

Key Points of Outlook for 2010

Developments Involving Asian Coal Market

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Coal import demand in the Asian coal market in 2009 had been expected to decline from 2008 due to the economic stagnation following the Lehman Shock. But a fast expansion in China's coal imports in and after April 2009 led Asian coal import demand to top the 2008 level. China's coal import expansion included spot imports from Australia and was attributable primarily to Chinese domestic coal prices that were higher than international prices.

In the January-October 2009 period, Japan's steaming coal imports plunged by 12.9 million tons from a year earlier and coking coal imports by 14 million tons. Taiwan's overall coal imports declined by 5.2 million tons. China expanded steaming coal imports by 18.4 million tons and coking coal imports by 22.5 million tons. South Korea, though reducing coking coal imports by 2.8 million tons, boosted steaming coal imports by 5.2 million tons as new coal thermal power stations launched operations one after another from 2007.

Spot prices of steaming coal plunged from the early July 2008 peak of \$190 per ton to \$60 in March 2009. They later soared generally, though falling on seasonal factors temporarily. They rose back above \$85 in late December. For Japan's steaming coal imports in FY2009 under long-term contracts, prices were agreed on at around \$70 (against \$125 in 2008) for a year from April and \$75 for a year from October. As for high-quality coking coal, prices were agreed on at levels below \$130 (against \$300 in 2008), despite production adjustments at some coking coal mines. On China's fast expansion in spot coal imports, however, high-quality coking prices have reportedly exceeded \$150.

In the Asian coal market in 2010, China's import trends are expected to remain as a key point, while other countries are anticipated to expand imports. China's domestic steaming coal prices turned up at the start of the winter demand season in November and have widened gaps with international prices. If the situation remains unchanged, China may post another steaming coal import increase that would be slower than the sharp rise in 2009. This could tighten the steaming coal supply/demand relationship. Japan and some other countries are likely to increase coking coal

imports in 2010. If such increase is combined with China's further import expansion, the coking coal supply/demand balance may grow tighter. Given these forecasts, both steaming and coking coal prices in 2010 are expected to increase from the previous year.

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