Coal in the crosshairs in Europe but fuelling emerging markets

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Companies, banks and investment funds, primarily European, have been coming out in recent weeks with announcements they will halt investments in coal, a new front in efforts to reduce use of the highly polluting fuel that faces a battle against the hunger for power in emerging markets.

The latest move came Friday, when Norway's parliament voted to force its sovereign wealth fund—the world's biggest—to pull out of firms that are heavily involved with coal.

Earlier in the week, French energy group Total announced it would withdraw from its coal activities, notably in South Africa where it is involved in the production and sale of the fuel which is important for electricity in numerous countries around the world.

In May it was French insurer Axa that said it would pull out 500 million euros it had invested in energy companies that generate over half of their turnover from producing or burning coal.

French bank Credit Agricole followed by saying it would cut funding for coal mining projects.

Even the Church of England, which manages some 12.4 billion euros in investments, said it would divest some £12 million ($18.3 million, 16.5 million euros) it had in companies that generated more than 10 percent of their revenue from coal or oil tar sands.

The announcements are an important development in efforts to reduce the output of greenhouse gasses that are causing global warming.

However it will be difficult to counter the fact that emerging market nations, particularly China, rely heaving on coal for meeting their growing need for electricity.

Coal accounted for 73 percent of the electricity production in China at the end of the last year.

The International Energy Agency estimated in December that coal demand will continue to grow by an average of 2.1 percent through 2019, even if this is slower than the 3.3 percent average recorded in 2010-2013.

"We have heard many pledges and policies aimed at mitigating climate change, but over the next five years they will mostly fail to arrest the growth in coal demand," IEA Executive Director Maria van der Hoeven said at the time.

Even if Chinese authorities want to reduce coal use to improve air quality, the IEA estimated that China would account for three-fifths of the increase in coal demand through 2019.

"The country has announced 500 gigawatts of coal-fired power stations in the years to come," said Nathalie Desbrosses, head of energy market research at Enerdata.

That is the equivalent of more than 500 nuclear reactors.

India tops US

Other emerging market nations are following on China's heels.

India, which is investing massively to expand its electricity output, saw coal use jump by 11 percent last year after rising by nearly seven percent in 2013.

Last year it passed the United States in coal consumption by volume to account for 74 percent of electricity generation.

Increasing reluctance by Western banks to fund coal mining projects has failed to curb India's coal drive.

Earlier this year India's Adani Group brushed aside a decision by a dozen European and US banks not to fund huge coal industry projects in Australia's Galilee Basin near the Great Barrier Reef, saying it had "no bearing" on the company.

In addition to Asian emerging markets, demand for coal is expected to increase in Japan and South Korea due to new power plants coming on line.

"Although the contribution that coal makes to energy security and access to energy is undeniable, I must emphasise once again that coal use in its current form is simply unsustainable," said van der Hoeven.

A recent study published in the journal Nature said that over 80 percent of coal reserves must be left untouched until 2050 to meet the UN target of limiting warming to 2.0 degrees Celsius (35.6 degrees Fahrenheit) over pre-Industrial Revolution levels to save Earth's climate from potentially catastrophic damage.

Price continues to play in coal's favour as mining companies have cut production costs.

So far experiments in a number of countries to put a price on carbon in an effort to harness market forces to encourage efficiency and use of less-polluting fuels have largely failed.

But six energy companies, which usually oppose carbon pricing, in the past week publicly endorsed such schemes.

"We firmly believe that carbon pricing will discourage high carbon options and reduce uncertainty that will help stimulate investments in the right low carbon technologies and the right resources at the right pace," said the chief executives of BG Group, BP, Eni, Royal Dutch Shell, Statoil and Total in a joint letter.

The call by companies came as efforts were underway to breathe life into talks aimed at reaching a deal on a new UN climate pact ahead of a crucial conference in Paris in December.