

Outlook and Challenges for International Coal Market in 2021

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2021 Coal Price Outlook

1. The benchmark spot price of steam coal (the FOB price at New Castle Port in Australia) will move in a range between \$70/ton¹ and \$80/ton in 2021 (while fluctuating due to seasonal factors). The spot price of coking coal (the FOB price for Australian premium hard coal) will rise back to a \$130-150/ton range.
2. The spot steam coal price remained in a \$65-70/ton range from the second half of 2019 to the first quarter of 2020 before dropping below \$55/ton in May 2020 and to \$47.53/ton (close to the latest bottom in January 2016) in late August. The price rebounded thanks to major suppliers' production adjustments and China's maintenance of demand from autumn 2020, rising above \$60/ton in October and above \$80/ton at present.
3. The benchmark spot coking coal price fell to around \$140/ton in the second half of 2019, rose back above \$155/ton in the first quarter of 2020, plunged from late April 2020, and slipped below \$100/ton later. It rallied to \$133/ton on an increase in Chinese crude steel production in October and now fluctuates around \$100/ton, with steel production affected seriously by the COVID-19 pandemic in many countries.
4. The international environment for the coal market has become more uncertain due to the resurgence of the COVID-19 pandemic, the enhancement of climate change countermeasures in the world following the inauguration of a U.S. Democrat administration, and China's decarbonization policy and 14th five-year plan. Over the short term, however, supply and demand fundamentals in the Asian coal market are unlikely to dramatically change. Global coal consumption and imports are expected to increase if coal demand from power generators and steelmakers recovers in line

¹ The average CIF price will be \$92/ton, or 1.6 cents per million calories. The year's LNG import CIF price is predicted at \$7.0-7.3 per million Btu or 2.8-2.9 cents per million kilocalories.

with an economic rally. The increase will center on India and the Association of Southeast Asian Nations.

Demand Trends

5. Global coal demand turned down under the decarbonization trend in 2019 after continuing to increase in 2017 and 2018. The decline was remarkable in Western countries. In Asia, coal demand kept on expanding, leading global coal imports to hit a record high above 1.4 billion tons.
6. COVID-19 infection spreading, in the first 10 months of 2020, China increased steam coal imports by 0.4% year on year but reduced coking coal imports by 2.3%. The Chinese government has recently held down annual coal imports to less than 300 million tons under its import regulations to protect the domestic coal industry. Under a tight supply-demand balance, coal prices in China have remained high even since declines in international prices in May 2020. China is thus expected to maintain imports at recent levels. Pig iron production in China stagnated in early 2020 but scored a year-on-year increase of 8.4% in the January-October 2020 period.
7. As the COVID-19 spread grew serious, India reduced steam coal imports by 19.3% year on year and coking coal imports by 15% in the first nine months of 2020. Although the government has taken a policy of giving priority to domestic coal, India's coal imports had remained stable in earlier years. Economic improvements are expected to lead India's demand for coal imports to rebound.
8. Among ASEAN countries, Malaysia and Vietnam launched the operation of large coal-fired power plants in 2019. Their steam coal imports are likely to expand in line with the full-fledged operation of these plants and the operation of additional plants.

Supply Trends

9. On the supply side, Australia maintained its annual steel coal exports above 200 million tons from 2015 to 2019 before seeing a 3.7% year-on-year fall in the first 10 months of 2020. Indonesia expanded exports from 2016 to 2019 before recording a 10.8% year-on-year decrease in the first seven months of 2020. As for coking coal exports, Australia posted an 8.6% decline in the January-October 2020 period. Other exporters such as the United States, Canada, and Russia also reduced coking coal exports remarkably in 2020.
10. In response to international coal price falls from May 2020, major coal suppliers in Australia have adjusted production to cut supply. Russia's expansion of coal exports to the Asian market is limited due to challenges regarding coal transportation infrastructure expansion and cost cuts. In Colombia and South Africa, coal production

has been destabilized by falling demand in Europe as their main market, the COVID-19 spread, and coalmine walkouts. Indonesia had indicated a policy of restricting coal production but is seen as ambitious to expand exports due to sluggish domestic demand under the COVID-19 pandemic.

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