

Coal Market Outlook for 2025

- Pay attention to future moves of major coal-producing countries (China, India, Australia, and Indonesia) -

<Summary>

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Coal supply and demand

1. Global coal demand in 2024 is estimated to have increased slightly from the previous year to more than 8.7 billion tons. However, the difference between countries where demand would increase and countries where the decrease is remarkable, with an increase in China, India, and other emerging Asian countries, and a decrease in the European Union, the United States, Japan, South Korea, and Taiwan. This trend will continue in 2025.
2. China and India mainly adopt a policy of increasing domestic coal production to meet the growing demand for coal, considering national security. However, domestic supply shortages have emerged in response to rising demand, and these gaps are being covered by imported coal. As a result of such supply-demand adjustments, the two countries' import volumes in 2024 are increasing from the previous year. In 2025, however, their coal import volume is expected to decline or undergo decelerated growth from the previous year due to China's domestic economic slowdown and India's gradual progress in the expansion of domestic coal production.
3. Based on the above trends in China and India, which have a great impact on global coal trade, the thermal coal trade volume in 2025 is expected to level off or decrease slightly from the previous year. This means that while global thermal coal demand increases, the growth of imported coal in China and India will decelerate. In this way, it is expected that the global thermal coal trade volume will almost peak in 2025 after continuing to increase. The year could be a major turning point. The global metallurgical coal import volume is expected to expand in 2025 due to an increase in demand for steel in India and other emerging countries because it may be difficult to develop commercial technology for the decarbonization of the steelmaking process.

Coal prices

4. The average FOB price of Australian thermal coal exports in 2024 is estimated at around \$140 per ton. In the current stable power supply situation including the average winter weather forecast and the stability of LNG supply and demand, prices are currently hovering around \$130. However, even the current level is higher than before the energy crisis caused by Russia's invasion of Ukraine.
5. The FOB price for Australian metallurgical coal exports declined from \$250 to around \$200 in 2024 due partly to a steel production decrease in the world excluding India. However, strong demand in India is backing up and market prices have recently leveled off.
6. Assuming that the market environment will not change significantly, we forecast a decrease in the average FOB price for Australian thermal coal exports in 2025 from around \$140 in 2024 to around \$130 and in Australian metallurgical coal exports from around \$240 to around \$210.

Trends in major countries

7. China's raw coal production in the first 10 months of 2024 totaled 3.88 billion tons, up 0.3 billion from a year earlier. In the first half of the year, imports made up for a domestic coal supply shortage. Since the second half of the year, domestic coal production has been ramped up, and we expect demand for imported coal in 2025 may decline compared to the previous year due to an increase in domestic coal supply capacity.
8. India is also aiming to meet growing coal demand with a policy of increasing domestic coal production. In the first 10 months of 2024, its raw coal production totaled 850 million tons, up 60 million tons or about 7% from a year earlier. Even with this production increase, demand could not be met, and imports of thermal coal are increasing. In 2025, domestic production is expected to increase further, leading demand for thermal coal imports to level off or decrease from the previous year.
9. In Australia, production is currently stable in the absence of heavy rain. On the other hand, concern is growing about medium to long-term supply capacity due to the current federal government's environment-friendly policy and downside pressure on coal projects. It should also be noted that Australia's environmental, energy, resource, and economic policies may change significantly depending on the outcome of the federal general election expected to be held in May 2025.

10. Indonesia's coal production has been stable, meeting growing demand from coal-importing countries, such as China and India. On the other hand, new President Prabowo Subianto, who took office in 2025, has not clarified specific energy and environmental policy. Although Indonesia is expected to increase coal production by giving priority to economic growth in 2025, attention should be paid to future policy trends after the president's statement at the earlier G20 summit indicated that the country would try to achieve net zero emissions faster than earlier planned.
11. As new coal-fired power plant projects progress in China and India, the Association of Southeast Asian Nations is also re-evaluating coal-fired power generation in consideration of the balance between economic growth and the environment. Since the impact of the re-evaluation is expected to be wide-ranging, attention should be paid to specific future trends. In addition, there is an increasing number of cases in which investors from emerging Asian countries have become a purchaser of coal assets in Australia. This movement should also be watched closely.

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