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Creating Competitive Advantage in Coal Mining Industry in Romania: A New Challenge

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Abstract

As we know, human society is closely linked to the provision of energy sources. Crises lately manifested globally in oil and natural gas price movements for these resources, coupled with increasing demand for them led to a rethinking of national strategies for the exploitation and utilization of resources. One of the objectives of any industrial policy is to use comparative and competitive advantages due to the existence of natural internal resources and an appropriate level of qualification, experience and tradition of labor in the sectors of mining and exploitation of these resources, which requires judicious exploitation and search processing of the corresponding starting materials. The paper aims diagnosis of the current situation in the mining industry in Romania, especially coal, accompanied by an assessment of the competitive potential of this industry and its determinants. Conclusions and proposals provide general guidance on key factors and key considerations that may be relevant when considering the difficult issues inherent officials balancing process exploitation of valuable mineral resources - to long-term needs of the country, now and in the future.

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1. Introduction

Profound changes, political, social and cultural mutations that took place in the Romanian economy in the last two and a half decades have led to a radical change of its statute, transforming it from a centralized economy to a free market and functional economy, that needs to ensure its competitiveness in the competitive struggle, both in Europe and worldwide. In this context, the Romanian companies are forced to ensure their viability, to manage resources efficiently, to increase flexibility according to demand and supply variability, so that the value and quality

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to ensure its competitive advantage in the market on which it operates. In addition, rapid changes in the economic and technical environment have led to the need for firms to quickly adapt to it.

Coal mining industry in Romania is no exception to this reality. Mining enterprises, like many businesses today, see their market places, customers and operations undergo a constant parade of changes and challenges. The volatile economy affects all, especially this particularly severe and destructive downturn we have been facing. (IMB Corporation, 2009, p.2)

2. The role and importance of coal as a source for electricity generation in Romania

Energy sources are central to national wealth, constituting both material conditions and the driving force necessary for economic development of a country. Modern history is, especially since the second half of the twentieth century, strongly influenced by the significant increase and diversification of production and consumption of energy, by the profound change of their structure. The continuous growth of energy demand, high cost, limited reserves and other fossil fuels efficiency (oil and gas), late confirmation of alternative renewable and nuclear energy encountered opposition lead to reconsideration of the position of coal in the energy balance. Corroborating existing data on trends in the coal sector and energy policies of various countries, and considering the viability of the pros and cons, it can be concluded that giving up coal as a primary energy resource is neither possible nor rational. According to projections made by the International Energy Agency, it is obvious that about a quarter of primary energy needs worldwide will be covered by coal (IEA, 2012). These items underlying the shifting energy policies of all countries depend to a greater or lesser share of imported energy.

Romania has a wide range of primary energy resources, but quantitatively reduced, so that indigenous coal has a decisive role in the national energy balance.

As shown in Figure 1, fossil fuels (coal, oil, natural gas) represent a majority share in primary energy production (72%), (EU, 2013) mostly represented by natural gas. Production of natural gas knows but a gradual decline due to the decline in deposits, and oil became the third carrier for energy in energy production in Romania, second returning coal, (Table 1.) (ME, 2011).

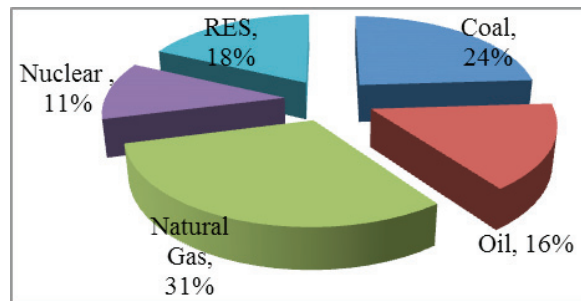


Fig.1. Primary energy production, by fuel in Romania. Share of each fuel to total production, 2011 (%)
 Source: EU, Energy, transport and environment indicators, 2013

Coal markets are characterized by a strong competition. Thus, between standardized by grade and calorific properties coal, on the one hand, and oil, gas, hydro and nuclear energy, on the other hand, there is greater competition in the substitution.

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