A Classic Robust 'Keiretsu' Network for Indian Power Sector

Recently, we witnessed the decline of shares of coal (thermal) in total power capacity dropped below 50% for the first time since 1966, while renewable energy accounted for 71.5% of the record ~14 GW power generation capacity added by India in the January-March period, according to a POWERup quarterly report from the Institute for Energy Economics and Financial Analysis (IEEFA).

We hope to see further decline of coal share to around 30% by decade-end due to massive push for the renewable energy in India, country's estimated installed capacity of 900 GW or more by 2030-32. Coal/Lignite power equipped with emission control equipment is expected to be around 290 MW, after Solar (365 GW). Other sources like Nuclear, Hydro, Wind, etc. also likely to see huge uptrend. It simply means that the Indian power sector has immense potential for growth and development, given the country's increasing energy demand and the concerted push for sustainable, clean and efficient energy solutions. To navigate the complexities and realize this potential, establishing and nurturing a robust 'Keiretsu' network can be a game-changer.

A 'Keiretsu' network, originally a Japanese concept, refers to a conglomerate of interconnected businesses with intertwined relationships and shared goals. Translated literally, keiretsu means "headless combine." When applied to the Indian power sector, such a network can foster collaboration, innovation, and resource optimization among various stakeholders, including government bodies, public and private enterprises, financial institutions, and research organizations. Large manufacturing units nurture ancillaries industry in their vicinity. Most of these are micro, small, and medium size enterprises and need to be taken care of by manufacturing giants. They are supported by way of providing assured orders, even raw materials, technology, quality surveillance before they become a pillar of strength in manufacturing. This post emphasizes for the need for developing 'ancillaries' of Indian variant on the lines of Japanese 'keiretsu' version, especially for the thermal power sector for their re-energization which were under acute distress for over 7-8 years due to dip in the sector coupled by the adverse impact of covid-19 pandemic and geo-political uncertainties. The planned thermal capacity addition of 80 GW in 8 years would need an estimated expenditure of INR 7 Lakh Crores. Few steps to establish a Keiretsu network in the overall Indian Power Sector may include:

1. Identifying Key Stakeholders: Map out the critical players in the power sector, ranging from government & regulatory agencies, public & private companies, financial institutions, and research bodies.
2. Creating Collaborative Platforms: Establish forums, working groups, joint ventures, and partnerships to encourage collaboration and regular interaction among stakeholders.
3. Developing Shared Goals and Vision: Align the network's objectives with the national energy goals and sustainability targets to ensure a cohesive and unified approach. One member's gain should not become another's loss.
4. Implementing Governance Structures: Develop clear governance mechanisms to manage the network, avoid or resolve conflicts, and ensure transparency and accountability. The weak network member to get adequate care and protection against undue and unjust action.
5. Encouraging Investment and Innovation: Create incentives for investment in development & absorption of new technologies and innovative projects that can drive the sector forward.

By fostering a quintessential robust 'Keiretsu' network, the Indian power sector can leverage the collective strengths of its stakeholders to achieve sustainable growth, improved efficiency, and enhanced energy security. A strong supply-chain network with respect for mutual interests would see the industry meet and surpass the goal of energy independence sooner rather than later.

Disclaimer: As learnt over professional journey. Personal view, not of employer. Source: Various.

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