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IEEJ e-Newsletter Editor: Yukari Yamashita, Director
IEEJ Newsletter Editor: Ken Koyama, Managing Director
Inui Bldg. Kachidoki, 13-1 Kachidoki 1-chome, Chuo-ku, Tokyo 104-0054
Tel: +81-3-5547-0211 Fax: +81-3-5547-0223

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I. New Year Message from IEEJ Chairman & CEO Masakazu Toyoda A Year to Resolve the Many Issues with Speed!

Masakazu Toyoda, Chairman & CEO
The Institute of Energy Economics, Japan

A happy new year. The general election at the end of last year ended with an overwhelming victory for the Abe administration. I welcome the start of an additional four years of stable government for Japan, which is facing a multitude of problems in various areas including the economy and trade, welfare, and foreign affairs.

The energy area is also beset by countless issues, and 2015 is the year in which we need to and can solve those issues with speed. The main issues to be addressed are:

(1) Steady progress in restarting the nuclear power plants, (2) formulation of the energy mix, (3) revising the Feed-in-Tariff (FIT) system for renewable energies, (4) finalizing the climate action framework beyond 2020, (5) completing the detailed design of the electric power and gas market reforms, (6) structural efforts for abolishing the Asia Premium, and (7) promoting collaboration in the energy area among Asian countries including Japan, China and South Korea. I do not have enough space to cover all of them, but I wish to explain why these are particularly urgent problems.

First and foremost is the complex geopolitical situation, and particularly the Middle East on which Japan depends for nearly 85% of its oil and 30% of its natural gas (LNG). Since the Arab Spring that started in Tunisia in 2011, hopes for democratization and stability in the region have been crushed as the crisis has intensified. The Arab Spring unleashed public frustration with the widening economic disparities in the Arab community, adding to the existing regional confrontations between Israel and Palestine, Iran and the West, and Iran and Saudi Arabia. The situation has worsened to the point where no nation or religious sect has an effective solution, as symbolized by the emergence of Islamic State (IS). The halving of oil prices in the second half of 2014 is good news for importers in the short term, but not necessarily so in the medium to long term, as it could eventually destabilize the oil-producing countries of the MENA region, causing prices to soar again. Further, the situation in Ukraine is affecting oil and LNG imports from Russia, while territorial disputes in the East China Sea could disrupt energy supply routes. Thus, the international situation is highly unstable for an energy importer like Japan, which requires energy security.

Second is the unavoidable rise in electricity tariffs and outflow of national wealth caused by rising oil prices and the shutdown of nuclear power plants. While the former is an overseas factor, the latter is a domestic one. Most of the fall in oil prices associated with the former factor has been cancelled out by the depreciation of the yen. Regarding the latter, the Nuclear Regulation Authority (NRA) was established in autumn 2012 as an independent nuclear regulator; this body established the world's strictest nuclear safety requirements in July 2013, and is currently reviewing 21 nuclear units for compliance, although even 18 months after starting the reviews, not one unit has been restarted. Two units of Kyushu Electric's Sendai Nuclear Power Station finally cleared the reviews in September last year and were approved by the plant-hosting communities to be restarted, but the final step of construction approval is taking longer than expected and the units are unlikely to be restarted at least

until February. Two units of Kansai Electric's Takahama Nuclear Power Station were also approved for compliance at the end of last year, but it has yet to receive approval by the local community. In the past four years or so, industrial electricity tariffs have increased by 20 to 30% due in part to the rise in oil and natural gas prices. The extra cost caused by the nuclear shutdown was about three trillion yen last year. Industrial electricity tariffs would have risen by nearly 20%, instead of the current 15%, without the efforts of power companies to control the tariffs, but further delays in restarting the nuclear power plants inevitably caused an additional increase of about 10%. This means a further loss of industrial competitiveness and outflow of national wealth to oil- and gas-producing countries, which has exceeded 10 trillion yen since the Fukushima Daiichi accident.

Regarding the future rise in electricity tariffs, we also must not forget the surcharge associated with the FIT system for renewable energies. The total licensed capacity of over 90 GW of solar and wind power including the amount already licensed as of last August, if connected, would incur a total surcharge of 46 trillion yen over the next 20 years, or 2.6 yen/kWh per year, which would mean a rise of over 20% in industrial electricity tariffs. Enough nuclear power must be available before all the licensed renewable energy capacity is connected, otherwise electricity tariffs would take a "double punch". Controlling the burden on the energy economy is an issue of utmost urgency.

Third is the worsening climate change. Regardless of climatic anomalies such as massive typhoons, abnormal snowfall and frequent tornadoes, the Japanese public remains uninterested in climate change. Many climate action campaigners took an anti-nuclear position following the Fukushima Daiichi accident, yet very few people seem concerned about climate change now, except within the government and industry. The abnormal climate is a global issue. Last autumn, the US and China overcame their reluctance to formulate a climate change framework and agreed to tackle GHG reductions together. Both countries are focusing on fuel conversion, for instance from coal to clean natural gas thermal power, and both are promoting nuclear power. The US intends to maintain the share of nuclear power at nearly 20% of its electricity, while China is building new plants one after another and plans to have nearly 60 plants operating by 2020, far more than Japan's 48. With the world's third largest GDP, Japan should not be satisfied with its low rate of reducing emissions caused by the non-operation of its nuclear power plants. Ensuring the environmental sustainability of energy is an urgent issue for Japan.

As the first step, it is essential to restart steadily and efficiently those nuclear power plants that have been confirmed by the NRA to comply with the regulatory safety requirements. Concurrently, a new energy mix must be established to deal with the soaring amount of solar PV electricity and coal thermal power, and to set a CO_2 reduction target. Further, to reform the electricity and gas markets, it is necessary to balance the roles of the market and the government to ensure an appropriate quantity and quality of investment. The Asia Premium for LNG will remain even after the oil-indexed price of LNG drops, and thus must be overcome to ensure industrial competitiveness. With the drop in oil prices, now is the time to determine the new price formula. And finally, collaboration in the energy area among Asian countries including Japan, China and South Korea is essential. Resolving common problems such as saving energy, abolition of the Asia Premium, and ensuring nuclear safety is an urgent issue that would benefit all parties concerned.

The Institute of Energy Economics of Japan will continue its efforts to resolve the various energy issues with speed. I would like to take this opportunity to wish everyone a prosperous new year.

II. Special Feature: Key Points for 2015

Summary

II-1. Review of the Energy Policies

Some events in 2014 were totally unexpected when the Basic Energy Plan was being formulated. An energy mix policy is required that will help create an energy supply-demand structure that allows us to tackle issues comprehensively and strategically.

II-2. International Oil Situation

The international oil market will remain unstable in 2015, searching for a new price equilibrium. Oil prices for 2015 are forecasted at around $65/bbl for Brent and $63/bbl for Dubai.

II-3. Domestic Oil Situation

Following the completion of scrapping of 1.2mil b/d refining capacity in March 2014, a new reduction target was established for March 2017. Developments in the situation must be closely monitored, including the impact of falling oil prices that might reverse the demand downward trend, and the integration of the oil industry.

II-4. Challenges for the Electric Power Business

2015 is another year of preparation for FY 2016 when full liberalization of the retail sector will be launched. It is also a year when the shape of the new electric power system will start to emerge, including the expanded use of renewable electricity.

II-5. Challenges for the Natural Gas Business

Regarding natural gas in 2015, attention must be paid to the impact of falling oil prices on general supply and demand, the launch of new LNG projects in Asia and Oceania and its impact on the spot price, and Japan’s gas market liberalization.

II-6. Nuclear Power

While Sendai 1 and 2 and Takahama 3 and 4 are still at the final stages of the reviews, nine nuclear power plants are expected to be operating by the end of 2015. The Nuclear Regulation Authority is expected to conduct reviews strictly yet efficiently.

II-7. Global Coal Situation and Asia

The coal market continued to face oversupply in 2014 and prices remained low. While China's imports will continue to play a key role in the market in 2015, the oversupply will be gradually resolved through output adjustments on the supply side, and coal prices are likely to pick up in the second half of the year.

II-1. Review of the Energy Policies

Akira Yanagisawa, Senior Economist
Energy Demand, Supply and Forecast Analysis Group
Energy Data and Modelling Center

The discussion on the energy mix is likely to enter into full swing in early 2015. The energy mix is an important compass for Japan and must be clearly defined without delay.

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The first Basic Energy Plan after the Great East Japan Earthquake was approved by the Cabinet in April 2014 after innumerable discussions on a variety of topics. The Basic Energy Plan, the fourth, once again emphasizes the key issues for the energy policies of Japan based on the country's supply-demand structure and energy situation. Since opinions and discussions immediately after the earthquake disaster tended to be extreme, it is reasonable that much of the Plan focuses on fundamental “text-book” issues.

Unlike the previous three, the latest Basic Energy Plan has not set quantitative future targets. Setting quantitative figures involves risks such as exacerbating differences in opinions and allowing numbers to be interpreted without considering the context. As the Chairman of the Strategic Policy Committee declared at the outset, the use of qualitative expressions was perhaps inevitable to avoid further delays in the sharply divided revision process. Nevertheless, this 80-page text seems vague and contradictory at first glance.

At any rate, this year starts with the groundwork for the energy policy in place. The public cannot be expected to put up with the post-disaster emergency plan indefinitely, and internationally, the final deadline is approaching for setting the GHG emissions reduction targets beyond 2020 to fight climate change. The energy system has an extremely long lead time and life span as well as great social and economic impacts, and so its grand design should be drawn up not carelessly in a rush, but with utmost care. Fortunately, through numerous discussions, the key considerations have finally become clear.

We witnessed totally unexpected events in 2014 while the Basic Energy Plan was being formulated, including the severe deterioration in the relationship between the West and Russia over Ukraine, and the plunge in oil prices since last autumn. The recent actions of Russia have also created a new challenge for Japan. The falling international oil price reduces the economic burden on Japan which is now highly dependent on expensive thermal power, but does not help ensure a secure supply of energy or solve climate change issues. On the contrary, it could cause the delay and/or review of less profitable oil and natural gas production projects, thus making it difficult to diversify supply sources as called for in the Basic Energy Plan.

Humankind is yet to create the perfect energy source. Thus, the energy supply and demand structure should be designed to handle difficulties and complex situations comprehensively and proactively, rather than retroactively. We hope that a clear future path for building such a system will be decided in 2015 (written on December 24).

II-2. International Oil Situation

Yoshikazu Kobayashi, Senior Economics, Manager
Oil Group, Oil Subunit
Fossil Fuels & Electric Power Industry Unit

International oil prices have been plummeting since last summer after remaining high since 2012. The Brent oil price fell to the 50 dollar range in late December, and the fall shows no sign of stopping. The international oil market has slipped from the "equilibrium" of 100 dollars/barrel and is moving toward another equilibrium; prices are likely to remain unstable in the short term.

Regarding the future supply-demand balance, the oversupply will continue in 2015 so long as OPEC maintains a daily output of 30 million barrels. The current easing of supply will continue particularly in early 2015, with surplus production of as much as 1 to 2 million barrels per day.

A key point for the future price movemet is the impact of the falling oil price on supplies from high-cost non-OPEC countries. The price may need to fall to as low as $50/bbl before shale oil production is affected, but shale oil is not the only high-cost source of oil; falling oil prices affect other sources such as deep-sea oil and oil sand production. In the near term, the oil market will continue to test price levels at which non-OPEC supplies will clearly start to shrink.

Another key point is the production policy of the OPEC countries, particularly Saudi Arabia. With more than 700 billion dollars of foreign reserves, Saudi Arabia is well-equipped to comfortably withstand low oil prices for the short term. In the medium term, however, the country will be forced to aim for higher prices to pay for its increasing fiscal expenditure due to the growing population and rising social spending after the “Arab Spring,” while it will have to cut exports due to the growing domestic demand for oil and production hikes by other OPEC and non-OPEC countries. Almost every time oil prices have plummeted in the past, as in the mid 1980s and more recently in 2008, production cuts by OPEC, led by Saudi Arabia, were the key to reversing the price trend. Saudi Arabia's reaction will be critical in turning the tide in the international oil market.

Regarding geopolitical risks, the Iraq situation including the moves of IS remains the focus of attention, but the situation in Libya, where the eastern part with most of the country's major oil fields continues to confront the central government in Tripoli, cannot be underestimated. Light and low in sulfur content like Brent, the supply of Libyan oil directly affects the oil price indexes. Regarding fiscal effects, the end of quantitative easing in the US could put further downward pressure on oil prices. While the currency exchange rate could affect oil prices in the short term, the impact of financial factors on oil prices is likely to be limited.

Based on these factors, oil prices (annual average) for 2015 are estimated to be around $65/bbl for Brent, $63/bbl for Dubai, and $60/bbl for WTI.

II-3. Domestic Oil Situation

Ikuo Hamabayashi, Secretary General
The Oil Information Center

Upon reaching the March 2014 deadline for scrapping refining capacity based on the Act on Sophisticated Methods of Energy Supply Structures, Japan's refining capacity was cut by 1.24 million B/D to 3.95 million B/D in total. With the demand for oil expected to decline further, however, in July, the Petroleum and Natural Gas Subcommittee of the Advisory Committee for Natural Resources and Energy released the second public notice of the Act to strengthen the international competitiveness of Japan's refining industry. According to the notice, an additional 400,000 B/D of refining capacity is planned to be cut by the end of March 2017 under a new judgment standard. Amid such circumstances, on December 20, the merger of Idemitsu Kosan and Showa Shell Sekiyu was reported in the media. More companies could be in line for mergers down the road.

In April 2014, the Basic Energy Plan was approved by the Cabinet—the first since the nuclear power plants were shut down following the Great East Japan Earthquake. The Plan positions oil as "an important energy source with high portability, a nationwide supply network, and abundant stockpiles which will continue to be used for purposes including offsetting the loss of other electricity sources", and stipulates that oil shall serve as the "last resort" in the event of a disaster. An "energy mix" with a numerical target for each energy source is now due to be formulated based on the Plan. This energy mix needs to be finalized as soon as possible to enable the scrapping of refining capacity to strengthen the competitiveness of the refining industry and the sound supply and demand structure.

Meanwhile, oil prices continue to plunge. Although the yen-based prices of petroleum products have not fallen by as much as in overseas oil markets as the yen has weakened together with oil prices, they had fallen for 22 consecutive weeks by the third week of December, according to The Oil Information Center. The price of kerosene, for which demand is now at its peak, has also fallen year-on-year. From the spring of 2011, oil prices remained almost constantly above 100 dollars, consequently reducing the demand for oil. The falling oil prices will not directly boost consumption as the structure of oil consumption is changing, one example being the greater use of high-mileage vehicles. However, if prices remain low for some time, they may have an impact on the demand for oil, which is expected to decrease by 2% each year.

For the oil industry, falling oil prices could cause the industry to shrink, but could also cause the price of overseas oil fields to fall and open up new business opportunities. We hope that the oil industry of Japan will make bold reforms, including corporate restructuring, to improve the profitability of its core domestic petroleum product business, while making breakthroughs in new areas and overseas to compensate for the decline in revenues.

II-4. Challenges for the Electric Power Business

Junichi Ogasawara, Senior Economics, Manager
Electric Power Group
Electric Power Industry & Smart Community Research Subunit
Fossil Fuels & Electric Power Industry Unit

FY 2015 is the year in which the Organization for Nationwide Coordination of Transmission Operators ("Nationwide Organization") will be established as the first phase of the revisions of the Electricity Business Act, and in which the proposal for securing further neutrality of the transmission and distribution departments are to be submitted to the Diet as the third phase of the revisions. It is also the final year to prepare for the launch of full liberalization of the retail sector in FY 2016. The third phase of the revisions, however, could be contentious in view of the threat to the business stability of electric power companies caused by the delay in restarting the nuclear power plants and problems with electricity tariffs.

The Nationwide Organization plans to start operating the nationwide system for grid operation in April 2016, and will not be fully operational until then. In view of the importance of its role in maintaining a stable supply, however, the Nationwide Organization will work on such issues as drawing up plans for reliability assessments and the wide-area transmission grid, nationwide adjustment in case of a supply-demand crisis, and determining reserve margins and the capacity secured. As these issues are closely related to the introduction of renewable electricity, further discussion in this area is required.

The additional resolution for the revision of the Electricity Business Act also requires the framework of the regulatory organization to be "transformed into a new independent administrative organization with high expertise that handles the administrative works for the regulation of the electricity business" around 2015, though its actual form remains unclear. However, considering the fact that the public administrators also need to build up sufficient expertise to appropriately regulate the more complicated electricity business, the organization must be capable of acquiring such expertise.

As of December 2014, 450 PPSs have applied to be registered, of which 56 companies are already active as of the first half of 2014. As all PPSs are required from FY 2014 to report their supply plans, the actual situation and direction of their business which had been unclear should become more transparent, including the supply capacity they have secured.

In the summer of 2014, there were concerns that the reserve margin for central and western Japan (60 Hz area) might drop below 3% due to unplanned outages of thermal power plants. The area fortunately managed to avoid a supply-demand crisis due to the cold summer. The regional power companies have occasionally experienced tight supply and demand since the winter of 2011, and so we must not forget the importance of supply and demand measures in 2015. In particular, in the winter of 2013, Hokkaido Electric faced a supply-demand crisis due to the unplanned outage of 700 MW of its thermal power. It could face a similar situation if it suffers another major unplanned outage of thermal power in the winter of 2014.

While 2015 is another year of preparation for FY 2016 when the retail sector will be fully liberalized and the Nationwide Organization will be launched, it is also a year when the shape of the new electric power system will start to emerge, including the greater use of renewable electricity. We hope that the discussions on the ideal form of the electric power system will make progress.

II-5. Challenges for the Natural Gas Business

Tetsuo Morikawa, Senior Economist, Manager
Gas Group, Coal & Gas Subunit
Fossil Fuels & Electric Power Industry Unit

Regarding natural gas in 2015, key issues are the impact of falling oil prices on natural gas markets, the launch of new LNG projects in Asia and Oceania and its impact on the spot price, and Japan's gas market liberalization.

Tumbling oil prices since last autumn are good news for Asian importers as the price of LNG falls in tandem. In FY 2015, Japan's LNG import price could drop to $10/MMBtu. However, falling oil prices could hamper the development of gas fields and LNG. Particularly, it could hurt the profitability of new LNG projects launched after those in Australia and the 48 US States, such as in Canada, Alaska, eastern Africa and Russia, thus curbing investment.

In the short-term energy outlook of Japan issued by the IEEJ last December, it was assumed that Japan's nuclear power plants would begin to restart in the first half of 2015 and nine plants could be operating by the end of FY 2015. The restart is far behind schedule and facing great uncertainties including gaining the approval of the local municipalities. As the restart of Kyushu Electric's Sendai Nuclear Power Plant by itself would only have a limited effect on LNG demand, we hope that other plants will be able to follow suit smoothly, in order to pave the way for reducing trade deficit and CO_2 emissions.

In 2015, Australia's Queensland Curtis is scheduled to start full operation, while projects such as Indonesia's Donggi Senoro, Australia's Gorgon, Australia Pacific and GLNG are planned to be launched. With a combined liquefaction capacity of 43 million tonnes, these projects will ease the Asian LNG market even further. The wider the gap between long-term contract prices and spot prices, the stronger the incentive for buyers to shift to spot procurement, which will increase not only the liquidity of the LNG market but also the possibility for a spot-indexed Asian natural gas index price (Asian Hub) to be formed.

Japan's gas market liberalization is also due to be finalized in early 2015. Among the four aims of the reforms, regarding "reducing the retail prices by competition", we do not know if liberalization has curbed gas prices in Europe and the US. Further, "developing the gas supply infrastructure" depends on project economics. As a lower import price of natural gas and hence its cost-competitiveness are essential for these goals to be achieved, the reforms should address not only the domestic gas regulations but also a broader scope including the natural gas imports.

II-6. Nuclear Power

Tomoko Murakami, Manager
Nuclear Energy Group, Strategy Research Unit

On December 17, the Nuclear Regulation Authority (NRA) finalized the result of the safety review of Kansai Electric's Takahama Units 3 and 4, and approved it as a "draft assessment report". Thus, the NRA has now approved safety assessment reports of four nuclear power plants, including Sendai Units 1 and 2. The draft assessment report for Takahama Units 3 and 4 is due to be officially approved by the NRA after being opened for technical and scientific comments from December 18 to January 16, 2015 (public comment). Meanwhile, Sendai Units 1 and 2, which were approved in September 2014, are not likely to restart until at least the end of FY 2014, as the NRA will take more time to review and approve the construction plans and technical specifications of the plants.

As for the plants other than the above four, the timing of their restart will depend mainly on the formulation of the seismic analysis and whether they require large-scale constructions. The NRA's reviews are expected to proceed more quickly for those plants whose seismic condition have been or are likely to be accepted without major hindrance, and as of the end of FY 2015, about nine plants including Sendai Units 1 and 2 are expected to be in operation. Moving forward, improving the efficiency of the reviews and ensuring the transparency of judgment criteria will be a key for restarting the plants.

Aside from the 20 existing plants (including Sendai 1 and 2) that have applied for review, attention must also be paid to those that have not yet applied, specifically, the trend of applications from those which will or will not reach 40 years of operation in 2015, and those being newly constructed. Kansai Electric's Takahama Units 1 and 2 have begun the special inspection that is mandatory for applying for an extension of its operational period, while on December 16, J-Power applied to the NRA for a review of its Oma Nuclear Power Plant which is currently under construction. The outcome for these plants must be closely monitored as it will affect the future capacity of nuclear power.

On December 24, the Nuclear Energy Subcommittee discussing the medium- to long-term scale and policy for nuclear power drafted an interim report addressing topics such as maintaining the expertise and human resources needed to properly carry out nuclear decommissioning and waste disposal; ensuring the safety, reconstruction and rehabilitation of Fukushima; and the direction of the nuclear fuel cycle and backend policies. Among these topics, in 2015, there will be important discussions on the appropriate scale of nuclear power generation, including how to compensate for the reduction in supply due to decommissioning, the position of the nuclear business after electric power liberalization, and ensuring human resources and expertise in the long term.

Even as Japan remains mired in a nuclear moratorium and hesitates to decide its nuclear future, other countries, particularly emerging countries, are actively considering and planning the construction and development of new nuclear power plants, resulting in a transfer of human resources from developed to emerging countries. One such example is Sweden: the newly elected government decided in autumn 2014 to review the country's long-term nuclear program, and accordingly several of its nuclear experts have been sent in early 2015 to the UAE where new plants are being constructed. Meanwhile, emerging countries are embracing nuclear power: China plans to start operating several units including Sanmen Units 1 and 2, to start and approve the plan to construct several other plants in 2015, and to focus on exporting its nuclear technology. Meanwhile, India has agreed with Russia to cooperate in introducing 12 new plants. In 2015, Japan will implement its international strategy for actively utilizing its human resources and expertise in nuclear power.

II-7. Global Coal Situation and Asia

Atsuo Sagawa, Senior Research Fellow, Manager
Coal Group, Coal & Gas Subunit
Fossil Fuels & Electric Power Industry Unit

The coal market continued to face oversupply in 2014. Prices fell for both steam coal and coking coal around spring, and have remained low since then. The spot price for steam coal (FOB, shipped from Port of Newcastle, Australia) dropped from 85 dollars/tonne at the beginning of the year to the low 70s in March, where it stayed until June, and fell again to the current level of the low 60s. Meanwhile, the spot price of coking coal (FOB, Australian hard coking coal) fell from 134 dollars/tonne at the beginning of the year to the low 110 range in April, and has remained flat since then.

The main reason for the prolonged oversupply and low coal price in 2014 is the slump in coal imports by China, which had been increasing its coal imports till then (coal imports for January-October 2014 dropped by 9.9 million tonnes for steam coal and 10.9 million tonnes for coking coal year-on-year). China's coal demand is slowing in line with its economic growth, and the country is adjusting its output. In contrast, India's coal imports continued to rise steadily in 2014 (coal imports for January-October 2014 increased by 12.2 million tonnes for steam coal and 6.4 million tonnes for coking coal year-on-year), driving the Asian market. In the Asian market, imports by other importing countries increased slightly, and in general, the market for steam coal is growing while that for coking coal is slightly shrinking. Meanwhile, in the European market, both steam coal and coking coal remain flat. Consequently, for 2014, due to China's falling coal imports, the global market is growing more slowly for steam coal, and shrinking slightly for coking coal.

On the supply side, production costs are being cut in response to the weak prices, while more coal mines are being closed and production is being curbed in step with the demand (through temporary production shutdowns and revision of production plans). Glencore halted production at its operating mines in Australia for three weeks from December 15. Nevertheless, output still exceeds demand due to the decrease in China's imports. A key point on the supply side is the slowing of fast-growing exports by Indonesia. Although the main cause is the reduction in China's coal imports from Indonesia, the situation must be closely monitored as the Indonesian government is proposing capping its coal output in order to conserve and efficiently use its coal resources.

In 2015, the global market is expected to grow only slightly overall, as China is likely to reduce its imports while India will do the opposite. While China's imports will depend on its domestic demand for coal, quality controls on imported coal, which were introduced on January 1, 2015, are likely to cause steam coal imports to decrease. On the supply side, the overproduction of recent years will gradually ease through further output adjustments based on the demand and price outlook (by closing unprofitable mines while starting up highly-productive ones), and a review of new development and expansion projects. Consequently, coal prices are likely to remain low in the first half of 2015, but start to rise as overproduction is resolved.

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