

## New IEEFA Report

### Coal-exposed Marubeni must embrace global renewable shift

July 31, 2018 ([IEEFA.org](http://IEEFA.org)) – While Marubeni’s coal-fired power pipeline leaves it highly exposed to rapid global energy market change, the company’s renewable energy business can be the platform for increased power business profitability, concludes a [report](#) published today by the Institute for Energy Economics and Financial Analysis (IEEFA).

“While many of its competitors are embracing the global transition to clean energy, Marubeni has nearly twice as much coal power capacity planned as any other Japanese company. Marubeni is making important steps in the renewable energy sector, but its continued focus on the declining coal power industry is creating unnecessary reputational and financial risk,” said IEEFA Analyst, Simon Nicholas.

Marubeni is the 11th largest coal plant developer in the world by total planned coal plant expansion capacity (13.6GW) making them the leading Japanese coal plant developer, putting them well ahead of other Japanese companies Sumitomo (7.5GW), J-Power (4.6GW), TEPCO (4.6GW) and Chugoku Electric Power Cop. (4.2GW). Of the other large Japanese conglomerates, Mitsubishi has only 1GW planned and Mitsui has none.

Notably, companies in the coal-fired power equipment sector, such as GE, Siemens and Mitsubishi Heavy Industries, have suffered major financial consequences of over-investment in thermal power.

According to IEEFA, substantial opportunities in renewable energy await Marubeni in markets where it already has experience. The fast-developing offshore wind markets of Taiwan and Japan provide potential for Marubeni to utilize its experienced gained in the European market. The Middle East has seen a dramatic take-off of solar energy activity, a market where Marubeni already has a high-profile presence in solar PV.

Marubeni’s renewables experience gained to date means it can become recognized as a clean energy leader worldwide if it fully embraces the energy transition. To succeed in this, it will also need to abandon its strategically-challenged coal-fired power development business.

Marubeni faces major reputational risk issues with current and potential investors as global demands for action on carbon emissions continue to grow from governments, investors and civil society.

“According to the International Energy Agency, renewables will capture two-thirds of total investment in generation capacity globally to 2040 with 160 GW of renewables installed per year compared to only 17 GW of coal-fired power installed per year. Not only is it unwise to be on the wrong side of this trend, but coal is increasingly toxic in the eyes of investors, civil society and governments,” said Nicholas.

Senior members of the Japanese government are now highlighting the nation’s support for coal-fired

power build out domestically and overseas is failing to meet increasing global expectations for action on carbon emissions.

Japanese banks and investors too are joining global financial institutions in turning away from the coal industry as it confronts massive technological disruption caused by cheap renewable energy.

“Dai-ichi and Nippon Life have added their names to a significant and growing list of insurers including Allianz, Zurich, Swiss Re and Axa that are turning away from coal,” said Nicholas.

“This has significance to Marubeni as both of these Japanese insurance companies are amongst the top ten lenders to the company as at 31 March 2018.”

“Furthermore, Japanese business is increasingly embracing renewables. Fujitsu has just become the latest Japanese company to join the RE100 group of companies committed to renewable energy and has announced a target of zero emissions by 2050.”

“Financial institutions and businesses around the world and in Japan are now moving away from coal, Marubeni needs to ensure it is not left behind.”

Other findings of the report include:

- An energy taskforce set up to advise the Japanese foreign ministry stated in February 2018 that Japan’s current energy policies are damaging the nation’s global competitiveness. Foreign Minister Taro Kono stated in January 2018 that “For too long Japan has turned a blind eye to global trends, such as the dramatic decrease in the price of renewables and the inevitable shift to decarbonisation in the face of climate change.”
- Japanese export credit and development agencies are facing growing criticism for their coal-fired power support and have already started to finance renewable energy projects globally.
- Marubeni’s current coal-fired power projects across Asia and Africa face mounting opposition for local campaign groups. These groups are well organised and are often successful in their efforts which cause significant delays and increased costs to coal-fired power projects.
- In the lead up to the June 2018 G7 summit, a group of major international investors with a cumulative US\$26 trillion of assets under management called for a phase out of coal-fired power in order to address climate change.
- Japan’s Sumitomo Mitsui Financial Group has indicated that it may rethink its stance towards coal. This move is almost certain to eventually be followed by other major Japanese coal financiers as the financial momentum against coal builds both globally and in Japan itself.
- The major Japanese conglomerates are exiting the thermal coal mining sector; Mitsubishi Corp. has moved to sell its stake in Australian thermal coal mines. Mitsui and Co. stated in 2017 that it has no plans to invest in new thermal coal mines due to environmental concerns. Sojitz is also planning to reduce its exposure to thermal coal. Marubeni itself no longer has any investments in operating thermal coal mines.

Full report here: [http://ieefa.org/wp-content/uploads/2018/07/Marubenis-Coal-Problem\\_July-2018.pdf](http://ieefa.org/wp-content/uploads/2018/07/Marubenis-Coal-Problem_July-2018.pdf)

**Contacts:**

Tim Buckley, Australia [tbuckley@ieefa.org](mailto:tbuckley@ieefa.org) +61 40 810 2127

Simon Nicholas, Australia [snicholaas@ieefa.org](mailto:snicholaas@ieefa.org) +61 405 831 614

Media Asia-Pacific — James Lorenz [james@pr-arc.com](mailto:james@pr-arc.com) +61 400 376 021 (WhatsApp only)

Media U.S. — Karl Cates, [kcates@ieefa.org](mailto:kcates@ieefa.org), +1 917 439 8225

**About IEEFA:** The Institute for Energy Economics and Financial Analysis (IEEFA) conducts global research and analyses on financial and economic issues related to energy and the environment. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

**Tim Buckley**, Director of Energy Finance Studies at IEEFA, based in Sydney, Australia, he has 30 years of financial markets experience, including 17 years with Citigroup culminating in his role as Managing Director, Head of Australasian Equity Research. Tim has written broadly on the China and India's energy transformation and the resulting stranded asset risks for thermal coal exposed projects.

**Simon Nicholas**, an energy research analyst with IEEFA in Sydney, Australia. Simon holds an honours degree from Imperial College, London and is a Fellow of the Institute of Chartered Accountants of England and Wales and has 16 years' experience working within the finance sector in both London and Sydney at ABN Amro, Macquarie Bank and Commonwealth Bank of Australia.