

NO FUTURE FOR COAL

WITH THE ECONOMIC WINDOW CLOSING RAPIDLY, JAPAN'S SUPPORT FOR OVERSEAS COAL PROJECTS POSES \$4.8 BILLION STRANDED ASSET RISK

SUMMARY

Declines in the cost of renewables are undermining the economic prospects for coal-fired power projects in South and Southeast Asia. According to recent modeling, by 2028 it will be cheaper to build new solar PV and onshore wind power in the region than to run existing power plants. This means that the average coal plant in Southeast Asia will be retired at just 15 years old, and a coal plant that enters construction in 2020 and enters the active fleet in 2024 will see less than five years of operation. Reflecting the deteriorating economics of coal power, analysts at Citi report an 80% decline in coal financing from 2010 to 2018. Private insurers including Standard Chartered, RBS, and Nippon Life have announced their complete withdrawal. Yet, key Japanese public finance institutions continue to support over 3,700 MW of coal plants, placing \$4.8 billion at risk of becoming stranded assets.¹

BACKGROUND

Since 2013, Japan's bilateral finance institutions, including Japan Bank for International Cooperation

(JBIC), Japan International Cooperation Agency (JICA), and Nippon Export and Investment Insurance (NEXI), have invested over US\$18 billion in supporting overseas coal projects, including coal-fired power plants, coal mines, coal-related electrical transmission, and coal transport infrastructure. Currently, that support continues, with \$4.8 billion in financing support still pending, all for projects in three South or Southeast Asian countries.² Among coal-related projects that have reached financial closure, power plants represent US\$13.7 billion, or 76% of lending. Power plants represent an even larger share of pending projects: US\$4.2 billion, or 88% of \$4.8 billion. The remaining funding, US\$574 million, is a coal-related transmission line, the Java-Sumatra Interconnection Project (II). In addition, JIBC has approved US\$650 million for the Van Phong 1 plant in Vietnam, while NEXI may provide several billion in insurance for the project. Finally, US\$1.5 billion of lending for the Cirebon Coal Plant Phase 3 is stalled as the Indonesian government reconsiders the project. The power plants in the current pipeline are distributed as shown in Table 1.

Table 1. Distribution of Japanese Coal Financing

	Pending	Potential or Identified	Stalled
Indonesia	1,063,169,521	0	1,538,200,000
Bangladesh	1,325,720,000	0	0
Vietnam	2,399,000,000	650,000,000	0

Source: Global Energy Monitor, Global Coal Finance Tracker, accessed November 2019

¹ IEFFA, "Cheaper to build new renewables than run existing coal plants within 10 years' time in South-east Asia," October 29, 2018, <http://bit.ly/33nbu5y>

² Information in this briefing on Japanese lending is from the Global Coal Finance Tracker, October 2019, at <http://bit.ly/2pMkIye>