IEA Says Southeast Asia Will Keep Coal Demand High

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The International Energy Agency (IEA) says the need for cheap electricity in Southeast Asia will drive global demand for coal for power generation through 2040, even as many countries continue to retire coal-fired plants and cancel projects for new coal facilities.

IEA, which is set to release its *World Energy Outlook 2017* on November 14, this week said India and Southeast Asia will account for the majority of the use of coal in the coming years, as those areas' economies continue to grow and demand for electricity rises.

"Coal maintains a strong foothold in [Southeast Asia's] projected consumption, not only because it is markedly cheaper than natural gas, but also because coal projects are in many cases easier to pursue as they do not require the capital-intensive infrastructure associated with gas," the IEA said in a report in advance of the release of the November outlook.

The agency said about 100 GW of new coal-fired power generation capacity is expected to come online in Southeast Asia by 2040, increasing the region's installed capacity to about 160 GW. The IEA said 40% of the new capacity will be built in Indonesia. The group said Vietnam, the second-largest consumer of coal in Southeast Asia behind Indonesia, will become the region's largest importer of coal by 2040.

A report this week by Wood Mackenzie, a UK-based research and consulting firm with offices worldwide, including five in the U.S., said thermal coal imports by Southeast Asia will more than double to 226 million metric tons by 2035, up from 85 million metric tons today. The group said imports into Pakistan, Bangladesh, India, and other parts of South Asia will jump to 284 million metric tons during that period, a 72% increase from this year's levels.

At the same time, Chinese imports of coal—China in 2016 again became the world's top importer of coal, overtaking India—will drop about 40% over the next two decades as the country ramps up its use of other energy sources, including wind and particularly solar, where it dominates the world market in terms of installed solar capacity and the production of solar panels.

China this year has canceled plans for more than 100 new coal plants, although Chinese companies are either building or planning to build more than 700 new coal plants worldwide, according to Urgewald, a German environmental group. Urgewald in July said more than 1,600 coal-fired power plants were either under construction or being planned in 62 countries, a number that would increase global coal-fired generation capacity by 43% over today's levels.

Kiah Wei Giam, a principal analyst for coal and gas markets at Wood Mackenzie, this week at the Singapore International Energy Week said: "Coal is still the most affordable technology in power generation," despite "pushback in coal development" due to concerns about pollution. Giam said coal demand will remain high at least until renewable energy sources and energy storage solutions become more economically competitive.

U.S. demand for coal has been pressured by low natural gas prices, along with emissions regulations. Low demand has led to the retirement of more than 260 coal plants nationwide since 2010, according to the Sierra Club, with coal generation capacity being replaced by production from natural gas-fired power plants and renewables sources such as wind and solar.

However, coal will remain important in the U.S. power mix—President Donald Trump is an unabashed supporter of coal, and his administration's policies are being designed to revive the industry—and the U.S. Energy Information Administration (EIA) in its most recent *Short-Term Energy Outlook*, released October 11, said total utility-scale electricity generation from coal will rise this year and next, while generation from natural gas will fall due to higher natural gas prices, and more generation from coal and renewables. EIA said natural gas will account for 32% of the nation's electricity production in 2018, with coal at 31%.

Colin Marshall, president and CEO of Colorado-based Cloud Peak Energy, which operates three coal mines in the Powder River Basin in Wyoming and Montana, spoke October 23 about coal's future at *POWER* magazine's Western Power Summit near Denver, Colorado. Marshall noted that despite what he called "thumb on the scale" tactics by the federal government in recent years to promote energy sources other than coal, "Coal is not going away. It still accounts for a third of U.S. power generation and it will continue to be an important resource for years to come."

The U.S. coal industry also has been buoyed in recent months by increased exports of coal. According to EIA, U.S. coal exports were 62% higher year-over-year through the first seven months of 2017. EIA said that while exports are expected to slow through year-end, it forecasts 2017 exports will be about 24% higher than 2016 levels.

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