

“Learning Curve” briefing: The November 17th OECD decision on coal subsidies, and why it matters.

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What's up?

On Tuesday 17th November there is going to be a bun-fight in Paris. The “Organisation for Economic Cooperation and Development” (a club of 34 rich countries) is having a meeting and there may be some fur flying. The USA and Japan, backed by Germany and France, are proposing some new 'tough' rules about the coal industry. Specifically, they want to stop rich countries being able to give money to poor countries to build new coal-fired power stations. Not totally, don't get giddy – there is a loophole; “ultra-supercritical pressure coal plants” would still be eligible for public money under the US/Japan proposal. By a strange coincidence, Japan leads the world in that particular technology. According to one recent study ([Bast et al. 2015](#)) Japan and Japanese companies (I'm looking at you, Toshiba Corp) are \$20bn to the good for flogging these technologies over the last seven years.

Meanwhile, South Korea and Australia (by another eerie coincidence the world's biggest coal exporter) have cooked up a rival plan that is a lot weaker, as a spoiler.

The US/Japan proposal includes a clause saying a coal plant can only get “export guarantee” money if cleaner options like renewables can't be done. The Australians want that clause removed. Classy.

Why now?

Have you been stranded on Mars with Matt Damon? There's a big climate conference, also in Paris, in two weeks' time. At that meeting some protesters will get beaten up and our lords and masters will cook up a PR deal that convinces enough people that climate change is being dealt with. Do keep up.

So what; why do coal subsidies matter? Isn't renewables the Wave of the Future?

The fossil fuel industry knows it is in trouble. Coal-fired power stations aren't getting built in the kinds of numbers that people who sell coal for fun and profit (especially profit) would like. So, as old plants are shut down and replaced by gas-fired or renewables (nuclear remains in the doldrums), then the demand for 'steaming coal' (the kind you burn to make electricity) might shrink, and as demand shrinks so would price. The price is already low (especially compared to the boom that ended in 2011) and that is causing all sorts of headaches for the industry in both Australia and the United States.

Renewables are indeed growing quickly, but from a very low level. What we're seeing is a battle – coal is fighting a rearguard action, and renewables is trying to grow as quickly as it can (obvs). This subsidy fight is just one example, one battle in a broad war.

So when did all this hoo-hah start?

In 1824 a French guy realised there must be something stopping all the heat bouncing off the earth. In 1859... wait, you mean the OECD subsidy thing, don't you? Well, the OECD and its step-child the International Energy Agency (established in 1974 after the Western world got slapped around the face by the first Oil Shock) have been looking at environmental issues for yonks. The IEA has done its fair share of boosting the coal trade (remind me to show you a 1979 report I stumbled across sometime).

The OECD has been working with the G7 and G20 (groups of the top 7 and top 20 richest countries) for quite a while now, on the whole “green growth” (cough, cough) thing and facilitating climate finance (a fancy way of saying finding money for cleaner energy when nobody wants to be the one paying to “save” the planet).

Back in September 2009, as part of the pre-Copenhagen hype, the G20 leaders said they would “rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption”. The OECD, IEA, OPEC and World Bank have been looking at it closely since then.

Grok this from a recent example, a 2013 report that was snappily titled “[Climate and Carbon: Aligning Prices and Policies](#)”

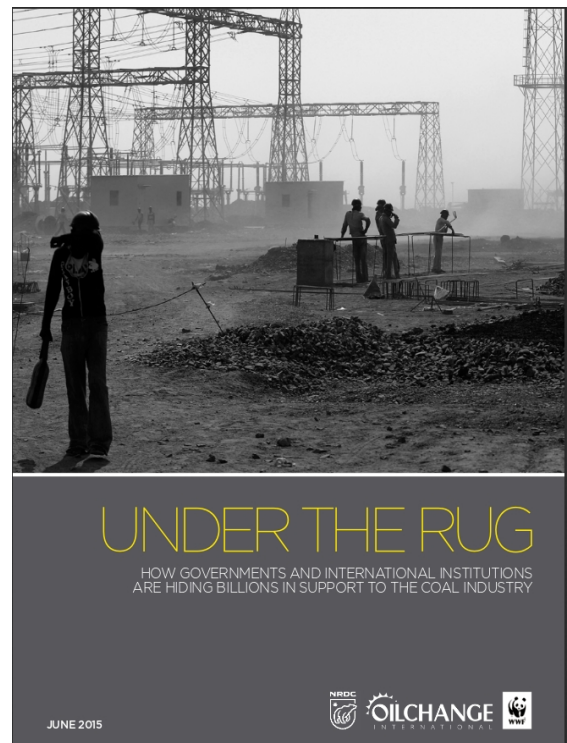
“Across the OECD, a significant portion of support for fossil fuels is provided through

reductions in, or exemptions from, energy taxes. The OECD (2013b) has identified over 550 individual support mechanisms that directly or indirectly encourage the production or consumption of fossil fuels across OECD countries. Producer support mechanisms include i) government intervention in market mechanisms to alter costs or prices, ii) transfers of funds to producers, iii) reduction, rebate or removal of certain taxes, and iv) the government assuming part of the production risk."

In a June 2013 speech President Obama called for an end to public money for new overseas coal plants "unless they deploy carbon-capture technologies, or there's no other viable way for the poorest countries to generate electricity" (Plumer, 2013).

According to Lake (2015) they've been talking about "discussions to phase out export credit finance for coal power stations in the OECD commenced last year, but hit a stalemate in June this year." That's because Japan played the "I need a little more time" card (Guardian, 2015), but was been brought round to the USA's way of thinking by October.

Btw, earlier in June a corking report "Under the Rug: How Governments and International Institutions are hiding billions in support to the coal industry" was released.



Why are USA and Japan acting as they are?

President Obama, under all kinds of pressure, is chasing a legacy, and it's not going to come via anything that involves getting a treaty through the US Senate, nosiree. The Japanese also have their own international problems, since their coal consumption has gone up since they shut down their nuclear power stations. This deal seems to be around giving their reputations a bit of a polish, without pissing off too many domestic groups who could make electoral pain. Meanwhile, it would be a nice little earner for the the Japanese economy, since anyone (mostly from Asia and South America, where economies are growing fast and decent coal in decent quantities is relatively hard to come by) wanting to build a new coal-fired power plant would probably be flying to Tokyo, cheque book in hand. It also is tied up with Japan's ongoing competition – on many levels – with China. Geo-politics, eh, whaddyagonna do?

Why are Australia and South Korea blocking? What is Australia's motivation in this?

Australia is wanting to defend its coal exports. For the last 25 years, that's been its primary motivation, in terms of foreign policy. They're very up front and unashamed about this.

Also, the fact that "Australia, one of the world's 10 richest countries, received over \$4bn in funding for new coal projects – mostly for mines and mostly from Japan" may not be totally irrelevant... With the South Koreans, well, their export agency dishes out \$7bn a year (Matthiesen, 2015). As Sebastien Godinot, an economist with WWF-Europe, said in June "Their intention is clearly to buy time or to block any substantial progress." (Matthiesen, 2015).

There's resistance to this in Australia. Morton (2015) writes

"10 environment and like-minded groups including Greenpeace, WWF, the Wilderness Society and the Australian Conservation Foundation have written an open letter to the government calling on it to back the US and Japan and ratify a deal. The letter says it would be "deeply embarrassing" for Australia if it were the only country to not support or further weaken an agreement – "particularly when countries such as Japan and Germany, which export coal plant technology, have agreed to limit support for coal plants". "The government leader in the Senate George Brandis said in parliament that the country "believes in the coal industry... We know that Australia produces some of the cleanest coal in the world... and it is a

very important source of prosperity for the Australian economy, and very important source of jobs for Australians."

How will it all get decided?

OECD decisions are made by consensus, and it will be mildly interesting to see if the new-look government in Australia (Tony Abbott got turfed six weeks ago, do keep up), is willing to play the bad boy and scupper the deal.

But "super-critical" is good, right? I mean, new technologies make coal okay-ish?

Well, um... "no.". As Lake (2015) points out.

"The International Energy Agency recently highlighted that in order to meet the [average-global-temperature-rise-of-no-more-than] 2°C goal, any new power stations must on average emit 200 grams of CO₂ per kilowatt-hour; whereas even super-critical power stations emit above 600 grams per kWh."

But I mean, the West is trying to help out, right?

Well, as one reviewer of this piece astutely noted - "I missed the neocolonialist punchline: we restrict developing economies' support to boost our own economy, while at the same time we pretend to do something good. In reality though, we're just protecting our privileges..."

What is this OECD thing anyway?

The OECD would say of itself ;

"The mission of the Organisation for Economic Co-operation and Development (OECD) is to promote policies that will improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. We work with governments to understand what drives economic, social and environmental change. We measure productivity and global flows of trade and investment. We analyse and compare data to predict future trends. We set international standards on a wide range of things, from agriculture and tax to the safety of chemicals."

A cynic would say it's the rich man's club, set up in 1961 to defend the Western economic order when the self-described Communist world still existed and there were some 'independent' states, with more expected, and that since then it has morphed into one of those useful talking shops and spaces where complex issues get threshed and thrashed out so that the biggest of the big boys and girls can then do a red carpet photo op.

And how does this relate to the whole Paris thing?

It doesn't, not directly. But if Tuesday goes well for the US and Japan, it adds the momentum and that Something Is Being Done. If Australia "wins" Malcolm Turnbull will get some frosty froggy glares when he's in Paris for the opening day of the Paris summit. But frankly, everyone is used to Australia being an unrepentant and irredeemable sociopath by now. And Julie Bishop, Australian Foreign Minister and now co-chair of the "Green Climate Fund" may get some froideur, but since everything is – with her help – getting warmer, then it all evens out in the end, eh?

Um, okay, so where can I get more information?

There are the official websites of these outfits, and particular campaigning groups that keep an eye on it all;

[OECD](#)

[Oil Change International](#)

[NRDC](#)

[World Resources Institute Sustainable Finance Programme](#)

In terms of newspapers, your best bet is the Financial Times.

Anything else I should know?

Yeah, the species has almost certainly left it too late to do anything about climate change. Yes, there'll be some wind farms, but pretty soon we will panic and reach for the geo-engineering. You'd be well advised to take one or both of the following courses of action: 1) stockpile shotgun ammo and baked beans in a sick survivalist psychodrama 2) dance and drink and screw

Key dates

2009 (Sept) G20 meeting in Pittsburgh says leaders will work to abolish export subsidies
2009 (Dec) COP19 Copenhagen climate conference ends in farce
2013 (June) President Obama gives 'we really oughta stop with these subsidies' speech
2014-5 Negotiations, ending in deadlock in June. Japan gets its arm twisted/drives a harder bargain

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Disclaimers and biography

This briefing is not definitive! Not even of what I know now, let alone what I will (hopefully) learn. All constructive criticisms of blind spots/misinterpretations gratefully received. You don't even have to be polite about it. Tweet me at @marcsrhudson

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Thanks: Malte and Pat.

Marc Hudson, besides trying to extract himself from editing “Manchester Climate Monthly,” is a second year PhD candidate at the Sustainable Consumption Institute, studying how come and *how* coal is still in the game almost thirty years after climate scientists and some 'issue entrepreneur' activists, bureaucrats and politicians managed to wake everyone up to the threat of anthropogenic global warming. The views, snark and glibness contained herein are entirely his own, and in no way represent the official position of the SCI, the University of Manchester or anyone else, obv.

Future “Learning Curve” briefings will appear on – (Australian) divestment, peak bodies & umbrella groups, carbon capture and storage, local coal conflicts, denialism, the coal industry's recent trajectory.