BUSINESS

Coal Shows Resilience in Global Comeback

Asian and African countries are counting on the hydrocarbon to expand access to electricity

Vegetable vendors ply their wares by the light of locally made lanterns in Lagos, Nigeria, where 54% of the country's 190 million citizens lack access to electricity. **PHOTO:** SUNDAY ALAMBA/ASSOCIATED PRESS

By Neanda Salvaterra

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Coal is clinging to the top spot in power generation, accounting for as much of the world's electricity as it did two decades ago, despite heightened concerns about climate change and a slowdown in financing for projects involving the dirtiest of fossil fuels.

U.S. exports of coal more than doubled in 2017 and are set to grow this year, according to the Energy Information Administration. Countries across Asia and Africa are expected to increase their use of coal for expanding power generation through 2040, says the EIA.

The rebound shows coal's resilience, especially in emerging regions, and recent events suggest the market for black combustible rock will remain strong. In the U.S., the Trump administration has proposed to reverse U.S. rules on coal emissions, and countries including India and Vietnam are planning major coal projects.

Coal accounted for 38% of the world's electric power generation in 2017, putting it at the same level as in 1998, according to a recent report by BP PLC. A revival of the thermal coal market last year helped to lift mining companies' earnings and share prices. Among them was Glencore PLC, one of the world's largest mining concerns. In March, it spent $1.7 billion for coal assets in Australia as part of a bet that demand for coal in Southeast Asia will remain robust.

Meanwhile, global carbon emissions from coal and other fossil fuels increased by 1.4% in 2017 after three flat years. The rise is attributed to economic growth and increasing energy demand in Asia, according to the IEA. Emissions are linked to rising global temperatures and more extreme weather patterns, experts say, and coal is a leading contributor to human health problems.

The World Bank stopped financing coal in 2010 because of the hydrocarbon's link to global warming, and many international banks are turning away from fossil fuel projects. Last year, Deutsche Bank said it wouldn't grant financing for new coal mining or coal-powered projects. In July, Lloyds Banking Group said it would stop extending loans for new coal ventures.

Still, coal plants are attractive because they are less expensive to build than renewable energy facilities. The cost of constructing a renewables plant is roughly double the outlay of a fossil-fuel facility, experts say.

Government officials in developing nations, many of whom say they want to curb the use of coal to combat climate change, often face the difficult challenge of doing so without slowing economic growth.

Electric wires are pictured in the Ojuelegba district of Lagos, Nigeria's commercial capital. PHOTO: AKINTUNDE AKINLEYE/REUTERS

That tricky balance is seen particularly in Nigeria, where coal is abundant and cheap yet some 54% of the country's 190 million citizens lack access to electricity. The country has a plan under way to deliver power from coal-fired plants to more of its people.

Today, Nigeria generates all of its power with a mix of hydroelectric dams and natural gas, but frequent vandalism of pipelines causes power shortages. By 2030, Africa's biggest economy plans to add 30 gigawatts of power, of which about 30% will be produced by renewable sources and about 3% will be from coal. The project will cost about $3.5 billion a year.

The World Bank approved a $350 million loan for solar mini-grids and other equipment to provide electricity in Nigeria. But the bank has said it would no longer finance projects involving coal—anywhere in the world. Bank officials say countries looking to fund coal ventures should look to the private sector.

"I think it's simplistic to begin to separate renewable energy from fossil fuel," said Babatunde Fashola, Nigeria's minister of power, works and housing. "What the world really needs is to achieve a balance."

POWER HUNGRY

Nigeria is facing the challenge of delivering enough low-cost energy to fuel its growing economy and create jobs to keep pace with demographic growth.

In a little over a decade, officials in Africa's most populous nation plan to increase capacity for electric power generation by 30 gigawatts—roughly the amount of potential electricity generation for the state of Ohio in May, according to the Energy Information Administration. To reach that goal, Nigeria will deploy a mix of largely solar and hydropower as well as abundant domestic coal reserves.

The government wants to eliminate the frequent power shortages that currently hamper commerce and force many Nigerian businesses to run diesel-fueled backup generators.

Dikanna Chika Okafor, executive director for the Chicason Group, maintains up to 11 generators to ensure the smooth production of plastics and lubricants at the group's plant in southeastern Nigeria.

Mr. Okafor says the cost of procuring his own power—for as much as $300,000 per month—makes it difficult to plan the growth of a production line that employs more than 2,000 workers. He says he welcomes the government's plan.

"At this juncture what we would like to have is stable power maybe later along the line we can look at the environmental effects and going greener," says Mr. Okafor.

—Neanda Salvaterra

There are some 2 billion tons of coal in the country, according to estimates, and economists say putting it to use to spread power could be a boon for the economy.

Many emerging nations are fighting similar issues, even as more prosperous countries such as the U.S. and the U.K. have reduced the use of coal to produce electricity.

On the Asian continent, home of the world's largest coal reserves, China and India account for most of the growth in coal use. Vietnam plans a fivefold increase in its coal capacity through 2035, according to the Clean Coal Centre, a division of the IEA.

Bangladesh plans to use coal to generate 50% of the country's power by 2030, up from 2% today. Like many countries in the region, it is funding its expansion with loans and technological help from China and Japan. Toshiba Corp. and other partners are building a coal power plant and port on Matarbari Island in Bangladesh. The project will cost about $4 billion, with most of its financing coming from the Japan International Cooperation Agency.

Some countries looking into coal-expansion plans are hoping the Trump administration will take a pro-coal approach to the 2016 Electrify Africa Act, which set aside funds for energy projects on the continent without specifying a preference for how power is generated.

An official familiar with the program's vetting process says the program, known as Power Africa, "promotes an all-of-the-above energy development strategy for sub-Saharan Africa."

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