



By: TA | AP Insight

# Asia boosts coal use due to oil and gas supply disruptions



Asian countries are turning to coal as the Iran war disrupts oil and gas shipments.

The continent is **exposed** because it relies on imported fuel, much of it passing through the **Strait of Hormuz** – a chokepoint for about a fifth of global oil and natural gas trade.

LNG is a natural gas cooled to liquid form for easy storage and transport. It has been promoted as a bridge fuel in the shift from oil and coal to cleaner energy sources. The U.S. has sought to expand exports of LNG across Asia.

It burns cleaner than coal, but still emits climate change-causing gases, especially methane.

The war has countries shifting back to coal to cover LNG shortfalls. India is burning more coal to meet higher summer demand. South Korea has lifted caps on electricity from coal. Indonesia is prioritizing using its domestic supply.

Thailand, the Philippines and Vietnam are boosting coal-fired power.

Burning more coal risks worsening smog in major cities, slowing the transition to renewable energy and increasing the region's planet-warming emissions.

Coal is a short-term fix, experts say, while renewables are the long-term solution. Continued reliance on coal exposes Asia to future shocks, said Julia Skorupska of the global coalition Powering Past Coal Alliance.

“This kind of crisis is a real sort of warning,” she said.

## Rising demand drives Asia back to coal

Coal is integral to Asia's **emergency energy plans**. Its wide availability in Asia makes it the default backup when renewables or gas fall short, said Sandeep Pai, an energy expert at

Duke University.

China, the top coal consumer and producer, has built **record coal power** generating capacity since 2021 to improve its energy security. Its national policy calls for continued use of coal, even as its vast clean energy capacity offers some relief.

India, the second-largest coal consumer and producer, is bracing for a scorching summer and will rely more on coal to meet peak demand of 270 gigawatts – nearly twice the electricity Spain can produce. It has enough coal for about three months, with some stockpiles earmarked for small businesses.

Two Indian liquefied petroleum gas shipments totaling more than 92,700 tons recently made it through the Strait of Hormuz.

Such imports will likely be directed to industries such as fertilizer production rather than power generation, Pai said.

## Coal advocates say the shortfall would be worse without coal and future use should be strategic

Coal advocates such as Michelle Manook of FutureCoal say the shortfall would be worse without coal and future use should be strategic. “The lesson has to be diversity,” she said.

Pauline Heinrichs, who studies climate and energy at King's College London, points to China's boosting use of coal to offset hydropower shortfalls due to droughts, worsening emissions that contribute to climate change.

“You learn to respond to shocks generated by certain insecurities by reproducing the insecurity,” she said.

## Indonesia keeps coal for its own use

Adding to the vulnerability for import-dependent countries, Indonesia, the world's largest exporter, is prioritizing domestic use over exports. That could tighten regional supplies and push global prices higher, said Putra Adhiguna of the Energy Shift Institute.

Coal prices are set globally, leaving importers exposed to swings and disruptions. More coal does not guarantee cheap or reliable power, said Russell Marsh of E3G.

Vietnam is already facing that volatility. It **increased imports** after weather-related shortages, but supplies from Indonesia are now uncertain so it's considering importing coal from the U.S. and Laos, according to energy market tracker Argus Media.

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The main price for coal used in Asia, called Newcastle coal from Australia, has risen 13% since the war began.

Higher prices will also hurt Southeast Asia, the world's third largest coal-consuming region.

Philippine President Ferdinand Marcos Jr. on Tuesday declared a state of national energy emergency.

## Relying on coal now could backfire

More coal use now will slow and possibly undermine long-term efforts to phase out coal-fired power.

Indonesia was already struggling to meet targets to **retire coal plants** early, with financing delays even before the Iran war.

Coal power in Indonesia was 48% more expensive in 2024 than in 2020 due to aging plants and higher costs, according to the U.S.-based Institute for Energy Economics and

Financial Analysis or IEEFA.

Subsidies to the national utility rose 24% to \$11 billion, about 5% of the national budget.



*Indonesia has promoted use of LNG to ease a shift from coal. But the renewed coal use sends a signal that switching to gas is not as easy as it sounds*

Jakarta has promoted use of LNG to ease a shift from coal. But the renewed coal use “sends a signal” that switching to gas “is not as easy as it sounds,” Adhiguna said.

**South Korea** has pledged to retire most coal plants by 2040 and halve its emissions by 2035. But it is allowing more use of coal when air pollution is low and LNG is in short supply.

In 2023, South Korea needed a major renewable expansion — about 8 gigawatts of new wind annually — to meet net-zero goals, Agora Energiewende said. Growth has been slow, with renewables supplying just 10% of electricity in 2024, versus a global average of 32%, according to IEEFA.

Over the past 11 years, South Korea has committed \$127 billion to fossil fuels.

That's 13 times more than it spent on renewables, with 60% of export finance going to LNG and \$120.1 billion spent on fuel imports in 2024 alone, said Joojin Kim of Solutions for Our Climate.

South Korea still plans to phase out use of coal, but the recent moves could outlast the crisis, Kim said. “The concern is not just the decision itself. It is the precedent it sets.”

For countries with limited coal, like Thailand, the impact on electricity prices would be minimal, as coal accounts for too small a share of capacity, said Jitsai Santaputra of The Lantau Group. Domestic coal makes up less than 10% of the Thai energy mix.

## Coal brings dirtier air

Burning coal produces fine particles that lodge deep in the lungs and bloodstream, raising the risk of heart disease, stroke, lung cancer and chronic respiratory disease, according to the World Health Organization, or WHO.

It's a problem across Asia, especially during seasons when farmers are burning their fields.

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The government has now paused air-quality rules, allowing restaurants to burn coal to ease a gas shortage.

Vietnam also faces severe air pollution, with PM2.5 far above WHO limits. It is promoting **electric bikes** and has targets to cut coal use.

Lan Nguyen, a shopowner in Hanoi, said she knows coal is essential for electricity right now, but worries for her asthmatic son's health. "I worry for my son's lungs every day," she said.