

Coal Trends

Trends in coal supply, demand and prices as seen from statistics

Signs of a turnaround in the direction of prices

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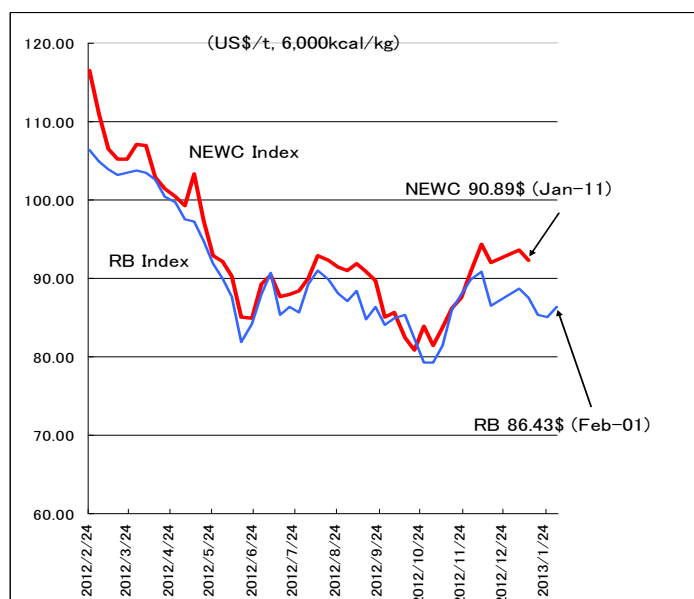
Prices for thermal coal (FOB Newcastle, Australia (NEWC), FOB Richards Bay, South Africa (RB)), which had been falling since early 2011, have remained in the range of US\$80-90 per metric ton since May 2012, but FOB NEWC broke above this range in trading at the end of November 2012. Meanwhile, the price of FOB RB has been moving up and down repeatedly within this range (Figure 1).

1. Spot prices for Australian and South African coal and landed prices in Japan – Another downturn in landed prices –

(1) Actual trading price trends for Australian and South African thermal coal (Jan–Feb 2013)

Figure 1 shows changes in the NEWC index and the RB Index.

Figure 1. GlobalCOAL NEWC and RB Indexes

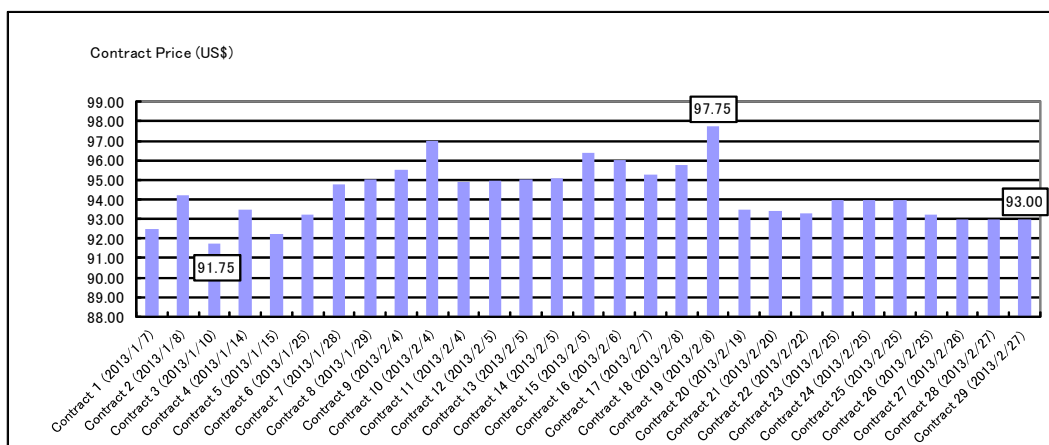


Note: NEWC Index: FOB Newcastle, NSW, Australia price for thermal coal (6,000 kcal/kg net)
 RB Index: FOB Richards Bay, South Africa price for thermal coal (6,000 kcal/kg net)
 Source: globalCOAL

The NEWC Index appears to have broken above the trading range of US\$80–90 per metric ton. Meanwhile, the RB Index remains in the original range.

Figure 2 shows the actual contracted spot trading prices in January and February in a time series for Newcastle (Australia).

Figure 2. Contract Prices FOB Newcastle, Australia (Jan–Feb 2013, actual)



Source: Prepared using global COAL materials

For Newcastle, 29 actual contracted trading prices were recorded in the two months of January and February 2013.

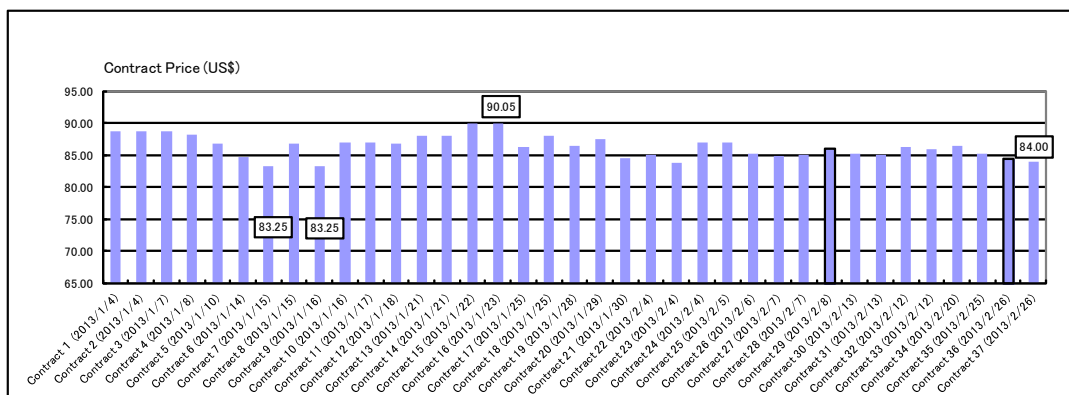
The lowest price was US\$91.75 per metric ton, recorded on January 10, and the highest price was US\$97.75 per metric ton, recorded on February 8. The last trade in February, on February 27, closed at US\$93 per metric ton.

Given that the lowest and highest actual trading prices in December 2012 was US\$90.50 and US\$96.00 per metric ton, respectively, it definitely seems that the price of FOB NEWC has moved from a trading range of US\$80–90 per metric ton, which had lasted from the middle of 2012 to the end of November 2012, to a trading range of US\$90–100 per metric ton.

Meanwhile, in January and February 2013, FOB RB was traded within the range of US\$83.25–90.05 per metric ton in all 37 contracts. This suggests that its trading range of US\$80–90 per metric ton is continuing, as in the period from the middle of 2012.

Will FOB RB shift to a higher range, following the price of FOB NEWC? Or will it need to firmly maintain its price competitiveness to avoid losing more of its share of the European market, where supply and demand conditions are easing? At the same time, does that mean that a difference in price from Australian coal will be necessary to back away from the EU and secure the market in Asia?

Figure 3. Contract Prices FOB Richards Bay, South Africa (Jan–Feb 2013, actual)

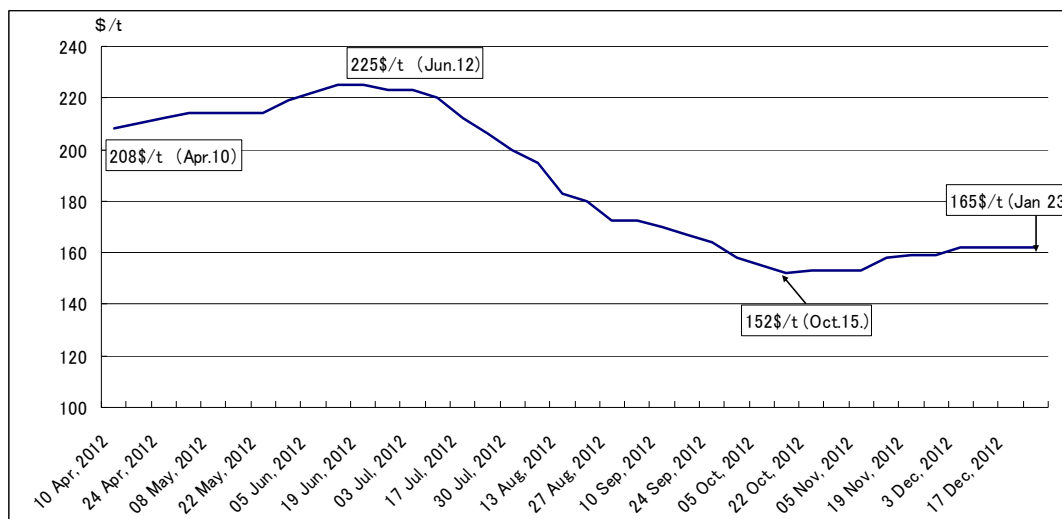


Source: Prepared using globalCOAL materials

(2) Coking coal spot index

Figure 4 shows the change in the Coking Coal Queensland (CCQ) index; in other words, the hard coking coal price index, ex East Coast Australia (Queensland), on a weekly basis.

Figure 4. Energy Publishing’s CCQ (Coking Coal Queensland) Index



Source: Energy Publishing

After continuing to fall, from US\$225 per metric ton on June 12, 2012, prices bottomed out at US\$152 per metric ton on October 15 and began to recover upward to US\$162 per metric ton on November 30.

There have been no significant movements since then, with prices remaining at US\$164–165 per metric ton from the turn of the year until the end of January (Energy Publishing website).

(3) Import price to Japan – Continuing to fall in December 2012 and bottoming out in January 2013

(3)-1 Market conditions in December 2012

As indicated in Table 1, the import price for all imports in December was US\$133.16 per metric ton, continuing to fall from US\$147.41 per metric ton in October and US\$138.87 per metric ton in November.

Particularly for coking coal, the price has fallen by as much as US\$16.72 per metric ton from the previous month.

The landed amount of coking coal in December was 5,530,000 metric tons, of which the amount of coking coal sourced from the US was 310,000 metric tons. The drop of US\$44.26 per metric ton in the landed price of this coking coal from the US appears to have had an impact on the overall price drop for coking coal. Incidentally, in December the landed amount of US coal exceeded that of coking coal sourced from Canada, putting the US in third place behind Australia and Indonesia.

The price of coking coal from Australia was US\$163.43 per metric ton, falling only US\$3.16 from the previous month, making up less than 20% of the overall drop in coking coal.

Though not shown in Table 1, as far as the hard coking coal imported by Japan is concerned, the landed price was US\$225.14 per metric ton in September, US\$213.29 per metric ton in October, US\$188.51 per metric ton in November and US\$191.20 per metric ton in December. In other words, the price in November was lower than that in September by US\$36.63 per metric ton.

It appears reasonable to expect that the falling prices for hard coking coal will continue in early 2013, given that the contract price agreed on with Australian suppliers for January–March 2013 was US\$165 per metric ton (FOB), a further reduction of US\$5 per metric ton. However, we believe that the scope for cutting the contract price is decreasing, given the level of US\$165 per metric ton (FOB).

Table 1. Japan Landed Imported Coal Prices

(Comparison with October, November, December 2012 and January 2013)

	Oct-12		Nov-12		Dec-12		Jan-13	
	JPY/ton	US\$/ton	JPY/ton	US\$/ton	JPY/ton	US\$/ton	JPY/ton	US\$/ton
Total imports	11,543	147.41	11,101	138.87	11,007	133.16	11,811	135.63
By coal type								
Coking coal	14,083	179.85	13,471	168.52	12,548	151.8	13,580	155.95
Thermal coal	9,819	125.39	9,690	121.22	9,907	119.85	10,471	120.25
Anthracite	13,538	172.89	13,172	164.78	12,756	164.78	13,656	156.83
By source								
Australia	11,757	150.13	11,010	137.75	11,010	137.51	11,895	136.6
Indonesia	8,980	114.67	8,979	112.32	8,966	108.47	9,838	112.97
Canada	14,981	191.3	14,737	183.37	13,844	167.48	15,318	175.9
China	11,760	150.17	14,164	177.18	13,544	163.85	16,707	191.86
USA	15,197	194.06	16,493	206.31	13,963	168.92	16,595	190.58
Russia	10,308	131.63	10,167	127.18	10,853	131.3	10,776	123.74
South Africa	-	-	-	-	9,356	113.18	10,568	121.36
New Zealand	16,977	216.79	-	-	-	-	na	na
Vietnam	16,119	205.62	11,587	144.94	13,004	157.32	12,401	142.41
Mongolia	-	-	-	-	-	225.7	na	na
Mozambique	17,114	218.54	-	-	-	-	na	na
Colombia	10,616	135.56	9,391	117.47	-	-	9,891	113.58
Coking coal by source								
Australia	14,834	189.43	13,317	166.59	13,509	163.43	14,454	165.98
Indonesia	9,508	121.42	9,443	118.13	9,446	114.27	10,127	116.3
Canada	17,450	222.84	16,255	204.56	16,272	196.86	17,210	197.63
China	10,823	138.21	-	-	13,461	162.85	na	na
USA	16,668	212.85	18,913	235.79	15,832	191.53	18,033	207.09
Russia	13,938	177.99	12,953	162.04	14,257	172.48	12,082	138.75
New Zealand	16,978	216.81	-	-	-	-	na	na
Mongolia	-	-	-	-	18,657	225.71	-	-
Mozambique	17,115	218.56	-	-	-	-	-	-
Thermal coal by source								
Australia	10,186	130.08	10,110	126.44	10,351	125.23	10,642	122.21
Indonesia	8,434	107.70	8,642	108.11	8,418	101.84	9,314	106.96
Canada	9,141	116.73	8,018	100.3	9,236	111.74	10,759	123.55
China	11,111	141.89	11,027	137.94	10,521	127.29	13,696	157.28
USA	8,187	104.54	6,876	86.02	9,856	119.23	10,808	124.11
Russia	9,033	115.33	9,131	114.23	9,896	119.72	10,094	115.92
South Africa	-	-	-	-	9,357	113.2	10,568	121.36
Colombia	10,616	135.57	9,391	117.48	-	-	9,891	113.58

US1\$=JPY78.31

US1\$=JPY79.94

US1\$=JPY82.66

US1\$=JPY87.08

Source: Prepared using Trade Statistics of Japan Monthly Reports

Prices for thermal coal in December fell US\$1.37 per metric ton from the previous month and US\$5.54 from two months ago.

Viewed by source, prices fluctuated, falling US\$1.21 per metric ton for Australia, US\$6.27 per metric ton for Indonesia and US\$10.65 per metric ton for China, while rising US\$11.44 per metric

ton for Canada, US\$33.21 per metric ton for the US and US\$5.49 per metric ton for Russia. Prices appear to be seeking a new level at which to settle.

Thermal coal contract prices between Australian suppliers and Japanese electric power companies were US\$115.50 per metric ton for contracts commencing in January 2012, US\$115.25 per metric ton for contracts commencing in April 2012, US\$94.90 per metric ton for contracts commencing in July 2012 and US\$96.90 per metric ton for contracts commencing in October 2012, producing a simple average of US\$105.6 per metric ton (FOB). Although the details are not known, it has been reported that no agreement has been reached regarding the price of thermal coal for contracts commencing in January 2013, and the price has therefore been concluded on an index-linked basis.

Factoring in shipping costs, there is little room for future landed prices to be significantly lower than the US\$125.23 per metric ton in December.

(3)-2 Market conditions in January 2013

Compared to prices in December 2012, landed prices in Japan in January 2013 rose US\$2.46 per metric ton for total imports and US\$4.15 for coking coal, and slightly increased, by US\$0.4, for thermal coal as well.

Viewing coking coal by source, while prices for Russian coal declined significantly, by US\$33.73 per metric ton, prices for coking coal have risen across the board except for Russia, increasing US\$2.5 for Australia, US\$4.5 for Indonesia, US\$0.77 for Canada and US\$15.56 for the United States.

This is exactly the opposite of what happened in December 2012, when prices declined across the board from November except for Russian coal.

While prices for thermal coal fluctuated in December 2012, given that prices for thermal coal rose from November for three sources out of six, while those for the other three sources fell, prices increased across the board in January 2013 from December 2012, with the exception of a drop of US\$3.02 per metric ton for Australia.

A change in the price trend from falling to rising may be in sight, together with a shift in actual trading for NEWC to a range of US\$90–100 per metric ton.

(To be continued in the next issue)

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