

Coal Market Outlook for 2024

- High demand will continue in China and India, but demand will continue to be weak in developed countries -

<Summary>

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Coal price

1. The FOB price for Australian thermal coal exports dropped greatly from 2022, when it soared after the invasion of Ukraine and reached over 400 dollars per ton, and its 2023 average was about 170 dollars. In the short term, the demand for coal will be weak due to the impact of the mild winter trend, the decrease in demand for electricity due to economic stagnation, and the easing of LNG supply and demand since last year, among other factors. In November, the price fell to the 120-dollar range, but in the short term, it is rebounding slightly.
2. Similarly, the FOB price for Australian metallurgical coal exports surged sharply after the March 2022 invasion of Ukraine, reaching over 400 dollars, but its 2023 average was about 270 dollars. In the short term, it is about 300 dollars due to the additional procurement of imported metallurgical coal because of stronger India's steel production.
3. Based on this current supply-demand balance, we expect the FOB price for Australian thermal coal exports in 2024 to decline from the 2023 average of about 170 dollars to an annual average of about 130 dollars, and the FOB price for Australian metallurgical coal exports in 2024 to decline from the 2023 average of about 270 dollars to about 250 dollars.

Demand trends

4. The coal import trade volume in 2023 is expected to be 1.47 billion tons, an increase of 100 million tons from 1.37 billion tons in the previous year. In 2024, continuing from the previous year, China and India will increase their domestic coal production to accommodate strong coal demand while imported coal demand will remain high to supplement their increased domestic production. On the other hand, it is predicted that in developed countries (Japan, South Korea, and the EU) thermal coal demand,

especially for power generation, is expected to remain weak, so the import trade volume in 2024 forecasted to increase slightly to 1.49 billion tons from the previous year.

5. In China, raw coal production has continued to increase similarly to the previous year and was a cumulative 3.85 billion tons in the January - October period (up 160 million tons from the same period in last year). The government is working to strengthen safety in parallel with increasing production, so depending on the actions taken, there is a possibility of a decrease in domestic coal supply. In the first half, thermal power generation was running at high utilization due to the slump in hydropower generation, which led to a high demand for coal in electricity power as well as a high demand for imported coal. Following the EU and Japan's ban on Russian coal due to the invasion of Ukraine, China has increased Russian coal imports and resumed imports of Australian coal in January of this year in order to secure an adequate coal supply volume in China.
6. India enhances its policy of responding to growing coal demand with increased domestic coal production. Cumulative January - October raw coal production totaled 790 million tons (an increase of 87.7 million tons year-on-year). The government has taken measures to maximize thermal power generation as a response to droughts and rising temperatures to secure the electricity supply. With economic activity also strong, coal-fired power generation in the January-October period totaled 106 billion kWh (+9.2% year-on-year), which compares favorably with the 12.6 billion kWh (-7.2% year-on-year) of hydroelectric power generation in the same period. The policy of increasing domestic coal production is working, so coal imports remained at 180 million tons (down 1.6 million tons year-on-year) in the January-September period. In 2024, we forecast that domestic coal production will continue to increase to support the growing demand for coal due to economic growth.
7. Japan's cumulative imports from January to October totaled 83.5 million tons of thermal coal (down 12.6 million tons year-on-year) and 52.2 million tons of metallurgical coal (up 100 k-tons). South Korea imports 70.2 million tons of thermal coal (down 4.7 million tons) and 25.6 million tons of metallurgical coal (up 1.3 million tons). Both countries saw a large drop in thermal coal imports due to the impact of decreased electricity demand.
8. In 2022, the EU experienced a one-time increase in coal demand due to resume coal-fired power plants after the invasion of Ukraine, however, that demand increase was eliminated in 2023 and the coal demand will return to a downward trend as it has been in the past.

Supply trends

9. Australian supply has recovered from the impact of last year's bad rains. However, January-October year-to-date exports have increased compared to 2022, however, they are still below the 2021 level prior to the heavy rains. Despite the lifting of China's import ban and increased demand from India, Australia's export volume is still sluggish due to the impact of reduced demand for coal from Japan and South Korea. In 2024, we expect that the export volume is slightly increase from the previous year.
10. In Indonesia, there was no export ban, which was the case in the previous year, and the weather has been stable, resulting in strong production. Export volume for the January-September period totaled 380 million tons (up 31.3 million tons from the same period last year), a significant increase. Though it will depend on the result of the presidential election in February 2024, the export volume is basically expected to increase in 2024.

Key points going forward

11. Both Chinese and Indian governments support a policy of primarily expanding domestic coal production to accommodate the growing demand for coal. While the imported coal will contribute to adjusting the domestic supply-demand balance, the huge demand in both countries will have a significant impact on the trade market, so continue closely watching their movements.
12. A couple of coal companies are re-evaluating their coal assets through the transaction of coal interests and business restructuring, and we expect this trend to continue in 2024. We expect that the impact on production will be minimal in the short term, but it is necessary for us to look at supply capabilities from a medium- to long-term viewpoint.
13. In Australia, the federal government and state governments have differing views on coal mining operations and future development. The federal government intends to strengthen its environmental policies in the mining sector, but the state governments intend to avoid any drastic impact on the industry, which supports a large part of the state economies. In the meantime, the coal company has expressed concern about the increasing royalties of the state governments, so caution is necessary to be careful about the medium-term impact of these two factors on the coal industry, especially coal supply stability in the future.
14. Indonesia has adopted the domestic market obligation (DMO) to secure the coal necessary for their own domestic economic growth, so, it is necessary for us to keep an eye on the operational trends after the February 2024 presidential election.