



ASIA CLEAN ENERGY FORUM 2026

Beyond Transition: Building Secure, Resilient, Inclusive, and Intelligent Energy Systems

8–11 June | ADB Headquarters, Metro Manila, Philippines



Aligning Policy and Finance to Accelerate Coal Power Transition: Evidence from Asia's Energy Systems

10 June 2026 | 11:00 a.m. – 12:30 p.m. (GMT+8)

Farhad Taghizadeh-Hesary, PhD

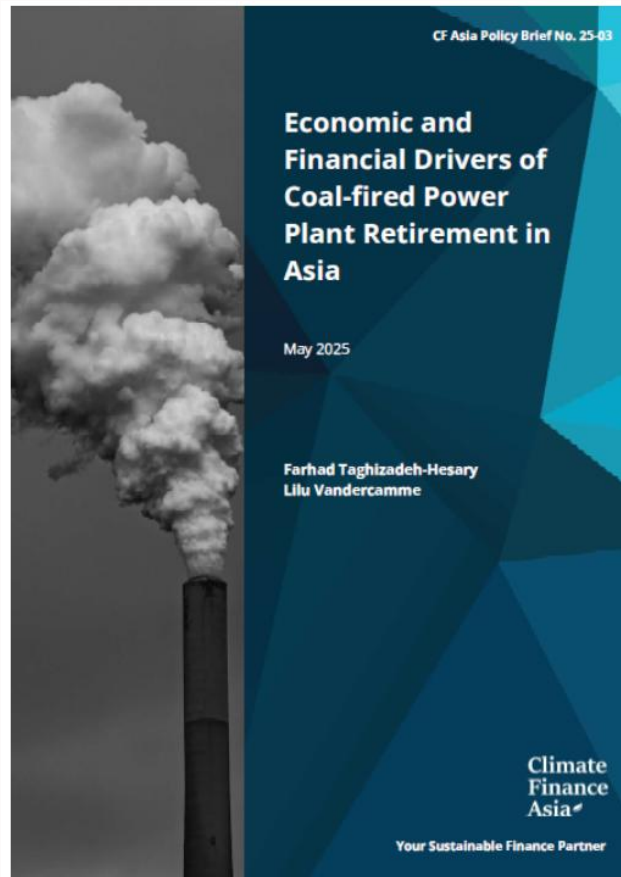
Chief Economist, Climate Finance Asia (CFA)

Professor of Economics and Finance, Tokai University, Japan

**Climate
Finance
Asia** 

CFA's study examines why coal retirement remains difficult even when finance is available

The research combines plant-level interviews and financial-sector consultations to identify the policy, investment, and coordination barriers slowing coal transition in Asia.



(Climate Finance Asia, 2025)

Report

Economic and Financial Pathways for Accelerating Coal Power Plant Transition: Evidence from Asia

Scope

Bangladesh | Indonesia | Malaysia | Pakistan

Evidence base

- Plant-level interviews with coal-fired power plant (CFPP) owners/operators
- Consultations with commercial banks, public financial institutions, and multilateral development banks (MDBs)
- Focus on financial, regulatory, contractual, and system-planning barriers

Track relevance

Coal retirement is a resilience challenge requiring policy clarity, investment design, and cross-sector coordination

Coal plants are financially and operationally locked into Asian power systems

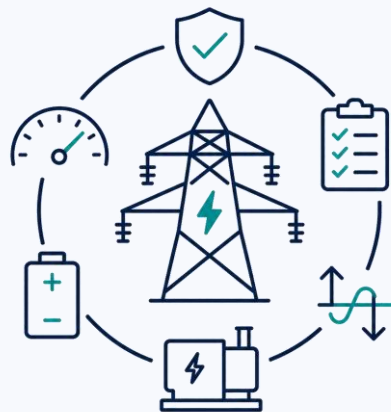
Long-term PPAs, outstanding debt, decommissioning costs, and reliability obligations make early retirement difficult even where transition ambition exists.

Lock-in category		Brief descriptor of barriers
	Contract lock-in	Long-term power purchase agreements and supply obligations limit flexibility
	Financial lock-in	Outstanding debt, unrecovered capital, and retirement costs require compensation
	System lock-in	Coal plants still support baseload power, grid reliability, and reserve capacity
	Market lock-in	Subsidies, tariffs, and weak carbon pricing can keep coal financially attractive
	Social lock-in	Workers and communities depend on plants, creating political and just transition risks

Coal retirement must reduce climate vulnerability without weakening energy security

A credible transition must manage energy security (reliability, affordability) and implementation risks alongside emissions reduction.

Reliability risk



Replacement capacity, storage, and grid flexibility must be ready

Affordability risk



Contracts, subsidies, and capacity payments must be managed

Implementation risk



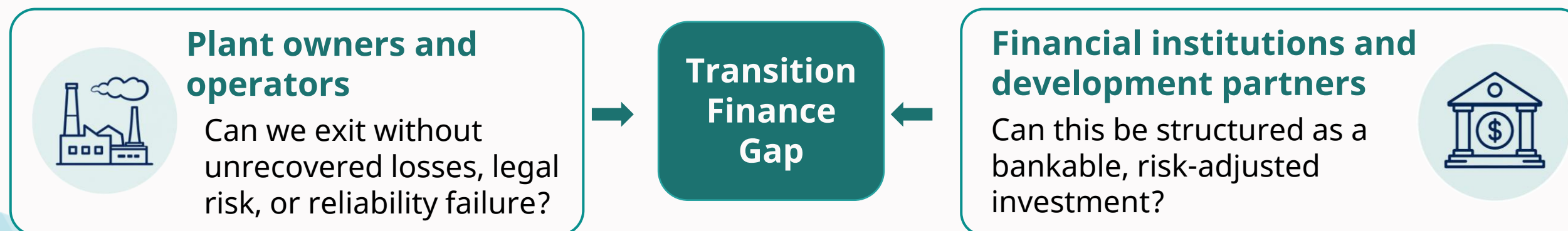
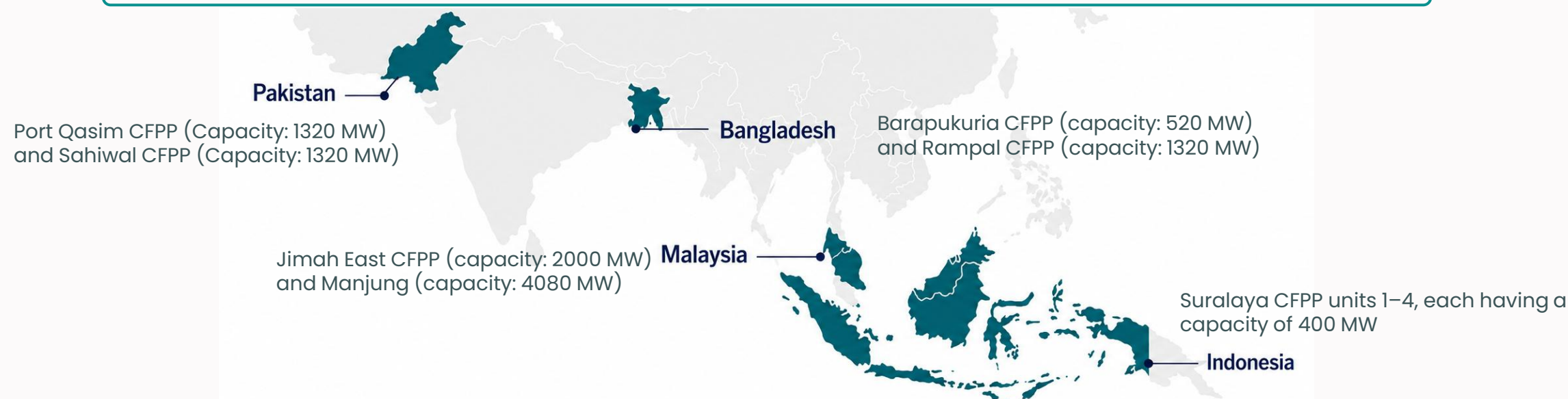
Planning, regulation, finance, and utilities must coordinate

Lower emissions + reliable supply + affordable power + coordinated implementation
= **resilient transition**

The study shows why coal transition deals stall from both sides of the transaction

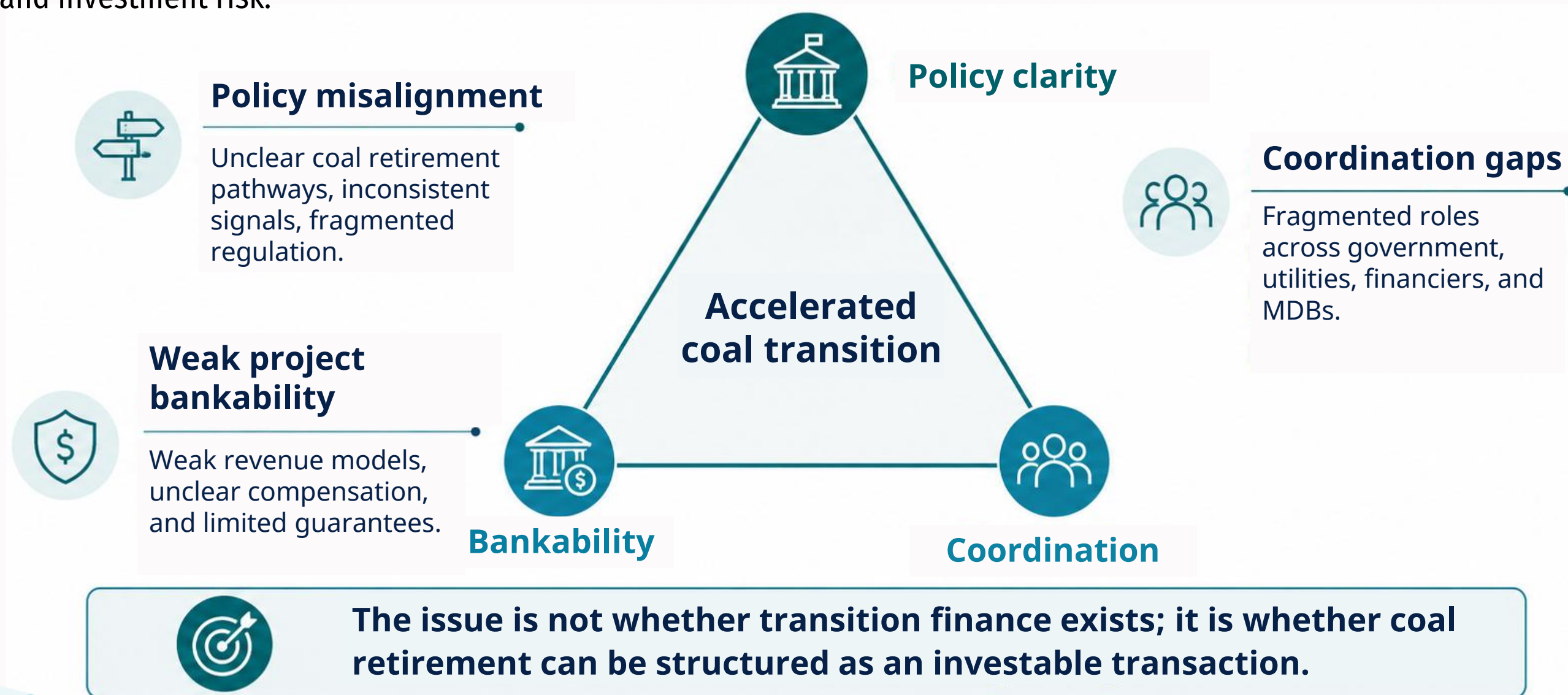
Plant owners highlight exit constraints, while financiers point to bankability, credit risk, and policy uncertainty across Bangladesh, Indonesia, Malaysia, and Pakistan.

Study focus countries: Bangladesh | Indonesia | Malaysia | Pakistan



Policy risk is the main barrier to bankable coal transition deals

Unclear rules, weak revenue models, and fragmented coordination turn transition ambition into credit, legal, and investment risk.



Financiers need clearer policy signals before transition capital can scale

Policy uncertainty, low bankability, credit risk, PPA constraints, and unstable revenues explain continued private-capital hesitation.

Top challenges cited by financial institutions

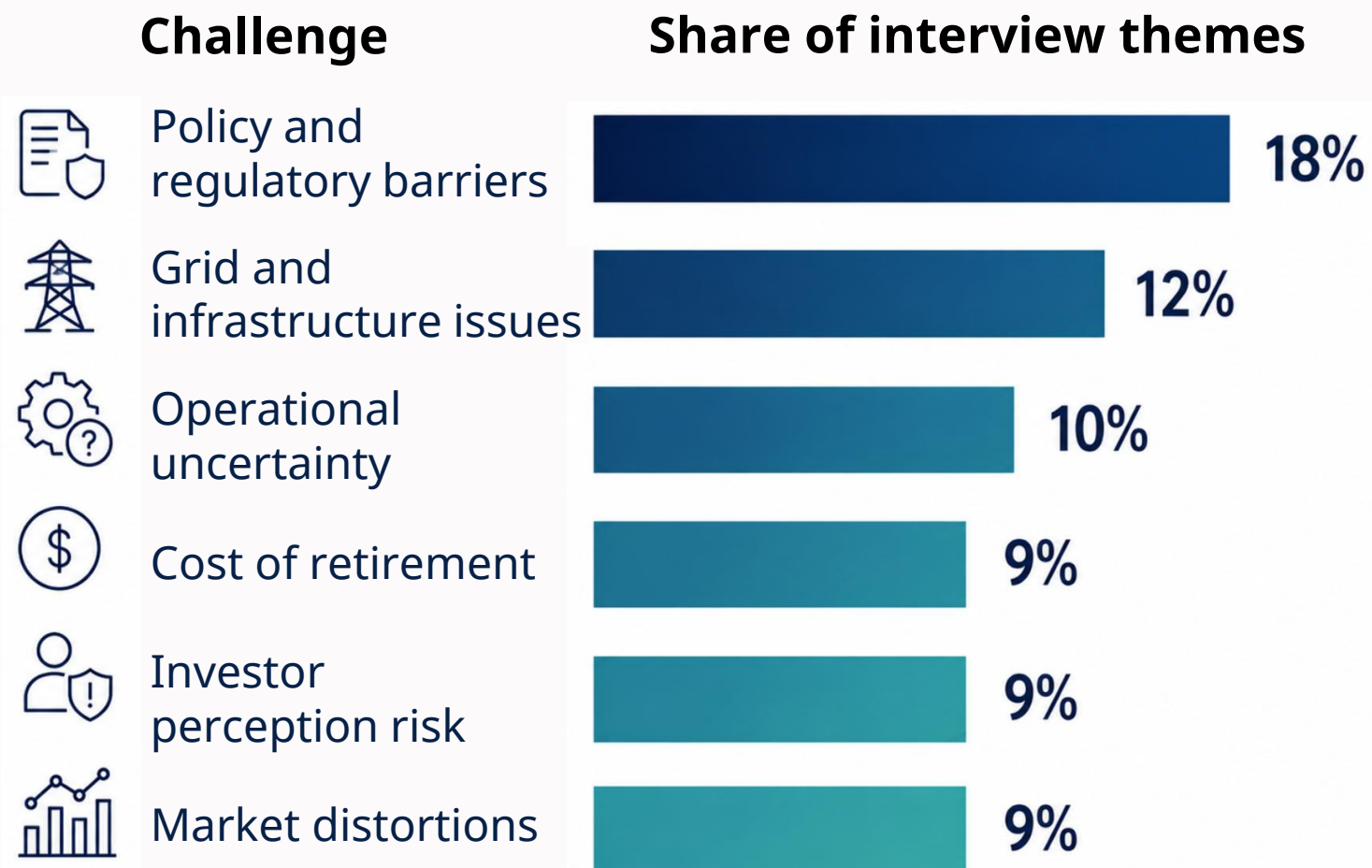


*Percentages show the relative frequency of themes identified in interviews.

Plant owners need a credible exit pathway before early closure becomes feasible

Operators require legal clarity, cost recovery, grid readiness, and support for social and labor impacts. Early closure is not viable unless losses, reliability, and social impacts are addressed.

Top challenges cited by plant owners



Operator decision lens



Can we legally retire?



Can we recover costs?



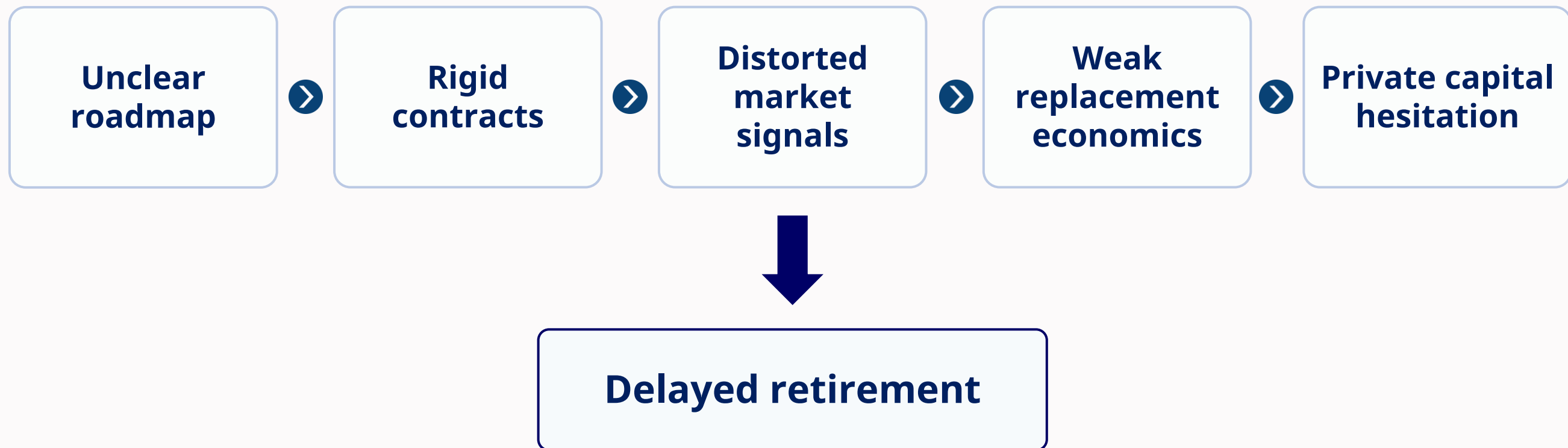
Can the grid remain reliable?

*Percentages show the relative frequency of themes identified in interviews.

Weak policy design turns coal retirement into an unbankable transaction

Unclear roadmaps, rigid PPAs, distorted market signals, and weak revenue models convert transition ambition into investment risk.

Policy clarity is a financing condition.



Weak rules become financial risk.

Financiers and plant owners converge on the need for credible risk-sharing

Blended finance, guarantees, compensation, infrastructure investment, and just transition planning address different sides of the same risk problem.

Financiers require	Plant owners require
Blended finance	Policy support and guarantees
Carbon pricing and market signals	Climate finance access
Government-backed guarantees	Compensation mechanisms
Transition finance instruments	Infrastructure development
Impact tracking and reporting	Just transition planning



Common requirement: a risk-sharing architecture that clarifies who pays, who bears risk, and who is protected.

Accelerating coal transition requires aligning policy, finance, and plant-level realities

Governments create investable pathways, public finance absorbs early risk, and private capital scales retirement and clean replacement capacity.



Policy creates the exit pathway

Roadmaps, PPA reform, and market rules clarify when and how plants can retire



Public finance or MDBs makes early closure feasible

Guarantees, compensation funds, and transition facilities cover debt, decommissioning costs, and lost revenue.



Private capital scales replacement investment

Blended finance, transition bonds, sustainability-linked loans, and development-bank co-financing mobilize capital for retirement and clean replacement.



Clear retirement rules



Compensated exits



De-risked capital



Coal retirement + clean replacement

Series in Energy Transition, Carbon Neutrality, and Sustainability - Volume 5

COAL POWER PHASE-OUT IN ASIA

Edited by

Farhad Taghizadeh-Hesary

COAL POWER PHASE-OUT IN ASIA

Taghizadeh-Hesary



This book explores one of the most pressing challenges confronting Asian economies — the gradual transition away from coal-fired power generation. It provides a comprehensive and evidence-based analysis of how coal-dependent countries can accelerate the shift toward cleaner energy while safeguarding economic stability, energy security, and social inclusion.

While coal remains a key source of affordable electricity, it also poses serious environmental, financial, and social challenges. Drawing on extensive on-the-ground research and stakeholder interviews across Bangladesh, Indonesia, Malaysia, Pakistan, Japan and China, the book captures the perspectives of plant operators and financial institutions navigating this complex transition.

While the book identifies key barriers to energy transition such as rigid power purchase agreements, financing risks, and policy uncertainty, it also proposes practical pathways through innovative financing instruments, policy reforms, and just transition measures. By combining country-specific evidence with regionally relevant insights, this volume offers academics, researchers, policymakers, and financial actors a pragmatic roadmap for achieving a fair, inclusive, and economically viable transition from coal to clean energy across Asia.

World Scientific
www.worldscientific.com
14381 hc

**Climate
Finance
Asia**



Learn More



ISBN 978-981-98-2785-5

9 789819 827855



World Scientific

Thank you very much for your attention!