Paris-aligned Coal Phase Out Plans

A coal phase-out plan is credible and Paris-aligned, if it effectively phases out the operation of coal assets in line with the aim to keep Global Warming at 1.5°C. We evaluate companies' coal phase-out plans based on their own information according to the following criteria:

1. End All Coal Expansion

Over 600 companies in the world are still expanding their coal business. They ignore that our carbon budget has no room left for new coal. Financial institutions have to end all support to such companies even if they claim to be transitioning.

The International Energy Agency[1] and the Intergovernmental Panel on Climate Change[2] unequivocally state that there is no room in a 1.5°C carbon budget for new coal power plants, new coal mines or mine extensions.

Financial institutions also have to be careful of companies swapping thermal coal for metallurgical coal. While metallurgical coal was once essential for steelmaking, innovation is paving the way for a coal-free steel sector by the early 2040s.[3] Existing production sources can additionally cover the demand for metallurgical coal until 2050.[4] There's no need for new metallurgical coal and companies expanding this industry are not transitioning. Find more information on metallurgical coal companies on coalexit.org/MCEL.

2. Adopt a Paris-Aligned Coal Exit Date

Every year counts. Global coal power generation has to drop by 87% by 2030 compared to 2021 levels.[5] The IEA, the UN and the IPCC all agree that EU/OECD countries need to phase out coal by 2030 and the rest of the world by 2040.[6][7][8] About 160 companies in the world have adopted a coal exit date. Half of these exit dates are far too late and not in line with the 1.5°C scenario.[9]

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[1] https://www.iea.org/reports/world-energy-outlook-2024
[2] https://www.ipcc.ch/report/ar6/wg3/
[3] https://www.agora-industry.org/news-events/the-global-steel-industry-can-achieve-net-zero-emissions-by-the-early-2040s-1-1
[4] https://iea.blob.core.windows.net/assets/20959e2e-7ab8-4f2a-b1c6-4e63387f03a1/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf p.103
[5] https://ember-climate.org/insights/commentary/the-science-is-clear-coal-needs-to-go/
[6] https://climateanalytics.org/publications/global-and-regional-coal-phase-out-requirements-of-the-paris-agreement-insights-from-the-ipcc-special-report-on-15c
[7] https://www.un.org/sites/un2.un.org/files/un_sgs_acceleration_agenda.pdf
[8] https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach
[9] To be precise about this geographical distinction, we evaluate the phase-out date according to the country where each individual coal asset is located.

3. Close and not Sell Coal Assets

Many companies are simply selling their coal assets in order to green their business. Except selling does not reduce real-world emissions. It is a way to get around the obligation of actually retiring coal assets. Financial institutions have to ensure that companies retire their coal assets themselves, instead of selling them.
The companies that buy the coal assets usually intend to keep them running for as long as possible.[10] Often enough, they're betting on hefty compensation payments in case they have to shut down their assets early because of government policies.[11]

4. Publish Facility-Specific Closure Plans

Companies need to publish a reliable facility-by-facility closure plan. Companies with multiple coal assets in different locations or across several countries will need specific closure plans for their individual facilities.

5. Green Transition

Companies are scrambling for all kinds of dirty alternatives to coal. They're trying to rebrand gas, hydrogen, ammonia and biomass as clean. Only few companies in the world have committed to fully replace coal with renewables. The bulk of it relies on false solutions.

Many coal-dependent utility companies have st their eyes on **fossil gas** and especially **LNG**, although its greenhouse gas footprint can be 33% higher than that of domestically produced coal over a 20-year time period.[12] Throughout our annual research process we have detected industry plans, which would increase global gas-fired power generation capacity by a whopping 600 GW.[13] This is the opposite of what science requires: The IEA Net Zero by 2050 scenario requires the shutdown of 527 GW of unabated gas capacity by 2035.[14] Thus, we cannot attest a credible coal phase-out strategy if we find that a company has fossil gas expansion plans. In terms of investment in new power assets, we only consider the transition to renewable energy and energy storage as Paris-aligned.

Any form of **fossil fuel-based hydrogen** production comes with a high carbon footprint. Conventional "gray" hydrogen is produced from fossil gas using a process called "steam reforming"; "blue" hydrogen is produced with the same process, but with the addition of

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[10] https://beyondfossilfuels.org/wp-content/uploads/2020/03/A-Close-not-Sell-Briefing-for-Financial-Institutions.pdf

[11] https://www.banktrack.org/article/daniel_ketinsk_the_czech_businessman_profiting_by_frustrating_the_energy_transition_with_ing_s_help

[12] https://www.research.howarthlab.org/publications/Howarth_LNG_assessment_preprint_archived_2023-1103.pdf

[13] GOGEL 2024

[14] https://iea.blob.core.windows.net/assets/8ad619b9-17aa-473d-8a2f-4b90846f5c19/NetZeroRoadmap_AGlobalPathwaytoKeepthe1.5CGoalinReach-2023Update.pdf p.197

carbon capture and storage. Scientific research showed[15] that the greenhouse gas footprint of blue hydrogen is more than 20% higher than burning natural gas or coal for heat. Only green hydrogen, which is produced using renewable energy for the electrolysis of water, comes with very low emissions. However, due to its high energy consumption, green hydrogen should be dedicated for industrial processes which are otherwise difficult to decarbonize and electrify, and long-term energy storage.

Converting coal power plants fully or partly to **biomass** will likely lead to increased emissions of CO2 per kWh as a result of the lower energy density of wood and the immense emissions along the supply chain. And the time needed to reabsorb the extra carbon released can be very long, so that current policies risk exacerbating rather than mitigating climate change.[16] Using biomass at an industrial scale to produce electricity also entails the large-scale destruction of forests and has serious impacts on biodiversity.

6. Just Transition

Closing a coal asset responsibly takes time and money. Companies have to clean up after themselves; they need to retrain or compensate their workers and have to rehabilitate communities that have suffered from coal for decades.

Financial institutions have to ensure companies' Just Transition pledges aren't just empty words. Companies have to detail how they will support local communities and workers, and restore the environment for their coal assets. Most importantly, they need to allocate money for a Just Transition, otherwise the plan is meaningless.

7. Controversial Activities

We can only evaluate companies' coal phase-out plans based on their own reporting. To gather more proof of credibility, we do a background check.

Companies should not use lobbying activities against government action on climate, nor should they violate environmental regulation. They should also not be involved in ongoing controversies regarding the impacts of their coal assets on indigenous peoples or other local communities or the rights of their workforce. We also take note of companies that recently backtracked on their coal phase-out commitments.

More information: coalexit.org/coal-phase-out-plans
Contact: coalexit@urgewald.org

[15] onlinelibrary.wiley.com/doi/full/10.1002/ese3.956
[16] https://ember-energy.org/app/uploads/2019/12/Ember-Playing-With-Fire-2019.pdf