Early retirement of coal plants can be profitable for investors

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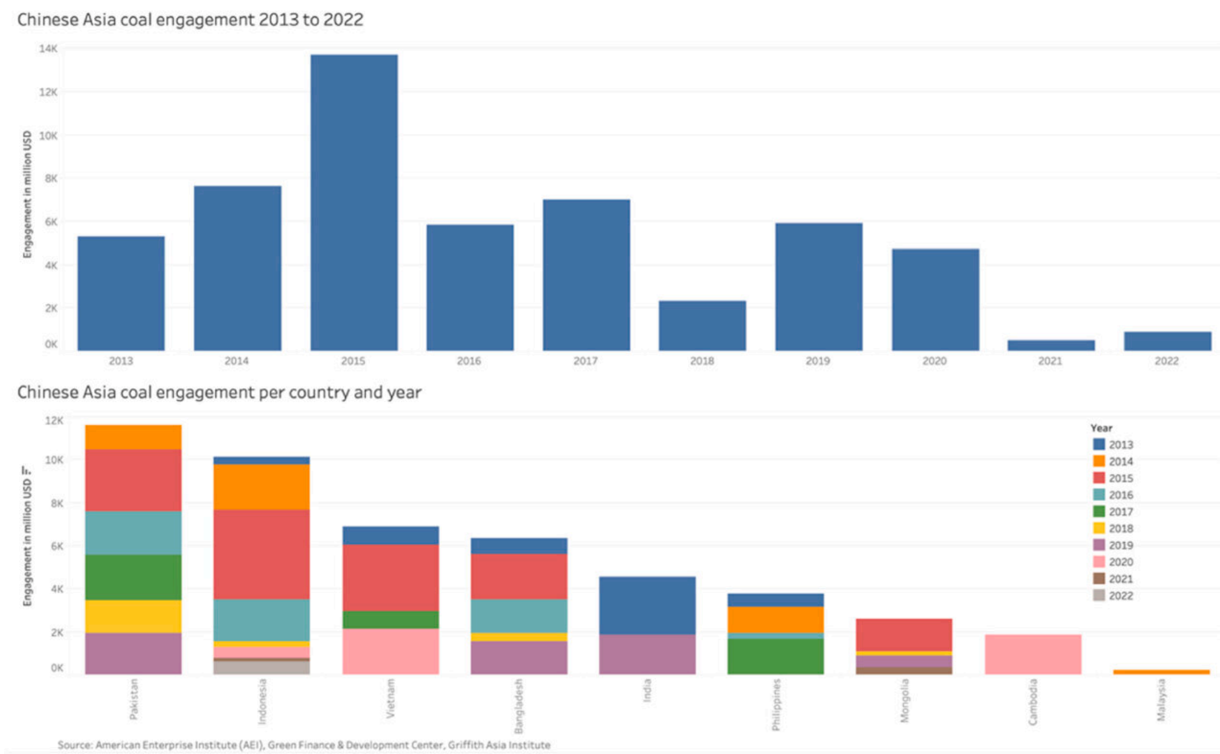

Chinese financial engagement in Asia's coal expansion (Data: American Enterprise Institute, Green Finance & Development Center, Griffith Asia Institute). (For interpretation of the references to color in this figure legend, the reader is referred to the Web version of this article.). Credit: *Energy Policy* (2024). DOI: 10.1016/j.enpol.2024.114291

New research from Griffith University provides crucial evidence that the early retirement of coal-fired power plants can be financially advantageous for investors, which is contrary to mainstream belief.

In collaboration with Climate Smart Ventures and Fudan University, the paper offers innovative insights into the financial viability of accelerating the transition from coal to renewable energy in developing Asian economies to address climate change.

Griffith Asia Institute Director Professor Christoph Nedopil said the findings were relevant for countries grappling with energy security concerns and the need to meet climate commitments.

"Our research offers a roadmap for implementing financially viable strategies to phase out coal power while expanding renewable energy capacity," Professor Nedopil said. "Options such as blended finance, green bonds, and debt-for-climate swaps could play a pivotal role in facilitating the early retirement of coal plants.

"With the right financial mechanisms, we can accelerate the retirement of coal plants in Asia without compromising investor returns. This opens new avenues for addressing climate change while ensuring economic stability."

Key findings include:

1. Younger coal plants, particularly those with high financing costs, can potentially be retired earlier than older plants while maintaining or increasing enterprise value.
2. Refinancing strategies, combined with renewable energy investments, can significantly enhance enterprise values for coal plant owners.
3. The study demonstrates that coal plants in Vietnam and Pakistan could be retired 3–13 years earlier than scheduled while

preserving or increasing financial returns.

The research paper, "Can investors benefit from the early retirement of coal plants: A plant-level analysis of Chinese-sponsored coal stations in Vietnam and Pakistan," was published in the journal *Energy Policy*.

More information: Christoph Nedopil et al, Can investors benefit from the early retirement of coal plants: A plant-level analysis of Chinese-sponsored coal stations in Vietnam and Pakistan, *Energy Policy* (2024). DOI: 10.1016/j.enpol.2024.114291

Provided by Griffith University