



King coal – or dead duck?

by Andrew Thompson

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What happened?

Italian energy company Enel has announced it is closing its 128 MW Bocamina I coal-fired power plant in Coronel, Chile, three years ahead of schedule; with Bocamina II also set to close by May 2022, the company says it is rapidly moving towards a coal-free and more sustainable energy mix.

The details

Coal seems to be going out of fashion. Enel says that in Chile it is now relying instead on renewable energy, having added 2.4 GW worth of “green power” generating capacity (mainly wind and solar) in recent years. Coal is seen as a source of high CO₂ and particulate pollution, going against Paris Agreement decarbonisation targets, as well as becoming a comparatively high-cost energy source. Others seem to be reaching the same conclusion. In recent years energy companies in Chile, Brazil, and Mexico including AES, Engie and Colbún, have downgraded their coal investment plans.

In December UK-based Anglo-American, part owner of the giant Cerrejón coal mine in Colombia, said it had taken the strategic decision to divest out of coal both there, and also in South Africa, by mid-2023. Colombia is the world’s fifth largest coal exporter with production of over 80mn tonnes in 2019. But energy and mines minister Diego Mesa has said that the country’s mining future lies more in metals than in coal. In contrast to more radical environmentalists, however, he believes that “fossil fuels remain absolutely essential for the economic development of the country” arguing for continued oil and gas production alongside the development of non-conventional techniques such as fracking.

Coal-fired generators now accounts for under 5% of electricity supply in countries like Mexico, Brazil and Chile. In theory at least,



as solar and wind power becomes increasingly cost competitive, that proportion will fall further and coal mines will become “stranded assets” and may eventually be abandoned. Yet the process may not be linear. Leni Berliner, an executive from Energy Farms International, quotes Mark Twain’s line that “reports of my death have been exaggerated”. Coal will not necessarily “go to zero”. For one, technology may change again (despite the fact that progress with “clean” coal burning such as carbon capture and sequestration has been disappointing). Second, there is still significant demand for thermal coal from Asia and Eastern Europe. Third, the world’s steel makers also have a continuing need for coking coal; roughly 60% of Latin America’s coal resources is of metallurgical grade.

What does it mean?

The most probable outcome is a period of gradual decline for the coal industry in Latin America, posing adjustment problems for countries like Colombia. On the other hand new clean energy sources will ultimately be more efficient, provide alternative employment, and be kinder to the environment.

About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC’s Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



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