

The Coal Reality That Western Policy Ignores

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July 7, 2026

The Issue

One outcome from the disruption in oil and gas markets caused by the war against Iran has been a renewed appreciation for the foundational importance of coal in meeting global energy demand. As Asia was forced to reduce its reliance on liquid natural gas (LNG) following the closure of the Strait of Hormuz, thermal coal markets responded. Bangladesh, Japan, the Philippines, South Korea, Taiwan, Vietnam, and others—all capable of shifting from LNG to coal for reliable power generation—recorded an increase in coal imports.¹ Europe, too, increased coal use to bolster energy security.²

Even prior to the war, global coal demand had reached record levels of about 9 billion metric tons in 2025, with thermal coal trade measured at well over 1 billion metric tons (Bt) annually.³

Despite coal's persistent rise in global energy supply—accounting for over one-third of all electricity generation (see figure 1)—Western energy policies continue to assume its structural decline, seeking to marginalize its role through regulation and financing constraints. Markets, however, treat coal as a critical fuel and essential industrial input. In 2024, a report by the Association of Southeast Asian Nations (ASEAN) Centre for Energy declared that “coal currently outperforms other energy sources in terms of supply security, reliability, affordability and—to some extent—sustainability in ASEAN's power generation,” while adding that any “strategic shift from coal should be implemented at the right time as soon as economic and environmentally friendly alternatives at the grid scale become available.”⁴

Given its cost competitiveness and wide availability, markets indicate that coal will not be possible to replace in the foreseeable future, especially (but not only) for critical industrial applications. Last year, the International Energy Agency (IEA) forecast—under its Net Zero Emissions by 2050 Scenario—a decline in coal demand of about 35% by 2035.⁵

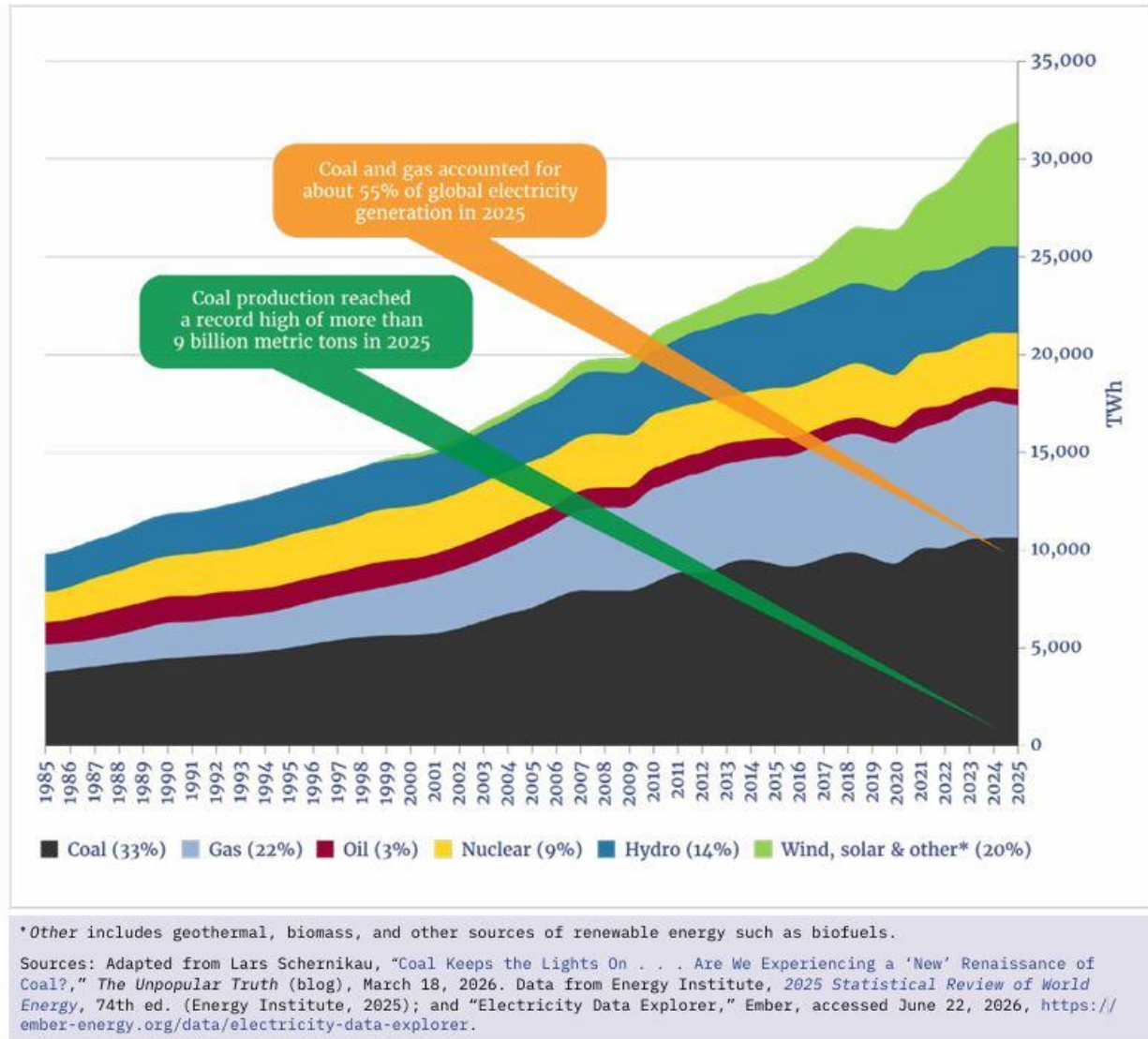
In May 2026, the IEA acknowledged that “coal remains critical to meet growing electricity demand and fulfill key power system needs” but continued advocating for rapid phase outs, even in Southeast Asia.⁶ Yet the data indicate sustained or growing reliance on coal in emerging markets, and persistent global instability suggests that the same might hold true for the developed world—for decades to come. Those seeking a lower-coal future may need to recognize the counterintuitive value of targeted investment in coal to prevent power disruptions, higher costs, and unintended environmental or reliability consequences.

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Figure 1.

There Is No Transition, Only Addition



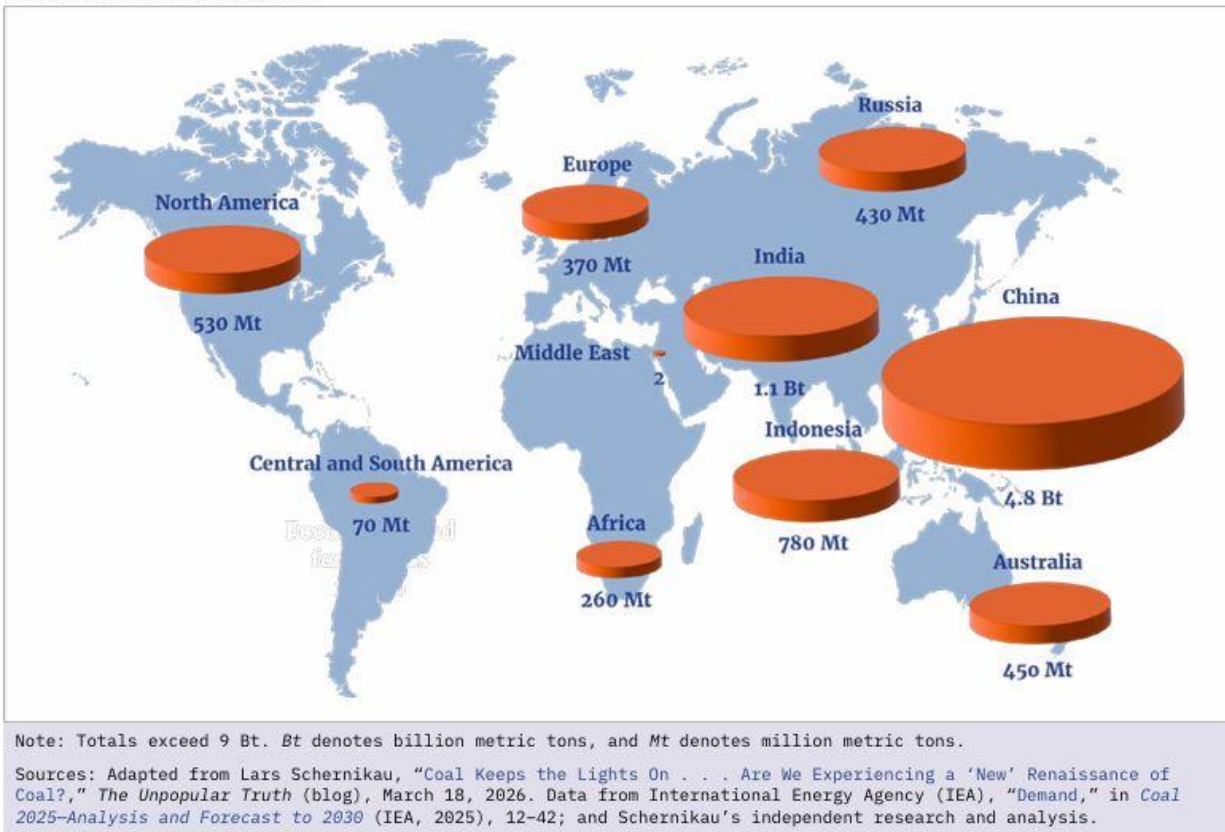
The Reality

Electricity, industry, trade, fertilizer production, and energy security all depend on coal to varying degrees. Coal serves as the most important fuel and chemical reductant for producing key materials of modern civilization, central to supply chains for steel, cement, metals, fertilizers, consumer goods, electronics, and energy infrastructure itself. Like oil and gas, coal is the material basis for thousands of everyday products beyond its utility as an energy source.

When Western countries offshored heavy industry, production shifted to regions where coal remains dominant. Global coal consumption has risen from just over 6 Bt in 2008 to almost 9 Bt in 2025 (see figure 2).⁷ Seaborne coal trade (thermal and metallurgical) grew from about 800 million metric tons (Mt) to roughly 1.5 Bt in the same time frame, making it one of the world's largest material flows. Coal accounts for almost 10% of all globally extracted mineral resources.⁸ Meanwhile, air quality has improved significantly worldwide.⁹

Figure 2.

Global Coal Production



Notes

- 1 Clyde Russell, "Iran War Gives Small Boost to Thermal Coal, Further Gains Possible," Reuters Open Interest, May 5, 2026; Evan Millard, "Bangladesh Coal-Fired Generation Up on Year," Argus Media, June 1, 2003; Agence France-Presse, "Philippines Declares 'National Energy Emergency' and Boosts Coal Power as Iran War Grinds On," *The Guardian*, March 25, 2026; and "Viet Nam: Coal," Countries & Regions: Asia Pacific, International Energy Agency (IEA), accessed June 22, 2026, <https://www.iea.org/countries/viet-nam/coal>.
- 2 Eamon Farhat, "Europe Boosts Coal-Fired Power as Gas Prices Rally on Iran War," Bloomberg, March 19, 2026.
- 3 IEA, "Demand," in *Coal 2025—Analysis and Forecast to 2030* (IEA, 2025), 12–42.
- 4 ASEAN Centre for Energy et al., *Assessment of the Role of Coal in the ASEAN Energy Transition and Coal Phase-Out* (ASEAN Centre for Energy, 2024), ix, xi.
- 5 IEA, *World Energy Outlook 2025* (IEA, 2025), 427, table A.2c.
- 6 IEA, *Financing the Modernisation of Power Systems Beyond Coal* (IEA, 2026), 8, 27–31.
- 7 Lars Schernikau, *Economics of the International Coal Trade: The Renaissance of Steam Coal* (Springer, 2010); Energy Institute, *2025 Statistical Review of World Energy*, 74th ed. (Energy Institute, 2025), 52; and IEA, "Demand," 13.
- 8 IEA, "Demand."
- 9 Rongbin Xu et al., "Global, Regional, and National Mortality Burden Attributable to Air Pollution from Landscape Fires: A Health Impact Assessment Study," *The Lancet* 404, no. 10470 (2024): 2447–59; and "Beijing Records Blue Skies on 95.3% of Days in 2025," Livable Green Beijing News, The People's Government of Beijing Municipality, published January 5, 2026, https://english.beijing.gov.cn/specials/livablegreenbeijing/livablegreennews/202601/t20260105_4400731.html.

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<https://energyanalytics.org/research/coal-reality>