Research Announcement: Moody's - Risks are rising for coal-fired generators in Asia as transition towards renewables continues

Hong Kong, May 08, 2019 --

– Coal power will remain important, but risk is rising that it will become uneconomic

– Declining costs of renewable power will expedite transition toward renewables

Moody's Investors Service says in a new report that the climate change and air quality goals of Asian governments and the declining costs of renewables are pointing towards a decreasing reliance on coal power.

While Moody's does not expect renewable power to on its own grow fast enough to meet Asia's total power needs, the rating agency now says that coal-fired generators could become uneconomic sooner than under its baseline scenario.

“Coal will remain a major power source in Asia, because of the significant existing capacity and the continuing growth in power demand,” says Mic Kang, a Moody's Vice President and Senior Credit Officer.

“But government policies favoring renewables, the declining costs of renewables and the development of disruptive technologies will increase the long-term risk of coal-fired generators becoming uneconomic to run,” adds Kang.

More aggressive penetration of the market place by reliable renewable energy will have a significant detrimental effect on coal power generators in the absence of compensation for declining dispatch volumes.

In Asia, renewable power growth will be strongest in China and India, given the lower costs of renewable energy there and greater site availability.

Declining funding options will further limit the growth of coal power in Asia. Tightening environmental regulations and improving economics for renewables will likely weaken investor appetite for new coal power projects with long tenors. In addition, investors and banks are under increasing pressure to decarbonize their portfolios and reflect climate risk into those portfolios.

Subscribers can access the report “Power - Asia: Climate goals, declining costs of renewables signal decreasing reliance on coal power” at: http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1145596

Moody's will today also publish a further two reports, which focus on the Chinese and Indonesian coal mining sectors.

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