

World's Coal Lender of Last Resort Doubles Down as Warming Worsens

In the midst of accelerating global warming, tens of billions of dollars continue to flow from private and public international banks into financing new coal-fired power plants, especially in Asia and Africa. Until recently, Japan has been one of the biggest culprits, accounting in 2019 for over 10 percent of the external financing of new coal plants in developing countries, particularly in South and Southeast Asia — some 24.7 gigawatts.

The nation's export credit agency, the Japan Bank for International Cooperation, has been a major funder, and so has Tokyo's bilateral development assistance agency.

Over the past year or so international criticism of Japanese coal funding has grown sharply, encountering nothing less than “opprobrium” at the last conference of the parties to the climate convention, according to the *Financial Times*. Protests by local nongovernmental groups against Japanese coal projects in Indonesia and Bangladesh have proliferated as well.

In June, a climate shareholder resolution introduced at the annual meeting of Japan's third-largest bank, Muzuo Fincancial Group, obtained nearly 35 percent of the votes cast. It was backed by major northern European banks and investment funds — something that would have been unthinkable several years ago. Although the resolution did not pass, Muzuo has already agreed to halt approval of new loans for coal-fired plants, although it still has \$2.8 billion outstanding in already-approved financing for coal energy.

In July this year, the Japanese environment minister announced that the government will change its public finance policies to drastically limit

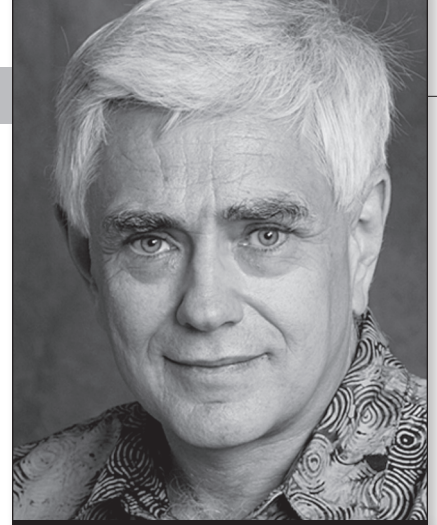
funding coal in developing nations. South Korea too is jumping on board. It has been a major financier of new coal plants in the developing world, but recently Seoul endorsed its own green new deal, aiming to exit coal financing both domestically and internationally. These changes are coming about in part because Japan and South Korea have relatively transparent public and private financial sectors, where the voices of concerned foreign investors and civil society can be heard.

Unfortunately, the world's largest financier of coal by far, both at home and abroad, has actually been increasing its coal finance over the past year — and it is not known for transparency. In 2019, China reversed its policy, announced in 2016, of drastically cutting back (by

around two thirds) domestic construction of coal-fired plants. As of June, it is committed to adding 249.6 GW of new coal power. That is roughly equal to total installed coal power in the United States. According to Global Energy Monitor and the Center for Research on Energy and Clean Air, “plans for new coal plants have steadily increased since 2019, after the central government began relaxing restrictions on new coal plant development.”

Beijing has become the lender of last resort for coal plants in developing countries, accounting for 70 percent built in the world outside China. Last year 60 coal plants abroad supported by China (over 70 GW worth) were under construction or in planning, nine of which are delayed because of protests or legal opposition, for example in Kenya and Turkey.

In Sub-Saharan Africa, Chinese coal finance dominates, with 13 projects under construction and another nine in planning. In South Africa,



Bruce Rich is an attorney and author who has served as senior counsel to major environmental organizations. brucemrich@gmail.com.

Power China is constructing a 3 GW coal plant in Limpopo Province that the South African press and civil society have vehemently criticized. In the words of *Business Insider South Africa*, the Limpopo coal plant “will only be used by the Chinese,” since it will serve a multi-billion-dollar China-controlled industrial park with seven metallurgical plants.

In Zimbabwe, the Industrial and Commercial Bank of China, and Sinosure (the Chinese export credit insurance agency), approved in May support for the first phase of the \$4.2 billion, 2.8 GW Sengwa coal plant complex, including a 250-kilometer pipeline to transport its cooling water all the way from the Kariba Dam reservoir. According to the *Japan Times*, the reservoir is already seriously depleted by recurrent droughts associated with climate change — the dam's power turbines are forced to operate at seriously reduced capacity.

China for the past decade has been the world's largest producer and financier of climate-friendly renewable energy infrastructure, both at home, and abroad. The central government continues to claim its commitment to a greener, cleaner energy path. But the only thing that counts in terms of avoiding a looming global climate disaster will be a much more rapid switch from fossil fuels, particularly coal. Given the scale of China's global energy footprint, like it or not, our climate fate is literally in China's hands.

Our climate fate is literally in the hands of China's finance and energy planners