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Media Briefing

The 2023 Global Coal Exit List: Failing the Phase-Out

- 40% of companies on the GCEL developing new coal assets
- 95% of the industry still lacks a phase-out commitment

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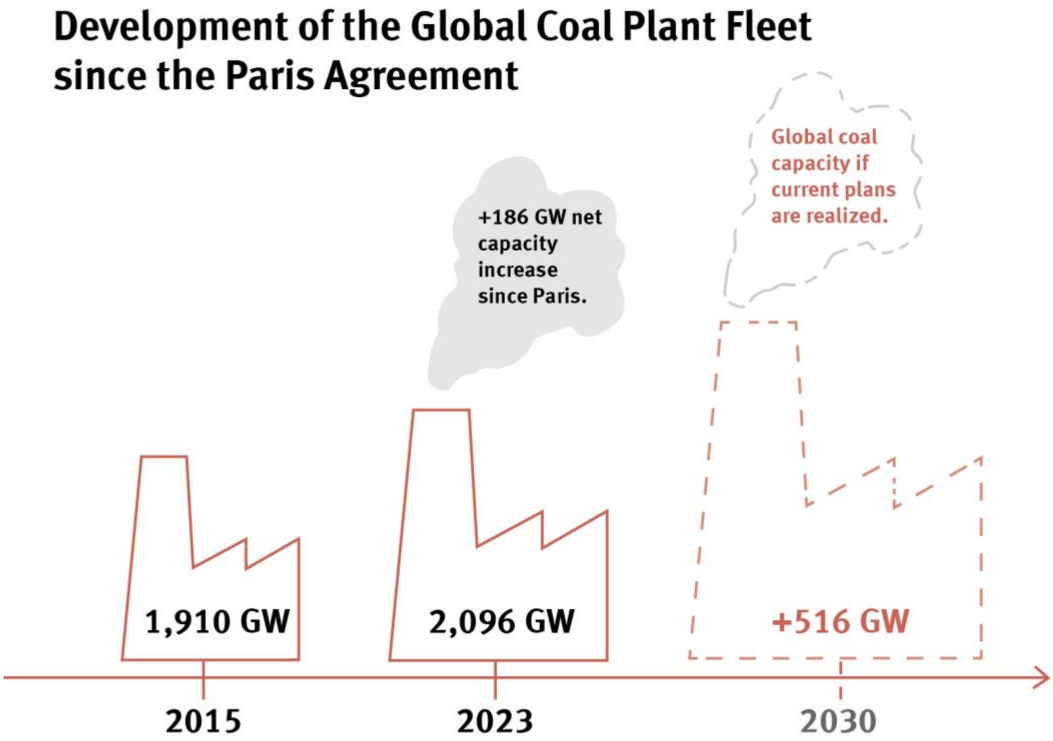
Four weeks after the UN's Climate Ambition Summit in New York, Urgewald and more than 40 NGO partners released the 2023 "Global Coal Exit List" (GCEL). The GCEL provides in-depth information on over 1,400 companies operating along the thermal coal value chain and is the world's most comprehensive public database on the industry.

"The overall picture that our data delivers is bleak," says Heffa Schuecking, director of Urgewald. "Out of the 1,433 companies on the GCEL, only 71 companies have announced coal exit dates. Meanwhile, 577 companies are still developing new coal assets. Without forceful action by governments, the finance industry and regulators, the chapter of coal won't be closed."

Expanding the Problem

Despite coal plant closures in some parts of the world, the global coal plant fleet has seen a net growth of 186 GW since the Paris Agreement was signed. To put this into perspective: 186 GW are more than the operating coal plant fleets of Germany, Japan, South Korea and Indonesia combined.

According to the 2023 GCEL, companies are still planning to develop an additional 516 GW of new coal-fired capacity. If built, these projects would increase the world's current installed coal-fired capacity by 25%. Two-thirds of this new capacity is planned in China, which has been ramping up its coal power plans since 2022, when drought diminished the country's hydropower output and record-breaking heat waves caused electricity demand to skyrocket. So, it comes as no surprise that 8 of the world's top 10 coal plant developers are state-owned Chinese power corporations.[1] What is surprising is that 96 US investors, led by BlackRock and Vanguard, account for 26% of institutional investments in China's 8 top coal power developers. With US$ 1.68 billion, BlackRock is the world's largest institutional investor in these companies, while Vanguard takes 4th place with US$ 909 million.[2]



In the rest of the world, plans for new coal-fired capacity have seen a significant drop. Out of the 39 countries where new coal power plants are still in the pipeline, the largest capacity additions are planned in India (72 GW), Indonesia (21 GW), Vietnam (14 GW), Russia (12 GW) and Bangladesh (10 GW).

Coal Mining Expansion

With over 7.2 billion tons, the world's thermal coal production reached an all-time high in 2022.[3] And new coal mines are still on the horizon in 31 countries.

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[1] China's top 8 coal power developers are China Energy Investment, China Datang, State Power Investment Corporation, China Huadian, Shaanxi Coal and Chemical Industry, China Huaneng, Jinneng Group and China National Coal Group.
[2] To view the institutional investors in each of these companies, see: https://investinginclimatechaos.org
[3] https://iea.blob.core.windows.net/assets/91982b4e-26dc-41d5-88b1-4c47ea436882/Coal2022.pdf

All in all, companies on the GCEL are planning to develop new thermal coal mining projects with a total capacity of 2.5 billion tons per year, an amount equal to over 35% of the world's current production.

The number one hotspot of the coal mining boom is India where coal production already reached a historic high of 893 million tons last year. According to the goal set by India's Ministry of Coal and Mines, the country's annual coal production would rise to 1.5 billion tons by 2030.[4] To fulfill this plan, the government has auctioned off 92 new coal mining concessions since 2020; hundreds more are in the pipeline. "What is being auctioned off here are the traditional homelands of hundreds of thousands of India's tribal people and forest areas that are incredibly rich in biodiversity and play a key role in maintaining water cycles. It's absurd to pretend this immense destruction is in the national interest," says Joe Athialy, Director of the Centre for Financial Accountability in Delhi.

The world's top 3 coal mine developers are Coal India with projects totaling 591 million tons of new coal production per year, China Energy Investment with 169 million tons and the Adani Group with 94 million tons. While the first two companies are state-owned, the Adani Group belongs to the billionaire Gautam Adani whose business has profited time and again from his close ties to the Modi government. Today, Adani is the world's largest private coal mine developer. The conglomerate owns coal mines in 3 countries, is a major trader and transporter of coal, operates a 16 GW coal plant fleet (with another 10 GW in the pipeline), and plans to build a huge US$ 4 billion coal-to- plastics facility in India. While one of the Adani Group's 9 listed subsidiaries – Adani Green Energy – develops solar projects, the Group's renewable investments are dwarfed by its enormous coal portfolio.

How Green Investments Fueled Coal Expansion

Until January 2023, when the short-seller Hindenburg Research published its 106-page report accusing the Adani Group of "brazen stock manipulation and accounting fraud", Adani had no problem raising money through green bond issues and Adani subsidiaries were found in hundreds of ESG funds. Even investors who had divested other parts of the Adani Group due to its coal activities were still happy to invest in Adani Green Energy. The Hindenburg

[4] Press release Ministry of Coal and Mines, May 5th, 2023

report as well as subsequent investigations, however, uncovered a pervasive pattern of intercompany lending, including transactions between Adani Green Energy and Group entities involved in coal expansion. In the meantime, filings by the State Bank of India have shown that shares from Adani Green Energy and other Group subsidiaries were used as collateral in a credit facility for Adani's enormous Carmichael coal mine in Australia. "Adani is a stark example of why responsible investors need to divest *all* subsidiaries of coal developers. It's an illusion to believe that investments in the green arm of a company aren't cross-subsidizing its other activities," says Schuecking.

Real Transition Requires a Ban on New Coal

At the company as well as the country level, a Paris-aligned transition is impossible without the cancellation of new coal projects and the speedy phase-out of existing coal assets. New international donor initiatives for countries like Indonesia are unfortunately failing to meet this ambition.

Today, Indonesia has over 45 GW of coal-fired capacity and is the world's 6th largest emitter of CO_2eq from fossil fuels. Pollution from the country's coal plants caused an estimated 10,500 premature deaths in 2022 and resulted in health costs of US$ 7.4 billion.[5] And the farming and fishing communities in the vicinity of coal plants have seen their livelihoods destroyed as fly ash and wastewater poisoned their farmland and fishing grounds.

In November 2022, the International Partners Group, consisting of the G7 countries plus Norway and Denmark, celebrated the negotiation of a "Just Energy Transition Partnership" (JETP) with Indonesia. The JETP, however, fails to set a cap for Indonesia's coal production, and it is still unclear whether the US$ 20 billion financing deal will roll back the country's plans for new coal power plants. With over 21 GW in planning and under construction, Indonesia has the world's third-largest coal plant pipeline. Over half of the planned capacity is for captive coal plants that supply electricity directly to industrial users, rather than feeding into the grid. An example is the 2,200 MW captive coal plant the Indonesian coal miner Adaro Energy plans to build for the operation of an aluminum smelter in North Kalimantan. If built, it would be one of the largest coal plants in Indonesia.

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[5] https://energyandcleanair.org/wp/wp-content/uploads/2023/07/CREA_IESR_Health-Benefits-of-Just-Energy-Transition-and-Coal-Phase-out-in-Indonesia_EN_07.2023.pdf

Indonesian NGOs criticize the planned JETP's failure to set a 1.5°C-aligned pathway. "This would require halting new coal plants and phasing coal out of our electricity system by 2040. The JETP is not only lacking ambition, it also doesn't address the enormous damage coal plants and coal mines have wrought on local communities' lands and livelihoods. Unless civil society and communities have a place at the table, the transition won't be just," says Dwi Sawung Rukmono, infrastructure campaigner with the Indonesian environment NGO WALHI.

Failing the Phase-Out

While climate scientists, the United Nations and the International Energy Agency have time and again called for an accelerated phase-out of coal, the vast majority of coal companies are still pursuing business as usual. Out of 1,433 companies listed on the GCEL, only 71 companies – 5% of the total – have put an end date on their coal business lines. As Schuecking comments, "95% of the industry are still in denial and refuse to set a date for the closure of their coal assets."

Out of the 71 companies that have announced a future coal exit, many have set phase-out dates that are far too late. To align with the 1.5°C goal, coal must be phased out by 2030 in OECD countries and by 2040 in the rest of the world. Berkshire Hathaway Energy, however, which operates 14 coal plants in the US, is not planning to retire its coal plants until 2049 – nineteen years too late. And South Korea's KEPCO, which operates a coal plant fleet of over 36 GW, plans to keep its coal plants running until 2050. KEPCO is also still building 4 new coal-fired power plants in South Korea, Vietnam and Indonesia. The Japanese trading houses Marubeni and Mitsubishi, FirstEnergy Corporation from the US, the huge Malaysian utility Tenaga Nasional and the Philippines' utility company Meralco have likewise all adopted a 2050 phase-out date. All in all, only 41 companies have adopted coal exit dates that could be considered Paris-aligned. But even companies that announce the "right" exit dates aren't necessarily decarbonizing.

Faking It Without Making It

Over the last decade, Czech-based company Energetický a průmyslový holding (EPH) became one of the EU's largest greenhouse gas emitters by acquiring old coal assets all over Europe.[6] In line with its strategy to squeeze profits from these assets for as long as possible, EPH and its Lusatian coal power and mining subsidiary, LEAG, are vehemently blocking a 2030 coal exit in Eastern Germany.[7] It therefore came as a total surprise, when EPH announced in July 2023 that it would "completely abandon coal as a power generation source by 2030".[8]

In reality, this step will decarbonize nothing as EPH is simply offloading the majority of its coal-fired power plants and all of its lignite production into a new sister company, inaptly named EP Energy Transition. This company will have the same shareholder structure as EPH and will ensure that its coal assets operate until the last possible date: 2038. At the same time, it is completely unclear whether EP Energy Transition has been equipped with the provisions needed for the rehabilitation of the Lusatian lignite mines. The only thing EPH has phased out is its responsibility for the affected communities and the environment.

Transitioning or Moving from One Fossil Fuel to Another?

Most of the 41 companies on the GCEL which have adopted Paris-aligned exit dates for their coal assets intend to replace their coal-fired capacity with fossil gas. "Replacing one fossil fuel with another is not the answer," says Schuecking. "New gas plants lock in decades of additional CO_2 and methane emissions that we can't afford. Transitioning means switching to renewable electricity systems."

Up to now, only a handful of companies on the GCEL have committed to a timely closure of their coal assets and to replacing coal-fired generation with renewables. One of these companies is the Spanish utility EDP España SAU, which plans to decommission its three remaining coal plants by 2025 and to generate 100% of its electricity with renewables by 2030.[9]

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[6] https://ember-climate.org/insights/research/top-10-emitters-in-the-eu-ets-2021/
[7] https://www.faz.net/aktuell/wirtschaft/klima-nachhaltigkeit/leag-chef-sieht-keine-veranlassung-fuer-einen-frueheren-kohleausstieg-18695548.html
[8] https://www.epholding.cz/en/press-releases/eph-on-its-decarbonisation-pathway-securing-the-stability-of-supply-and-focusing-on-hydrogen-ready-projects/
[9] https://espana.edp.com/sites/default/files/2023-06/2022%20EDPEspa%C3%B1a_SustainabilityReport_0.pdf (P.46)

The Responsibility of the Finance Industry

The latest IPCC Assessment Report warns that "the choices and actions implemented in this decade will have impacts now and for thousands of years."[10] Financial institutions and regulators are among the key actors, whose choices and actions will determine which world we live in tomorrow.

Behind each and every company on the Global Coal Exit List, there are banks, investors and insurers. Without their support, these companies could not operate. Many financial institutions justify these relationships by claiming that they want to help their clients transition. "Our research, however, shows that the vast majority of companies on the Global Coal Exit List are *not* transitioning. Stopping investment in companies that are propelling us towards a break-down of our planet's climate system needs to become the new normal. Otherwise, we will miss the exit on coal," says Schuecking.

About the Global Coal Exit List

The GCEL was first launched in 2017 and is updated each fall. It covers all coal developers, the largest coal plant operators (≥ 5 GW installed capacity) and thermal coal miners (≥ 10 Mtpa) as well as all companies that generate over 10% of their power generation or revenues from coal. Investors representing over US$ 19 trillion in assets are currently using one or more of the GCEL's 3 divestment criteria to exclude coal companies from their portfolios.

The 2023 GCEL can be downloaded at www.coalexit.org. The analysis table of the 71 companies with publicly announced coal exit dates can be ordered at coalexit@urgewald.org

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[10] https://www.ipcc.ch/report/ar6/syr/resources/spm-headline-statements/