Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: TA | AP Insight

Has China kept its promise to stop funding overseas coal power plants?

Addressing the U.N. General Assembly in 2021, Chinese President Xi Jinping pledged to stop funding overseas coal power plants in an effort to help curb climate change.

Five years later, as the assembly meets this week, the world's climate commitments are dangerously offtrack, and the phase down of coal is inching along.

So far, China has canceled the majority of the coal plans it had planned in 2021, according to a new report released this week to align with the General Assembly and New York Climate Week.

This is a small bright spot in global efforts to counter climate change, which has driven deadly disasters in Asia in recent months.

But experts have warned that Chinese companies are taking advantage of regulatory loopholes to skirt Xi's promise and continue investing in overseas coal.

China is a key infrastructure funder in the Global South — a term used for emerging and economically struggling nations, many of which sit below the equator — and is the global leader in electric vehicle, solar panel and wind turbine manufacturing.

China is setting the tone for the transition to renewable energy across Asia and Africa. That's why experts have stressed the importance of Beijing's commitment to its 2021 pledge.

Xi skipped the U.N. meeting this week, in favor of a summit with U.S. President Donald Trump, and sent Chinese Vice President Han Zheng to New York instead.

Han spoke of empowering the Global South during his U.N. speech on Saturday and put development at the top of the global agenda.

Back in 2021, the U.N. climate agency optimistically declared that coal was "consigned to history" after nearly 200 countries agreed to phase down the fossil fuel.

Energy shocks

But after two energy shocks from the Russia-Ukraine War and the Iran war, the need for "energy security" is altering the future of coal in hard-hit regions, like Southeast Asia.

The energy-hungry region is often referred to as "China's backyard" and is a major recipient of Chinese funds.

The diverse region, which accounts for a fifth of the world's growing energy demand, depended heavily on fossil fuel imports from the Middle East.

The closure of the Strait of Hormuz hit Southeast Asia first and hardest, sending governments into a state of energy triage.

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Multiple nations have ramped up coal use to survive the crisis, which has also signaled to governments the need for renewable energy.

Regional nations are investing in rooftop solar, incentivizing electric vehicles and exploring nuclear power.

While renewable energy is expanding quickly, coal remains indispensable in Asia.

"The growing desire among countries in Southeast Asia to secure reliable energy supplies could bring about another round of coal fever," said Li Shuo, director of the Asia Society Policy Institute's China Climate Hub, which "will continue to test the resolve behind the coal moratorium."

China's key role in climate and energy

China was the world's largest overseas coal financier until Xi made his 2021 promise.

"This marked the first time Beijing was willing to extend its emerging climate ambition beyond its borders," Li said.

China is currently the world's largest annual emitter of carbon dioxide, though the U.S. is the largest historic emitter globally.

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Coal has been China's ubiquitous energy source for decades; when China re-opened to the U.S. in 1979, arriving Americans disembarked into cities that smelled heavily of burning coal, whose residue quickly gathered on clothes and skin.

Now, China dominates the global electric vehicle market and is the world's largest solar panel and wind turbine producer — consistently setting records for massive rollouts of renewable energy.

"The rapid expansion of clean energy, both in China and increasingly abroad, since the announcement of the coal moratorium should encourage Beijing to further prioritize renewable energy in its international energy strategy," Li said.

Canceled coal projects provide climate bright spot

China has cancelled 67% of the coal power capacity it had planned to build overseas in 2021, according to a new report by the Centre for Research on Energy and Clean Air, or CREA, and the People of Asia for Climate Solutions, or PACS.

By cancelling these projects — totaling 61.5 gigawatts — China avoided 6.4 billion tons of lifetime carbon dioxide emissions, the report estimates.

China somewhat delivering on its 2021 pledge is a positive story, said Syahdiva Moezbar, an industry analyst with CREA in the Indonesian capital of Jakarta, but "coal expansion hasn't stopped because of the nature of the pledge itself, which still allows private Chinese companies to invest overseas."

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Indonesia has seen a boom in coal plants funded by Chinese companies to specifically power heavy industries, like the smelting of nickel and aluminum, without linking to the national power grid. This is known as "captive coal."

Indonesia takes the top spot for continued Chinese investments, with 17.1 gigawatts of China-backed coal capacity planned.

Vietnam and Pakistan are a far second and third with less than 4 gigawatts in the works, the report found.

"When commercial interests take precedence over China's broader green development commitments and the world's climate security, the benefits of China's remarkable clean-energy leadership are undermined," said Xiaojun Wang, PACS' executive director, in a statement with the report.

This has been complicated further by the Iran war energy shock which is a harsh wake-up call for Southeast Asia.

The Philippines, Thailand, Indonesia and

Vietnam all ramped up coal use because of the Iran war.

While global coal demand is plateauing, energy-hungry Southeast Asia has been trending in the opposite direction.

Southeast Asia accounts for nearly 20% of global energy demand growth through 2035, according to the International Energy Agency, which stated that the “crisis is prompting a reassessment of policy and investment strategies amid a strong prioritization of energy security.”

The energy transition is “a two-party tango,” said Li of the China Climate Hub, stressing that both China and its partner must be equally committed to phasing down coal. While it's been five years since the pledge, he said, “this saga is far from over.”