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Outlook of the International Coal Situation

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Outlook for coal prices in 2019 - 2020

1. Steam coal spot prices (the FOB price at Port of Newcastle, Australia), which are representative of the Asian market, have been on a downward trend after peaking at \$120/ton at the end of July 2018. After staying at a level of around \$100/ton at the start of 2019, it fell once again, and despite the adjustment period leading up to the high demand season of summer, steam coal spot prices fell below \$70/ton by the end of June. However, they have since rebounded the mid-\$70/ton level recently. Steam coal spot prices in the European market (the delivered price at the ports of Amsterdam, Rotterdam, and Antwerp), which is on par with the Asian market, fell to \$50/ton at the beginning of June due to the sudden plunge in gas spot prices. After remaining at that level, it has rebounded since the start of July. This sudden drop is also viewed as a possible factor pushing down steam coal spot prices in the Asian market.
2. Steam coal spot prices will stop falling in the Asian market. After remaining in the low-\$70/ton range until the start of autumn, they are expected to rise heading into the high-demand period of winter. Steam coal spot prices in 2020 are expected to rise to \$80/ton in response to the increase in imports by India and ASEAN under the impact of seasonal factors and import changes in China.
3. Coking coal spot prices (the FOB price for premium Australian hard coking coal) have increased due to an increase in imports by India and China as well as supply-side factors (coal mining accidents, vessel queue), and stayed at around \$220/ton since October 2018. Demand stabilized at the beginning of 2019, and after falling to \$190/ton in January, coking coal prices have remained around \$200/ton. However, they have recently fallen again to almost \$180/ton.
4. Moving toward 2020, coking coal spot prices are expected to enter a downward trend on the back of growing supply capacity, due to factors such as the resumption of operation of idle coal mines and expansion of existing coal mines in operation amidst a high-price situation, and expansion of new sources. Prices are expected to fall to \$170/ton.

Demand trends

5. Despite a decrease in coal demand in Europe and North America, global coal demand in 2018 increased by 53.7 million toe on the back of an increase in demand of 70.5 million toe in Asia. In particular, demand for steam coal and coking coal was driven by India and China, while demand for steam was driven by ASEAN.
6. Amidst growing coal demand in India, the government is making efforts to increase domestic production through policies. Consequently, coal imports fell after peaking in 2015, while imports increased by 29.3 million tons in 2018 (22.6 million tons for steam coal and 6.7 million tons for coking coal). After 2019, steam coal imports will continue to increase due to the high ash content of domestic coal and the commencement of operation of imported coal-fired thermal power plants. Coking coal imports are expected to increase alongside with the increase in pig iron production.
7. Due to factors such as the commencement of operation of coal-fired thermal power plants in ASEAN, coal imports have been on the rise at more than 10 million tons every year since 2016. Going forward, coal imports are expected to continue increasing alongside with the commencement of operation of coal-fired thermal power plants that are now being constructed.
8. China's coal imports fell to 204 million tons in 2015, but the downward trend was reversed thereafter and reached 281 million tons in 2018. The Chinese government is reducing coal consumption with the aim of improving power generation efficiency and making the switch to gas, and controlling a balance between coal demand and supply. However, since 2017, consumption, production, and imports have all been on an upward trend, and are continuing to register year-on-year increases in 2019.
9. In Europe, there have been growing moves to shut down coal-fired thermal power plants in a bid to move away from coal, and the situation is difficult for new investments as well. Coal consumption have been falling after peaking in 2013, and regional production and imports are also falling alongside with this drop in consumption.

Supply trends

10. Coal imports in the United States increased by 33 million tons in 2017 and 17 million tons in 2018 in response to the rise in international coal prices. Although the U.S. has been known as a swing supplier from the past, there is adequate capacity for increasing exports depending on international prices. Amidst the downward trend of steam coal prices, export volumes for 2019 are falling compared to the same period

last year.

11. Coal exports for Australia have remained mostly stable in the past few years due to the stagnation of market conditions and increase in exports by other exporting countries. Exports from January to April 2019 increased by 2.5 million tons year-on-year. Due to market recovery since mid-2016, idle coal mines have resumed operations while existing coal mines in operation are expanding. As a result, moving into 2020, supply capacity is expected to be secured to meet the increase in demand. However, in the medium to long-term, opposition from residents and the trend of moving away from coal are making it difficult to develop new coal mines, while the recent sluggish steam coal prices have made it even more difficult to make investment decisions.
12. In Indonesia, the protection of coal resources and efficient use have led to the implementation of production adjustments. However, with the recovery of the market, both production and exports are on an upward trend. According to reports, production volume for 2018 was reported to be 557 million tons (20.8% increase year-on-year).
13. As for other suppliers, steam coal exports are expected to increase for Russia and Colombia, while coking coal exports are expected to increase for Canada, Mozambique, and Russia.

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