

Coal Market Outlook

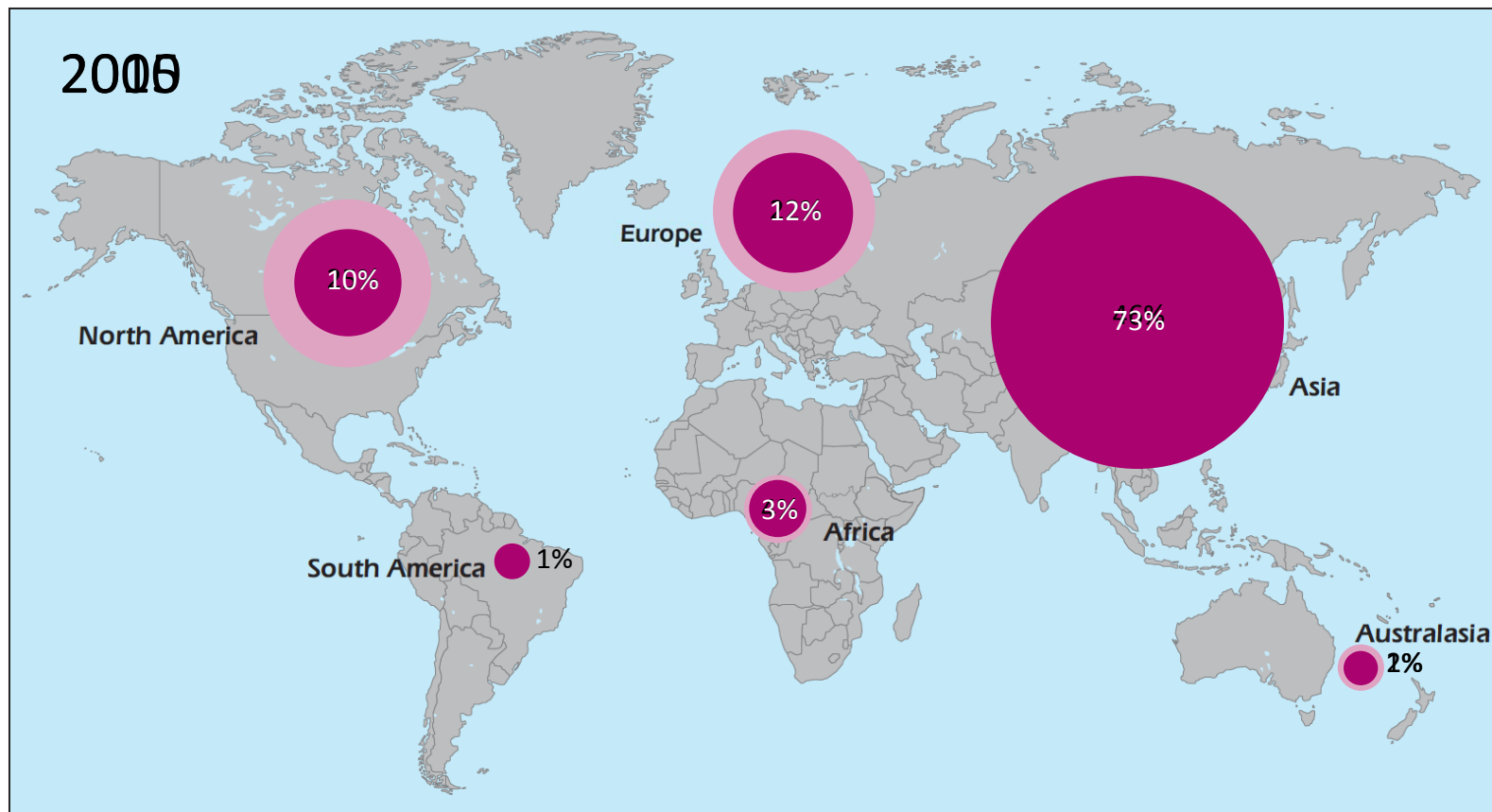
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Coal markets: recent developments

- 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

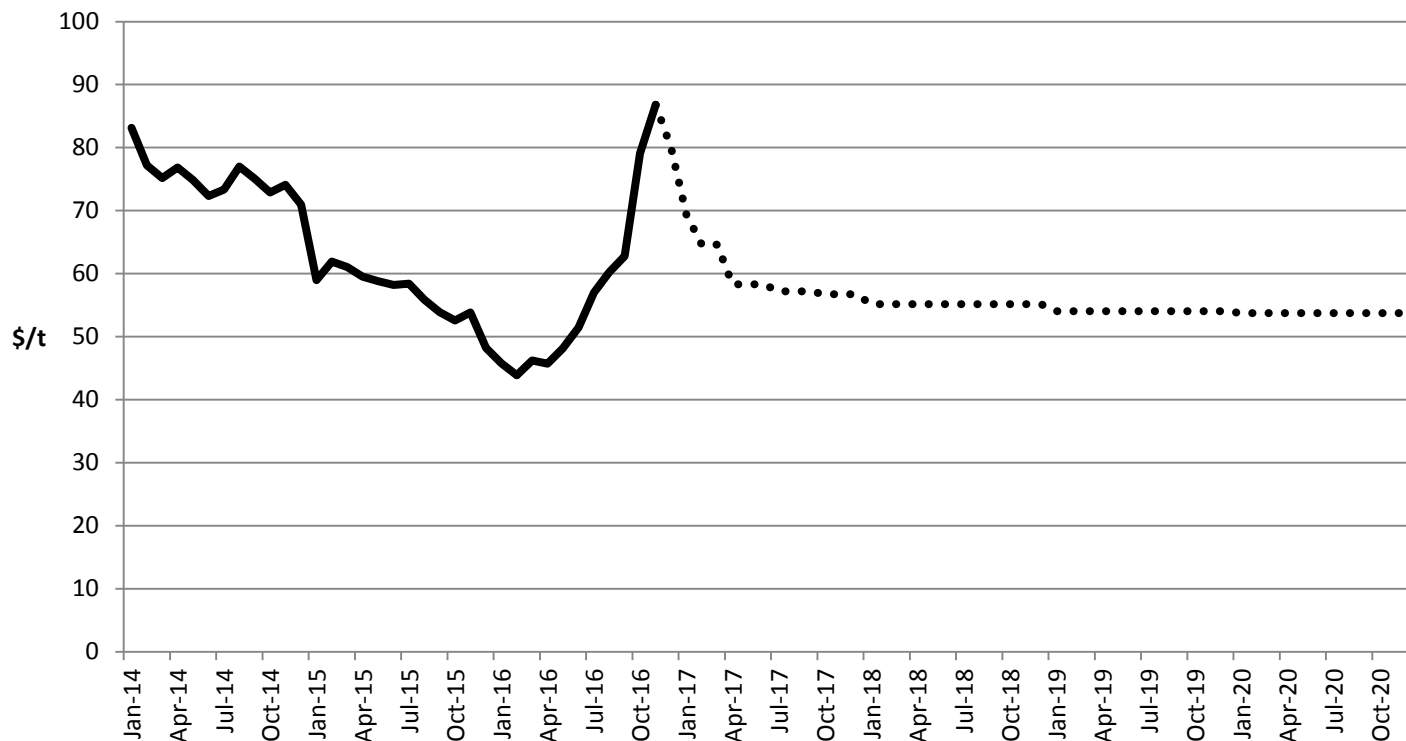


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- ***Coal consumption has decreased in North America and Europe while increasing strongly in Asia***
- ***The coal world is becoming completely asymmetrical***

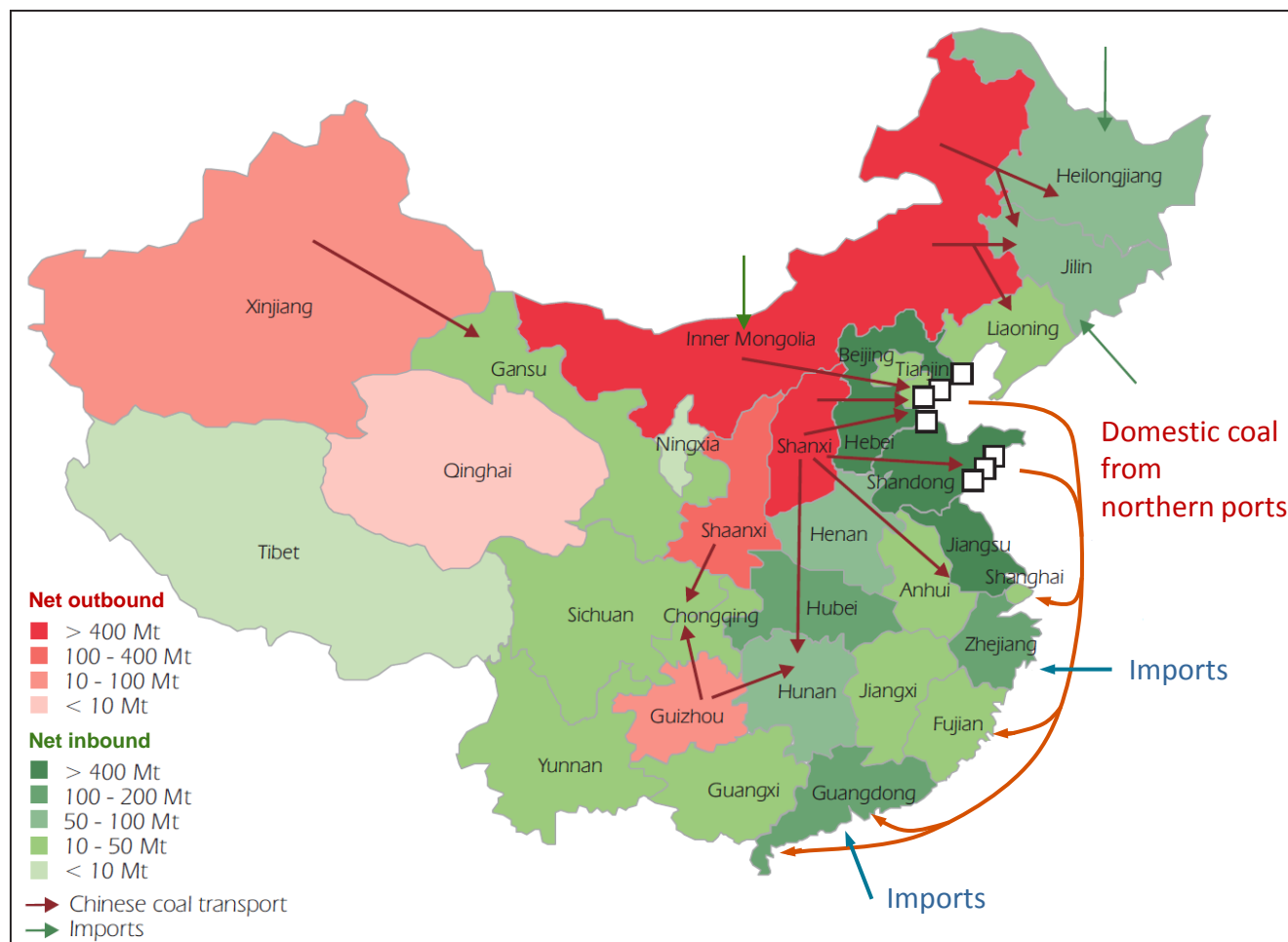
High prices, but low expectations

Price of thermal coal



- *Thermal coal prices doubled mostly pushed by Chinese supply cut, but the market players expect the trend to reverse*

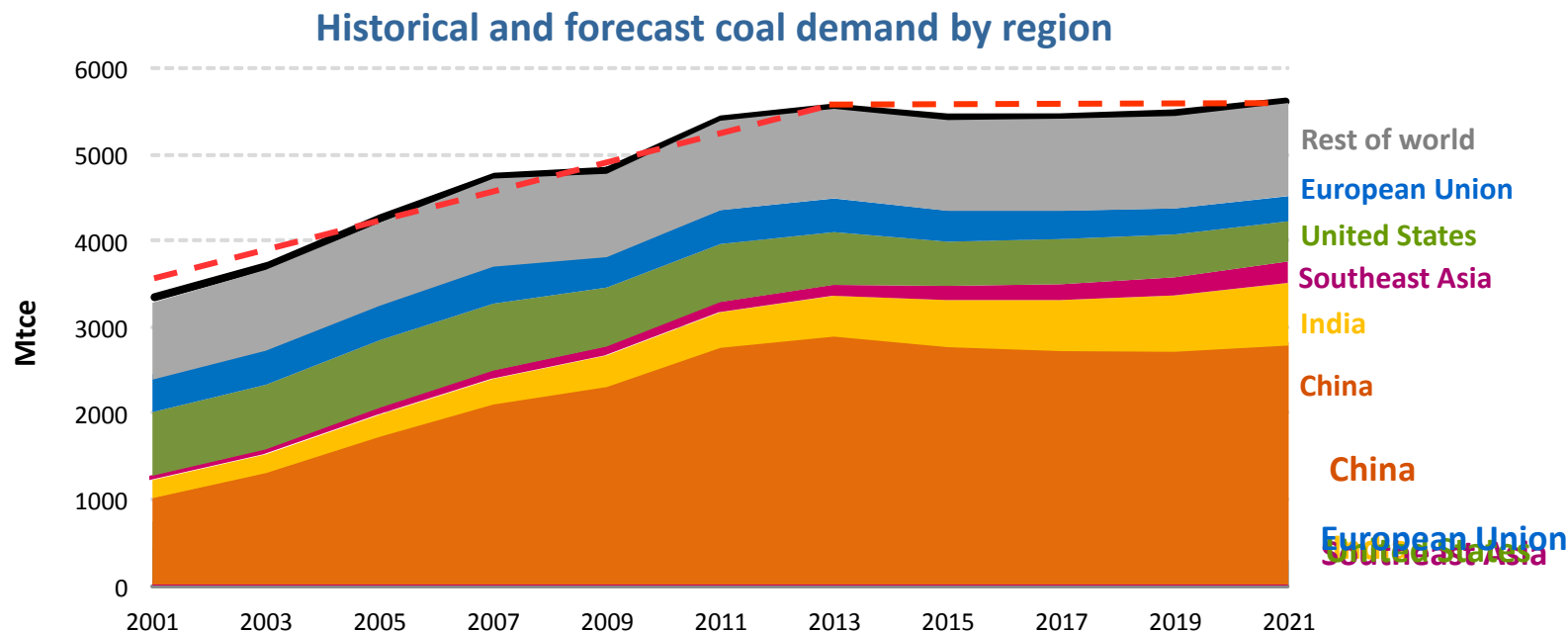
Does China set the global prices?



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The large arbitrage in the southern import ports between domestic and imported coal is key to determines prices – in China and elsewhere

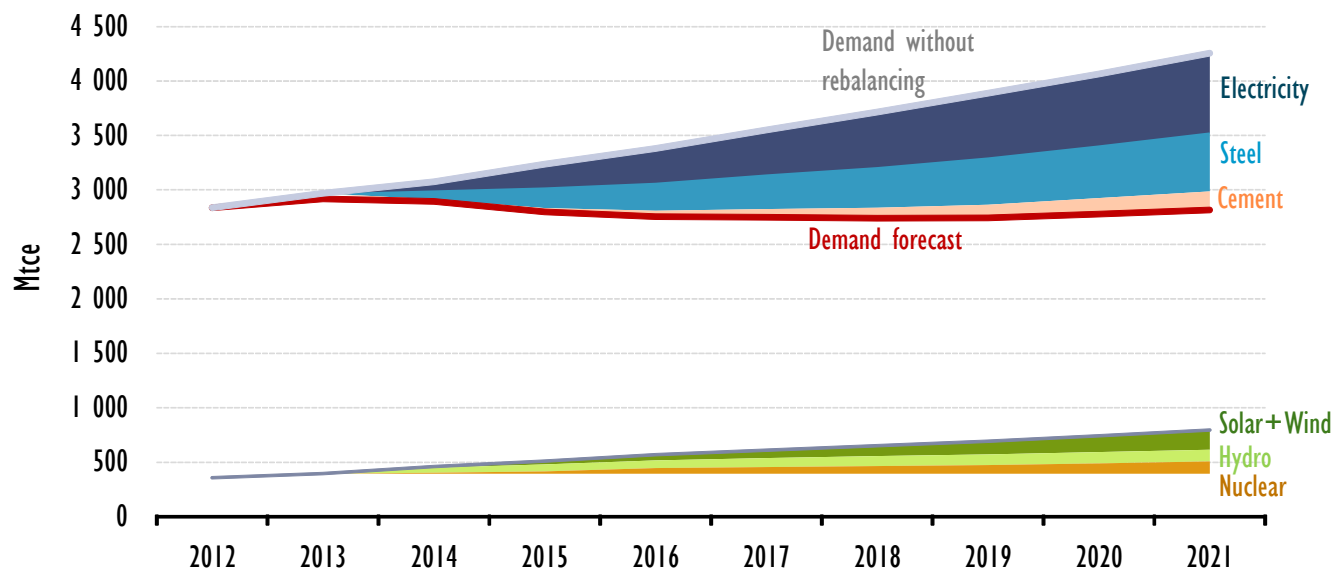
Global coal demand: from growth to plateau



- *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

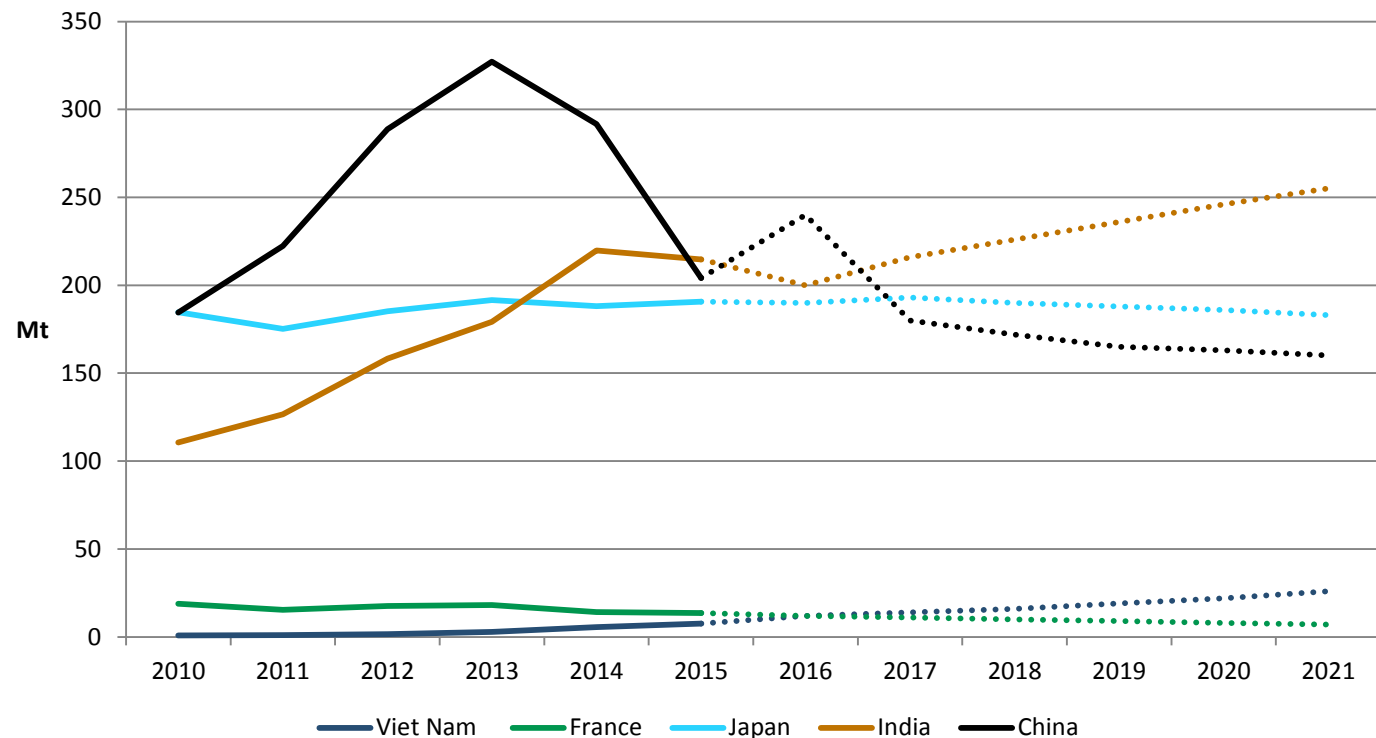
Impact of diversification and economic rebalancing on Chinese coal demand



- *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 imports to selected countries



- *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*



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Thanks for your attention

Comments and suggestions are welcome. It should be addressed to:
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