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Outlook and Challenges for International Coal Market in 2020

<Summary>

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2020 Coal Prices and International Coal Supply and Demand

1. Spot steam coal prices (FOB price at Newcastle Port, Australia) for 2020 are expected to fluctuate at around \$70 a ton (hereinafter, “\$” will be assumed), with seasonal factors causing changes of between \$5 - \$10.
2. Spot coking coal prices (Australian premium hard coking coal FOB price) for 2020 are expected to be between \$140 - \$150.
3. The steam coal CIF average price for Japan in FY 2020 is \$87. The coking coal CIF average price (hard coking coal, semi-soft coking coal, PCI coal average) is expected to be \$115.
4. Import demand for steam coal is expected to increase even as we enter 2020. India is expected to see an increase in line with extra consumption. ASEAN nations such as Vietnam, Malaysia, and the Philippines, are also expected to see increases. In China, international coal prices are comparatively cheap compared to domestic prices, so no dramatic decreases in import amounts are expected. Europe is expected to maintain its ongoing decline in imports.
5. For suppliers, in addition to Australia and Russia, Colombia - which saw decreases in export amounts in 2019 - also has excess availability. In Indonesia, a policy-related cap is expected, but there are no specific figures available at the current time, so large decreases in production amounts are not expected in 2020. In summary, it is clear that there will be enough availability, and that supply and demand for steam coal will continue to be stable.
6. Demand for coking coal will be impacted by demand for iron and steel. However, business recovery in India is expected to lead to an increase in pig iron production, which is then expected to cause an increase in coking coal import amounts. Even in Japan - which saw a decrease in

import amounts in 2019 - an increase is expected. In China, as with steam coal, international coal prices are comparatively cheap compared to domestic prices, so no dramatic decreases in import amounts are expected.

7. Suppliers such as Australia and Russia are believed to have excess availability. By maintaining a supply framework in line with demand, the stability in supply and demand for coking coal can be expected to continue.

Trends in Coal Prices

8. Coal prices for steam coal and coking coal fell in 2019.
9. Spot steam coal prices hit a peak of \$123 in July 2018, but fell to from \$100 at the start of 2019 to \$62 in August. This was followed by a gradual rise in spot steam coal prices, which are currently at around \$67/ton.
10. Spot coking coal prices trended between \$200 and \$210 at the start of 2019. However, this began to drop in June, falling to below \$130 at the end of September. Prices briefly returned to \$150, but are currently trending at around \$135.
11. This price decrease can be ascribed to the sluggish growth in imports for steam and coking coal in contrast with steady supply.

Steam Coal Supply and Demand Trends in Major Countries

12. China strengthened its import restrictions for Australian coal in February 2019, leading to brief reductions in February and March. International coal prices then became cheaper than domestic coal prices, which led to a year-over-year increase in import amounts. However, the year-on-year increase rate for January to October in 2019 was just +5.2%, compared to +15.5% for the same period in 2018, revealing a large change.
13. According to the China National Coal Association, domestic production for January to October 2019 was 3.06 billion tons (a year-over-year increase of 4.5%). Import amounts, including lignite, reached 280 million tons (increase of 9.6%). However, consumption only increased by 0.8%, which shows that outside of certain regions, coal supply and demand has become saturated. There was a report that coal imports would be limited to 300 million tons in 2019, which led to a decrease in Chinese imports towards the end of the year.
14. In India, an increase in demand for power generation led to an expansion in coal consumption, with import amounts for January to October increasing by 18 million tons year-over-year.

15. In Korea, new coal-fired thermal power plants created an increase of more than 15 million tons in imports for 2017, but from January to October 2019 import amounts decreased by 6.2 million tons year-over-year. Japan also saw a decrease in imports of 3.1 million tons between January and October 2019.
16. Import amounts for these four countries (China, Korea, Japan, and India) between January and October in 2017, 2018, and 2019 were 396 million tons, 431 million tons, and 445 tons respectively, showing a decline in increases.
17. In Europe, coal phase-out initiatives have led to a decreasing trend in import amounts. In addition to this, the a sharp drop in spot gas prices have also led to a negative impact on coal consumption.
18. In terms of supply, both Indonesia and Australia have seen increased supply capacity (availability), with export amounts increasing at the start of 2019. However, In US with low cost competitiveness, decreased international prices has led to decreased exports. A reduction in the European market has also led to decreased exports in Colombia.

Coking Coal Supply and Demand Trends in Major Countries

19. There is also concern over demand for imports in the coking coal market, with availability increasing and demand stagnating. In major iron and steel producing countries, there were no year-on-year increases in pig iron production amounts except for in China, with coking coal import amounts almost flat.
20. In India, there was an expansion in coking coal import amounts in 2017 and 2018, but a slowdown in economic growth in 2019 meant that these amounts did not increase that year compared to the previous year.
21. Import amounts were also flat in Japan and Korea.
22. In China import amounts between January and October were 66.8 million tons, a year-over-year increase of 9.9 million tons. However, approximately 60% of this was from an increase in imports from Mongolia.
23. In the supply side, coal export amounts in 2019 showed an increase in Australia, with slight increases for Canada and Russia, but a decrease in US as with steam coal.