

Outlook and Challenges for International Coal Market in 2022

<Summary>

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2022 Coal Price Outlook

1. Steam and coking coal prices will decrease in 2022. The average benchmark spot price of steam coal (the FOB price at New Castle Port in Australia) will decline from \$172/ton in the second half of 2021 to \$132/ton¹ in 2022. The average benchmark spot price of coking coal (the FOB price for Australian premium hard coal) will fall from \$321/ton to \$299/ton.
2. The spot steam coal price fell to \$50/ton under the COVID-19 pandemic between April and September 2020 before beginning to rise back in autumn. It topped \$100/ton in the second quarter of 2021, \$200/ton in autumn and \$250/ton later. In response to the Chinese government's order to increase domestic production, however, it has fallen back to around \$150/ton.
3. The spot coking coal price fell below \$100/ton in May 2020 and fluctuated before soaring from May 2021. In September, it shot up to a record high above \$400/ton.
4. International arguments for phasing out coal have grown dominant, including a call for phasing down coal at the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change, or COP26. In 2021, meanwhile, concerns about stable energy supply increased as serious electricity shortages came on the tightening coal supply-demand balance in China and India. In 2022, coal phaseout initiatives will be implemented along with energy supply stabilization measures. While initiatives to cut energy consumption and hold down coal power generation are promoted under international frameworks, China and India will expand domestic coal production and imports over the short term, as indicated by China's decision to increase domestic production in September 2021. Southeast Asia will maintain coal consumption and imports.

¹ The average CIF price will be \$147/ton, or 2.5 cents per million calories. The year's LNG import CIF price is predicted at \$11.5-12.5 per million Btu, or 4.6-5.0 cents per million kilocalories.

5. If a rapid coal phaseout policy is implemented to sharply suppress coal demand or coal supply is remarkably restricted, the coal supply-demand balance and prices will fluctuate wildly. An important challenge is whether the world could quickly establish low-carbonization technology and economic efficiency for mixing ammonia with coal for combustion to demonstrate coal-fired power generation's role in smooth transition to carbon neutrality.

Demand trends

6. After continuing to increase between 2017 and 2019, global coal consumption turned down in 2020, with coal imports posting a sharp decline of 7.2% from the previous year. Steam coal imports increased in China and Vietnam while plunging in India. Coking coal imports decreased in China and Japan, while India steeply expanded coking coal imports and boosted its presence in global imports. In 2020, China accounted for 24% of global coking coal imports and India for 21%.
7. In the first nine months of 2021, China's steam coal imports decreased slightly year on year. As domestic production declined rapidly in June and July due to the government's coalmine safety measures, the coal supply-demand balance tightened amid robust economic activities. In response to a coal price upsurge, the government ordered the resumption and expansion of coal production at suspended coalmines. Since then, domestic production has recovered. The government also ordered some coalmines to increase production capacity. For the immediate future, China is likely to maintain steam import demand. China's coking coal imports in the first nine months of 2021 declined by some 40%. Under a policy of reducing pig iron production, coking coal imports are unlikely to increase.
8. India's steam coal imports in the first nine months of 2021 increased by 3.1% year on year, though falling short of restoring the 2019 level. Its coking coal imports in the period posted a rapid increase of 33.3%. While setting out a goal of expanding renewable energy to cover 50% of energy demand by 2030, the Indian government has opposed any rapid cut in coal consumption and plans to retain its traditional policy of giving priority to the use of domestic coal. For the immediate future, India is likely to maintain high-quality steam and coking coal imports.
9. As Vietnam and the Philippines have built new coal-fired power plants, Southeast Asia is expected to expand steam coal imports in the immediate future.

Supply Trends

10. Australia maintained its annual coal exports at around 390 million tons from 2015 to 2020 before seeing a 1.7% year-on-year fall in the first nine months of 2021. Exports

to China, which had traditionally accounted for some 30% of Australia's coal exports, have remained at zero since January 2021. Other major coal-exporting countries expanded coal exports moderately in the first nine months of 2021.

11. Against the backdrop of international coal price hikes from the second half of 2020 and China's ban on coal imports from Australia, Indonesia has expanded steam coal exports. Given its robust domestic demand, however, its export growth will decelerate. In Australia, coalmine development is expected to gradually grow difficult. Russia, though being very ambitious to export coal, has problems regarding transportation infrastructure expansion, indicating limits on any expansion in coal exports to Asia. Overall potential to expand coal supply is limited.

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