THE BELT AND ROAD INITIATIVE: THE ROAL FOR COAL

The Belt and Road Initiative (BRI) is China's flagship foreign policy that aims to foster economic cooperation between China and countries across the world. Over 130 countries have signed up, representing over two-thirds of the global population. The main goal of the BRI is to strengthen infrastructure and trade links across a variety of sectors, including energy, transport, communications, and manufacturing. Projects are usually led by Chinese companies and have access to favourable Chinese finance, while partner countries determine the development agenda. Coal has featured heavily in the BRI: China invested in 68 GW of coal power plants in BRI countries from 2014-19. While finance is an important enabler, China's development of coal plants abroad is also facilitated by its expertise and innovation in coal-fired power design and manufacturing.

ROLE OF CHINESE FINANCING

Chinese state and commercial banks play a key role in financing BRI projects:

- Many national and international financial institutions are restricting coal investments. China is the largest source of funding remaining.
- Projects receive concessional loans and other favourable terms. Chinese banks are willing to lend to countries with low or no credit ratings, but they often use resource-backed loans to ensure return on investment.
- BRI partner countries drive investment decisions; the Chinese government maintains a principle of 'no intervention in local politics'.

However, the dominance of Chinese finance has consequences:

- The Chinese government emphasises mutual aid and cooperation when providing development aid, but some countries, such as the USA, are concerned that it also gains geopolitical influence through its investments.
- There have been transparency issues in BRI projects. Chinese banks are not required to disclose information about projects, so they are often difficult to track accurately.

IMPACT ON UN SUSTAINABLE DEVELOPMENT GOALS AND CLIMATE CHANGE

Chinese officials emphasise the role the BRI can play in promoting development in line with the UN Sustainable Development Goals:

- The programme promotes international cooperation and the sharing of best practices, as encouraged in Goal 17 – Partnerships.
- BRI projects contribute directly to Goal 4 – Energy, Goal 8 – Economic Growth, and Goal 9 – Industry, Innovation, and Infrastructure.

However, there are also concerns about the environmental impact of Chinese investments, especially in the coal sector:

- By financing coal power plants and other energy-intensive industrialisation projects, China may be promoting an emissions-intensive model of growth.

- Although the trend is towards a greater role for high efficiency, low emissions (HELE) coal plants, Chinese investors have supported the construction of subcritical coal units at a higher rate than other international financiers.
- In response to increasingly strict climate goals, Chinese President Xi Jinping announced at the UN General Assembly on 21 September 2021 that China would not build new coal power projects abroad. Details are not available but funding of coal plants under the BRI in the medium to long term appears less likely.

PREDICTORS OF NEW COAL UNDER THE BRI

Under the BRI, the decision to build a coal plant depends on many factors. Analysis of eleven countries (Bangladesh, Bosnia, Egypt, Indonesia, Kenya, Pakistan, Serbia, Turkey, the United Arab Emirates, Vietnam, and Zimbabwe) has produced the following set of questions that can help determine the likelihood of a country choosing Chinese-sponsored coal for its energy supply.

- Does the country in question have local coal deposits? Countries with local coal deposits may want to exploit these resources for a secure, reliable, and affordable energy supply.
- What type of technology is being used? Chinese manufacturers have expertise in all thermal power technologies but are the only major international financier of subcritical technology.
- What is the rate of power demand growth? If they face rapidly growing power demand, governments are likely to seek large baseload power sources.
- What are the project costs? Large projects with high capital costs may be a deterrent for financially conscious utilities, although Chinese financing often offers comparatively lower costs.
- Are there local environmental concerns? Local environmental opposition has been an increasingly important factor in preventing the construction of coal plants.

KEY MESSAGE: ADAPTABILITY OF THE BRI

Despite its importance within China and around the world, the BRI is quite an amorphous concept in reality. While some projects are explicitly labelled as BRI initiatives from their inception, others may rotate on or off the list depending on whether they are contributing to the current goals of the Chinese government. As a result, almost any international projects involving Chinese companies can be labelled as part of the BRI.

Partner nations are equally important to the success of the initiative. China's policy of non-intervention in local politics means that local priorities are usually the driving force behind BRI strategy, and this results in a significant variation in the types of projects chosen and the ease of their implementation. This trend is the same in the coal sector.

Some countries have been successful in building many new coal plants, while others have failed to complete projects because of economic, social, environmental, and bureaucratic barriers. Ultimately, China wants to engage with BRI countries on trade and development generally, not coal specifically. It is likely to continue to support the local infrastructure plans of each country regardless of their choice of energy technology because Chinese companies have manufacturing, engineering, and construction capacities across the spectrum of energy products.

Each executive summary is based on a detailed study which is available separately from: www.sustainable-carbon.org. This is a summary of the report: The Belt and Road Initiative: The role for coal by Stephani Metzger, ICSC/315, ISBN 978-92-9029-638-6, 95 pp, September 2021.