

Financing for coal, also the way to achieve the SDGs
-“Coal for SDGs Alliance” against coal divestment-

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Coal divestment and “Powering Past Coal Alliance (PPCA)”

- Divestment is defined as the ability of the investing entity to withdraw its financial investments in a particular company or country due to perceived changes in the investment. Divestment itself is just economical activity, if the investing entity decides, based on the balance between risk and return.
- Coal divestment movement is extending the range of the investing entity to participate, who includes university endowments, state mutual and pension funds, institutional investors, insurance companies and banks.
- Environmental NGOs are playing critical role in expanding coal divestment movement. Their tactics seems, first, to make approaches to actors with little (or even no) stakes in coal business, second, to develop publicity campaign by use of media, and third, to put pressures on more important stakeholders step by step.
- Recently, Japanese METI announced the policy to promote the retirement of “inefficient” coal power before 2030. “Inefficient” coal power produced 16% of electricity in 2018, half of electricity by coal.

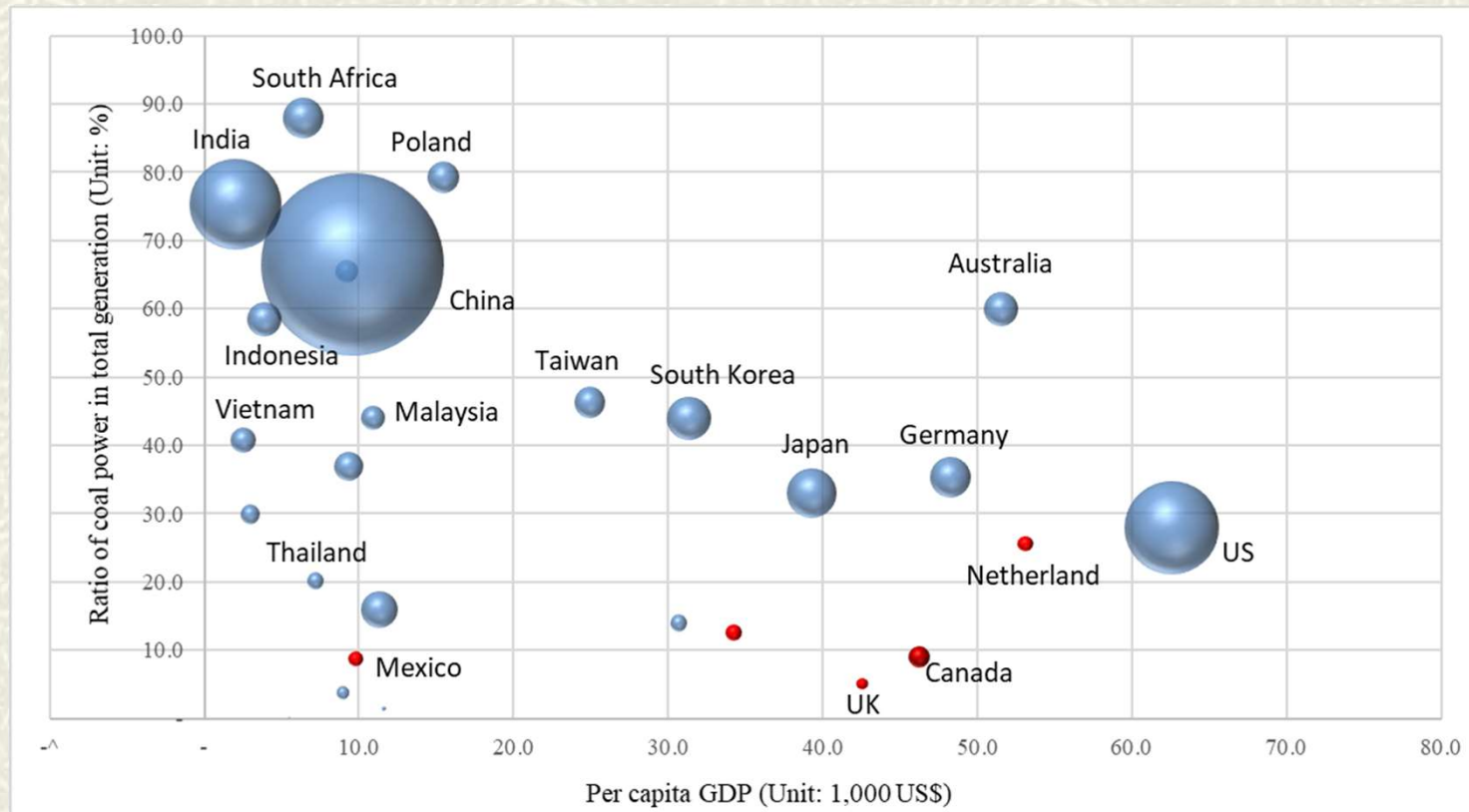
Coal divestment and “Powering Past Coal Alliance (PPCA)”

- PPCA is launched in 2017 at UNFCCC/COP21, committing to “phasing out existing unabated coal power generation and a moratorium on new coal power generation without operation CCS”
- PPCA includes 34 national and 24 subnational jurisdictions but covers “only” 3.4% of global coal power generation in 2015 (柳 [2018]).
- **Only 5 countries** operate coal power plants and most of members do **NOT operate** coal power plants and **NOT build** new plants since the early 2000s (Jewell et al. [2019]).

It is easy way to neglect this movement because this is promoted by minor coal users. However, PPCA may expand its influence, for example through collaborating with other group, such as REN100 etc. We should pay more attention to the trend that anti-coal (anti-fossil fuels) activists are connecting with each other and promoting publicity campaign to expand coal divestment movement.

Coal divestment and “Powering Past Coal Alliance (PPCA)”

【GDP per capita and dependence on coal power, and scale of coal power generation, 2018】



(Note) PPCA countries denoted by red symbols.

(Source) Author prepared, based on BP and IMF data

Economists' view on SDGs and coal

1. We should **discriminate between long-term environmental problems and short-term ones**.
 - To short-term problems, such as conventional air pollution, we should take countermeasure as soon as possible, because there exist people who suffers damages in health, it is urgent problems. On the other hand, the damage caused by long-term environmental problems including climate change, is of limited range at present (and we have the option to invest for adaptation).
2. We already have **mature and economical solutions for short-term urgent environmental problems** caused by coal use.
 - For example, in China, where strong initiative to tackle serious air pollution has been taken in these 14 years, the emission of PM, SO₂ and NO_x from coal power plants amount to only 3.3%, 13.7% and 9.1% in total emission (2017). The technological solution, such as Flue Gas Desulferization & Denitrification equipments (FGDs) played key role to reduce emission from coal power plants whose coal consumption occupies about 48% in total consumption.

Economists' view on SDGs and coal

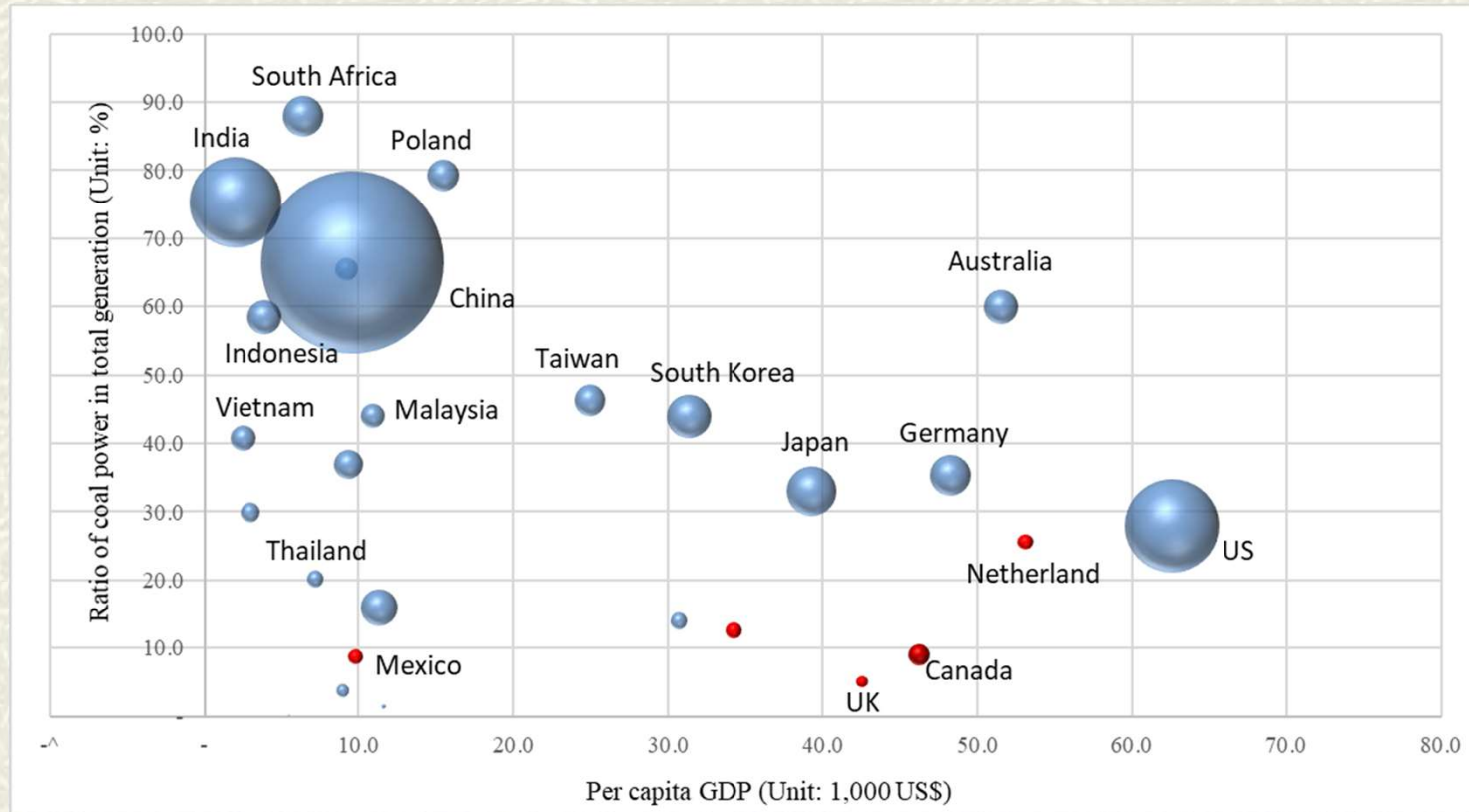
3. As for long-term environmental problems, it is better to wait a while and to **spend money for solving more urgent problems than climate change** at present.
- Economists know we don't have enough money to invest for solving all the problems we face in the world. Therefore, we should make decision about which projects limited money should be allocated to.
 - In our world, there are **more urgent but disregarded problems than climate change**. For example, reduction of child malnutrition, increasing school attendance rate in Sub-Saharan Africa, expanded immunization, halve malaria infections etc. Now we have new item in the list, against infectious disease. Those problems can be solved by much lower cost.
 - SDGs have 17 global goals and 169 targets. We see 1. no poverty, 2. zero hunger, 3. good health and well-being, 4. quality education, 5. gender equality, 6. clean water and sanitation, 7. affordable and clean energy.....13. climate action....in 17 goals list. Yes, **climate change is merely one of the goals**, and less important compared to other goals with small number. **Some goals have trade-off relation** with each other.

Economists' view on SDGs and coal

4. So in short-term period, **economic efficiency matters in choosing energy**, because we can spend saving money for solving other important social problems and for accelerating economic growth.
 - We should **put more importance on “affordable”** energy listed as the 7th SDG. Coal is the representative “affordable” energy. Coal is consumed in many developing countries as shown in slide 4, contributing to achievement of other SDGs by saving energy cost.
 - Some say the cost of renewables are lowering even to compete with coal power. I can agree to make renewables expand more, only if it is true even in considering transmission and intermittency cost (The battery cost has not been reduced much). And if so, we should abolish preferential treatment for renewables as soon as possible, because excess profit wastes social resource.
 - In future, we will be wealthier than now, having enough resource to spend for solving long-term problems more efficiently (Just think China's these twenty years' development) . So it is better to **give priority on allocating as much as money to accelerating economic growth.**

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Economists' view on SDGs and coal

5. Coal divestment should result in not only increasing energy cost but also impeding innovation which can expect drastic reduction of emissions in future. We should **NOT look on idly better future being lost** and should stand **against coal divestment movement**.
 - Innovation is the key to solve environmental problems. If coal power plants were canceled at all, then who invests for innovation to reduce emission from coal power plants? Therefore, divestment of coal power has **negative effect to destroy the potential innovation opportunity** for future drastic emission reduction.
 - Coal power in developed countries is justified for **leading innovation for drastic emission reduction from coal power**. At least, we already have some promising technological options, such as IGCC, CCUS (carbon recycle), co-firing with CO₂ free ammonia, H₂ and biomass. And more importantly, innovation is not necessarily on the line extending from now. It is unforeseeable, therefore it is important not to eliminate the possibility.

Economists' view on SDGs and coal

6. One of the logic on which coal divestment movement is based, “Locked-in-effect” is hypocrisy, because renewables introduced under FIT are also “Locked-in”, burdening expensive energy cost on our society for 20 years.
- We can decide to stop operation of coal power plants after investment-return (at least, 20 years are enough), anytime when climate change become urgent, short-term problem, or coal power lose its economic efficiency.
 - If massive introduction of renewables continues, the cost of renewables (PV and wind) and battery might be much lower in future. Then introduced renewables at present, must be out-of-dated technology after innovation to make happen in next 20 years, but those out-of-dated renewables should keep “Locked-in” for 20 years.

Toward “Coal for SDGs Alliance”

Therefore, I would like to recommend

- We should stand for **protecting coal power from divestment movement** to make better society (without poverty and hunger, and with good health and equal good education, guaranteed by clean water and “affordable” clean energy) in future.
- We should **stand together under “Coal for SDGs alliance”** against anti-coal activists. They are closely connecting and collaborating with each other and spread anti-coal atmosphere. To counterattack them, we, coal users and producers also should unite in developing movement to reevaluate coal power again.
- We should **support developing countries who needs “affordable” and reliable (stable) energy for their economic development** (industrialization). In this sense, Japanese new policy to set the guidelines of overseas coal power investment as above USC, which needs high initial investment for developing countries.

Toward “Coal for SDGs Alliance”

Therefore, I would like to recommend,

- Now China turns to increase investment for domestic new coal power plants after three years' freezing. Under one-road-one-belt initiative, China has been supporting other developing countries to build coal power system. **We should collaborate with China to disseminate highly efficient and reliable coal power system into developing countries.**
- We should **say “no” to radical movement to realize below 2 degree scenario.** Although in Paris agreement, participants agreed the below 2 degree target “in long-term”, but for the short-term, the target each country committed was NDC. However, some anti-coal activists are requesting more than committed in NDC (e.g. divestment), saying it is needed to realize below 2 degree scenario.

References

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- 柳美樹 [2018]「Powering Past Coal Allianceの概要と参加国の政策動向：国連気候変動枠組み条約（UNFCCC）第23回締約国会合（COP23）石炭火力フェーズアウトにかかるイベント開催（『IEEJ』2018年2月）」