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This note is part of a full report providing detailed analysis of the collapse of the global coal pipeline, available at www.e3g.org/NoNewCoal

THE OECD & EU IS ALREADY BEYOND ‘NO NEW COAL’

Headlines

- > The new coal pipeline in OECD & EU has collapsed by **85%** since 2015, with 139GW of projects cancelled.
- > Cancellations outnumber new plants entering into operation by 6:1.
- > The OECD & EU is now home to just 6% of the remaining global pipeline.
- > 12 OECD & EU countries have considered new coal projects since 2015 but no longer have projects under development.
- > Five OECD & EU countries have coal projects in the pre-construction pipeline; all are unlikely to proceed.

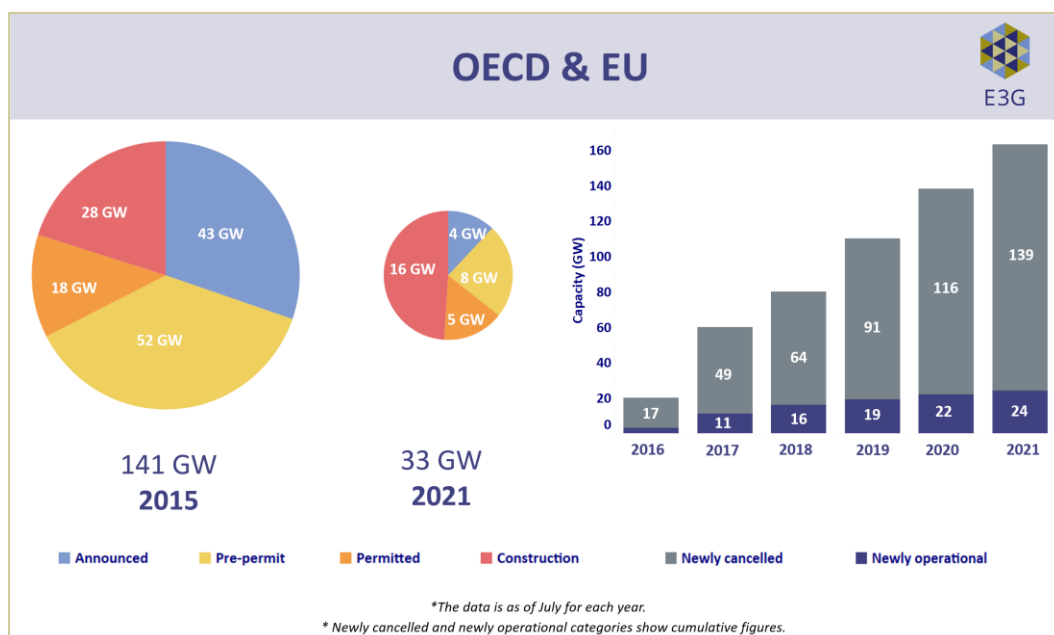


Figure 1: Reduction in size of the OECD & EU coal project pipeline (left) and year-on-year tracking of projects that were cancelled or newly operational (right).



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The primary coal transition dynamic underway across the OECD & EU is the accelerating retirement of existing coal power generation, with **56% of capacity** either closed already since 2010 or scheduled to close by 2030.

This dynamic is also reflected in respect to the collapse of the new coal pipeline. Almost **four-fifths** of OECD & EU countries have either formally committed to no new coal (**64%**) or have no projects under development (**14%**). This includes 12 countries that have considered new coal power generation since 2015, but which no longer have projects under development, as shown by Figure 2 below.

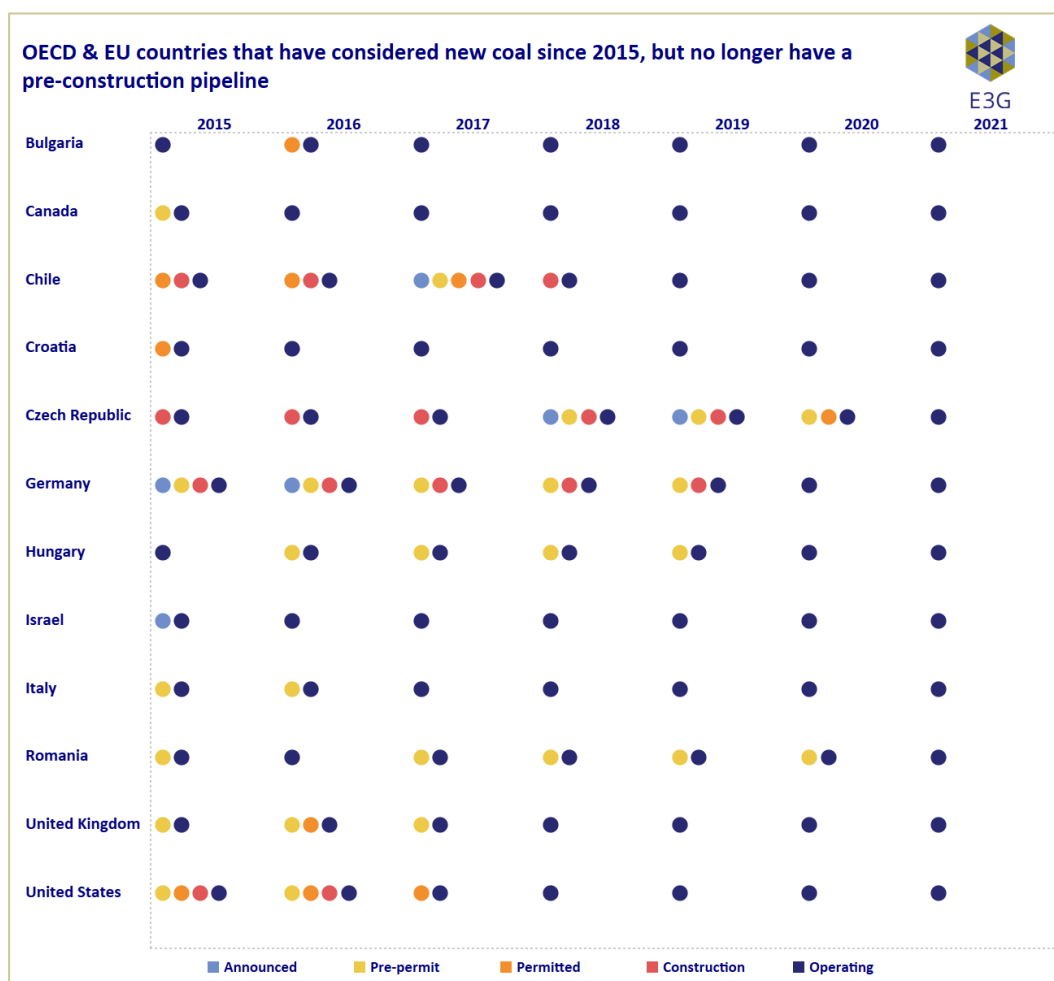


Figure 2: OECD & EU countries that have considered new coal since 2015, but no longer have a pre-construction pipeline, as of July 2021.

Since 2015, just **24GW** of new projects entered operation across the OECD & EU, compared to **139GW** that were cancelled, giving a ratio of nearly **6:1**. Only a handful of projects remain that have been proposed but have not yet entered construction, in Australia, Colombia, Mexico, Poland and Turkey. (Figure 3).



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Leaders

The UK's advocacy for 'consigning coal to history' at COP26 is based on a **domestic track record of transitioning away from coal power generation**. In 2009 the UK government committed to a policy of 'no new coal without CCS', acting on advice from the newly created independent advisory body the **Committee on Climate Change**. This effectively put an end to ~15GW of proposed new coal power plants. In 2015, just ahead of Paris negotiations, the UK became the first national government to commit to a coal phase out, by 2025 (now accelerated to 2024). At the same time, the UK announced that it would not proceed with funding for CCS projects that had been developed under a government competition process. These projects appear as subsequently suspended and ultimately cancelled in the GEM tracker, as in Figure 2 above.

In 2017, the UK and Canada co-created the **Powering Past Coal Alliance (PPCA)**, with members committing to no new coal plants; ending financing of coal power generation; and to delivering a coal phase out in line with Paris Agreement timeframes. 62% of OECD & EU governments are now members of the PPCA, including governments that had recently constructed or considered new coal power plants such as The Netherlands, Germany, and Greece.

The Netherlands had seen three new coal power plants enter into operation as recently as 2015. However a **2016 decision** by Parliament subsequently required the closure of all coal plants in line with national emissions targets. This demonstrated the risks to utilities of building new coal power plants whose emissions would be incompatible with legally binding climate commitments. A successful **court challenge** resulted in these new coal power plants needing to close with less than 15 years of operations.

Germany joined the PPCA in 2019 following the **recommendations** of the coal commission and ahead of legislating its coal exit law. The controversial coal plant Datteln IV completed its construction process and entered into operation, after a decade of legal challenges and technical delays. However in August 2021 a court ruled that some of its permits were **invalid**, and pressure is growing for the plant to cease operations. Germany's coal exit law resulted in the cancellation of the last remaining coal plant under development. The current national election campaign has seen all parties engage with the need for an accelerated timeframe for Germany's domestic coal phase out from **2038 to 2030**.



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Greece announced its commitment to a coal phase out at the UN Climate Action Summit of 2019 despite having a coal power plant under construction at the time, marking a massive shift in policy direction. The utility company PPC is now developing plans to convert the coal power plant to gas **by 2025** instead of 2028.

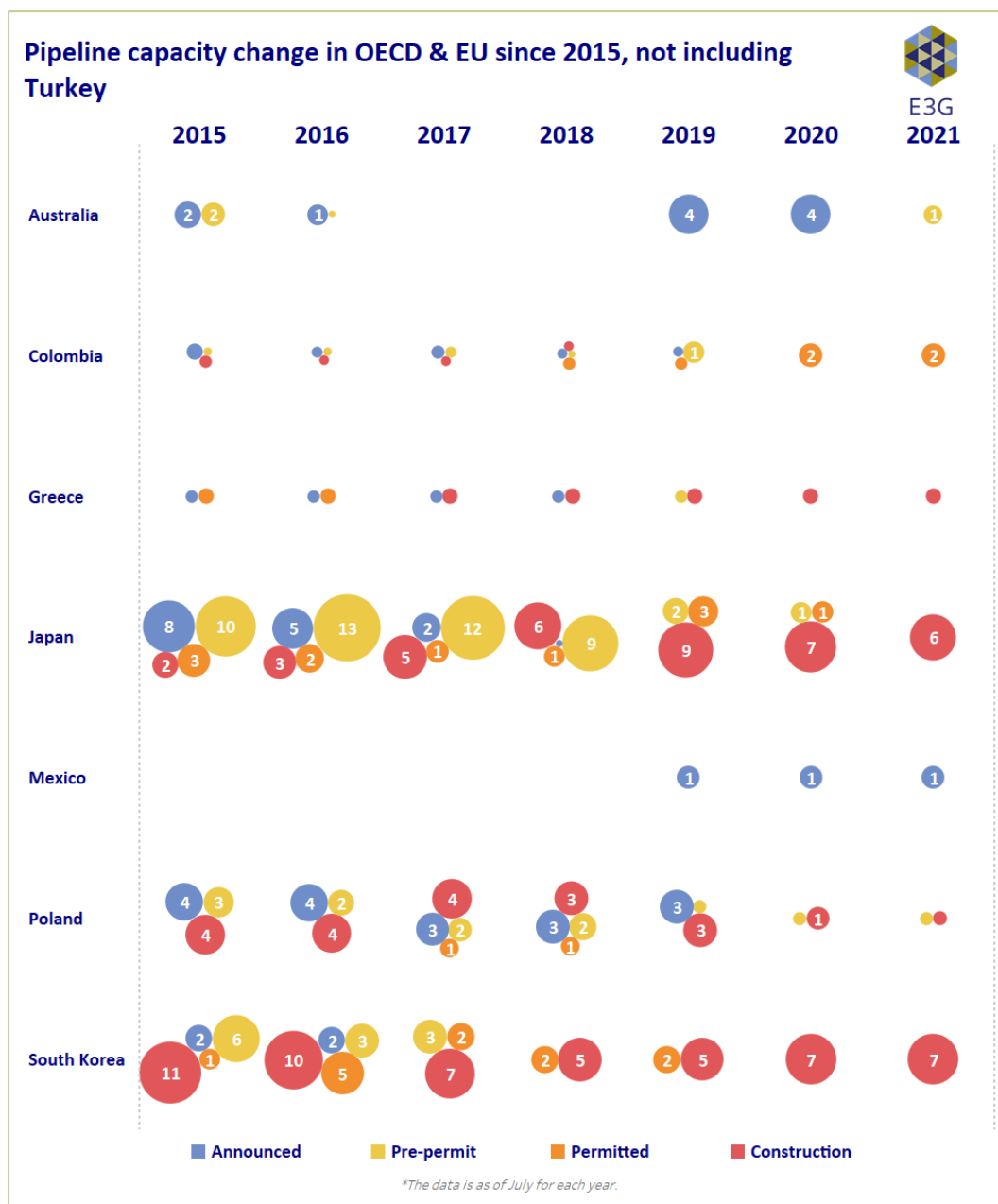


Figure 3: Pipeline capacity change in OECD & EU since 2015, not including Turkey

Movers

In 2019, the Government of **Chile** and its electricity sector agreed to no longer pursue new coal without CCS, and to phase out the existing coal fleet. At the



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time, an exit date of 2040 was agreed, but political debate is now on how this will be brought forward, as 65% of existing coal capacity will close by 2025.

Figure 2 shows how the Trump Administration failed to ‘**bring back coal**’ in the **USA**, with no coal power plants under development. The Biden Administration is now aiming to introduce a requirement for a **carbon free power sector** by 2035, which would require coal power generation to be phased out by around 2030.

Japan and South Korea are currently still constructing new coal power plants and are ranked at the bottom of E3G’s OECD & EU progress tracker as a result (**Error! Reference source not found.**, in annex). However, both are taking steps away from coal at home and abroad.

Following the cancellation of two projects in the first half of 2021 **Japan** no longer has any plants in its pre-construction pipeline. Japan has seen one of the biggest reductions in capacity among OECD & EU countries since 2015, with 12GW cancelled. Civil society groups and local residents continue to push for projects in Kobe and Yokosuka to be abandoned rather than completed.

South Korea has seen close to 6GW of cancellations since 2015. The government has committed to no new coal plants entering into construction, with discussions continuing as to whether the four units under construction at Samcheok and Gangreung coal power plants will be cancelled or converted to gas. South Korea is now actively debating the **speed and timeframe for coal phase out** and the headline targets of its emissions reduction goals.

Laggards

Investing in new coal-fired projects in 2021 is economically, socially, environmentally, and politically foolhardy, with just five countries in the OECD & EU still considering new coal. **Australia, Colombia, Mexico** and **Poland** all have a small pre-construction pipeline (<1.6GW each) of planned projects. However, in reality the financing, regulatory, and political conditions in these countries make it likely that none of these projects will come to fruition. As such, these countries are well-positioned to formally cancel their pipelines and align with the rest of the OECD & EU in recognising the move towards a coal-free future.

In **Australia**, utility companies do not want to build new coal power plants and the energy market operator is planning for coal phase out. However strong political support for coal exports has seen the government **controversially offer public finance** to a project developer proposing a new coal plant, despite their



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lack of experience. The only project under development as of July 2021 is at ‘pre-permit’ stage and has no prospect of progress in real world. Given its **abundant** renewable energy resource, Australia should be global leader in clean energy, but current policies and politics are holding back investment, leaving Australia lagging behind its OECD peers.

The **loss** of export markets has resulted in **Colombia’s** coal industry proposing new domestic power plants, unironically trying to justify them on the basis of **increased risk of climate impacts** on Colombia’s hydro power generation. Proposed projects have secured permits but have stalled ahead of financial close. As a recent member of the OECD, the Colombian Government can align with the broader trend away from coal and confirm that no new coal plants will be built.

Mexico’s previous government instituted a series of energy market reforms, including the promotion of renewables. It recognised the need for the phase out of coal power generation, and joined the PCCA at its launch in 2017, but without yet having set a phase out date in national policy. President Andrés Manuel López Obrador (‘AMLO’) subsequently entered into office in December 2018, with his administration seeking to **reverse** many of the previous energy market reforms. The government aims to strengthen the national electricity company CFE and oil company Pemex, while **also increasing coal purchasing from smaller producers**. The government has put forward **controversial proposals** that would prioritise the dispatch of coal and fuel oil in the electricity market, which have been challenged in the courts. An idea for a new **1400MW coal power plant** in Coahuila was publicised in 2018 but remains at ‘announced’ stage and has no prospect of progress in real world. As with Australia, Mexico could be a global leader in clean energy, but current policies and politics are holding back investment. A recommitment to no new coal would be a first step towards rebuilding confidence in the sector.

Although Poland still nominally has two projects under development, efforts **to build new coal plant Ostroleka C have collapsed** over legal challenge and the withdrawal of investors from the project. Following another legal ruling and several power outages at Poland largest power plant Belchatow, plant owner PGE **has now published a plan to close the entire plant by 2036** with the two associated mines closing soon after. At the same time Poland has witnessed a rapid growth in its renewables capacities, in particular roof-top solar PV and offshore wind. Under its current EU National Climate and Energy Plan it aims for a tripling of renewable capacities by 2030. Despite challenging domestic politics around coal retirements, Poland is well placed to make a formal commitment to no new coal.



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Box 1: Turkey's project pipeline is the fifth largest globally

Turkey alone accounts for 73% of the remaining OECD & EU pre-construction pipeline (12.14GW). Yet a huge 69GW of planned projects have been cancelled since 2015, including 8GW in the first half of 2021 alone.

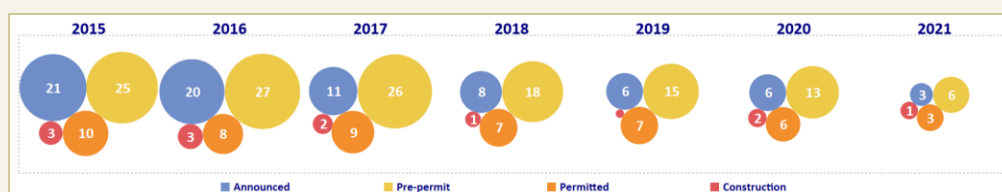


Figure 4: Pipeline capacity change in Turkey since 2015

Turkey's national energy policy remains pro-coal, to the point of offering feed-in-tariffs for lignite (brown coal) power plants. The government promotes coal power in **strategy** and policy documents, and currently has no plans for a coal phase-out or an end to new coal construction.

But the real economy is ahead of Government policy. The pipeline of projects has almost **halved** within the last year and shrunk by **79%** since 2015. Cancellations have risen consistently, outpacing newly operational capacity by nearly **11:1**, driven by the poor economics of coal power.

Turkey is the sole OECD & EU country receiving Chinese finance. Yet **EMBA Hunutlu**, a **1.3GW** Chinese-financed coal plant under construction, may not make a profit for at least 20 years and is highly likely to end up as a stranded asset. Recent **analysis** suggests no new coal-fired generation is required under a cost-effective energy transition strategy.

Pressure is growing on Turkey to exit coal from both domestic business groups and civil society. The possible economic implications of an EU carbon border adjustment mechanism (CBAM) have caused fear among the business community. An increasing number of **actors** are now calling for the government to set up a decarbonisation roadmap, as increasing costs could seriously affect export-dependent sectors.

As a result of changing political, economic, and social circumstances, government policy and reality are diverging. Turkey can take advantage of the global collapse of the coal pipeline and cancel its remaining projects.