POWER A GLOBAL COAL PHASE-OUT

The continued operation of the global coal fleet will ensure a catastrophic level of warming. To meet the Paris Agreement’s 1.5°C temperature goal, power from coal plants must be reduced 80 percent below 2010 levels by 2030, with developed countries ending coal use by that year and the rest of the world closing their plants by 2040 at the latest.

The collapsing economics of coal plants and concern with their disastrous public health and environmental impacts has dramatically shrunk the pipeline of proposed new plants. Total capacity has now plateaued, and most new energy demand is being met with clean energy sources. Yet new plants are still being built, and existing plants are not closing nearly fast enough to keep the Paris goals within reach.

The United States has led the world in coal retirements, with almost three-fifths of its coal plants closed or committed to close since 2010. Building on this domestic progress, the next president should make a global coal phase-out a top-tier foreign policy priority, and a critical issue in bilateral relations with all key coal funding and using countries. The administration should apply the full range of U.S. diplomatic and economic tools to stop new coal plants and retire existing ones as fast as possible. Towards this end, it should (1) provide incentives for moving away from coal, (2) link cooperation in other areas of importance to concerted action on coal, and (3) where necessary, be willing to impose consequences on those countries that continue to finance and develop new plants.

A global coal phase out agenda should include five key elements:

1. Greening Covid-19 response and recovery;
2. Engaging with China and the Belt and Road Initiative (BRI);
3. Engaging with other leading coal financing and using countries;
4. Providing finance and technical assistance; and
5. Using executive authority to limit coal development.

Ensuring that the global Covid-19 recovery helps countries transition away from coal

As with the fiscal stimulus the Obama administration adopted in 2009 and the EU’s Green Deal, the current stimulus and aid packages should solve pre-existing problems and create a basis for achieving long-term goals. The administration should:

- Work with other G-20 leaders to ensure that assistance and debt relief packages from the World Bank, IMF and other multilateral funders only fund stimulus and recovery plans that (1) are Paris-aligned; (2) reduce dangerous air pollution; (3) do not include coal expansion or life extension; and (4) set aside funds for supporting the accelerated retirement of old, polluting and uneconomic coal plants along with transition funds for workers;
Ensure—through voice, vote and contingencies on new commitments—that IMF assesses and addresses the fiscal impacts of uneconomic coal plants, stranded coal assets and coal subsidies in borrowing countries, including in its macroeconomic analysis, recovery planning and long term policy engagement; and

Work with major companies that source inputs from coal dependent countries to remove coal power from their supply chains, as companies re-evaluate the resiliency of their supply chains in response to Covid-19.

Engaging China and the Belt and Road Initiative (BRI)

As the president undertakes the urgent task of resetting the U.S. relationship with China, the challenges of climate change and phasing out coal should be top-tier priorities. To advance this agenda, the administration should:

- Make climate change a focus of its initial engagement with China, with a goal of announcing a common vision for a rapid and orderly global coal phase-out. As part of this announcement, the U.S. and China could:
  - Adopt similarly ambitious phase-out schedules, including interim targets such as an immediate “No New Coal” pledge from China;
  - Jointly call on other countries to stop the construction of new coal plants, and to phase out coal by 2040 at the latest;
  - Revive the Obama era dialogue on restricting overseas finance for high-emitting investments, including coal;
  - Announce intent to adopt policies to align with, and eventually join, the Powering Past Coal Alliance (PPCA), and lead outreach to encourage other countries and subnationals to join;
  - Announce a roster of U.S. and China subnationals joining the PPCA;
  - Create incentives for local governments and grid companies to accelerate the coal phase out; and
  - Launch a new partnership on technological options on coal phase-out, including a “moonshot” program to provide $100 billion over 10 years to address the global problem of variability of renewables.
- Create diplomatic and economic incentives for China to move forward on the “no new coal” and coal phase-out agendas. The administration should:
  - Develop common “carrots and sticks” with the E.U. and other allies; and
  - Integrate coal into trade negotiations and using leverage from trade agreements and existing trade sanctions.
- Work to eliminate coal projects from the Belt and Road Initiative. The administration should:
  - Challenge China to implement its stated objective to green the BRI by eliminating coal plants from eligibility; and
  - Work with E.U. allies to offer countries that are considering BRI funded coal plants a better deal on green alternatives.
Engaging other leading coal countries

To curtail the pipeline of new project and accelerate the phase-out of existing plants in other coal dependent countries, the administration should:

- **During 2021, work with UK G7 and Italy G20 Presidencies to:**
  - Announce agreement from the G7 that there will be no coal finance in domestic economic recovery packages or via multilateral institutions, including closing OECD (export credit agency) ECA loopholes, acting together in multilateral development banks and other actors;
  - Announce US-Japan bilateral agreement that they will cooperate on efforts to phase out use of coal at home. This can then be mirrored by US-China, US-India, and other bilateral agreements;
  - Deliver a funding package from G7 (+ others?) to refinance Eskom / South Africa debt that commits them to a retire and replace dynamic, as a first mover from coal to clean energy; and
  - Announce that the G7 will support clean alternatives to new coal for Africa and southeast Asia et al in exchange for commitments to moratoria. This might also be a G20 play if timing fits – and a moment to bring China in on clean offer instead of coal.

- **After announcing intent to adopt policies to align with PPCA phase out schedule, use this commitment, and other diplomatic carrots and sticks, to pressure the OECD countries that have not yet agreed to the 2030 phase-out horizon (Germany, Australia, Japan, South Korea, Poland, and Turkey);**

- **Develop strategies to engage and pressure non-OECD high-coal consuming countries such as India, Indonesia, Vietnam and South Africa;**

- **Directly engage high coal consuming subnational governments;**

- **Integrate coal phase-out benchmarks into trade negotiations and use leverage from trade agreements and trade sanctions authorities to limit exports financing and construction;**

- **Introduce tariffs on carbon content as part of trade negotiations process; and**

- **Support legislation such as S.2955 that would allow the President to impose sanctions on foreign officials who approve or implement inefficient coal projects, and foreign persons who materially assist such projects.**

Providing finance and technical Assistance

The administration has a range of financial and technical tools at its disposal to accelerate the closure of existing plants, and end support for new ones. The administration should:

- **Prioritize funding for coal plant closures as part of climate and development assistance and encourage international financial institutions (IFIs) to do the same, along lines set out in Rocky Mountain Institute and Sierra Club paper;**

- **End all public finance for coal plants, mines, and related infrastructure;**

- **Lead efforts to strengthen OECD coal sector understanding to eliminate all ECA funding for coal plants;**
• Prioritize funding for renewable energy, energy efficiency and storage as an alternative to existing proposals for new coal plants;
• Direct the State Department to post energy experts in embassies of key coal consuming countries to work on transition, and hire in-country experts to assist in these efforts;
• Offer technical assistance through EPA and DOE to countries considering coal projects to evaluate RE/EE/storage alternatives;
• Use voice, vote and replenishment leverage at IFIs to make concessional finance in energy sector contingent on coal plant closures;
• Exclude companies that build, own or operate overseas coal plants from eligibility for US Exim or DFC assistance;
• Prioritize USAID and other development assistance for countries that have stopped building new plants and/or have strong retirement plans; and
• Prioritize the problem of coal plant pollution in U.S. public health assistance.

Using existing executive authority to advance coal retirements

The administration should make full use of other executive authorities to curtail coal plant development and accelerate retirements. The administration should:
• Adopt a “Buy Clean” procurement policy for the federal government that considers the use of coal power throughout the global supply chain of each bid;
• Address the problem of corruption driving decisions to build new coal plants by instructing DOJ to prioritize Foreign Corrupt Practices Act enforcement for energy related transactions, and instructing State to similarly focus on corrupt energy deals through bilateral engagement;
• Adopt export controls on technologies used in the coal value chain, as with nuclear power technology, and work with other countries to do the same;
• Encourage the federal employee pension plan (Thrift Savings Plan) to divest from coal companies and coal-heavy utilities investments;
• Use existing Dodd-Frank authority to reduce macroprudential risks of coal and other high-carbon assets held by systemically important financial institutions, including by higher risk weighting of such holdings.

---

This section is based upon input from the following individuals (section leads are noted with an asterisk and additional contributors are listed in alphabetical order): John Coequyt (Sierra Club)*; Steve Herz (Sierra Club)*; Bruce Buckheit (Independent Consultant); Han Chen (Natural Resources Defense Council); Fan Dai (California-China Climate Institute); Justin Guay (Sunrise Project); Barbara A. Finamore (Natural Resources Defense Council); Nate Hultman (University of Maryland); and Daniel Kammen (University of California, Berkeley). The views reflected in this document are not intended to be consensus perspectives and do not reflect the views of the individuals’ organizations.