

Outlook and Challenges for International Coal Market in 2021

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Key Points

- ✓ The COVID-19 pandemic has been combined with the decarbonization trend to exert adverse impacts on global coal consumption and production. Until 2019, Asia expanded coal consumption for three years on end. Coal trade volume hit a record high.
- ✓ Over the short term, Asia as the central coal market will maintain present supply and demand fundamentals. Global coal consumption and imports will increase on a recovery in coal demand from power generators and steelmakers in 2021. The increase will center on India and ASEAN.
- ✓ Spot steam and coking coal prices* plunged in 2020 but have recovered since autumn 2020. In 2021, the spot steam coal price (now in a \$80-85/ton range) will move in a range between \$70/ton** and \$80/ton (while fluctuating due to seasonal factors). The spot coking coal price (now in a \$100-105/ton range) will rise back to a \$130-150/ton range.

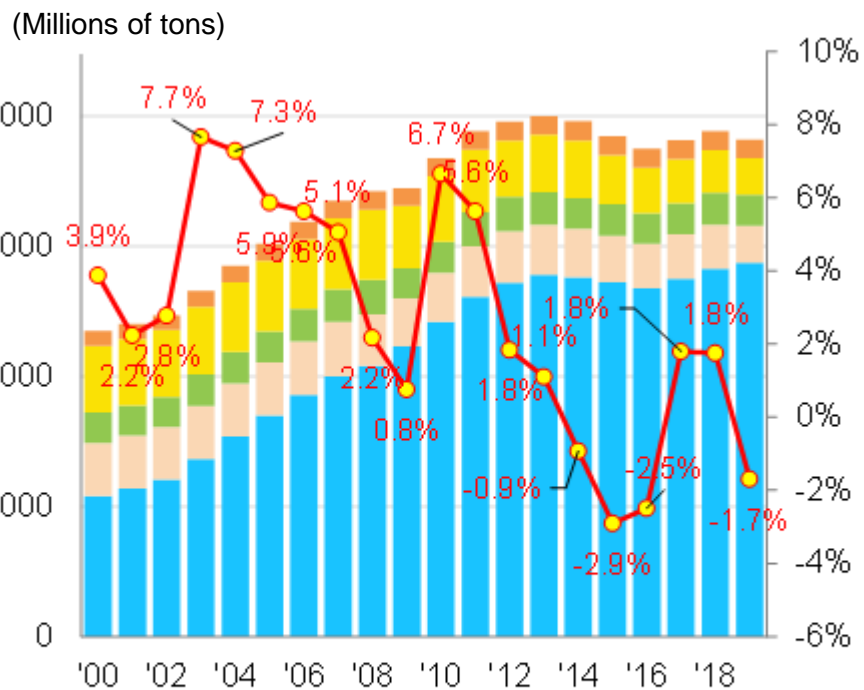
*The spot steam coal price is the FOB price at New Castle Port in Australia. The spot coking coal price is the FOB price for Australian premium hard coal.

** The average CIF price will be \$92/ton, or 1.6 cents per million calories. The LNG import CIF price is predicted at \$7.0-7.3 per million Btu or 2.8-2.9 cents per million kilocalories for 2021.

Global Coal Consumption and Trade Trends

- In 2019, coal consumption plunged in Europe and North America while **increasing for the third straight year** in Asia (Asia accounts for 75% of global coal consumption, China for 50%, and India for 13%).
- Coal trade volume increased from 2016, hitting **a record high** above 1.4 billion tons in 2019.

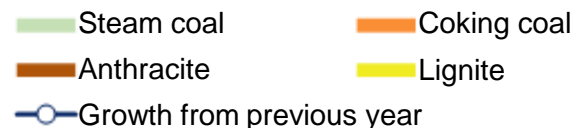
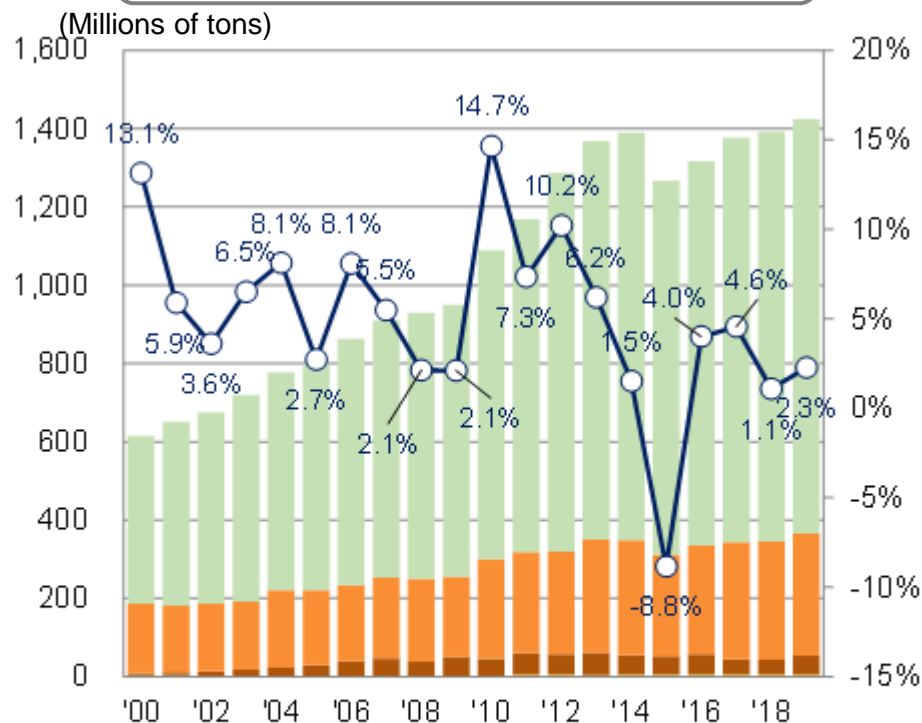
Coal Consumption Trends by Region



Note: Trade volume represents import volume. Data for 2019 are preliminary.

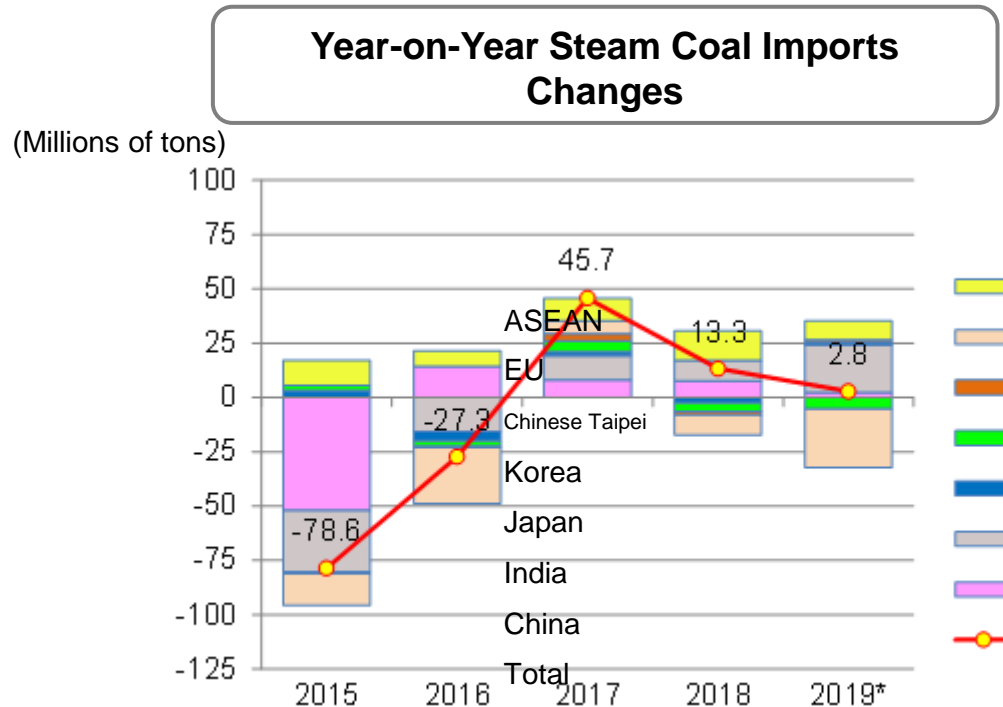
Sources: IEA, World Energy Statistics and Balances 2020 database

Coal Trade Trends by Type



Steam Coal Imports by Major Countries/Regions

- China: Moderate growth in the past three years. **A slight increase** in the January-October 2020 period.
- India: Imports increased by as much as 22 million tons in 2019 but **plunged** by 19.3% in the January-September 2020 period.
- Japan: Imports almost levelled off before **declining** over three years to 2020 (January-October).
- ASEAN: From 2016, annual imports **increased** by more than 10 million tons.



Note: Data for 2019 are preliminary.

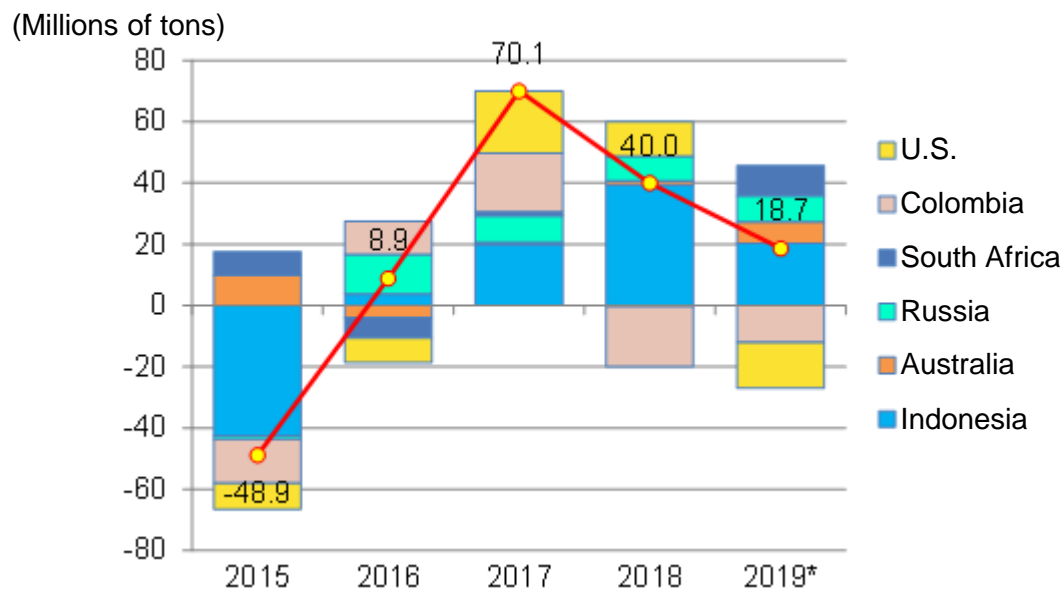
Sources: IEA, World Energy Statistics and Balances 2020 database.

Data for China are from China Trade Statistics.

Steam Coal Exports by Major Countries

- Australia: Annual exports remained above 200 million tons from 2015 to 2019 before **declining** year on year in the first 10 months of 2021.
- Indonesia: Annual exports had been falling before increasing from 2016 to 2019. Those in the first seven months of 2020 **declined** by 8.2% year on year.
- Russia: Annual exports crept up in recent years. In the first seven months of 2020, exports **decreased** by 10.8% year on year.
- Colombia: Exports **decreased** after increasing in 2016 and 2017.

Year-on-Year Steam Coal Exports Changes



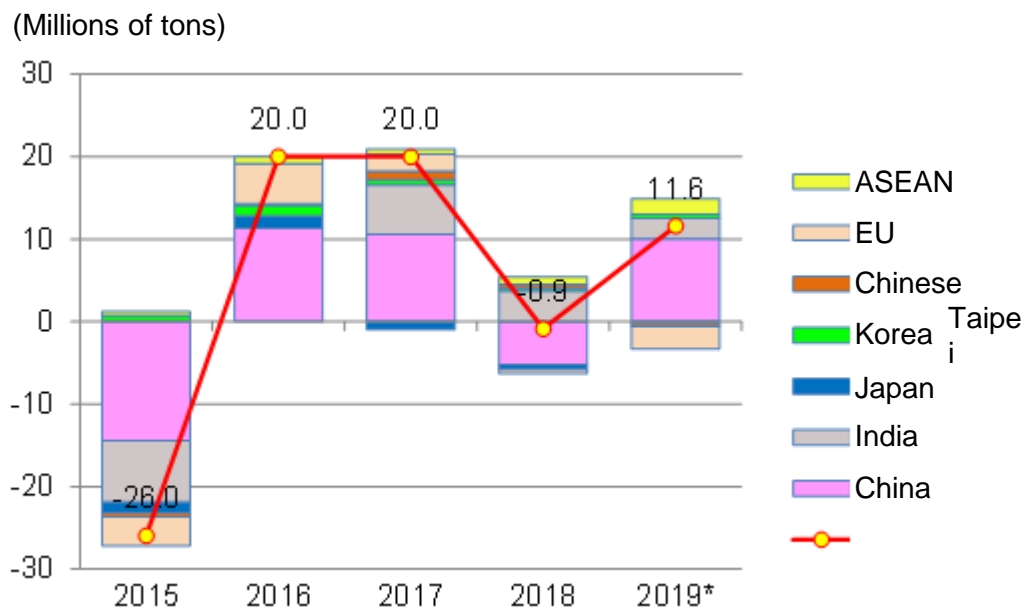
Note: Data for 2019 are preliminary.

Sources: IEA, World Energy Statistics and Balances 2020 database.

Coking Coal Imports by Major Countries/Regions

- China: Imports decreased in 2018, rebounded in 2019, and **slightly decreased** in the first 10 months of 2020.
- India: Imports expanded in recent years before **plunging** by 15% in the first nine months of 2020.
- Japan/Korea: Imports levelled off in recent years before **decreasing** in the first 10 months of 2020.

Year-on-Year Coking Coal Imports Changes



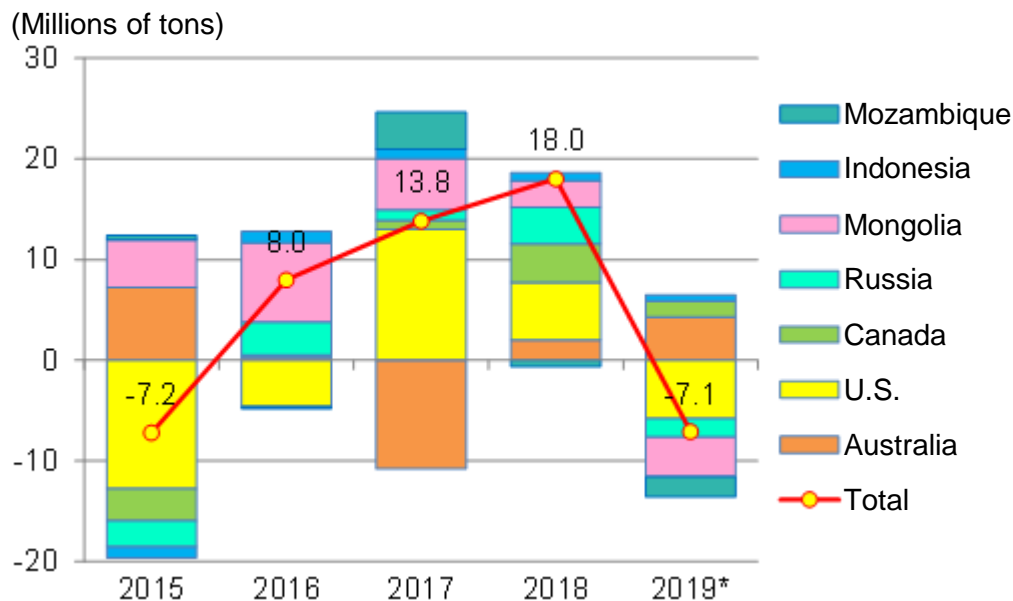
Note: Data for 2019 are preliminary.

Sources: IEA, World Energy Statistics and Balances 2020 database.

Coking Coal Exports by Major Countries

- Australia: Exports plunged in 2017, rebounded later, and **decreased** by 7.2% in the first 10 months of 2020.
- U.S./Canada/Russia: **Decreases** were conspicuous in 2020 (January-October for U.S. and Canada, January-July for Russia).

Year-on-Year Coking Coal Exports Changes



Note: Data for 2019 are preliminary.

Sources: IEA, World Energy Statistics and Balances 2020 database.

2021 Coal Market

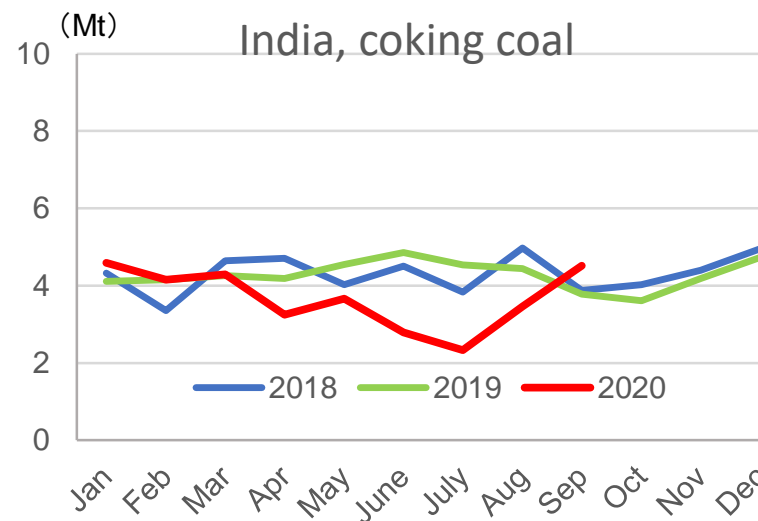
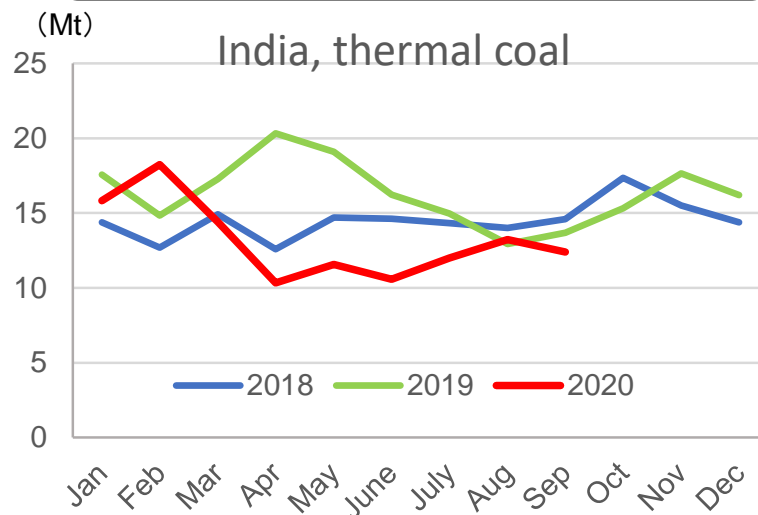
② Other coal-importing countries

- **India:** Priority is given to using domestic resources, with a production target set at 1 billion tons (falling under the COVID-19 pandemic). Imports remained stable, indicating a rebound from the second half of 2020. →
- **ASEAN:** Malaysia and Vietnam launched the operation of coal-fired power plants in 2019. Their coal demand is likely to expand in line with the full-fledged operation of these plants and the operation of additional plants. →

③ Supply side

- Australia: Production adjustments at major mines →
- Russia: Infrastructure constraints →
- Indonesia: Indonesia earlier had restricted production and exports but is now ambitious to expand exports due to stagnant domestic demand under the COVID-19 pandemic. →
- South America and Colombia see coal production being destabilized due to an economic decline in their mainstay market, the COVID-19 spread and coalmine walkouts. ↘

India's Monthly Coal Imports



Source: India trade statistics

2021 Coal Prices

- Coal supply and demand fundamentals in Asia as the center of the global coal market are unlikely to dramatically change. As coal demand from power generators and steelmakers recovers, coal demand is expected to rise mainly in India and ASEAN.
- Spot steam coal price (FOB price at New Castle Port in Australia): Expected to remain above \$70/ton in 2021 while fluctuating on seasonal factors
- Spot coking coal price (FOB price for Australian premium hard coal): Expected to fluctuate in a \$130-150/ton range in 2021

Annual Average Steam and Coking Coal Prices

	2019 average (actual)	January- November 2020 average (actual)	2020 average (estimated)	2021 average (projected)
Spot steam coal price	76.91	57.44	59	74
Spot coking coal price	175.95	122.16	121	133