Around 42% of global coal capacity is already unprofitable because of high fuel costs, while it costs more to run 35% of coal power plants than to build new renewable generation facilities, finds Carbon Tracker's study of the profitability of 6,685 coal-fired power plants worldwide, representing 95% (1,900 GW) of all operating capacity and 90% (220 GW) of capacity under construction.
The think-tank says it has carried out the first analysis of this kind.
The results have been published in a new coal power economics portal as a free-to-use online tool which will be updated regularly, helping investors, policymakers, and the civil society develop economically rational plans to close coal plants and to understand the financial risk if they continue to operate, the Carbon Tracker said in a press release.
The report finds that two-fifths of global coal capacity is already unprofitable because of high fuel costs.
By 2040 that could reach 72% as existing carbon pricing and air pollution regulations drive up costs while the price of onshore wind and solar power continues to fall, the report finds.
According to the study, by 2030 building new renewables will be cheaper than continuing to operate 96% of today's existing and planned coal plants.
Carbon Tracker says governments should phase out coal in an orderly manner and develop plans to close the least economic plants first.
When it is cheaper to build new renewables and gas than to build new coal power, they should ban investments in new coal power, the think-tank said.
Countries with regulated markets face bigger problems
In both liberalized and regulated markets, the economics of power generation will continue to change much more quickly than expected and in favor of low-carbon technologies.
This transition will expose governments and investors to material financial risk, the report finds.
Policymakers in regulated markets will be more acutely conscious than those in liberalized markets of the financial risks that will materialize from a commitment to coal power, which over the long-term will become a net-liability.
Governments will be forced to choose between subsidizing coal generation and power prices (which will impact the fiscal health of the state) or increasing power prices (which will anger consumers and undermine competitiveness), the report concludes.
Source: balkangreenenergynews