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## **Outlook for International Coal Market**

### **<Summary>**

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#### Outlook for coal prices in 2019

1. From early 2018 to today, coal prices remained high, fluctuating at around \$100/ton for steam coal and between \$170/ton and \$260/ton for coking coal.
2. The spot price of steam coal (the FOB price at Newcastle Port in Australia) sank to this year's low of \$90/ton in April and soared to \$120/ton in the second half of July on growth in imports in China and India. The price slipped below \$100/ton in the second half of November and is now slightly above \$100/ton. While procurement for the winter demand season has started, no major price hike has been seen.
3. In 2019, the spot steam coal price will fall toward the lower demand season of spring and fluctuate due to seasonal changes. While being influenced by China's procurement trend, the price will drop below \$85/ton in the lower demand season. The average price for 2019 will be \$88/ton.
4. The spot price of coking coal (the FOB price for Australian premium hard coking coal) plunged from \$260/ton at the beginning of 2018 to levels below \$175/ton in late April, rose back to \$200/ton on growth in imports in China and India in June and fell back to levels below \$175/ton again. As Indian imports were robust later, with Chinese demand expected to rise toward winter, the spot coking coal price rebounded before remaining in a \$220-230/ton range from the second half of October. Other contributors to the price hike included a production halt by a coal mine accident in Australia and a vessel queue at Dalrymple Bay in Queensland.
5. The spot coking coal price will fall below \$180/ton in 2019 due to supply capacity boosting factors such as the resumption of production at some idled coal mines and the expansion of production at some operational coal mines. The average price will be \$185/ton for 2019.

### Demand trend

6. In China, coal demand continued to decrease for three years from 2014 due to economic growth deceleration and air pollution countermeasures, before turning up with both domestic production and imports increasing in 2017. In 2018, steam coal demand rose above year before levels due to expanding power demand and sluggish hydro power generation. Coking coal demand also followed an uptrend after pig iron production turned up year on year in May. Coal consumption in the first nine months of 2018 totaled about 2,875 million tons, up 84 million tons year on year. Due to anticipated economic growth deceleration, however, China's coal demand in 2019 will slow down growth, with imports leveling off.
7. In India, coal imports peaked in 2015 and fell on domestic production growth, before beginning to increase year on year in autumn 2017. In 2018, steam and coking coal imports increased while domestic production expanded on demand growth. This trend will continue into 2019.
8. Among other regions, ASEAN and emerging countries will increase steam coal imports as new coal-fired power plants start operation. Europe will continue to reduce steam and coking coal imports. Taiwan will expand coal imports as new coal-fired power generation capacity goes on stream in 2019. Coal imports will almost level off in Japan and South Korea.

### Supply trend

9. Coking coal exports from Australia decreased substantially as a cyclone inflicted heavy damage to the railway system in Queensland in late March 2017. Later, however, exports have grown smoothly. Australia's steam and coking coal exports in 2018 increased year on year. In 2019, Australia is expected to restart production at idled coal mines and expand production at operational coal mines to secure supply capacity meeting demand growth.
10. In the United States, domestic coal demand has declined in recent years due to the retirement of coal-fired power plants under environmental pollution countermeasures and users' switching from coal to gas amid gas price drops. On the other hand, U.S. coal exports have increased since 2017, including those to Asia. Although FOB costs for U.S. coal are relatively higher, the United States has room to expand coal exports depending on international prices.
11. Indonesia came up with a coal production adjustment plan to gradually cut coal production from 425 million tons in 2015 to 400 million tons in 2019 from the viewpoint of protecting and effectively utilizing coal resources. However, it set a production target at 485 million tons for 2018, with exports turning upward. In 2019,

Indonesia is expected to maintain robust coal exports.

12. Other coal suppliers are planning to expand coal exports. Steam coal exports are expected to increase from Colombia, Russia and South Africa. Coking coal exports are predicted to rise from Canada, Mozambique and Russia.

#### Coal business environment

As coal phase-out initiatives have continued in Japan and other countries, attention must be paid to German and other government coal policies, as well as financial institutions' and investors' responses to such initiatives. As coal demand expands mainly in emerging countries, however, such initiatives' impact on short-term coal supply and demand, and prices may be limited.