do. The progress was not very fast, partly because the flow of goods planned to be carried along the route was not very high. However, India's exports to Europe, which have grown substantially in recent years, have spurred work on the INSTC. Large shipments of coal to India from Russia will have to give it another mighty boost.

In July 2021, it became known that Russian coal exports to India had indeed expanded dramatically. For example, Sibanthracite, Russia's major metallurgical coal producer, reported that its shipments to India had increased by 140% in the first half of 2021.

However, Russia still does not account for the largest share of India's coal imports. India buys most of its coal from Australia. The West's trade war with China in 2020 resulted in China's rejection of Australian coal, and Australian companies had to divert unsold goods to India urgently.

Nevertheless, Russia has all chances to strengthen its position on the Indian coal market: India is still intended to increase its steel production manifold, being interested in high-quality Russian coal, and it is ready to step up its imports to 40 million tons per year, as announced in 2020. The Russian Federation is ramping up production at its vast deposits. What is needed is to complete the North-South Transport Corridor and start its full-scale operation.

The formation and launching of the intensive use of INSTC are essential tasks for Russia and India; their implementation will benefit these countries and the entire region by improving transport connectivity and creating conditions for intensified trade. Fulfillment of these tasks seems to be linked to the development of the Russian-Indian coal trade: the upcoming coal shipments will accelerate the launch of the INSTC, and the latter endeavor will help maximize coal exports from Russia to India. When Russia loads the corridor with coal and India with its export goods to the fullest, it will stimulate regional economic development and become a big step towards Eurasian integration.
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