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## **What are the implications of changes in China's fossil fuel supply and demand?**

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According to China's National Bureau of Statistics, thermal power generation declined for the first time in a decade in 2025. Although electricity demand continued to grow, it did so at a slower pace. Meanwhile, the growth rate of renewable power exceeded that of demand. Approximately 60% of China's total domestic coal demand in 2023 was accounted for by coal demand for power generation, making the impact of declining coal-fired power significant. Furthermore, China's domestic coal production has increased, reducing coal imports even further. As the world's largest coal importer, China's changes in import volumes significantly impact international market prices. Whether this trend will persist is a critical concern for coal-exporting countries. If China's reduced imports represent a structural shift, this could have an adverse effect on coal companies and regional economies in countries such as Indonesia and Australia.

There has also been a decline in LNG imports. Amid weak demand growth, domestic production is increasing and imports via pipelines from Central Asia and other regions are remaining steady. This has resulted in a reduction in LNG imports. China's increased domestic production of coal and natural gas is driven by a focus on energy security. Clearly, improving energy self-sufficiency is desirable for national security. China has long pursued greater self-sufficiency, but the intensifying confrontation with the United States may further strengthen this commitment.

From a long-term perspective, I am interested in the outcome of China's decarbonisation goals. China has set the following targets: 1) to peak its CO<sub>2</sub> emissions by 2030, and 2) to achieve carbon neutrality by 2060. If moderate energy demand growth due to slower economic expansion becomes the norm and the pace of renewable energy additions over the past few years is maintained, peaking CO<sub>2</sub> emissions by 2030 could be achievable. As the world's largest CO<sub>2</sub> emitter, China's achievement of this target would have significant implications for global climate change mitigation efforts.

Meanwhile, concerns exist both within and outside China. In China, construction is underway on coal-fired power plants with a total capacity of over 200 GW — close to Japan's total power generation capacity. If demand for coal power generation has already peaked, these plants will either be halted during construction or, even if operational, be forced to run at low utilization rates. The frequent overproduction and cut-throat competition seen in other sectors will then be repeated in the thermal power sector. If coal power plants become stranded assets, this could worsen the performance of power companies and financial institutions, potentially prolonging the slump in China's already struggling economy.

From an external perspective, this could present an opportunity for China to increase its involvement in the global effort to decarbonize. China's industries are already widely recognized for their strength in solar panels, batteries, and electric vehicles. If China were to achieve its emissions peak, this would likely accelerate the global rollout of its decarbonization model. This would be driven not only by its robust clean technology industries, but also by the confidence gained from achieving its 2030 target. The Trump administration significantly rolled back climate policy in the United States, and Europe — which had previously led global climate action — has also slowed the pace due to economic difficulties. China may seize this opportunity to strengthen its position and assert its dominance. While progress in decarbonization is welcome, strengthening dominance by a single country poses a risk. We must establish a counterbalance of power for the decarbonization era.

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