

Dragoman Digest

The US proposes sweeping emissions standards on coal and gas plants

Coal and gas-fired plants will rely on CCUS to continue operating beyond 2040

Last week, the **US** Environmental Protection Agency (EPA) [proposed](#) new carbon pollution standards for coal and new natural gas-fired power plants, adding a 'stick' to the *Inflation Reduction Act's* carrot. The new regulations concentrate on regulating emissions at the level of individual plants.

To meet the requirements of the new regulations, plants will have the flexibility to use carbon capture, usage and storage (CCUS) techniques or co-fire with gas or hydrogen. Existing coal plants operating beyond 2040 must achieve a 90 percent CO₂ capture rate. Plants due to retire between 2035 and 2040 must co-fire with 40 percent natural gas by 2030 and could meet obligations through reduced utilisation rather than costly equipment upgrades.

The new regulations will not be without their challenges. Since the US Supreme Court curtailed the EPA's power to enforce state-level carbon emissions reductions from power plants last June, these regulations may face similar opposition from the Supreme Court, Republican lawmakers, and coal-rich states. A future Republican president could potentially reverse these regulations.

Decline in rural workers moving to cities implies labour shortages in China

Continuation of the trend may put a ceiling on urbanisation

Would-be [migrant workers](#) in **China** are opting to work in their home provinces rather than find jobs in urban areas. The number of people travelling from their rural provinces to urban areas for work was down one percent in 2021 compared to 2022. At the same time, the number of people employed in their home provinces went up by 0.9 percent to 101.3 million. Although the change is modest, it is but part of a trending decline since 2015.

The migrant trend may exacerbate established labour shortages in the manufacturing sector. According to the government, 36 out of 100 occupations facing labour shortages in China are in manufacturing-related areas. It may also slow down urbanisation rates, which have been a major growth driver for China. In theory, China's urbanisation will continue in earnest up until 2030 if it is to approach **US** and **Japanese** levels of urbanisation. However, these figures suggest that increasing numbers of younger people do not see major cities as an attractive destination, especially with reform to hukou (a household registration system that determines access to benefits and services) continuing to be stalled.

Shell-backed gas project illustrates Iran's stranglehold on Iraqi economy

Iran's involvement in the Iraqi energy sector makes links with Iran almost unavoidable

Shell finds itself in an awkward position in **Iraq**. Despite **EU** and **US** sanctions on **Iran**, an Iranian company will receive a majority of the revenues for supplying power to its new [gas project](#) in southern Iraq. Mapna Group, Iran's largest contractor of power plants, will receive 78 percent of the revenue from supplying 70 MW of power from its Rumaila Power Plant to the Shell-backed Basrah LNG project. The situation speaks to Iran's entrenchment in Iraq's economy and particularly its energy sector. Electricity and gas imported from Iran represents up to 40 percent of Iraq's power.

Iran's level of involvement in Iraq's energy sector complicates the local investment environment. Shell is far from alone. Other companies including BP and ExxonMobil rely on electricity from Iraq's grid, some of which inevitably will come from Iran, to power their numerous oil production and exploration projects. The somewhat haphazard and opaque nature of the US' sanction regime on Iran has also made matters difficult. Mapna's Iraqi bank account has been frozen since 2021 because of pressure from Washington. As a result, Mapna has delayed finishing the plant, which was designed to generate 3,000 MW. However, the US has simultaneously provided Iraq with sanction waivers to import Iranian energy on the conditions that payments are only to be used by Iran for food and medicine supplies. Payments are often delayed as a consequence of the restrictions. With prospects for a renewed Joint Comprehensive Plan of Action looking gloomy, Western companies active in Iraq will continue to face this unwieldy balancing act.

Poor quality control in India's solar industry holds back high ambitions

Frequency of faulty PVs in India far above global average

India is making strides with headline figures of solar installation, but a lack of [quality control](#) is becoming an issue. The country installed a record 13GW of solar capacity in 2022, up 27 percent year-on-year, bringing its total solar capacity to around 64GW. This surge has been driven by an 80 percent decline in the CAPEX of solar and a 90 percent fall in the levelised cost of electricity.

However, India's solar modules are degrading far faster than in other economies at around 1.2 percent per year, more than double the global average of 0.4 to 0.5 percent per year. A variety of factors are contributing to this figure, including cracks in PVs during transportation, corrosion caused by a lack of moisture resistant modules and poor practices in connecting metal surfaces together. Increasing investment in the quality of skills and education in renewable energy installation would be a high returning fix for India in its ambitions to become a global solar powerhouse.