Coal Market Outlook

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Coal markets: recent developments

- Global coal demand declined in 2015 for the first time in this century
  - Coal demand drop in China and US in 2015 was unprecedented

- China’s coal demand declined in 2015 for the second year in a row
  - Last time this happened was 1981. Economic restructuring and energy diversification underpinned such decline

- International coal trade shrank in 2015 for the first time in 20 years
  - There is none to offset declines in Europe, India and especially China

- India, Australia and Russia increased production significantly in 2015
  - Despite low prices, cost reduction in Australia and Russia, and increasing demand in India were drivers for production ramp up

- Coal prices ramped up in 2016 to unexpected levels one year ago
  - Chinese supply side policy changes was the main driver, exacerbated by disruption in Australia and other places
The shift of coal to Asia is accelerating

- Coal consumption has decreased in North America and Europe while increasing strongly in Asia
- The coal world is becoming completely asymmetrical
High prices, but low expectations

Thermal coal prices doubled mostly pushed by Chinese supply cut, but the market players expect the trend to reverse.
Does China set the global prices?

The large arbitrage in the southern import ports between domestic and imported coal is key to determines prices – in China and elsewhere.
Global coal demand: from growth to plateau

- Largest growth will be in India and ASEAN region
- Largest decline will be in US and Europe
- Largest uncertainty is China
Coal consumption in China in the future: a flat trajectory

Rebalancing of the economy and the increasing share of generation from hydro, nuclear and other renewables flatten the projection
Coal trade forecast: all eyes on China and India

- Coal trade is forecast to recover by the end of the outlook period
- Imports to China and India will remain volatile and hard to predict
Coal markets: the outlook

- Global demand growth to stall in the next coming years
  - *With decline in Europe and US almost offsetting increase in India and ASEAN region, China will determine the global trends*

- In China, coal demand is in structural and slow decline driven by a new economic growth model and diversification from coal
  - *However, dependence on coal of China will remain and demand in 2021 is forecast higher than in 2015*

- Coal trade contracts, but recovers at the end of the outlook period
  - *Viet Nam, Malaysia, Pakistan, Philippines, Morocco and other importers add up to increase coal trade*

- Coal prices have strongly rebounded up in 2016. As a result, the coal industry has found some relief
  - *Looking ahead, low costs, slugging demand and structural oversupply in China do not support high prices*
Thanks for your attention

Comments and suggestions are welcome. It should be addressed to: Carlos.Fernandez@iea.org