

**ENVIRONMENT**

# Toshiba stops taking orders for coal-fired power plants

Company plans to boost renewables investment fivefold as Japan targets zero emissions



Toshiba is ditching its coal-related businesses for cleaner sources of energy. (Source photos by AFP/Jiji and AP)

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TOKYO -- Toshiba will stop taking orders for new coal-fired power plants, moving in line with a global shift toward reducing carbon emissions, Nikkei learned on Tuesday,

Shifting its priority in the energy business to renewables, the Japanese industrial group will increase annual investment in them roughly fivefold to 160 billion yen (\$1.52 billion) by fiscal 2022.

The move comes after Prime Minister Yoshihide Suga pledged to reduce Japan's greenhouse gas emissions to net zero by 2050.

With compatriot Mitsubishi Heavy Industries and international rivals like Germany's Siemens reevaluating their coal-related businesses, competition in the energy sector will be driven by the ability to adapt to changing demand.

Toshiba holds 11% of the global thermal-power generation market, excluding China. This includes building power plants, producing steam turbines and providing maintenance and other services. While the company will stop accepting new orders for coal-burning plants, it will build about 10 stations under existing orders in Japan, Vietnam and other countries.

Overseas industrial groups are also scaling back their presence in coal power. Siemens Energy, the electricity and gas unit of Siemens spun off in April, said Tuesday that it will stop participating in new tenders for coal-only power plants effective immediately. It will continue to provide maintenance and supply replacement parts for existing plants.

The German company plans to focus instead on wind farms, power transmission technology and gas-fired power generation for future growth. Siemens Energy will transition to a more sustainable, growth-oriented portfolio, CEO Christian Bruch said in a virtual news conference.

Toshiba booked nearly 3.4 trillion yen in consolidated sales in fiscal 2019 ended March, of which thermal and hydraulic power accounted for 223 billion yen. The company will continue producing turbines mainly for replacements, but the business faces drastic cutbacks.

The increased use of renewable energy -- along with more investor attention on environmental, social and corporate governance factors -- is weakening global demand for carbon-spewing coal-fired power plants. Governments in industrialized countries are leading the way. Presumed incoming U.S. President Joe Biden has declared a similar goal as Suga's pledge for net-zero greenhouse gas emissions.

Demand for coal power remains strong in Southeast Asia. In January, however, Japan's Environment Minister Shinjiro Koizumi said he would call for reviewing a Japanese-led project to build a coal-fired power plant in Vietnam.

As an alternative to coal, Toshiba will boost investment in research and development of offshore wind power and next-generation photovoltaic cells. It hopes to expand its renewable energy business to 650 billion yen by fiscal 2030, from 190 billion in fiscal 2019.

Earlier this month, Toshiba said it would enter the "virtual" power plant business, buying electricity from renewable sources across Japan for resale to local power companies.

Among Japanese companies, Mitsubishi Heavy -- which holds a 12% share of the global thermal-power generation market, excluding China -- also faces headwinds. Mitsubishi Power, a subsidiary former in merger with Hitachi's power-generation businesses in 2014, has struggled to find orders to build new coal power plants. Sales of turbines and other equipment for these facilities have remained sluggish.

Maintenance and other services generate 40% of Mitsubishi Heavy's coal-power-related sales, and the company aims to raise this ratio to about 80%.

Before Toshiba and Siemens, General Electric in September said that it will stop building new coal-fired power stations and supplying facilities. The U.S. company will shift its focus from the building of new power stations to maintenance and other services.

Japanese makers of coal-fired power plants have pointed to their environmental performance, but a movement toward decarbonization is causing companies to review the use of coal itself.

General trading houses have helped Japanese makers win orders for building power stations overseas. These companies will also be forced to shift their strategies, including expanding their renewable energy business.