McCloskey Coal Report

Comprehensive news and analysis of the international coal market

10 January 2020 | Issue 476

China's imports crackdown ends, but fears of fresh controls mount

China has lifted its coal import controls which ran through late 2019, but many in the market fear Beijing will soon introduce new measures to restrict volumes for the year ahead.

Several ports resumed customs clearance as January got underway, however, the huge backlog from the prior two months means newly arriving cargoes will suffer clearance delays of one to two months.

Coupled with this, market participants remain in the dark as to China's intentions for coal imports in 2020.

Many speculate Beijing will repeat last year's approach and will again target an imports volume which is either flat or down on the year.

China's total coal imports are estimated by IHS Markit to have been 310 mt in 2019, far exceeding the goal of 281 mt, which was derived from the 2018 imports volume.

The 281 mt target was surpassed in November, official customs data show, despite numerous measures to contain tonnage.

An import target for 2020 is expected to be revealed by China's General Administration of Customs on Tuesday, 14 January, sources said.

However, some local customs branches and ports have already come under pressure from traders, utilities and steel mills to provide definitive answers on clearance policies.

Officials at local level – left in the dark by Beijing and overwhelmed by clearance requests – indicated in the past week that they may engage in some self-discipline.

This could see them emphasize the scarcity of quotas and lead to them sending buyers elsewhere to get clearance permits. A few customs authorities were last year seen tapping into the clearance quotas of less popular ports, allowing them to bring balance to their own levels.

Xinsha customs – which oversees two popular terminals; its namesake Xinsha terminal, owned by Guangzhou Port Group, and the privately-owned Haicang terminal – is mulling keeping imports at no more than 13 mt, in line with its 2019 volume, sources said.

"Backlogs from December will consume 2 mt of clearance quota (for Xinsha customs). That leaves roughly 11 mt for arrivals in 2020, equivalent to five or six months of total import tonnage through the region," a source said.

Xinsha customs has already also encouraged some trading companies that usually come under much tighter scrutiny to seek non-local clearance.

"At least for now there is sufficient quota and they are able to clear the cargoes.

Market round-up

ASIA – Prices were firming in Asian thermal markets, largely supported by Chinese buying interest. Chinese generators have been building stocks ahead of the Lunar New Year holidays, which has been driving Indonesian low-rank and Australian high-ash prices higher. Indonesian low-rank traded around $34.00/t FOB, basis 3,800 kc NAR, for February loading geared vessels. Indonesian sub-bituminous traded at around $51.00/t FOB, basis 4,800 kc NAR, for January loading Panamaxes, while Australian high-ash cargoes were sold at $53.00-53.75/t FOB, basis 5,500 kc NAR, for February loading Capes and Panamaxes.

EUROPE – Atlantic thermal coal prices rose week-on-week, with the Richards Bay market climbing to a one-year high due to supply disruptions and steady Indian buying. Heavy rains across South Africa have led to a sharp drop in production and subsequently a decline in Richards Bay Coal Terminal stocks, which this week tumbled to 2.7 mt, from 3.7 mt last month. In Northwest Europe, prices edged up from last week but overall sentiment remained bearish. Combined coal stockpiles in the Amsterdam-Rotterdam-Antwerp hub were 7.58 mt this week, down from 7.62 mt last week.

IHS Coal key physical weekly marker prices ($/t)

	Incoterm	52 weeks ago	4 weeks ago	10 Jan
Northwest Europe (6,000 kc NAR)	CIF	81.21	53.09	52.80
Richards Bay (6,000 kc NAR)	FOB	90.23	82.25	88.21
Newcastle (6,000 kc NAR)	FOB	96.17	64.25	65.93
Australian (5,500 kc NAR)	FOB	60.31	51.00	53.39
South China* (5,500 kc NAR)	CFR	70.15	64.41	64.50
Indonesian sub-bit (4,700 kc NAR)	FOB	49.00	49.59	49.79
Indonesian (M42) (4,200 kc NAR)	FOB	30.92	34.27	34.07
Colombian (6,000 kc NAR)	FOB	74.50	47.25	47.50
Petcoke mid-sulphur (7,500 kc NAR)	FOB	72.00	34.50	35.50

Source: IHS Markit (except South China CFR* IHS/Xinhua Infolink) © 2020 IHS Markit

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Customer notice: IHS Markit Benchmark Administration Limited (IMBA) completes first assurance review

IHS Markit is pleased to announce that IHS Markit Benchmark Administration Limited (IMBA) has completed its first assurance review in respect of commodity benchmarks administered in accordance with the European Union Benchmark Regulation (BMR). IMBA is authorised and regulated by the UK Financial Conduct Authority as a benchmark administrator.

In addition, IHS Markit's coal price reporting service completes its fifth annual assurance review. The assurance review was conducted by independent professional services firm PwC and examined the policies, processes and controls that the IHS Markit coal team uses to establish price benchmarks for thermal coal. These policies, processes and controls are designed to ensure compliance with the principles for price reporting agencies (PRAs) set out by the International Organization of Securities Commissions (IOSCO). A "reasonable assurance" review was carried out for those benchmarks already in-scope, as recommended by IOSCO.

To download the report visit our website: https://www.ihs.com/products/coal-price-data-indexes.html

"In the worst scenario, customs bans using non-local clearance and there will be a quota crunch for imports in the second half," the trading source said.

Beijing is driven to manage imports by the need to protect the interests of domestic miners. The five-year campaign to tackle the country's pollution problems has also put pressure on Beijing to address the country's growing coal imports.

Clearance delays

The backlog arising from the late 2019 clampdown means newly arriving cargoes now face lengthy clearance delays.

Officials at some ports have been inundated with so many applications that they have had to suspend new clearance requests from traders for the remainder of January.

Guangxi customs sent a note to trading companies on 6 January detailing a temporary suspension on accepting new clearance requests. The suspension does not apply to end-users, it is understood.

Jingtang, which is China's largest coking coal clearance hub and one of the most jammed ports at present, has also opened its doors to imports, but has warned of delays of up to 60 days.

"There are delays due to backlogs. But it is huge progress from the strict control last year," a coking coal trader said.

Total port stocks at Jingtang port eased from record levels of 4.9 mt to around 4.6 mt by the end of last week, while stocks at Xinsha port dropped to 2.0 mt from a near record high of 2.6 mt in mid-December.

Confidence crumbles

Spot market confidence has crumbled, sources said, with port spot prices dropping sharply because of high stocks, and the ebbing away of business as the Lunar New Year holiday approaches, on 23 January.

"Around RMB40 was shaved of the price of 3,800 kc NAR Indonesian thermal at Guangzhou port on Wednesday (8 January)", one trader said. The spot price of low-rank Indonesian thermal material was sitting at RMB400-410/t on Thursday, 9 January.

"There is pressure to remove the stocks because the utilities and cement plants will be on holiday in another seven to eight days," the trader added, also noting that the upcoming rainy season is another nudge for traders to liquidate stocks as soon as possible.

Amid these challenges, market players are living in hope of Beijing shedding some light on its intentions for the coming year.

"We are living in the dark," a southern China based trader said. "Everyone is waiting for some solid information on quota. Hopefully it becomes clearer after the Lunar New Year holiday."

Indonesia smashes 2019 output goal by 120 mt, plans 10% cut in 2020

Indonesia smashed its coal production target by around 120 mt in 2019, officials have indicated, with a provisional 610 mt mined.

The huge overrun has spurred the government to respond with fresh efforts to rein in output, setting a limit of 550 mt for 2020, down 10% on the year.

This threshold is "to avoid an oversupply, in order to guarantee price stability", officials said.

It is understood that larger, more established miners have been asked to reduce output on the year, while smaller miners appear to be looking at more favourable allocations.

Several sources from the country's largest coal producers confirmed that officials have asked them to cut production in 2020 by 10-15%.

"The figure we requested through the annual RKAB (Work and Budget Plan) submission was not approved. Our quota has been cut by 10%," said a source from a prominent producer.

Of the 550 mt to be produced in 2020, central authorities will administer 340 mt, while the remaining 210 mt will be divided by local governments, a circular distributed by the Directorate General of Minerals and Coal (DGMC) states.

Indonesia's largest coal miners – CCoW (Coal Contract of Work) permit holders, state-miner Bukit Asam (PTBA) and over 20 Foreign Investment Business Mining Licence (PMA IUP) – report directly to the central government.

These miners typically account for more than 70% of Indonesia's output, but if the cuts are maintained, this will be the first time that the proportion of output volume of CCoWs will hover slightly over 60%.

IUP (Business Mining License) holders are to account for the remaining volume of coal.

The DGMC did not elaborate on why IUP miners have been granted a larger overall proportion compared with CCoWs.

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Production far exceeded the target in 2019 as miners battled to protect market share and revenue streams. Authorities had set an initial threshold of just 489 mt last year.

Amid the global market having teetered on oversupply of late, growing domestic needs and the long held view that Indonesia has to protect its coal resources for its own future needs, officials want to exert more production discipline this year.

“We want to better control output volumes. So we will try to keep 2020 output lower than realised production in 2019,” a member of the DGMC staff said.

Indonesian authorities have paved the way for better control of the sector in recent months.

Last year, the government unveiled several online platforms aimed at improving data collection related to coal production, sales and royalty payments. These systems are expected to afford better management of overall output.

Australian bushfire crisis yet to affect coal, but risks rise

While Australia’s devastating bushfire season in 2019-2020 continues to severely impact wide swathes of the country, including both major coal producing states, the impact on coal mining, transportation, or ports has been limited so far.

At times, fires have been close to coal infrastructure - notably in parts of the Hunter Valley in November – but these had a negligible impact on coal movements.

“The recent fires which have impacted parts of the Australian Rail Track Corporation Network (ARTC) have had minimal impact to the coal mining industry in New South Wales,” said an ARTC spokesperson.

“Minor delays were experienced to the Southern Highlands coal services, with conditions stable at other locations on the ARTC Network.

“ARTC continues to work with fire authorities to monitor conditions and ensure safety.”

Though there has been little disruption so far, it is only early January, and January typically marks the beginning of the Australian bushfire season. There are still three months before April brings appreciably lower temperatures.

There is widespread concern that Australia is witnessing a broader change in both the duration and intensity of its bushfire season.

While some coal infrastructure has a certain degree of resilience against fires - for example, mines are usually in low vegetation areas - many rail lines transit vegetated areas on their way to ports.

Sooner or later, coal infrastructure is likely to be directly impacted by fires. An increased frequency of bushfires means an increased supply risk for coal.

It also increases the number of years with supply risk. Previously supply risks were highest in years of high expected cyclone activity or rainfall. Now supply risks will also be in years of low rainfall and high temperatures.

Supply risk from bushfire activity is unlikely to match risks from cyclones and tropical storms, which can cause widespread flooding and direct damage that can take weeks or months to recover from.

But where cyclones and flooding are primarily a risk for the Bowen Basin in Queensland, fires can impact the Sydney and Gunnedah Basins in New South Wales.

Public backlash

The change in public perception is likely to bring the biggest impacts.

In the May 2019 Australian Federal election, the conservative Liberal-National Party Coalition returned to power with an outright majority.

Climate change policy - and with it, views on coal use - was a key difference between the two parties.

The election was seen, in part, as a vote by the average Australian in favour of jobs and economics over climate change action.

Just eight months later, the bushfires have put climate change front and centre in public discussion. This has not just been coming from those directly affected by the fires, which are primarily focused in country areas away from the major cities.

It has also been a function of Sydney and Brisbane - usually clear and sunny in the summer - being blanketed in smoke for many days in the past two months.

It is hard to quantify how much public sentiment has swung, but the appetite for climate change action has clearly increased, with the Coalition government under heavy criticism for climate change inaction to date.

Pressure has already increased on the Coalition to act now to act on climate change, and it will be much harder for them to continue to claim the mandate of climate change inaction perceived from the election result.

Action may come

What the Coalition government would do is likely to be moderate, at least at first.

Carbon taxes or carbon trading in the Australian National Electricity Market (NEM) are probably unlikely.

More moderate efforts are likely, such as increases to subsidies and funding of research into clean or low emissions technologies - perhaps including clean coal.

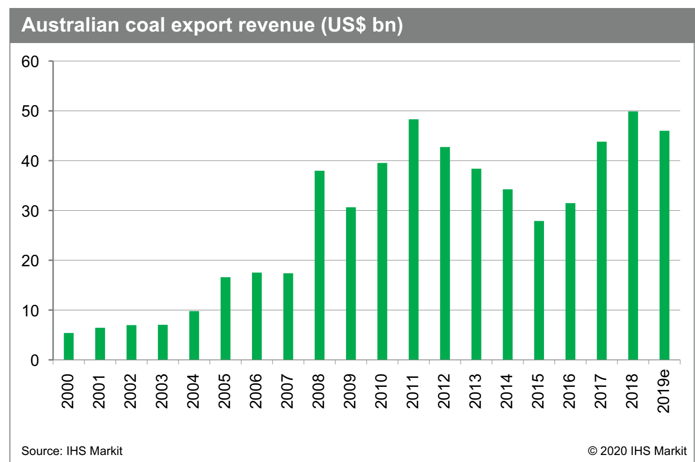
Much greater action from the Coalition would likely require a similarly bad fire season in the summer of 2020-21.

However, domestic Australian coal burn is small relative to most coal burning countries globally.

A much more meaningful impact could be achieved in the export market, where Australia is a major player.

A tax on coal exports could easily meet the need for visible action on climate change, while increasing government revenues to help counter its effects, without having much

Australian coal export revenue (US$ bn)



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actual impact on a trade flow that looks likely to drive about US$46bn in revenue this year.

It would increase delivered coal costs, helping move the needle towards alternative fuels, though low taxes would likely simply create wealth transfer without bringing much change to coal demand.

The most extreme case would be an actual limit on exports, most likely achieved through a steep tax of $20/t or more.

This is unlikely given how reliant Australia is on the revenues from coal exports, but is not outside the realm of possibility, particularly if bushfires like the ones in 2019-20 become a regular occurrence.

The challenge with an export tax or other limitation on exports is that it can simply lead buyers to source coal from elsewhere, without actually achieving the underlying carbon objective.

Even in coking coal exports, which Australia dominates, a high carbon tax would likely simply translate to higher steel prices - at least until alternatives to coking coal such as hydrogen become more widespread.

South African coal output down sharply due to heavy rains

Heavy rains across key coal mining regions in South Africa have led to a sharp drop in production over the past few weeks, helping to push export prices to one-year highs and putting a strain on stockpiles.

The weather-related production problems have been one of the main causes for the decline in stocks at the Richards Bay Coal Terminal (RBCT), which this week tumbled to 2.7 mt, from 3.7 mt last month.

“All our mines in Mpumalanga were adversely affected, that’s why RBCT stocks are so low,” an official with a major producer told IHS Markit, adding its production was down 15-20% for the month.

“Things are getting back to normal in terms of weather, but the effects might last a bit longer.”

The supply issues, along with strong Indian buying, where significant volumes of South African coal are used in sponge iron making, has propped up the Richards Bay market to a one-year high, a rare bright spot in the global coal markets.

On Thursday, a 50,000 t February-loading cargo traded at $96.00/t FOB, the highest since late December 2018.

A South African trader said production in the key Mpumalanga coal mining region could be down as much as 20% in December, translating roughly to a drop of around 1.1 mt. A second trader said the rain’s impact was significant, but he didn’t think it was as much as a 20% production loss in Mpumalanga.

The region produces more than 80% of South Africa’s coal output of around 20 mt a month. Of that total, South Africa exports around 5-7 mt a month.

Seriti Resources’ Kriel mine was among the worst hit, with flooding problems forcing the temporary shutdown of operations in mid-December. The mine produces around 5 mt/y for the nearby 3 GW Kriel power station, operated by Eskom. The state utility said it was forced to impose rolling blackouts last month, partly due to the flooding of the mine and power station.

Mbuleyo Coal’s 1.2 mt/y Mavungwani Colliery in Mpumalanga was also affected, with half of its production down due to the floods.

“As we speak, it is raining again,” a company official told IHS Markit on Friday. “Thus, we expect the situation to continue throughout January.”

Taiwan election outcome to set the course for country’s energy policy

The outcome of Taiwan presidential elections, to be held this weekend, will set the trajectory for the country’s energy policy, specifically the use of nuclear and coal as fuel of choice for baseload power generation, over the next decade.

Energy policy observers say that while the current Democratic Progressive Party (DPP) government of Tsai Ing-wen lost a 2018 referendum on phasing out nuclear power by 2025, the role of nuclear was still up in the air, with the incumbents set on not giving life-extensions to existing nuclear plants when their operating licenses run out. They are also committed to not approving construction of any new nuclear.

In contrast, the opposition Kuomintang (KMT) candidate has accused the current government of disregarding the results of the referendum, and promised to restart the construction of a mothballed nuclear plant, if required.

“The two major parties are very different on their energy policy and after the elections we’ll know how reliably nuclear can be used,” said one source in Taiwan.

The source pointed out regardless of which party comes to power, some critical decisions will have to be made. Currently, there are four generating nuclear reactors operating, totaling around 5 GW which contribute around 10% of the country’s electricity.

“Close to 1 GW of nuclear power is expiring in the next year with one unit of the 1.9 GW Kuosheng nuclear power plant likely to be decommissioned, and that deficit will have to be filled, and it’s a challenge,” said the Taiwanese source.

Natural gas through LNG imports, is both parties’ preferred alternative, with plans to boost its share in the country’s energy mix to 50% by 2025, but challenges with import infrastructure makes it a difficult proposition.

“Gas can’t be brought online on time, we still have environmental issues with LNG import facility construction,” said a second source in Taiwan.

Difficulties getting environmental permitting for LNG import facilities and the anti-nuclear stance means use of coal has been in sharper focus, though even that is not without its own issues.

Air quality is a chief one, as demonstrated by dominant utility Taipower’s ongoing fracas with the local Taichung government.

Election observers in Taiwan expect the current government to prevail in the upcoming elections with Tsai likely to get a second term, meaning the country’s coal consumption will continue to dominate political discourse.

Meanwhile, Taipower is expected to lift force majeure at its 5.5 GW Taichung Power Plant by the end of this month as a new annual coal consumption quota kicks in, sources said.

However, the state-owned utility is still in dispute with the Taichung local government over the sudden cut on coal burn imposed on the plant last November, after the local government capped the Taichung plant’s annual coal use at 11 mt in the year to 26 January 2020. Before that, the plant had a permit to burn 16 mt.

As the power plant continued to generate electricity, albeit at a lower rate, coal consumption exceeded the reduced allocations and the local government slapped fines on the plant for breaching the quota.

“The power plant is still running, and the government (has) given a huge fine. Taipower is fighting it and will apply to reject

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the fines," a utility source said, adding Taipower is seeking to maintain its coal burn at 12.60 mt with a 10% margin.

Taipower has been embroiled in a battle with the Taichung local government, which issues the Taichung power plant with the license to operate the 10 generating units.

The dispute has been over air quality issues, with the government charging that the coal-fired plant is responsible for the deteriorating air quality in the city.

As the utility was slapped with a slew of fines last year over environmental violations, the local government imposed a 40% reduction in the power plant's annual coal burn, forcing Taipower to declare force majeure.

It was estimated that at least 2 mt of coal supply, at least half of it Australian high c.v. material, would have been impacted by the two-month force majeure.

More recently, the local government forced Taipower to suspend two generating units at Taichung from 1 January, a move that could compromise the country's grid stability, according to observers.

The FM itself has been contentious with some suppliers questioning the validity of such a move. Some argue that suppliers have a contract with Taipower and not the Taichung power plant, and hence the utility should perform the contract, even if it has to divert coal supplies to other plants.

Others argue Taipower should have anticipated the local government's clamp down and the cut backs, given the hefty fines it had copped for environmental violations through the year.

"It can be argued it was not an unforeseen event," said a supplier source.

However, many shippers are understood to have complied with the FM.

"They (coal producers) have agreed to delay the shipments, but they tried very hard to negotiate," said the source.

Taichung has been allocated 12.5 mt of coal burn for 2020, though Taipower's overall coal consumption is expected to remain at around 28-29 mt.

"They'll reset on 26 January ... but because coal consumption is set lower for this year, they'll have to carefully plan to comply," the utility source said.

CIL aims for Q1 e-auction ramp-up

An aggressive production goal in January-March has resulted in Coal India Ltd (CIL) planning to auction higher tonnages and deliver on postponed contracted tonnes to industrial buyers in the same period.

While it is not expected to impact imports in the first three months of the year, the jury is still out on the impact further out.

The state-owned miner is planning to deliver an extra 18-20 mt to industrial (cement, captive power and sponge iron) buyers of contracted coal that was delayed due primarily due to the poor weather from August to October which caused multiple mine floodings.

Many of the end-users took to the import market over that period, particularly the industrial players, to cover their shortfall as CIL had prioritised delivery to state-owned power plants.

In addition, there are obvious doubts over the likelihood of CIL reaching is aggressive production goal.

"We are aiming to produce 228-255 mt in January-March at average 2.5-2.8 mt/d and will offer up to 27% (62-69 mt) out of this for sale through the e-auction route," a senior CIL official said.

This would be 34-61 mt more than the same period last year when 194 mt was produced and massively over the 147 mt produced in October to November 2019 period that was impacted by the monsoon. Consequently, industry expectations are that CIL will be only be able to produce around 210 mt in this period. Despite this, it is still expected that CIL will be able to make tonnes available for auction and contract catch-up.

The question is will the market take these tonnes. Certainly the market has already purchased import tonnes to cover this period and expectations are that only 10-12 mt of the postponed contracted coal will be taken.

CIL's intention behind dispatching as much coal as possible through the e-auction route is to keep its inventories within manageable limits as the power sector's demand is tapering down temporarily. Stocks typically rise in January-March as production increases due to favourable weather conditions at a time when burn by power plants tapers down due to low electricity demand.

In addition, with CIL assuming that production is likely to exceed the rail loading capacity, the e-auction route is focused on road transportation off-take.

The miner's plan for the huge auction offering has been dubbed a 'knee jerk' reaction as it is seeing less demand from government owned power plants, which have been able to build up stocks after the heavy monsoon, which caused stocks to fall significantly in the last quarter.

As of 6 January, 134 plants monitored by the Central Electricity Authority (CEA) had 31.62 mt of stocks, enough for 18 days of burn. This compares to mid-October when stocks were only 17.08 mt, enough for 10 days of burn.

CIL expects that the state-owned power plant coal stocks will rise to the mandatory 22 days burn sometime soon and it will be able to place more tonnes into the market. This will not just be for the industrial market which tends to focus on South African coal, but also the private power plant market.

Private power plants continue to suffer as 21 of the 43 private sector owned plants, monitored by the CEA, had a stock of less than seven days burn on 6 January. This is largely unchanged from mid-October. Most of these power plants affected are the ones designed to burn domestic coal in the interior of the country.

CIL's pithead stocks were 25.30 mt on 31 December and are expected to top 65 mt by the end of March [assuming a realistic maximum production of 210 mt in January to March], if additional tonnage is not dispatched through road transportation.

"Majority of planned auction will be through spot e-auction [open to all parties including traders and for delivery within three months of purchase] where 80-90% of supplies are through road mode. There is a limitation in transportation by rail as we can load a maximum of 300-310 cars/d. Higher dispatches through road mode will help us prevent the stock from swelling too much," the official added.

However, a similar initiative by CIL in January-March 2017 did not help the miner as the increased offerings were not purchased.

The miner offered 85.96 mt then at an average of 28.65 mt/m to manage its inventories, but the strategy did not work as only 26.58 mt of that was booked and its stocks rose from 43.64 mt on 31 December 2016 to 68.42 mt on 31 March 2017.

The poor response was because CIL offered a low quality coal and potential customers were holding back as they wanted to minimise costs towards the end of the financial year. A softening

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CIL's production and e-auction offers (in mt)

Period	Production	Offered under e-auction	% of production
Jan-March 2017	176.35	85.96	0.49
Jan-March 2018	183.45	23.02	0.13
Jan-March 2019	194.44	26.53	0.14
April-Dec 2017	383.91	219.46	0.57
April-Dec 2018	412.43	64.8	0.16
April-Dec 2019	388.4	59.1	0.15
2016-17 (Apr-Mar)	554.1	305.42	0.55
2017-18 (Apr-Mar)	567.36	160.88	0.28
2018-19 (Apr-Mar)	606.87	91.32	0.15

Source: CIL/HIS Markit

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international market especially for South African 5,500 kc NAR material which fell from around $69/t in January 2017 to around $63/t in March also hampered the e-auction demand.

However, it is understood that CIL will be offering a whole spectrum of coal qualities in the e-auctions including significant tonnes that are suitable for sponge iron producers.

Taking a cue from a poor response to higher offerings in January-March 2017, CIL curtailed offerings in the same quarters of 2018 and 2019 (see table).

The sponge iron sector's total coal demand is estimated at about 35-36 mt/y and it gets only 9-10 mt/y from domestic supplies – 2 mt/y through contracts and 7-8 mt/y through spot e-auction. The remaining around 26-27 mt/y comes through imports, mainly from South Africa.

"Additional domestic availability to sponge iron sector may curtail sponge iron's import requirement," a Kolkata-based trader said.

Record quarter for M42 futures volume

M42 futures ended the year on a high, with December and fourth quarter 2019 both setting new records for volume and open interest cleared via Singapore Exchange (SGX).

M42 is also known as the IHS McCloskey Indonesian 4,200 kc GAR FOB marker, and tracks spot price values for this grade out of Kalimantan in geared vessels.

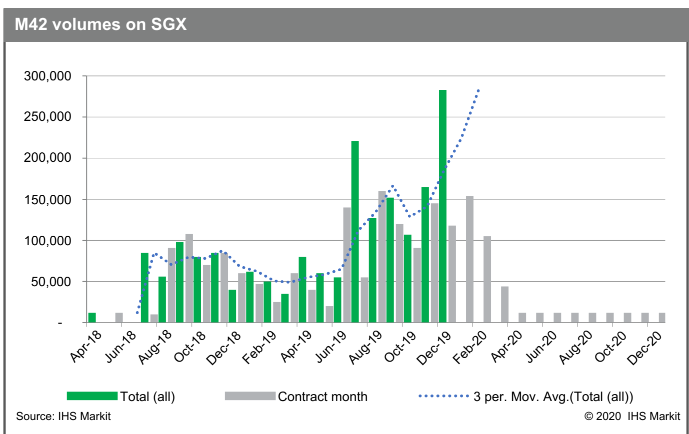
The record setting monthly M42 futures traded volume in December was 273,000 t. The previous record was in July 2019 when 221,000 t transacted.

This also helped Q4 2019 beat the record for most traded quarter, with a total of 555,000 t trading across the period. This broke the previous record set in Q3 2019, at 500,000 t.

Open interest has grown in the year, reaching a record high to close the year at 291,000 t. Q4 2019 was also a record for open interest, averaging 174,000 t in the three months. This was up on the previous record, also set in Q3 2019, of 112,924 t.

At the end of Q4 2019, M42 on SGX had overtaken the ICI4 product on CME in terms of traded volume, with M42 holding a 58% market share.

M42 volumes on SGX



Source: IHS Markit

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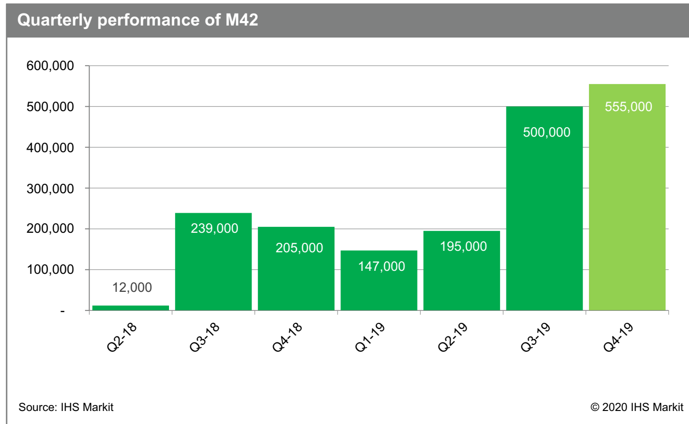
Quarterly performance of M42



Source: IHS Markit

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M42 traded more volume than its competition in all three months of the quarter, with M42 holding between 57-62% throughout the period.

M42 was the first Indonesian 4,200 kc GAR derivative contract to trade calendar 2020 deals – with four calendar 2020 deals cleared via SGX in the quarter.

Much of the support for M42 has come from its increasing usage as a benchmark for physical business, as a single reference price or part of a basket, and its robust compliance standards.

Key physical market commentaries

Met coal price lift may prove short-lived

Coking coal spot prices have improved steadily since the start of the year and are now at levels last observed in September 2019, as strong bids emerged from Chinese steel mills amid supply tightness in the domestic market and easing controls on imports.

IHS Markit currently assesses prime low-vol (MCC1) at $153.30/t FOB and mid-vol coal (MCC2) at $149.25/t FOB while in the Chinese delivered market, the same coals are assessed at $158.55/t CFR China (MCC4) and $153.50/t CFR (MCC5), respectively.

But this week's improvement in coking coal prices may evaporate once the Chinese market takes its annual week-long holiday, starting January 24, and spot purchasing dries up.

Contributing to the uptick is a slight tightening of Australian supply as a key Queensland supplier with coal availability issues struggles to get product to port, also potentially having just a short-term impact.

Indian buyers meanwhile have made 'soft' enquiries for coal in the market but the only firm enquiries are for smaller volumes which will likely be met from India's ample port stockpiles.

The bulk of the buying since the start of the year is destined for China and includes two PCI cargoes at around $83/t FOB and two cargoes of HC 64 material, one sold at $122/t FOB and the other at $135.75/t CFR.

Atlantic petcoke prices steady; tender interest thin

Spot interest was slow to emerge in the Atlantic petroleum coke market at the start of the new year, as volatile freight rates are keeping buyers on the sidelines for now.

Rising oil markets and the impact of IMO 2020 regulations are combining to push up bunker costs.

An interim trade deal between the US and China, due to be signed on 15 January, has the potential to add further upward momentum to freight markets.

There is an Indian spot tender for a high-sulphur (5.5-7.0%) USG Supramax. Prices for United States Gulf material are indicated in a wide range between $65.00-70.00/t CIF west/east coast India.

The higher end of the range is more likely to be secured. Freight costs from the USG are about $39.00/t, but they are volatile. Saudi material is understood to have closed in the mid-$60s/t CIF South Korea over the Christmas break.

Pakistan cement buyers are showing more interest in USG high-sulphur material for February and March loading, according to trading sources. Indicative prices for USG spot cargoes are assessed in a range of $30.00-31.00/t FOB, basis 7,500 kc NAR. Freight costs are assessed at $38.00/t from USG to Karachi, leaving an indicative CIF price of $68.00-69.00/t, basis 7,500 kc NAR. South African coal is over $100.00/t CIF Karachi, basis 6,000 kc NAR.

In China, Saudi cargoes recently arrived into Fangcheng without facing any customs delays. Prices into China are assessed at $70.00/t CIF. Saudi coke into India is priced in a range of $66.00-68.00/t CIF

In Turkey, a cement producer is targeting a price level of $51.00-52.00/t CIF Marmara, basis 7,500 kc NAR, for a Supramax loading out of the USG.

In the domestic market, a Tupras tender for 40,000 t/month in the first half of the year closed at an average price of $48.50/t free on truck. The last deal for an imported cargo closed at $54.00/t CIF Marmara, for a December loading Supramax from the USG. CIF prices are in a similar range for Egypt.

IHS Markit's weekly USG high-sulphur (5.5-7.0%) marker is assessed at $30.50/t FOB USG, basis 7,500 kc NAR, up $0.50/t from last week.

In the mid-sulphur market (4.0-5.5%), two deals for Supramaxes closed in a range of $41.00-44.00/t FOB United States west coast for February and March loading, respectively.

In Turkey, material is assessed at $55.00-56.00/t CIF Marmara, broadly unchanged mid-December's assessment.

A Uruguayan state-owned buyer continues to negotiate for a 4-5% 35,000 t cargo for prompt-loading. Freight costs are assessed into Montevideo at $23.00-24.00/t for vessels loading out of the USG.

IHS Markit's weekly USGC mid-sulphur (4.0-5.5%) marker is assessed at $35.50/t FOB USG, basis 7,500 kc NAR, up $1.00/t on last week.

Chinese tendering activity picks up

Tendering activity in China ramped up this week, with buyers mainly in the market for February arrival imports, with domestic term tonnage yet to be settled.

IHS Markit coking coal prices

Coking Coal Daily	6-Jan	7-Jan	8-Jan	9-Jan	10-Jan
MCC 1 (Australia low-vol PHCC FOB)	143.25	144.00	46.00	146.50	153.30
MCC 2 (Australia mid-vol PHCC)	139.50	140.00	140.50	140.60	149.25
MCC 3 (Second tier Australian HCC FOB)	122.00	122.00	124.25	124.25	124.25
MCC 4 (China low-vol PHCC CFR)	151.00	151.25	157.50	157.75	158.55
MCC 5 (China mid-vol PHCC CFR)	145.10	146.00	149.50	150.50	153.50
MCC 6 (Second tier China HCC CFR)	133.00	133.00	135.75	135.75	135.75

Source: IHS Markit

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Six February-March arrival Panamaxes of Indonesian sub-bituminous for delivery to South China transacted, with the lowest price around RMB450/t CFR ($65.03/t CFR), basis 4,800 kc NAR.

Five Panamaxes of Indonesian low-rank were bought at around RMB325-330/t CFR ($46.97-47.69/t CFR), basis 3,800 kc NAR, for February to March arrival. Another shipment to an East China port was heard to have concluded at around RMB330/t CFR ($47.69/t CFR), basis 3,800 kc NAR, for February arrival. The CFR award prices include VAT and charges at the port.

For spot cargo transactions, Indonesian sub-bituminous shipments traded at $56.30/t CFR, basis 4,700 kc NAR, for a Panamax to Guangzhou port in February.

Two shipments of Indonesian low-rank material were understood to have been bought at $40.50/t CFR and $41.00/t CFR, basis 3,800 kc NAR, both for Panamaxes to South China in February.

Consumption at major coastal power groups stood at 0.72 mt/d on Thursday, up from 0.70 mt/d reported last week. Total inventory at the same group of power stations stood at 14.95 mt, lower than 15.27 mt last week and enough for 21 days of consumption.

Indonesian low-rank prices firm amid uptick in Chinese buying

An uptick in demand for Indonesian low-rank material was seen this week, mainly from Chinese buyers building stocks ahead of the Lunar New Year holidays. India, however, has not been booking cargoes as aggressively.

Several Indonesian producers noted that more Chinese demand has been seen since Beijing eased import controls at the beginning of January.

February-loading material traded at $34.00/t FOB, basis 3,800 kc NAR, also up week on week from $33.25-33.50/t FOB, same basis.

Deals for low-rank coal settled at higher levels on the week with January loading geared vessels trading at $33.75/t FOB, basis 3,800 kc NAR, up from $33.25-33.55/t FOB, same basis, in the previous week.

An index-linked deal concluded at M42/ICI4 plus $0.00/t, basis 4,200 kc GAR, for a geared vessel loading in February.

Lower c.v. material was offered at $28.50/t FOB, basis 3,400 kc NAR, for a January loading geared vessel, but no bids were heard against. Similar material was offered at $29.00/t FOB, basis 3,400 kc NAR, for a geared vessel loading in early February.

January loading Panamaxes of sub-bituminous traded at $50.00/t FOB, basis 4,700 kc NAR, and at $51.00/t FOB, basis 4,800 kc NAR, stable to levels seen last week.

Early February loading higher c.v., higher sulphur coal was bid at $70.00/t FOB, basis 6,100 kc GAR, for a geared vessel, with no offers heard in return.

On a China-delivered basis, February arrival Panamaxes traded at $40.50-41.00/t CFR, basis 3,800 kc NAR, and at $56.30/t CFR, basis 4,700 kc NAR.

M42 paper traded via SGX for January at $34.05/t, up from $34.00/t last week. February concluded at $34.10/t, up from fair value a week back at $34.05/t. A deal was done for March at $34.35/t.

Atlantic prices rise, Richards Bay at 1-year high on supply problems

Atlantic thermal coal prices rose week-on-week, with the Richards Bay market climbing to a one-year high due to supply disruptions and steady Indian buying.

Heavy rains across key coal mining regions in South Africa have led to a sharp drop in production over the past few weeks, supporting export prices and putting a strain on stockpiles.

The weather-related production problems have been one of the main causes for a decline in stocks at the Richards Bay Coal Terminal (RBCT), which this week tumbled to 2.7 mt, from 3.7 mt last month.

The supply issues, along with strong Indian buying, where significant volumes of South African coal are used in sponge iron making, has propped up the Richards Bay market, a rare bright spot in the global coal markets.

On Thursday, a 50,000 t February-loading cargo traded at $96.00/t FOB, the highest since late December 2018.

A South African trader said production in the key Mpumalanga coal mining region could be down as much as 20% in December, translating roughly to a drop of around 1.1 mt. The region produces more than 80% of South Africa's coal output of around 20 mt a month. Of that total, South Africa exports around 5-7 mt a month.

In Northwest Europe, prices edged up from last week's four-month low but overall sentiment remained bearish.

Combined coal stockpiles in the Amsterdam-Rotterdam-Antwerp hub were 7.58 mt earlier this week, down from 7.62 mt last week. Reload activity from the key five terminals has been steady since December with volumes largely delivered into Ukraine and the Mediterranean.

In Germany, hard coal-fired generation margins improved a little over the New Year, but remained negative, facing strong competition from renewables and cheap natural gas.

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DES ARA fixed price deals

30 December 2019 - 10 January 2020

Date	Price	Del	Origin	Port	Tonnes	Broker	EFP	Index setting
6-Jan-20	52.75	Feb-20	ACPRSU	AR	50,000	globalCOAL	N	Y
6-Jan-20	53.75	Mar-20	ACPRSU	AR	50,000	globalCOAL	N	Y
8-Jan-20	52.25	Feb-20	ACPRSU	AR	50,000	Braemar Atlantic	Y	Y
9-Jan-20	52.25	Feb-20	ACPRSU	AR	50,000	Braemar Atlantic	Y	Y
10-Jan-20	53.25	Mar-20	ACPRSU	AR	50,000	Braemar Atlantic	Y	Y

AR - Amsterdam, Rotterdam

Rott- Rotterdam

Amst- Amsterdam

ACPRSU - Australian, Colombian, Polish, Russian, South African, US

EFP (exchange of futures for physical)

Source: IHS Markit

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Newcastle FOB fixed price deals

30 December 2019 - 10 January 2020

Date	Price	Loading date	Tonnes	Broker	EFP	Index Setting
No trades						

EFP - exchange of futures for physical

Source: IHS Markit

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Richards Bay FOB fixed price deals

30 December 2019 - 10 January 2020

Date	Price	Loading date	Tonnes	Broker	EFP	Index Setting
2-Jan-20	73.60	Mar-20	50,000	globalCOAL	N	Y
9-Jan-20	96.00	Feb-20	50,000	globalCOAL	N	Y

EFP - exchange of futures for physical

Source: IHS Markit

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15th Annual

Southern African Coal Conference

29-31 January 2020

Cape Town, South Africa | Westin Cape Town

https://www.opisnet.com/ihsmarkit-southern-african-coal-conference

Customer notice: Coking coal change announcement

With reference to the IHS Markit Consultation Notice published 22 November 2019, the proposed changes to IHS Markit Coking Coal markers were implemented on 30 December 2019.

The proposed changes will affect the:

- MCC1 Australian FOB low-vol PHCC
- MCC2 Australian FOB mid-vol PHCC
- MCC3 Australian FOB second-tier HCC
- MCC4 China CFR low-vol PHCC
- MCC5 China CFR mid-vol PHCC
- MCC6 China CFR second-tier HCC
- Australian semi-soft coking coal (FOB)
- Australian LV PCI (FOB)

Summary of the Changes

1. Coking coal spot markets have evolved to the point where coals designated prime low-volatile typically price differently to coals designated prime mid-volatile coal. While the designations do not fully reflect the complexities within value-in-use models, IHS Markit has adopted the prime low-volatile (PLV) and mid-volatile (PMV) terms based on market feedback. For inclusion in the IHS Markit price assessment, coking coals with volatile matter below 21.5% will be designated low-volatile, as long as they have a CSR of 70 and above. Coals with volatile matter above 21.5% will be designated mid-volatile.

2. The prime low-volatile (MCC1 Australian FOB low-vol PHCC and MCC4 China CFR low-vol PHCC) and prime mid-volatile (MCC2 Australian FOB mid-vol PHCC and MCC5 China CFR mid-vol PHCC) indexes will not be normalised against each other, except in circumstances where there is no transactional data for one of the qualities. In this case a 25% loading will be applied from the other index (formed from transactional data) in conjunction with 75% of the previous day's value, derived from that day's relativity.

3. For the daily markers IHS Markit will use an in-house mathematical model to evaluate realised price differentials between different known brands of hard coking coal within the separate categories of low-vol, mid-vol and second-tier, based on traded prices, market participants' assessments and firm bids and offers.

4. **MCC1 Australian FOB low-vol PHCC** will now reflect the following quality parameters

Max Fluidity (ddpm)	Volatile Matter (ad)	Ash (ad)	Sulphur (ad)	CSR	Total Moisture (ar)	Phosphorus (ad)	Vitrinite	CSN
180	20%	10%	0.55%	71	10%	0.05%	65%	9

Source: IHS Markit © 2020 IHS Markit

5. **MCC2 Australian FOB mid-vol PHCC** will now reflect the following quality parameters

Max Fluidity (ddpm)	Volatile Matter (ad)	Ash (ad)	Sulphur (ad)	CSR	Total Moisture (ar)	Phosphorus (ad)	Vitrinite	CSN
1000	22.5%	9.5%	0.50%	68	10%	0.04%	63%	8.5

Source: IHS Markit © 2020 IHS Markit

6. **MCC4 China CFR low-vol PHCC** will now reflect the following quality parameters

Max Fluidity (ddpm)	Volatile Matter (ad)	Ash (ad)	Sulphur (ad)	CSR	Total Moisture (ar)	Phosphorus (ad)	Vitrinite	CSN
180	20%	10%	0.55%	71	10%	0.05%	65%	9

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7. **MCC5 China CFR mid-vol PHCC** will now reflect the following quality parameters

Max Fluidity (ddpm)	Volatile Matter (ad)	Ash (ad)	Sulphur (ad)	CSR	Total Moisture (ar)	Phosphorus (ad)	Vitrinite	CSN
1000	22.5%	9.5%	0.50%	68	10%	0.04%	63%	8.5

Source: IHS Markit © 2020 IHS Markit

8. **Australian LV PCI (FOB)** will now reflect the following quality parameters

Energy	Volatile Matter (ad)	Ash (ad)	Sulphur (ad)	Total Moisture (ar)
>7,400 kc GAD	<18%	8-10%	<0.65%	<10%

Source: IHS Markit © 2020 IHS Markit

9. Active trade window and monthly rollover

The active window, for the above designated markers, will change from covering two months, starting one month ahead of the current month, rolling over after the close of business on the last working Friday of the month. The active window will change to loading within the next 10-60 days for FOB Australia trades and delivery in the next 14-74 days for CFR China trades. The active trade window and monthly rollover for the other metallurgical coal markers will remain unchanged.

Implementation
30 December, 2019

Previous Market Participant Consultation
There has been no previous formal consultation on the amendments.

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Corporate

Three final contenders emerge for South Africa's Optimum mine

The final list of qualified bidders for South Africa's troubled 10 mt/y Optimum thermal coal mine has been whittled down to just three.

The finalists are a consortium led by state-owned African Exploration Mining and Finance Corporation (AEMFC) and trading house Lurco Group, a second group led by DSA Investments' subsidiary Orchid Mining, and little known Izingane Zethu Mining, a source with direct knowledge of the matter told MCR's sister publication, the Southern African Coal Report.

Business rescue practitioners (BRPs) overseeing the mine presented their recommendations for creditors to vote on last month. But a decision was delayed until 31 January due to a "disagreement over a technicality by major creditors".

The disagreement is the latest delay to the long-running saga of the Optimum thermal coal mine and its prized 6.5 mt/y export entitlement at the Richards Bay Coal Terminal.

It has been two years since Optimum and its sister mine, Koornfontein, were forced into business rescue under its Gupta-linked owner Tegeta Resources & Exploration.

Shortly before the shutdown, Optimum was producing at around 8 mt/y, with 3 mt/y exported.

Last year, the AEMFC-Lurco consortium was the leading contender to take over Optimum's coal assets. But that is now uncertain after Lurco lost its bid at the last minute for Optimum's sister mine, Koornfontein.

The BRPs initially awarded Koornfontein to Lurco but withdrew it after deciding the funds were not submitted on time. Black Royalty Minerals have since been awarded the 3.5 mt/y mine. Lurco has challenged the move in court.

Lurco goes up against the consortium led by Orchid Mining, which has yet to have a functioning website. The parent company DSA Investments said its subsidiary is a South African company with interests in coal extraction, transportation, and sales both domestically and for export.

Izingane Zethu Mining also doesn't appear to have a functioning website.

US' Murray Energy gains approval for sale process

United States (US) miner Murray Energy Holdings, which filed for reorganization under US bankruptcy laws in October last year, has gained approval for its assets to be sold.

Murray Energy is one of many US coal producers to seek bankruptcy status in 2019 in a market roiled by waves of closures of coal-fired power plants and declining global thermal coal prices.

Murray Energy and its affiliated companies envision a "stalking horse" process in which a chosen group of senior lenders will essentially exchange debt for ownership in the company, barring competing bids being offered. The deadline for any party interested in offering a competing bid is 4 February. The US Bankruptcy Court must approve a final sale.

The final "written" bid deadline is 16 March, with a "live" auction held on 26 March, if approved competing bids are offered. A court hearing on the bid results is scheduled for 2 June.

Murray Energy is the largest privately-owned coal company in the US, producing about 53 mst (short tons) of primarily bituminous thermal coal in 2018.

The company owns and operates 13 active mines across the Northern, Central, and Southern Appalachia Basins (located in Ohio, West Virginia, eastern Kentucky, and Alabama), the Illinois Basin (located in Illinois and western Kentucky), the Uintah Basin (located in Utah), and Colombia, South America. Murray also manages and operates five additional mines in the Illinois Basin through its partnership with non-debtor affiliate, Foresight Energy LP.

ITOCHU partners on US coking coal project

Japan-based ITOCHU Corporation will buy a 25% interest in North Central Resources and its Longview coking coal mine under development in Barbour County, West Virginia.

The deal has been agreed with current shareholders, American Metals & Coal (AMCI), South Korea's POSCO, and US-based JAZ Ventures.

"Amid firm growth in global steel production, coking coal demand is expected to continue to increase in the future," ITOCHU said in a 25 December statement. "With the new development of the Longview mine and its involvement in the marketing joint venture, ITOCHU will be contributing a stable supply of high-quality metallurgical coal to global customers, particularly in Japan and Asia."

AMCI will retain the controlling interest of 42.38%, ITOCHU 25%, POSCO 22.05%, and JAZ (which includes Pennsylvania's Robindale Energy) 10.58%.

The Longview mine, which is being developed towards full-scale production in late 2022, is expected to have an annual production capacity of 4 mst (short tons), making it one of the largest coking coal mines in the US.

Queensland's Bounty Mining enters voluntary administration

Financially troubled Queensland junior coking coal producer Bounty Mining has been placed in voluntary administration following a period of depressed coking coal prices and reduced production from the Cook Colliery due to roof falls.

The company said it had also been unable to source additional funds to transition the colliery to place change mining methods.

The administrators, KordaMentha, said they would place the operation into care and maintenance while making an assessment of the business with the view to selling and/or restructuring the business.

Cook Colliery produced just 0.5 mt of ROM coal in Australian FY 2019 but had a target to reach 2.2 mt/y in 2020.

A rock fall in October resulted in an estimated 23,000 t of lost production and reduction of mining from two panels to one.

Bounty purchased the mothballed Cook Colliery in December 2017.

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Mining

US met producers continue to idle mines on poor markets

Coronado Coal's low-vol Buchanan underground mine is back in production after a two-week Christmas holiday idling prompted by weak demand and prices for United States metallurgical (met) coal in the second half of 2019.

The restart – so mineworkers there could fill an order from Brazil – was a bit of good news for the state of Virginia's largest underground operation, which typically produces about 5 mst (short tons) annually and has gained widespread acceptance over the years with global steel customers, including Asia.

But the realisation that US met coal operations are still subject to idling was underscored this week as Blackhawk Mining announced it will idle its high-vol Tom's Fork Road operation in neighboring West Virginia. Permanent workforce reductions are expected in March, Blackhawk said.

Tom's Fork, which produced about 0.4 mst in 2019, supplies domestic and international cokemakers, as does Buchanan.

Given unchanged market conditions, further mine closures during the first quarter have long been expected by industry participants. Both met and thermal mines are likely to be weighed in the balance.

Buchanan – once CONSOL Energy's flagship low-vol coking coal mine until the company entered into agreement in February 2016 to sell the operation to Australia-listed Coronado – has reliably produced about 5 mst or more annually over the years. Prior to the sale, CONSOL officials had touted the coal's quality and desirability on the world stage, noting that the product had gained the attention of Asian customers, including China.

Fast forward nearly four years and the US is working out the kinks on some sort of trade deal with China that presumably would throw a bone to US coal, though to what advantage remains to be determined.

Meanwhile, Coronado, with its US headquarters in Beckley, West Virginia, has been squaring away bits of new business for Buchanan and some other Central Appalachian (CAPP) mines as 2020 gets under way.

An industry vessel schedule issued Monday shows that the *Hector* bulk carrier took on at Hampton Roads, between Christmas and New Year's Eve, an 11,432-st cargo of Coronado coal bound for Brazil. According to IHS Markit's Commodities at Sea database, the coal is destined for Sepetiba port, on a journey that began 1 January and is expected to end 27 January. The shipment is believed to be high-vol A and/or B, possibly from Coronado's CSX railroad-loading Logan County, West Virginia, operation and included in a larger cargo of 75,200 t bound for Sepetiba this month.

But US met business is going to need an improved global market in 2020 to make up for the downturn in the second half of 2019.

Overall, the latest T. Parker Host data shows that US coal exports were heavily impacted during 2019. Total coking coal shipments for November were 3.21 mt. Though this was up nearly 19% from October's 2.70 mt, the November volume was down 9% from 3.54 mt exported in November 2018.

Met coal shipments to Brazil, India, Ukraine, Japan and Korea were each up month-on-month as Brazil led the way by taking 0.6 mt of US coking coal. India was a close second at just over 0.5 mt and Ukraine took in just over 0.4 mt.

Host estimates the 11-month 2019 US total of coking coal exports at 39.7 mt, down 6% on the year from 42.2 mt shipped in January-November 2018.

Coal India production hits fiscal year high in December

Coal India achieved its highest monthly production of the current Indian financial year (April 2019-March 2020) in December.

In the process, it also recorded the first year on year increase in monthly output since May.

The state-owned miner produced 58.02 mt or 1.87 mt/d in December, which was up 16% on the month from 50.02 mt (1.67 mt/d) and up 7% on the year, from 54.14 mt (1.75 mt/d).

The production improvement was a result of CIL's two main subsidiaries – South Eastern Coalfields Ltd (SECL) and Mahanadi Coalfields Ltd (MCL) – resuming normal operations. The two account for nearly 50% of CIL output.

Four other subsidiaries – Eastern Coalfields Ltd (ECL), Bharat Coking Coal Ltd (BCCL), Norther Coalfields Ltd (NCL) and Western Coalfields Ltd (WCL) – reported growth of 6-7% in December, but Central Coalfields Ltd (CCL) reported a 4% decline.

SECL's December output of 13.93 mt was up 11% on the year, from 12.52 mt and up 20% on the month, from 11.64 mt. SECL's Dipika mine with rated capacity of 35 mt/y was flooded in late September.

MCL produced 14.36 mt in December, up 10% on the year and 34% on the month. MCL's Talcher mines were also recently impacted by flooding and local law and order issues.

"We have practically solved all production related issues and are now aiming to produce an average 2.50-2.75 mt/d in January-March to overcome the production loss in April-October," a CIL official said.

CIL's production plan for this year was severely dented, initially by the delay in the award of contracts for coal and top soil removal, and later by an above normal and extended monsoon in the country.

Despite an improved performance in December, the miner's April-December production was down 6% on the year at 388.41 mt, from 412.44 mt.

CIL's 660 mt target for the financial year is certainly out of its reach. It would have to produce 90.53 mt/m or 2.98 mt/d in the next three months (January-March) to achieve the target. This far exceeds its monthly record of 79.20 mt or 2.55 mt/d, set in March 2019.

The production trend in December, however, indicates that the miner may surpass last year's production level of 607 mt, if it can manage 2.50 mt/d in the remainder of the financial year.

India's thermal imports are likely to remain flat at around 14-16 mt/m in December-March, with buyers having little need to compensate for CIL not reaching its target as industrial demand remains subdued.

CIL's dispatches rose 13% on the month in December and 2% on the year, to 53.63 mt.

"Despite fogs in northern India that delayed rail car movements to a degree in December, overall loadings were better than in the past eight months," an Indian Railways official said.

Another government-owned miner, Singareni Collieries Company Ltd (SCCL), reported a 5% on the month rise and 5% on the year decline in production to 5.71 mt, while its dispatches rose 4% on the month, but fell 8% on the year.

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Coal India

	Dec-19	Dec-18	YoY change	Nov-19	MoM Change
Production (mt)	58.02	54.14	7%	50.02	16%
Dispatches (mt)	53.63	52.61	2%	47.37	13%

Source: CIL/ IHS Markit database © 2020 IHS Markit

Singareni Collieries Company Ltd

	Dec-19	Dec-18	YoY change	Nov-19	MoM Change
Production (mt)	5.71	6.04	-5%	5.45	5%
Dispatches (mt)	5.58	6.08	-8%	5.34	4%

Source: SCCL/ IHS Markit database © 2020 IHS Markit

Indian production and sales

	CIL			SCCL		
	Jan-Dec 2019	Jan-Dec 2018	YoY Change	Jan-Dec 2019	Jan-Dec 2018	YoY Change
Production (mt)	582.84	595.89	-2%	65.58	65.6	-0%
Dispatches (mt)	580.77	603.72	-4%	64.92	67.07	-3%

Source: CIL, SCCL, IHS Markit database © 2020 IHS Markit

One-day strike crimps CIL output

A one-day strike called by major Indian trade unions on 8 January to protest government plans to bring in a new citizenship law restricted production at some of Coal India (CIL)'s mines.

CIL is currently producing at around 1.95 mt/d and the strike action is expected to cost less than 150,000-200,000 t of lost output, a CIL official said.

Most of the workers who joined the protests returned to work shortly after, the official said.

Attendance of 89% was recorded at all CIL subsidiaries in the first shift of the day and operations were normal at most of the mines, with the exception of three subsidiaries.

The Rajmahal and Mugma mines of Eastern Coalfields Ltd (ECL) each lost around 15,000 t of production, while sporadic incidents of protests by trade union representatives affected around 50,000-75,000 t of output at Mahanadi Coalfields Ltd (MCL).

One of Bharat Coking Coal Ltd (BCCL)'s mines was partially affected by the strike, while seven smaller mines of South Eastern Coalfields Ltd (SECL) saw production losses due to the protests.

Operations at SECL's larger mines such as Dipka, Kusmunda and Gevra were near normal, the official said.

Colombia's 2019 met coal output seen almost halved

Colombia's 2019 metallurgical (met) coal production is expected to have almost halved at around 2.0 mt from 3.9 mt in 2018, according to initial estimates by the country's Mining and Energy Planning Unit (UPME).

The main reasons for the drop in output are mine closures due to weakness in the international met coal and met coke markets. Colombia has more than 1,200 met coal mines, of which 85% are underground operations with average monthly output of 500 t each.

The National Mining Agency (ANM) estimates coal output in the interior departments of Boyacá, Cundinamarca, Santander and Norte de Santander during the first three quarters of 2019 was 2.1 mt, compared with 4.4 mt in the same period of 2018. These numbers include met and thermal coal production. It is estimated that met coal can be between 60-70% of the total.

At the beginning of 2019, both the ANM and UPME were forecasting that exports of met coal in 2019 would increase by 10% to 2.2 mt in 2019 from 2.0 mt in 2018, while met coke exports were expected to rise to 3.5 mt in 2019, from 3.4 mt in 2018.

According to IHS Markit's latest data, Colombia's January-October 2019 met coal exports reached 1.42 mt, while met coke exports during the same period were 2.6 mt.

Kuzbass coal output flat in November

Thermal coal output from Russia's Kuzbass mining region was flat month on month in November, according to official government data.

The data showed that thermal coal output was 15.40 mt, down from 15.60 mt in October, but stable on November 2018. On a daily basis, November output was 0.51 mt/d against 0.50 mt/d in the month prior.

For the first eleven months of 2019, output was 158.60 mt, down from 166.70 mt a year earlier.

Coking coal output was 6.80 mt in November, against 6.90 mt in October, and was up from 6.50 mt in November 2018. On a daily basis, November was up fractionally at 0.23 mt/d against 0.22 mt/d in October.

Output for the first eleven months of the year was 69.90 mt, up from 66.50 mt in 2018.

The data showed that output of all types of coal was 22.20 mt in November, versus 22.50 mt in October. Output rose year on year from 21.30 mt. Output for the first eleven months was 228.50 mt, down 2% on the previous year.

Exports were 12.4 mt, compared with 12.9 mt in October and 12.2 mt in November 2018.

Power

Eskom's new CEO takes helm early amid power cuts

Eskom's new CEO Andre de Ruyter took over this week, days earlier than initially planned, as the heavily indebted power utility struggles to keep the lights on in South Africa.

The start date for Ruyter, the former CEO of Africa's top packing firm Nampak, was pushed up by nine days to 6 January, reflecting the seriousness of the situation facing Eskom.

The power utility is by far the largest buyer of South African thermal coal supplies, taking around half of the country's 250 mt/y output.

Eskom over the weekend said it was cutting 2,000 MW of power from the national grid after problems with a conveyor belt at the Medupi coal-fired power station. The problem has been fixed, but further power cuts remain a real possibility in the short-term.

"Owing to inadequate maintenance over a number of years, the system remains vulnerable to unplanned outages," Eskom said on 5 January.

De Ruyter replaces former CEO Phakamani Hadebe, who resigned in May citing "unimaginable demands" that had taken a toll on his health. Jabulane Mabuza had been acting as interim CEO.

De Ruyter will be responsible for turning Eskom around and implementing President Cyril Ramaphosa's plan to unbundle the utility into three entities – generation, transmission and distribution.

The new CEO will also be responsible for re-negotiating new coal supply contracts, which the government has complained are currently too expensive.

Ramaphosa's administration has been in talks with producers to lower their prices for coal sold to Eskom. The industry has so far refused to budge, saying the utility's troubles are much more complex and varied than just the price of coal.

Eskom's top coal suppliers are Exxaro Resources, Seriti Resources, Glencore, African Exploration Mining, Universal Coal and South32 (which is in the middle of selling its South African thermal coal assets to Seriti).

A government analysis of Eskom's contracts found that nine suppliers earned between 30-49% profit margins, four suppliers pocketed 50-100% margin, and seven suppliers earned at least 100% margins.

Indian power plants' coal imports rise 28% on year in November

Coal imports by Indian power plants rose 28% on the year in November as they raised their intake in anticipation of curtailed domestic supplies and increased electricity demand.

Total imports in November stood at 6.59 mt, up from 5.15 mt in November 2018, and up 9% on the month from 6.02 mt, according Central Electricity Authority data.

Imports by power plants rose 22% on the year in January-November, to 63.53 mt from 51.90 mt.

The increase in November imports was largely because of a 40% on the year rise in imports by inland plants that use imports to supplement domestic supply shortages, with the volume rising to 2.47 mt, from 1.76 mt.

This was because of a reduction of domestic supplies to private sector plants which were forced to rely more on imports and raise their intake by 56% on the year to 1.31 mt, from 0.84 mt. These plants had imported 1.30 mt in October.

State government owned power utilities raised their imports to 0.92 mt in November, up 37% on the year and 70% on the month.

Maharashtra State Power Generation Company (Mahagenco), which operates total capacity of 10.17 GW and Tamil Nadu Generation and Distribution Company (Tangedco) with 4.32 GW, received supplies in November against recent tenders.

Central government owned NTPC reduced its import intake in November on better availability of domestic supplies.

Coastal power plants that are designed to run on imported coal raised their intake by 21% on the year to 4.12 mt, and this was up 6% on the month.

The increase by coastal plants in November was primarily on the back of a 45% on the year rise in intake by Adani Power for its 4.62 GW Mundra Plant to 1.41 mt. Tata Power's imports for its 4.0 GW Mundra plant rose 36% on the year and 17% on the month to 1.21 mt.

Indian power plant imports (mt)

	2017	2018	2019
January	5.13	4.34	5.50
February	5.63	4.06	5.15
March	5.43	4.40	6.35
April	4.79	3.73	6.39
May	5.33	4.91	6.35
June	5.06	4.44	5.71
July	4.11	4.44	4.99
August	3.92	4.95	5.25
September	5.17	4.87	5.23
October	5.25	6.61	6.02
November	5.17	5.15	6.59
December	4.83	5.54	
Total	**59.82**	**57.44**	**63.53**

Source: IHS Markit/CEA © 2020 IHS Markit

Essar Power's 1.2 GW Salaya Plant imported 0.28 mt in November, from zero in November 2018 and 0.23 mt in October.

Indian power plant coal stocks stable despite fog-hit rail transport

Coal stocks at Indian power plants were stable on the week, despite rail transportation being slightly affected by fog in parts of northern India.

Stocks at the 134 coal-fired plants (161.38 GW) monitored by the country's Central Electricity Authority (CEA) were 31.67 mt on 7 January, near flat to 31.63 mt on 31 December.

Overall domestic supplies were consistent as production by Coal India (CIL) inched up to 1.90 mt/d between 1-7 January, from 1.87 mt/d in December.

Import supplies slipped to 1.28 mt on 7 January, from a high of 1.49 mt on 17 December as generator NTPC curtailed its intake on better domestic availability.

Overall stocks on 7 January were up 13% on the month, 85% on the quarter and 80% on the year (see table).

CEA was monitoring the same number of plants a week and a month back, but only 131 plants (157.92 GW) in the previous quarter and 125 plants (149.86 GW) a year earlier.

Forward coal cover on 7 January was 18 days, unchanged from a week ago. This was up from 17 days a month ago and only 11 days a year back.

A CIL official said they are aiming to raise the forward coal cover with power plants to the mandated 22 days by the end of January and maintain this level until at least March.

Meanwhile, coal-fired electricity generation averaged 2.69 TWh/d on 1-2 January, up 5% from 2.57 TWh/d in December. This was stable on the year (see table).

Availability of renewables was 264.07 GWh/d between 1-7 January, down 8% from 287.16 GWh/d in December but up 9%, from 242.60 GWh/d in November.

An increase in coal-fired generation affected day-ahead electricity prices as demand remained average.

Day ahead electricity prices slipped 4% to INR2.88 ($0.040)/KWh on 7 January, from INR3.00 ($0.042)/KWh on 1 January.

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Coal stocks at Indian power plants (mt)

	7-Jan-20	31-Dec-19	8-Dec-19	8-Oct-19	8-Jan-19
Imported	1.28	1.36	1.42	1.31	0.50
Domestic	30.39	30.27	26.54	15.82	17.14
Total	**31.67**	**31.63**	**27.95**	**17.13**	**17.64**

Source: Indian Central Electricity Authority (CEA) © 2020 IHS Markit

Daily power generation in India (average TWh/d)

	1-2 Jan 2020	Dec, 2019	Jan, 2019
Coal-fired	2.69	2.57	2.68
Hydro	0.28	0.29	0.23
Other	0.33	0.33	0.33
Total	**3.30**	**3.19**	**3.24**

Source: CEA, IHS Markit © 2020 IHS Markit

Indonesia extends $70/t price cap for domestic sales for another year

Indonesian authorities have decreed a one year extension of the $70.00/t FOB, basis 6,322 kc GAR, price cap for coal sales to domestic power providers.

First introduced in March 2018, the regulation was a response to then rising international prices, with state-power provider, Perusahaan Listrik Negara (PLN), complaining that costs were becoming prohibitive.

The cap was originally sanctioned to run through to the end of 2019, but will now run through 2020.

While the government did not offer a reason for the extension, it is understood that the cap is considered a good mechanism for PLN to manage power production at subsidised rates.

The rule means domestic coal sales to power providers must be concluded at either the cap or at the HBA (Indonesian Price Benchmark) level, whichever is lower.

At this point, the HBA is the lower figure, sitting at $66.30/t FOB, basis 6,322 kc GAR, in December, and $66.27/t FOB in November. When the cap was originally set in March 2018, the HBA was $101.86/t FOB.

The HBA on an annual basis was down 21% in 2019, at $77.89/t, compared with $98.96/t in 2018.

For miners, the continuation of the domestic sales price cap offers a safe haven to sell domestically at times when the international market is weak, sources have said.

A continuation of the Domestic Market Obligation (DMO) – which requires miners to sell 25% of their production to local end-users – has also been approved by the Minister of Energy and Mineral Resources (ESDM), Arifin Tasrif.

Coal producers previously requested ESDM to consider lowering the percentage as domestic coal burn historically fails to reach the full DMO requirement.

The government has forecast 155 mt of domestic coal burn in 2020, up from 128 mt in 2019.

It is unlikely that production in 2020 will be four times the forecast domestic coal burn, which amounts to 620 mt.

The government recently said that it wants to limit national coal output in 2020 to a volume lower than realised production in 2019, which is said to be around 610 mt.

Vietnam power production climbs in 2019, but growth rate slows in Q4

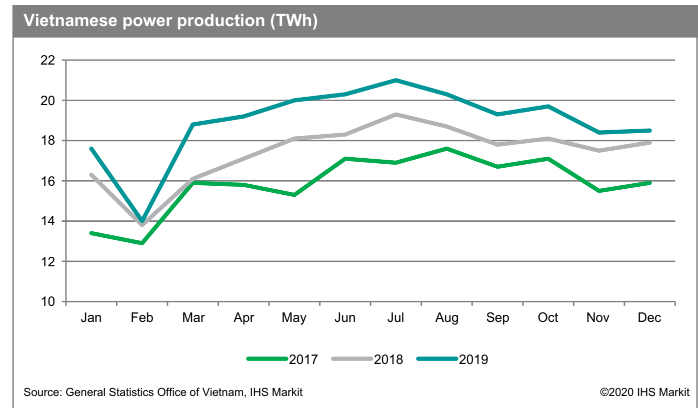
Vietnam's power production grew 9% in 2019, as the country continues to undergo strong economic growth, according to the latest provisional data from its General Statistics Office (GSO).

However, a slowdown was seen in the fourth quarter, reflective of a slight stalling in the economy, in part because of the effects of the United States-China trade war.

Power production in 2019 was 227.4 TWh, up 9% on 209.2 TWh in 2018.

However, performance dropped in the fourth quarter, with the growth rate at only 4.8%, with 56.1 TWh produced compared with 53.5 TWh in the same period in 2018.

IHS Markit pegged Vietnam's December Purchasing Manager index (PMI) at 50.8, and while still indicating a positive outlook (anything over 50 indicates expansion), it was down on November's 51.0 and the high for the year of 52.6 in August.

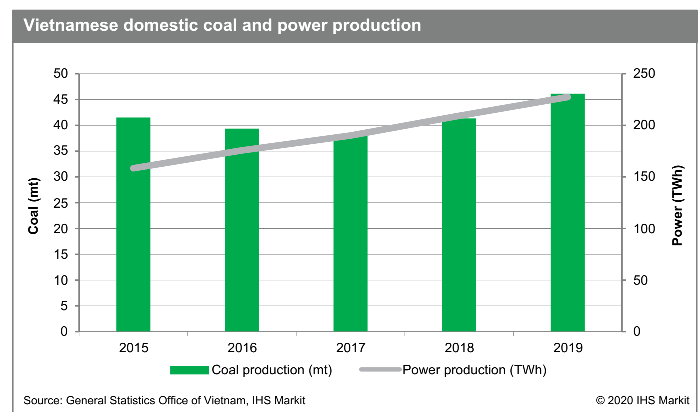


Domestic coal production

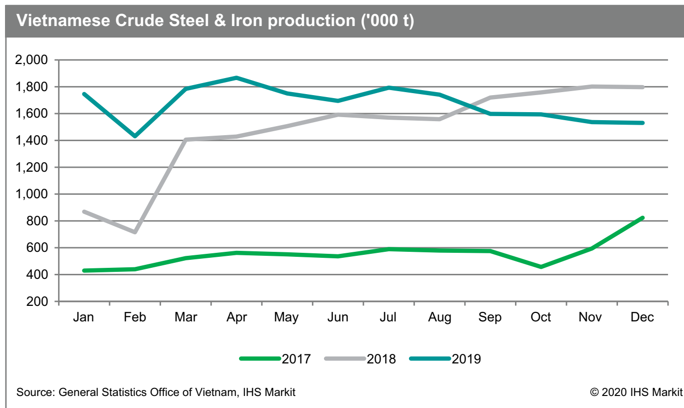
Domestic coal mining also increased, with provisional GSO data indicating output growth of 11.6% at 46.14 mt in 2019, from 41.34 mt in 2018.

In the final quarter of the year, coal production was relatively stable. According to the GSO data, 11.82 mt was produced in the last three months of the year, which was 10.8% higher than that reported in the fourth quarter of 2018 of 10.67 mt.

After declining in 2015 to 2017, coal production has increased in the past two years, in tandem with demand rising rapidly.

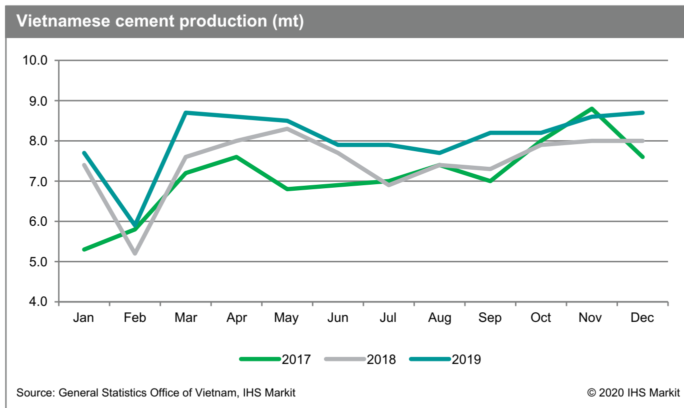


However, despite the increase in domestic mining, it is still significantly behind the growth in demand, resulting in a strong rise in imports.



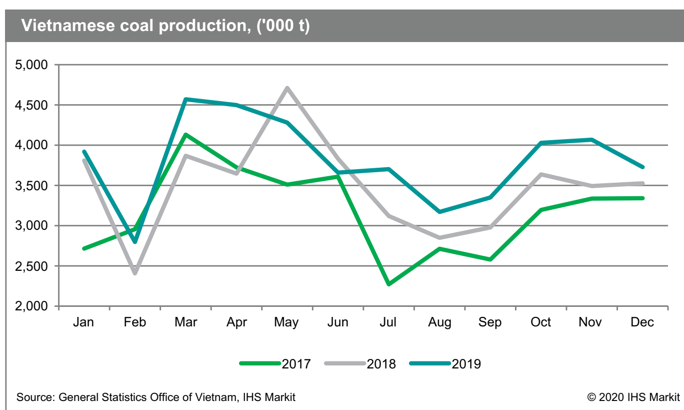
Thermal coal imports shot up in 2019, with IHS Markit estimating 33.30 mt for the year, up 81% on 2018's 18.40 mt, and a response to increased demand from new power capacity.

While expectations are that imports will continue to rise in 2020, IHS Markit expects a more gradual increase to around 35.80 mt.



Steel

Crude steel and iron production continues to show strong growth. According to GSO's provisional data, 20.07 mt was produced in 2019, which is up 33.4% on 15.04 mt in 2018. This was largely due to new capacity coming on line in the past 12 months.



Again, fourth quarter performance was less than the annual rise, coming out at just 0.4% with 4.66 mt produced, compared with 4.64 mt in the same period of the previous year. It was also a 9.1% drop from the third quarter performance of 5.13 mt.

Cement

Cement production maintained steady growth in 2019, with 96.50 mt produced, a rise of 7.9% on the 89.43 mt reported for 2018.

Cement's fourth quarter growth rate was actually higher than its annual rate, pegged by the GSO at 25.5 mt, up 8.1% from 23.6 mt in the same period a year earlier.

Uniper's Schkopau lignite plant touted for early closure

The Schkopau lignite power station in eastern Germany, with its two 0.45 GW generators could close in 2026 instead of the originally planned 2035, under an arrangement that would see Uniper's 1.1 GW Datteln 4 hard coal unit brought online this summer.

Datteln 4 is now in test operation, feeding power to the grid and due to ramp up to about half of full capacity by mid-February.

Germany's coal phase-out commission had recommended that Datteln 4 would not enter service. However, pressure has grown for Datteln 4 to be brought online according to Uniper's schedule, in summer 2020, which would see an additional 1.1 GW of coal capacity added into the closure plan equation on reducing CO2 emissions. The additional emissions would need to be compensated and Schkopau, a lignite power station – with higher specific CO2 emissions than a coal plant – has come into the firing line.

Schkopau is 58% owned by Uniper, and 42% by Czech investor EPH. An application has been lodged for a construction permit to build a gas power station that would replace the Schkopau lignite units' electricity and heat output, according to Sachsen-Anhalt premier Reiner Haseloff.

The plan suggests the Profen open cast lignite mine which primarily supplies Schkopau would also be closed in 2026. However the idea, touted by the federal economy ministry, is opposed by Haseloff, who has threatened to pull the plug on the coal and lignite phase-out plan.

In the meantime, wrangling continues over the draft statute to enact the plan. Germany's coal station operators also oppose the December draft which proposed mandated hard coal plant closures without compensation starting in 2027, or even as early as 2024.

They complain that newer coal plants – those with lower CO2 emissions per MWh – would participate in the competitive closure auctions to make sure they secure compensation as their economic loss due to early closure will be greater than that for old written off plants. This would contradict Germany's aim of getting the worst CO2 emitters out of the market first.

The planned exclusion of southern German coal units from the first auction in 2020 for 4 GW of closures, and applying a "security of network operation factor" to those units to reduce their chances in subsequent auctions discriminates against those coal unit operators, add the critics.

Germany's coal phase-out target of reducing coal and lignite capacity in the electricity market to 15.0 GW each by 2022 means taking out 5.5 GW of coal capacity and 3.1 GW of lignite plants currently active in the market over the coming three years.

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German hard coal use down 21% in 2019

German hard coal consumption – all of it imported – fell by 21% in 2019 to a historic low of 38.7 mt, basis 7,000 kc NAR, according to energy research group AG Energiebilanzen.

Some 18.1 mt of hard coal went into electricity production, down 9% on the year, while 19. 6 mt was used in steel making, a fall of 4% on 2018, it said.

The heating market consumed 1.0mt in 2019, down 34% on 2018.

Separately, Agora Energiewende, an energy think tank said German hard coal-fired generation fell to 57 TWh last year from 83 TWh in 2018, while lignite power output dropped to 114 TWh from 146 TWh over the same period.

Coal and lignite's combined 28% share in electricity generation last year was well below renewables' 40% share, which equated to 243 TWh.

Global coal demand seen steady to 2024 - IEA

Global coal demand is expected to remain steady until 2024 as declining use in Europe and the United States (US) will be offset by growth in Asian markets, the International Energy Agency (IEA) said in a report.

Weakness in coal demand in 2019 resulted mainly from coal-fired electricity generation, which was set to see its largest ever decline – over 250 terawatt hours (TWh), or nearly 3%, led by double-digit falls in the US and Europe, it said in its *Coal 2019* report.

However, electricity generation from coal will rise marginally over the next five years, at less than 1% per year, but coal's share of the energy mix will decline from 38% in 2018 to 35% in 2024. This means coal still remains by far the single largest source of power supply worldwide.

The IEA report highlighted that countries in Asia such as India, Indonesia and Vietnam will rely on coal to fuel their economic growth with Pakistan and Bangladesh aggressively adding coal-fired power generation to their grids.

EnBW closes Philippsburg 2 reactor

EnBW closed the 1.4 GW Philippsburg 2 nuclear power plant in Germany at the end of 2019, in line with the country's 2011 nuclear phase-out plan, after 34 years of operation.

The unit produced 9.8 TWh in 2019, equivalent to some 3.2 mt of hard coal burn, down from 10.3 TWh in 2018.

Germany's six remaining nuclear units totalling 8.1 GW, which generated 60.4 TWh in 2019, equivalent to 20 mt of hard coal burn, will be closed before end-2022.

Brokdorf, Grohnde and Gundremmigen unit C will shut at the end of 2021, and Isar 2, Emsland and Neckarwestheim 2 will close the following year.

Transport & logistics

US coal shipments up slightly in November – T. Parker Host

The United States moved 5.08 mt of coking coal and thermal coal out of the US East Coast (USEC) and Gulf Coast (USGC) in November 2019, up 4% month on month, but still trailing the 2018 November figures by 22%, data from shipping agent T. Parker Host showed.

In the first 11 months USEC and USGC exports were 66.4 mt, down nearly 18% year on year.

With just the December totals to be factored into the equation, the Host numbers annualize to 72.4 mt, but that may be a stretch if the final month proves as slow as expected.

In 2018, Host showed US exports as 45.3 mt of coking coal, and 40.9 mt of thermal coal for a total of 86.2 mt.

Slumping thermal coal exports continue to be the primary culprit behind year-on-year declines with the November figure coming in at 1.87 mt, down 15% from October's 2.20 mt and down 37% from 3.00 mt in November 2018.

Host now estimates January-November thermal exports of 26.7 mt, down 31% from the corresponding 2018 numbers.

India remains the top buyer of US thermal coal, took in 0.48 mt in November. The Netherlands brought in 0.32 mt.

Illinois Basin shipments appear to be the hardest hit during the 2019 downturn.

New Orleans shipments of primarily ILB coal (10.1 mt through November) are off nearly 40% from a year ago.

Baltimore and its 9.6 mt shipped through November appears to be the most resilient thermal coal shipper, down just 15.7% on the year. Meanwhile, Hampton Roads thermal exports of 5.8 mt, are down 35% on the year.

The only saving grace for November, if you want to call it that, came from the metallurgical coal side of the ledger.

Total coking coal shipments for the month were 3.21 mt, up nearly 19% from October's 2.70 mt, but still down 9% from November 2018's 3.54 mt.

Met coal shipments to Brazil, India, Ukraine, Japan, and Korea were each up month-on-month as Brazil led the way with 0.58 mt of US coking coal. India was a close second at 0.53 mt and Ukraine took in 0.42 mt, up from October's 0.18 mt.

Host estimates the 11-month US total of coking coal exports at 39.7 mt, down 6% on the year from 42.2 mt January-November 2018.

According to Doyle Trading Consultants and its analysis of IHS Markit's Commodities at Sea (CAS) vessel tracking data, total December coal exports are estimated at close to 6.5 mst (short tons). That would put total US coal exports in 2019 at around 92.4 mst (83.8 mt), down from 116.3 mst in 2018.

Indian Railways' 2019 coal handing steady on year

Indian Railways' (IR) 2019 coal loadings were steady on the year, capped by a 1% fall in domestic coal output.

India's coal output fell to 710.92 mt in in 2019, from 715.82 mt in the previous year. However, the national freight carrier handled a total of 595.54 mt or 1.63 mt/d in 2019, unchanged from 595.59 mt or 1.63 mt/d in 2018, according to provisional IR data.

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This was 1% below IR's 2019 coal loading target of 603.51 mt.

Imported coal handling increased to 103.92 mt (0.29 mt/d), from 100.73 mt (0.28 mt/d), while domestic coal loading fell to 491.62 mt (1.35 mt/d), from 494.89 mt (1.36 mt/d).

The increase in imported coal railings was due to an estimated 12% year on year rise in thermal coal imports to around 188 mt, according to IHS Markit import data.

IR provided on average 388 cars/d for coal loading in 2019, down from 389 cars/d in 2018.

It has set a target to load 500 rail cars/d in January-March, the peak coal production season. Actual loadings in the same period of 2019 were 435 cars/d.

Coal India (CIL) is aiming to produce 228-255 mt in January-March equivalent to 2.5-2.8 mt/d.

IR's provisional December coal loadings were 53.23 mt, up 2% on the year, from 52.44 mt and 8% more than November's 49.29 mt.

Imported coal handling in December rose to 9.0 mt, up 3% on the year, from 8.75 mt and up 8% on the month, from 8.3 mt.

Teck expands throughput deal with Ridley

Canada's Teck Resources said it has reached an expanded commercial agreement with Ridley Terminals to ship 6-9 mt/y of its British Columbia coking coal through 2027.

The deal runs from January 2021 to December 2027, and increases contracted capacity out of the Pacific export facility in Prince Rupert, British Columbia, from 3 mt/y to 6 mt/y with an option for Teck to boost shipments to 9 mt/y.

"This agreement with Ridley Terminals, in combination with upgrades under way at our Neptune Terminal and our recent agreement with Canadian National Railway, will contribute to improved overall performance throughout our steelmaking coal supply chain," Teck CEO Don Lindsay stated. "We are looking forward to building on our strong working relationship with RTI and new principal owners Riverstone-AMCI to safely and efficiently transport our product to customers."

Full terms of the agreement were not disclosed.

Canada's Ridley ships less met coal in 2019; more thermal, petcoke

Canada's Ridley dry bulk terminal saw coking coal export throughput fall by nearly 3% year-on-year in 2019.

The terminal exported 5.47 mt of coking coal, down from 5.63 mt in 2018. December shipments were down 7% year-on-year at 0.44 mt from 0.47 mt in 2018, but had recovered from November's total of 0.16 mt.

The decline in November exports was caused by delays to a planned upgrade to its rail car dumper capacity from 3,500 t/h to 5,000 t/h. The work affected met coal shipments more.

There was also industrial action by Canada National Rail staff in November which disrupted operations and impacted met coal more than other solid fuels.

Thermal coal exports increased by 46% year-on-year to 3.12 mt, from 2.14 mt previously. Shipments in December were 0.32 mt, up 28% from 0.25 mt a year earlier and broadly stable with November's 0.36 mt.

Petcoke exports also increased by 10% to 1.47 mt from 1.34 previously. December shipments fell to 29,000 t from 0.18 mt in a year earlier, and were down from 0.16 mt in November.

The US-China trade war helped boost Canadian shipments of petcoke and thermal coal as they were not subject to additional import tariffs.

RZD increases deliveries to export terminals in 2019

Russian rail operator RZD increased deliveries to export terminals in 2019 by just over 1%, according to its latest data.

Rail deliveries to export terminals totalled 209.0 mt, up from 206.5 mt in 2018.

However, December's deliveries were lower month-on-month at 15.12 mt, compared to 17.58 mt in November, and were also down from 16.67 mt in December 2018. High stocks at a number of ports were cited as reasons for the slower month. January deliveries are expected to recover.

Deliveries to the Black Sea port of Azov in 2019 increased to 1.60 mt from 1.20 mt in 2018, a rise of 33%. RZD reduced rail tariffs by 8% earlier in 2019 from the Kuzbass mining region to Azov to alleviate congestion at Baltic ports. Staying in the Black Sea, Tuapse port received 3.50 mt, up from 2.70 mt previously.

Deliveries to Baltic ports such as Ust-Luga were 33.10 mt, up from 28.65 mt in 2018. Vystok received 6.56 mt, down from 7.83 mt in 2018.

Arctic ports such as Murmansk received 15.60 mt last year, down from 16.11 mt in 2018.

Rail deliveries to Russia's eastern seaboard also increased to the main ports. Vostochny received 34.50 mt, up from 32.82 mt, while deliveries to Vanino were 25.67 mt, up from 24.14 mt in 2018.

Bangladesh's Payra port re-invites bids for coal terminal

Bangladeshi state-run Payra Port Authority has re-invited bids from international participants to develop a coal terminal at Payra port in the south of the country.

The successful bidders will design, build, finance, operate and maintain the coal terminal. The terminal will be transferred to the port authority, based on the terms and conditions set out in the contract. Bids are due on 17 February 2020, the port authority said on its website.

Plans to build a coal terminal at Payra port emerged for the first time in February last year. The government had set out a start date of 2021 for the terminal. However, the port authority did not receive enough bids last year, according to a source.

Once completed the terminal will handle imports from Indonesia, Australia and South Africa to supply coal-fired power plants under construction near the terminal, according to a terminal source.

Bangladeshi coal imports have risen to around 6 mt last year from 5 mt in 2018, according to data from the country's coal importers association.

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Colombia's Fenoco thermal railings rise 6% in 2019

Colombia's Fenoco railway carried 50.2 mt of thermal coal last year, up 6% from 47.5 mt in 2018 and almost flat compared with 50.4 mt in 2017, according to data from the National Infrastructure Agency (ANI).

Drummond, Glencore and Murray Energy's Colombia Natural Resources (CNR) are the current users of Fenoco, railing coal from their mines in Cesar department to ports in Ciénaga.

During 2019, coal output at Drummond and Glencore – the main users of Fenoco – rose compared with 2018, when Glencore's output fell due to a change in mining plans at the Calenturitas mine. Also in 2018, two seasons of heavy rains reduced output from mines in Cesar department.

ANI is forecasting Fenoco's railings in 2020 to reach between 50-52 mt.

Australian vessel queues and delays weekly round-up

The total number of vessels waiting at Australian ports rose to 63 as of 9 January, up 10 vessels from a week ago.

Dalrymple Bay Coal Terminal's (DBCT) vessel queue fell to 18, three fewer than the previous week, but the average waiting time increased to 27 days from 23 days.

The queue at the RG Tanna coal terminal was down to 13 vessels, from 16, and is now close to normal operating levels.

Abbot Point will close shiploader 1 for maintenance on 11 January and shiploader 2 on 15 January for half a day in each case.

Australian vessel queues and delays

Port	Queue (9 January)	Queue (2 January)	Avg. delay (9 January)	Avg. delay (2 January)
Abbot Point	4	5	5	9
Dalrymple Bay	18	21	27	23
Hay Point	9	5	8	15
Gladstone	13	16	13	11
Wiggins Is	5	4	0	0
Brisbane	0	1	0	11
Port Kembla	0	1	0	1
Newcastle				
PWCS	7	0	3	0
NCIG	7	0	7	0

Source: IHS Markit vessel tracking software © 2020 IHS Markit

Hay Point Coal Terminal (HPCT) will shut Berth 2 for maintenance from 13-20 January.

At the Wiggins Island Export Coal Terminal, the loading stream will be closed for 12 hours for maintenance on 21 January.

Meanwhile, at the Port of Brisbane there will be a shiploader outage between 3-7 February.

QCA grants final approval to Aurizon's Access Undertaking

The Queensland Competition Authority (QCA) has given final approval to Aurizon's access undertaking for the Central Queensland Coal Network (CQCN), following protracted negotiations between the rail operator and its coal mining customers.

Aurizon hauled 152.3 mt of the state's coal to ports on the CQCN in FY 2019, of the 232.7 mt hauled in total.

The revised UT5 Access Undertaking was submitted to the QCA in May 2019 with the QCA issuing a final decision on 25 November 2019.

The approval was the final step in the regulatory process. The terms of the Access Undertaking have been extended to ten years, from 1 July 2017 to 30 June 2027, which enables improved long-term investment decisions for the CQCN, Aurizon said.

In addition, the weighted average cost of capital (WACC) that Aurizon earns increases from 5.7% to 5.9% and is back-dated to 3 May 2019.

A further increase in WACC to 6.3% will occur with the completion of the independent capacity assessment of the CQCN, expected in the second half of FY 2020.

Aurizon managing director and CEO Andrew Harding said the regulatory model will deliver long-term investment certainty and promote productivity and performance in the Queensland coal supply chain.

"With regulatory approval now in place, we can put all our collective energies towards continued improvement and efficiency gains," he said.

Steel

World Nov steel output down 1% on year

World crude steel production in November was estimated at 147.8 mt by the World Steel Association, a 1% year-on-year dip from November 2018.

The only reason it wasn't worse was China. Total output in China for the month was 80.3 mt, up 4% on year. For January-November 2019, production in China was estimated at 904.2 mt, up 7.0% on year from 844.9 mt in the same 11-month period of 2018.

That 59.3 mt year-on-year increase in China has the overall world production total through November on pace for a 2.7% climb on the year. Total worldwide output in January-November 2019 was estimated at 1.68 bnt, up from 1.64 bnt a year earlier, giving a year-on-year increase of nearly 44 mt.

The "rest of world" steel production, excluding China, was down 6.4% in November.

India produced 8.9 mt, down 2.8% from November 2018. Japan's production was down 10.6% on the year to 7.7 mt, while South Korean output of 5.9 mt was basically flat compared to November 2018.

As anticipated, European production in November 2019 was down 10.7% to 12.8 mt, from 14.3 mt a year ago. In Germany, the EU's largest steel producer, output was down 12.9% at 3.2 mt.

United States (US) production in November was 7.2 mt, down 2.2% on the year, but January-November output of 80.6 mt is close to 2% higher than a year ago.

Steel production at other key destinations for US coking coal – Brazil, Turkey and Ukraine – were either down by double digit percentage points, or close to it.

Brazil's steel production in November was marked at 2.6 mt, down 10.5%. Turkish output was 2.9 mt, down 8.1%. Ukraine production was 1.3 mt, down 20.1% on the year.

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Monthly throughput from key export ports (kt)

Port	Nov-18	Nov-19	Jan–Nov 18	Jan–Nov 19
Australia				
Abbot Point	2,530	2,567	27,295	26,911
Dalrymple Bay	6,119	4,679	63,315	60,023
Hay Point	4,074	4,124	45,295	45,864
Gladstone	6,003	5,896	61,678	65,662
Brisbane	468	363	6,333	5,962
Port Kembla	431	363	5,883	7,278
Newcastle				
PWCS	7,061	7,812	97,380	100,168
NCIG	3,522	4,868	45,051	47,080
Total	**30,210**	**30,671**	**352,230**	**358,949**
United States*	**Nov'18**	**Nov'19**	**Jan-Nov'18**	**Jan-Nov'19**
Norfolk	2,810	2,559	34,420	27,431
Baltimore	1,265	1,297	18,079	17,559
New Orleans	1,493	805	16,589	9,663
Mobile	812	752	9,433	9,416
	6,380	**5,413**	**78,521**	**64,070**

* To destinations excluding Canada

Source: IHS Markit, RBCT, US FTD

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Key port stocks (mt)

Port	Sep-19	Oct-19	Nov-19
ARA			
Amsterdam (OBA)	2.70	2.55	2.50
Rotterdam (EMO)	3.80	3.70	3.60
Total	**6.50**	**6.25**	**6.10**
China Domestic			
Qinhuangdao	5.91	6.51	6.38
Guangzhou	2.51	2.58	2.60
Total	**8.42**	**9.09**	**8.98**

Source: IHS Markit

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Markets: Steam coal

JLEC issues 0.72 mt thermal tender; Safi awards

Moroccan power producer Jorf Lasfar Energy Company (JLEC) is in the market for 0.72 mt of thermal coal, starting in the second quarter.

It is requesting 12 cargoes each of 60,000 t for delivery on the fifth of each month, starting in April this year.

The closing date for offers is 13 January.

JLEC is understood to be requesting 5,400 kc NAR min material with 1.5% max sulphur.

In a separate tender for 0.249 mt, Safi Energy is understood to have bought multi-origin material in a range of $62-63/t CIF Jorf Lasfar. It requested four 60,000-63,000 t cargoes for delivery starting in the back end of January to the end of February.

Pakistan's cement buyers assess switch to USG petcoke

Pakistan's cement producers are assessing whether to switch to petroleum coke as persistently high Richards Bay prices increase energy costs.

There are Supramax enquiries in the market for United States Gulf (USG) high-sulphur material (5.5-7.0%) for February and March loading, according to trading sources.

Indicative prices for USG spot cargoes are assessed in a range of $30.00-31.00/t FOB. Freight costs are assessed at $38/t from USG to Karachi, leaving an indicative CIF price of $68.00-69.00/t, basis 7,500 kc NAR.

Petcoke is much more competitive than South African coal, even without adjusting for the higher heat content.

South African 5,700 kc NAR material is priced at about $79.50/t FOB and freight is about $13-14/t, leaving an indicative price of $92.50-93.50/t CIF Karachi, basis 6,000 kc NAR.

South African prices have made a strong recovery since the start of the year, as Indian sponge iron demand is driving spot interest.

Richards Bay spot prices have increased over $14/t since the start of the year from $75.00/t to over $89.00/t FOB for 6,000 kc NAR material.

Stocks at the Richards Bay Coal Terminal are also relatively low at about 2.70 mt, compared to 4.00 mt at the start of December.

Bangladesh thermal imports seen flat in 2020

Bangladeshi thermal coal imports are expected to remain flat at 6 mt this year after rising by nearly 20% last year, as an expected increase in demand from a new power plant is offset by a crackdown on brick kilns.

Last year's gains were fueled by a rise in demand from brick makers which were banned from using firewood chips in 2017, according to the country's Coal Importers Association.

Brick kilns consume 90-95% or 5.40-5.70 mt of the imported coal and the remaining 5% is used by power stations.

However, demand from brick kilns is likely to stagnate in the wake of a crackdown on illegal operations. Nearly half of the 7,000 brick kilns around Dhaka are understood to be illegal and the government has begun the process of tearing them down to reduce air pollution.

There are around 10,000 brick kilns in operation in Bangladesh which produce over 23 billion bricks annually. The country's construction sector has been growing by 10% over the past two years and is expected to maintain the same pace of growth in 2020, according to government data.

The closure of 3,000-3,500 brick kilns could impact imports by over 1.00-1.50 mt, according to a local source. However, the start of commercial operations at the 0.60 GW unit one of the 1.32 GW coal-fired Payra power station in southern Bangladesh by the second quarter of this year is expected to make up for the loss of imports from the brick kiln closures.

Indonesian miner Bayan has contracted to supply 3 mt/y of 5,000 kc GAR material to the plant.

The brick kilns use mostly high c.v. Indonesian and South African coal, but other origins are being considered, especially with South African material trading at 12-month peaks.

"Most coal is secured through contracts or on a spot basis from July onwards after the end of the monsoon season. This year, traders may also look at Australian supplies, if prices and freight make sense," a local importer said.

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API2 Jan-Nov cleared swaps volumes up 8%

Cleared API2 over-the-counter (OTC) swaps volumes rose 8% in the first eleven months of last year compared with the same period of 2018, according to the London Energy Brokers' Association (LEBA).

API2 OTC cleared volumes totaled 658.45 mt in January to November last year, up from 609.72 mt in the same period of 2018.

In November last year, API2 cleared volumes were 61.45 mt, down 28% compared with 85.43 mt in November 2018.

API4 volumes dropped 3% to 64.90 mt in January-November, compared with 67.17 mt in the same period of 2018.

In November last year, API4 cleared volumes were up 5% to 5.34 mt, from 5.06 mt a year earlier.

Markets: Metallurgical coal

Brazil's CSP launches four-Panamax tender

Brazilian steel producer CSP (Companhia Siderúrgica do Pecém) has launched a four-Panamax low-vol tender for delivery in the second quarter of 2020.

The tender closes on 20 January and is understood to have been launched in the first week of January.

The preferred origin of the low-vol products is the United States (US), according to a trader.

"In current market conditions the company expects bids at a discount of minimum $2-3/t to a physical index," the trader said.

The tender was launched by invitation only for CSP's plant in Pecém, Ceará state.

CSP had issued a separate tender last year for 0.50 mt of mid-vol material split in 10 shipments to be delivered January-December this year. The details of the award could not be immediately verified by IHS Markit.

CSP is a joint venture between South Korea's POSCO (20%) and Dongkuk (30%), and Brazilian major Vale (50%).

Trade

China Nov thermal coal imports slump as domestic supply improves

China's imports of thermal coal fell significantly in November while coking coal imports grew, data from the General Administration of Customs show.

A widespread crackdown at Chinese ports, coupled with rising domestic thermal coal supplies, curbed utilities' appetite with imports of "bituminous and other" material tumbling 35% on the month in November to 7.47 mt (see table).

Arrivals of steam coal and other were flat on the year as traders said utilities have continued to reduce tender prices for imports amid signs of oversupply in the domestic market.

Total tonnage rose 5% on the year in January-November to 114.53 mt, customs data show.

Coking coal volumes in contrast rose strongly, growing 16% on the year to 6.18 mt in November, and up 8% on the month.

China ramped up infrastructure investments in November, supporting a healthy margin from steel mills and improving their buying power in the international market.

China coal imports by type (mt)

	November	Month on month	Year on year	January - November
Anthracite	0.44	29%	-50%	7.06
Coking	6.18	8%	16%	72.80
Lignite	6.69	-18%	10%	102.63
Bituminous and other	7.47	-35%	0%	114.53
TOTAL	**20.78**	**-19%**	**5%**	**297.02**

Source: IHS Markit, China Customs © 2020 IHS Markit

Robust growth in coking coal shipments showed steel plants were still able to get clearance though a league of clearing hubs have been shut down to imports.

Anthracite tonnage was down 50% on the year at 0.44 mt, while lignite imports rose 10% on the year in November to 6.69 mt.

Market participants and analysts also pointed out that some of percentage changes reported by customs do not tally with figures which were published earlier. This is likely due to adjustments to 2018 tonnages which have not been publically reported by customs yet.

For instance, metallurgical coal in November increased 26% on the year, according to the latest customs data, however, the rise is only 16% when based off the volume published in November 2018.

Chinese customs has yet to explain the reasons for such discrepancies in its own data releases.

India's thermal coal imports rise in November on stock replenishment

India's thermal coal imports rose 13% on the month and 10% on the year in November on higher intake from South Africa and Indonesia, the latest IHS Markit compilation of provisional data from ports, customs and shipping companies show.

Imports rose for the second straight month as consuming sectors, including sponge iron makers, rushed to replenish post monsoon stocks. Stock had dwindled sharply on an extended monsoon that ended in mid-October against the normal mid-September.

Imports in November stood at 16.80 mt, up 13% from a revised 14.93 mt in October and 13.08 mt in September. This was up 10% on the year, from 15.29 mt in November 2018.

Government measures announced in late August and September to improve bank credit for steel and cement makers and a cut in effective corporate tax to 25%, from 35% in mid-September, gradually made an impact.

Imports in November from South Africa rose 3% on the month to 3.32 mt, but were up 44% on the year from 2.30 mt.

Indonesian imports rose 22% on the month and 15% on the year to 11.96 mt.

Indonesia was the top supplier to India in November, providing 71% or 11.96 mt of total imports, up from 66% or 9.81 mt of the total 14.93 mt in October.

South Africa accounted for 20% or 3.32 mt of the total in November, compared to 22% or 3.22 mt in October, despite the hike in South African prices from October onwards.

Of the remaining 9%, the United States accounted for 4%, Mozambique 2%, Australia and Russia 1% each, with the remainder from smaller supply origins.

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In all, India's thermal imports were a provisional 171.56 mt in January-November, up 12% from 153.35 mt in the same period last year. Coal imports in 2018 were 167.17 mt.

Japan's total coal imports drop 12% on year in November

Japan's total coal imports declined on the year in November, with both thermal and metallurgical tonnage sliding, the latest data from the Ministry of Economy, Trade and Industry show.

Thermal coal imports dropped 10% on the year in November, falling 1.12 mt, as utilities scaled back purchasing amid forecasts of a mild winter, additional nuclear power generation and tepid electricity demand from the commercial and residential sectors.

Thermal imports were 10.36 mt in the month, compared with 10.24 mt in October, and 11.48 mt in November 2018 (see table).

There was a notable downturn in orders from Chubu Electric's Hekinan power plant, Kansai Electric's Maizura power plant and cement plants such as Taiheiyo Cement, and this particularly weighed on Australian volumes.

However, Australia remained by far the largest supplier to Japan, providing 6.42 mt of thermal coal in November, but the tonnage fell 8% on the year.

Indonesia was in second place, with 2.39 mt arriving in Japan, down 4% from a year earlier.

On the whole, thermal coal imports were down 6% on the year at 114.27 mt in January-November.

Met coal imports were down 13% on the year, to 4.74 mt from 5.45 mt, but rose 4% from October's 4.58 mt. Met coal imports in January-November were up 10% on the year to 49.17 mt, from 44.68 mt.

Coking coal imports fell 13% in November from a year ago to 4.74 mt, as steel production continues to ease.

Crude steel production in November was 7.7 mt, down 11% from a year earlier, reflecting stoppages at Nippon Steel plants.

Australia remained the dominant coking coal supplier with 2.51 mt, down 3% from 2.59 mt in October and down 17% from 3.02 mt in November last year.

Imports from the United States, however, were up by more than a third to 1.05 mt in November, from 0.77 mt in the same month of 2018, and were up 45% from 0.72 mt in October. Canada accounted for 0.62 mt in November, compared with 0.83 mt in October and 0.94 mt in November a year earlier.

Japan coal imports (tonnes)

Type	Nov-19	Oct-19	M-o-M (%)	Nov-18	Y-o-Y (%)	Jan-Nov 19	Jan-Nov 18	Y-o-Y
Thermal	10,366,620	10,241,168	1%	11,484,207	-10%	114,267,675	121,834,053	-6%
Metallurgical	4,743,026	4,580,602	4%	5,448,555	-13%	49,174,923	44,678,801	10%
Anthracite	411,950	646,898	-36%	629,115	-35%	5,307,446	7,045,350	-25%
Total	**15,521,596**	**15,468,668**	**0%**	**17,561,877**	**-12%**	**168,750,044**	**173,558,204**	**-3%**

Source: Japanese Ministry of Finance

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Japan thermal coal imports by origin (tonnes)

Country	Nov-19	Oct-19	M-o-M (%)	Nov-18	Y-o-Y (%)	Jan-Nov 19	Jan-Nov 18	Y-o-Y (%)	Y-o-Y change
Australia	6,425,546	5,837,076	10%	7,002,018	-8%	68,970,981	75,699,072	-9%	(6,728,091)
Indonesia	2,389,376	2,243,537	7%	2,477,963	-4%	24,896,520	25,837,238	-4%	(940,718)
Russia	956,431	1,437,059	-33%	1,447,716	-34%	12,190,665	12,055,194	1%	135,471
Canada	114,821	274,233	-58%	85,400	34%	2,584,766	1,647,256	57%	937,510
United States	406,177	392,337	4%	313656.00	29%	4,089,927	3,945,509	4%	144,418
China	0.00	21,998	-100%	0.00	NA	873,126	789,693	11%	83,433
Colombia	0.00	34,928	-100%	83,257	-100%	205,994	788,236	-74%	(582,242)
South Africa	74,269	0.00	NA	74,197	0%	304,625	999,246	-70%	(694,621)
Other	0.00	0.00	NA	0.00	NA	151,071	72,609	108%	78,462
Total	**10,366,620**	**10,241,168**	**1%**	**11,484,207**	**-10%**	**114,267,675**	**121,834,053**	**-6%**	**-7,566,378**

Source: Japanese Ministry of Finance

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Japan metallurgical coal imports by origin (tonnes)

Country	Nov-19	Oct-19	M-o-M (%)	Nov-18	Y-o-Y (%)	Jan-Nov 19	Jan-Nov 18	Y-o-Y (%)	Y-o-Y change
Australia	2,506,693	2,594,120	-3%	3,020,992	-17%	28,537,303	27,107,776	5%	1,429,527
USA	1,046,986	720,538	45%	766,705	37%	8,225,436	6,410,918	28%	1,814,518
Canada	618,252	833,191	-26%	935,380	-34%	6,062,071	5,770,085	5%	291,986
Russia	466,947	400,556	17%	468,833	-0%	4,031,543	2,971,348	36%	1,060,195
Colombia	97,548	0.00	NA	69,000	41%	948,997	1,000,721	-5%	(51,724)
Mozambique	0.00	28,997	-100%	160,000	-100%	747,200	623,935	20%	123,265
Other	6,600	3,200	106%	27,645	-76%	622,373	794,018	-22%	(171,645)
Total	**4,743,026**	**4,580,602**	**4%**	**5,448,555**	**-13%**	**49,174,923**	**44,678,801**	**10%**	**4,496,122**

Source: Japanese Ministry of Finance

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Turkey's thermal imports hit 3-year high in November

Turkey's thermal coal imports hit a three-year high in November 2019, led by record Colombian deliveries, as low prices and cooler temperatures spurred demand, according to the latest customs data.

The data showed that imports were 3.55 mt, the highest since November 2016 and up 31% from 2.71 mt in the same month of 2018. They were also up from October's 3.43 mt.

Colombia supplied a record 2.17 mt in November, up from 1.66 mt in November 2018 and 1.84 mt in October.

For the first eleven months of 2019 Colombian volumes were 16.00 mt, down from 16.50 mt in 2018.

Deliveries from Russia were 1.35 mt in November, up from 0.69 mt in November 2018, but lower than 1.45 mt in October. Stocks were understood to be high at Black Sea ports and suppliers were looking to offload material quickly.

Imports from Russia in the first eleven months of 2019 were 10.90 mt, up from 10.30 mt previously.

Chile's thermal coal imports down 8% in January-November

Chile's imports of thermal coal were down 8% on the year in January-November to 9.26 mt, from 10.08 mt, according to government data.

The drop can mainly be attributed to increased electricity generation from renewable sources transported by the new Cardones-Polpaico electricity interconnector. Increased imports of natural gas from Argentina impacted coal imports as well.

Colombia, with 7.11 mt shipped to Chile in January-November, continued to be the largest shipper, followed by the United States with 0.83 mt and by Australia with 0.61 mt. The balance includes shipments from Canada and New Zealand.

In comparison, in January-November 2018, imports from Colombia were 7.56 mt, followed by the US with 1.84 mt and Canada with 0.68 mt.

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Physical prices

IHS Steam coal marker prices ($/t)							
Daily	**Incoterm**	**Basis CV**	**6 Jan**	**7 Jan**	**8 Jan**	**9 Jan**	**10 Jan**
Northwest Europe	CIF	6,000 kc NAR	53.25	52.75	52.58	52.50	52.93
Richards Bay	FOB	6,000 kc NAR	79.75	83.45	89.75	93.80	94.29
			30 Dec	**31 Dec**	**1 Jan**	**2 Jan**	**3 Jan**
Northwest Europe	CIF	6,000 kc NAR	52.25	51.50	Holiday	51.50	53.07
Richards Bay	FOB	6,000 kc NAR	78.50	79.00	Holiday	75.12	77.50
Weekly	**Incoterm**	**Basis CV**	**104 weeks ago**	**52 weeks ago**	**4 weeks ago**	**2 weeks ago**	**10 Jan**
Petcoke mid-sulphur	FOB	7,500 kc NAR	83.50	72.00	34.50	34.50	35.50
Petcoke high-sulphur	FOB	7,500 kc NAR	65.50	58.00	31.00	30.00	30.50
Northwest Europe**	CIF	6,000 kc NAR	95.70	81.21	53.09	53.12	52.80
NW Europe (5,700 kc NAR min)	CIF	6,000 kc NAR	-	80.25	51.15	52.00	52.19
Richards Bay**	FOB	6,000 kc NAR	97.26	90.23	82.25	87.47	88.21
Richards Bay (5,700 kc NAR min)	FOB	6,000 kc NAR	94.25	83.73	71.23	72.44	79.48
~South China*	CFR	6,000 kc NAR	105.23	79.97	77.92	77.90	79.06
Newcastle	FOB	6,000 kc NAR	104.50	96.17	64.25	64.00	65.93
Newcastle (5,700 kc NAR min)	FOB	6,000 kc NAR	-	-	58.50	59.17	61.00
Colombian	FOB	6,000 kc NAR	87.75	74.50	47.25	47.50	47.50
Russia East (Vostochniy)	FOB	6,000 kc NAR	102.33	96.18	65.17	66.00	67.81
Russia West (Baltic)	FOB	6,000 kc NAR	89.00	76.00	47.50	47.65	47.00
Russia East (5,500 kc NAR)	FOB	5,500 kc NAR	-	-	58.40	57.80	58.00
Russia East (4,700 kc NAR)	FOB	4,700 kc NAR	-	-	43.30	43.75	45.10
US East Coast	FOB	6,000 kc NAR	93.78	87.33	43.00	42.75	42.75
US Gulf high-sulphur	FOB	6,000 kc NAR	58.86	65.10	41.39	40.74	39.91
Qinhuangdao (6,000 kc NAR min)	FOB	6,000 kc NAR	120.27	96.08	87.67	87.99	90.17
ARA barge	FOB	6,000 kc NAR	97.75	83.70	55.35	55.35	55.05
China export (Qinhuangdao)	FOB	5,800 kc NAR	120.42	95.66	87.28	87.61	89.79
~South China (5,500 kc NAR)*	CFR	5,500 kc NAR	92.51	70.15	64.41	63.85	64.50
Australian high-ash	FOB	5,500 kc NAR	81.97	60.31	51.00	51.41	53.39
Qinhuangdao (5,500 kc NAR min)	FOB	5,500 kc NAR	110.25	85.78	78.07	78.51	80.43
Qinhuangdao (5,000 kc NAR min)	FOB	5,000 kc NAR	98.55	75.01	69.54	69.89	71.77
South African (4,800 kc NAR)	FOB	4,800 kc NAR	66.36	46.81	47.66	46.85	52.97
~South China (4,700 kc NAR)*	CFR	4,700 kc NAR	77.43	54.49	56.44	56.10	56.35
~South China (3,800 kc NAR)*	CFR	3,800 kc NAR	57.00	38.60	41.67	41.06	40.84
Indonesian sub bituminous	FOB	4,700 kc NAR	69.56	49.00	49.59	49.32	49.79
Indonesian 4,200 GAR (M42)	FOB	4,200 kc GAR	48.38	30.92	34.27	33.84	34.07
Indonesian (3,400 kc GAR)	FOB	3,400 kc GAR	28.84	19.22	21.84	21.11	21.62
Monthly	**Incoterm**	**Basis CV**	**Dec-17**	**Dec-18**	**Jun-19**	**Nov-19**	**Dec-19**
Coal UK's Aire Valley Marker	CIF	6,000 kc NAR	116.30	102.33	64.01	74.09	71.57
Asian steam coal marker	CIF	6,080 kc NAR	112.67	109.00	85.12	81.00	80.31
Japan steam coal marker	CIF	6,080 kc NAR	112.03	106.09	79.63	77.03	75.46
Yearly			**4 years ago**	**3 years ago**	**2 years ago**	**1 year ago**	**FY 2019/20**
>Japanese reference price	FOB	6,322 kc GAR	67.80	61.60	84.97	110.00	94.75

* China CFR prices are exclusive of Chinese taxes

** Northwest Europe and Richards Bay weekly prices are averages of dailies. All other weekly prices are set weekly.

> Japanese Fiscal Year contract price (1 April - 31 March) settled annually

Note: More prices are available to subscribers of the IHS McCloskey Fax

Source: IHS Markit (except those marked ~ which are IHS McCloskey/Xinhua Infolink South China CFR markers)

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IHS Coking coal marker prices ($/t)

Monthly	Incoterm	Ash	Dec-17	Dec-18	Jun-19	Nov-19	Dec-19
Australia Mid-vol PHCC (MCC 2)	FOB	10.5% max	232.10	225.14	195.37	135.37	135.15
China Mid-vol PHCC (MCC 5)	CFR	10.5% max	213.12	206.45	201.18	147.62	148.10
US low-vol **	FOB	9% max	189.40	206.00	181.13	124.00	128.25
US high-vol B **	FOB	9% max	133.85	172.00	153.00	114.10	119.75
Australia LV PCI**	FOB	10% max	141.24	126.00	123.75	88.40	87.50
Coke Rizhao **	FOB	12% max	326.00	373.75	320.00	261.40	267.00
ARA Coke **	CIF	12.5% max	316.00	363.25	297.50	214.00	210.25

* Monthly Australian and North China coking coal prices are averages of dailies. Daily prices are available to subscribers of the metallurgical coal package.

**All other monthly coking coal prices are averages of weeklies. Weekly prices are available to subscribers of the metallurgical coal package.

Source: IHS Markit

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Freight

Asian freight rates continue to slip

The downward momentum in freight rates across Asian routes continued in the past week.

Despite a jump in fuel prices, chartering rates weakened as demand for dry bulk movements softens.

The voyage chartering rate for Capes on the Newcastle to South China route dropped to $10.75/t from $11.50/t a week earlier.

The Panamax rate for the Newcastle to South China route was assessed at $11.85/t, declining from $12.50/t last week.

Panamax voyage charter rates from South Kalimantan to South China were $5.15/t, dropping from $6.15/t a week ago. Supramax rates on the same route were $6.00/t, down from $6.95/t.

Voyage chartering rates on the South Kalimantan-Yangtze River port route were $8.00/t, moving down from $9.40/t on 31 December.

Panamax rates from Indonesia to western India were assessed at $8.75/t, flat from the week before, while the Supramax voyage chartering rate for the same route was $9.20/t, higher than the $8.75/t reported a week ago.

The Baltic Exchange (BE) average time charter Supramax rate for South China, via Indonesia, to East Coast India, S8_58, was $3,794/d on Tuesday, down from $6,100/d on 23 December.

The BE average time charter rate for Capes on Transpacific round voyage, route C10_14, was $3,854/d on Tuesday, tumbling from $11,404/d reported two weeks ago.

The BE Panamax average time charter rate for South China-Indonesia round voyage, P5, was lower at $4,078/d, declining from $7,617/d two weeks earlier.

Freight Rates - Weekly Averages ($/t)0

Route	Tonnage	13-Dec	10-Jan
European destinations			
Richards Bay/Rotterdam	150,000	12.87	10.22
Hampton Roads/Rotterdam	125,000	11.69	11.67
Puerto Bolivar/Rotterdam	150,000	11.39	11.39
Puerto Bolivar/ Eren	150,000	13.58	13.65
Murmansk/Rotterdam	70,000	8.78	7.13
Ust Luga/ Rotterdam	70,000	7.80	6.49
US Gulf/Rotterdam			
Baltimore/ Rotterdam	70,000	14.30	11.96
Asian destinations			
Newcastle/Kashima	150,000	12.85	9.64
Newcastle/Kashima	70,000	15.40	12.82
Newcastle/Zhoushan	150,000	13.58	10.42
Newcastle/ Guangzhou	70,000	16.10	13.42
DBCT/ Jingtang	150,000	11.28	8.58
Gladstone/ Kawasaki	150,000	11.13	8.44
Richards Bay/Fangcheng	150,000	15.90	12.08
Richards Bay/Mundra	150,000	9.95	10.06
Richards Bay/Krishnapatnam	150,000	10.05	10.12
Taboneo/Guangzhou	70,000	8.74	6.96
Taboneo/ Mundra	150,000	8.27	6.00
Taboneo/ Krishnapatnam	150,000	8.67	6.14
Taboneo/ Boryeong	140,000	9.10	6.64
Puerto Bolivar/Fangcheng	150,000	27.95	25.84
Puerto Bolivar/ Boryeong	140,000	32.83	30.79
Baltimore/ Mundra			
Baltimore/ Dhamra	70000	35.90	30.95
US Gulf/ Kandla	70000	36.50	31.90
Vostochny/ CJK	50000	4.50	4.57
Vostochny/ Daesan	70000	5.10	5.09
Chinese domestic destinations			
Qinhuangdao to Shanghai	20-30,000	5.06	3.41
Qinhuangdao to Guangzhou	40-50,000	6.59	4.21

Source: IHS Markit, Xinhua Infolink. Rates are calculated voyage rates

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Weekly coal fixtures 2019-2020

Date	Name	Cargo	Cargo Size	Laycan	Load Port	Discharge Port	Rate	Terms	Charterer
19/12/19	Aeolian Light	coal	75000/10	04/09 Jan	Hampton Roads	Ijmuiden	£$13.00	fio 2.5 days shinc/2.5 days shinc	TS Global
2/1/2020	TBN	coal	75000/10	10/19 Jan	Gladstone	Visakhapatnam	$13.75	fio 40000sshex/20000sshex	SAIL
2/1/2020	TBN	coal	75000/10	20/29 Jan	DECT	Visakhapatnam	$14.15	fio 35000sshex/20000sshex	SAIL
1/3/20	Classic TBN	coal	130,000	15/25 Jan	Newcastle	Zhoushan	$11.00	max disport d/a $120000, fio scale/25000shinc	Pacific Bulk
1/3/20	Pan Ocean TBN	coal	72,000	17/21 Jan	TBCT	Yonghung	$6.20	cargo size 72000/82000, tender, fio 35000shinc/21500shinc	KEPCO
1/3/20	Pan Ocean TBN	coal	72,000	11/20 Jan	Tabaneo	Yosu	$6.40	cargo size 72000/82000, tender, fio 15000shinc/21500shinc	KEPCO
1/3/20	TBN	coal	75,000	20/29 Jan	Dalrymple Bay Coal Terminal	Gangavaram	$13.25	fio 30000shinc/40000shinc	RINL
1/3/20	TBN	coal	75,000	21/30 Jan	Port Kembla	Visakhapatnam	$15.40	fio 40000sshex/20000sshex	SAIL
1/3/20	TBN	coal	75,000	12/21 Jan	Gladstone	Visakhapatnam	$15.15	fio 40000sshex/20000sshex	SAIL
1/3/20	TBN	coal	150,000	15/24 Jan	Abbot Point	Putian & Xiamen	$8.60	fio scale/25000shinc	Crystal Sea
1/6/20	Cargill TBN	coal	63,000	11/15 Jan	Murmansk	Jorf Lasfar	$10.35	fio 18000shinc/30000shinc	UBCI

Source: SSY

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Electricity power generation

German coal-fired margins improve but remain negative in the New Year

German hard coal-fired generation margins improved a little over the New Year, but remained negative, facing strong competition from renewables and cheap natural gas.

German power prices rose by 18% to average around EUR35.38/MWh in the week ending 10 January, from nearly EUR30.00/MWh two weeks earlier.

Coal prices remained steady with the IHS McCloskey NW Europe Steam Coal marker averaging around $52.65/t for the fortnight ending 10 January, from an average $52.88/t two weeks previously.

EU carbon costs fell by 7% to EUR24.56/t on 10 January from EUR26.44/t two weeks earlier as uncertainty around post-Brexit carbon policies abates, with market participants expecting the UK to implement a carbon system closely aligned to the EU ETS.

As a result, the German clean-dark spread averaged minus EUR6.80/MWh in the period ending 10 January, from minus EUR14.15/MWh two weeks ago.

Dutch TTF prices fell amid plentiful supply and the signing of a gas transit deal between Russia and Ukraine towards the end of last year. TTF prices fell 4% to average EUR11.92/MWh on 10 January from EUR12.40/MWh two weeks ago.

The clean-spark spread rose to EUR2.02/MWh in the period ending 10 January, from minus EUR5.04/MWh two weeks ago.

In the UK, gas generation was also ahead in the merit order, but its margins were down by nearly 80% on falling power prices and increased wind generation.

Wind continues to dominate UK generation, averaging nearly 36% since the beginning of the year, followed by natural gas at 23%. A heavy influx of LNG cargoes into the UK meant gas exports from the UK to continental Europe have been at high levels since early January.

Power prices averaged £34.52/MWh on 10 January, from £37.89/MWh two weeks ago. Gas averaged 28.52 pence per therm (ppt) in the fortnight ending 10 January, fall of 7% from 30.78 ppt.

Weekly average Sparks & Darks

	27 Dec	3 Jan	10 Jan
United Kingdom £/MWh			
Power	37.89	33.63	34.52
Gas PPT	30.78	28.74	28.52
Dirty-Spark	16.52	13.68	14.72
Dirty-Dark	21.67	4.43	18.44
Differential	-5.16	9.25	-3.72
Clean-Spark	1.51	-0.90	0.31
Clean-Dark	-16.73	-19.60	-18.45
Differential	18.24	18.71	18.76
Germany €/MWh			
Power	29.97	33.07	35.38
Gas €/MWh	12.40	11.78	11.92
Dirty-Spark	4.74	9.08	11.11
Dirty-Dark	10.89	14.34	16.46
Differential	-6.15	-5.25	-5.35
Clean-Spark	-5.04	-0.20	2.02
Clean-Dark	-14.15	-9.43	-6.80
Differential	9.10	9.22	8.82
Carbon			
EUA €/t	26.44	25.09	24.56
UK Carbon €/t	47.71	46.36	45.83

Notes: Differentials are calculated by taking the spark away from the dark – therefore negative numbers favour coal over gas and positive numbers favour gas over coal.

Spark spreads assume an efficiency of 49.13% whilst dark spreads assume an efficiency of 36%.

UK power and gas prices are from Marex Spectron.

Source: Marex Spectron

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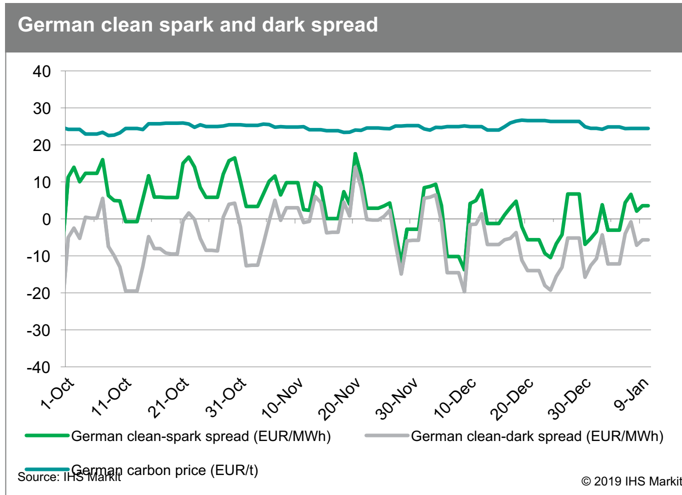
Carbon prices fell by 4% to average EUR46.00/t over the same period.

The clean-spark spread was £0.31/MWh on 10 January, down from £1.51/t two weeks ago, while the clean-dark averaged minus £18.45/MWh from minus £16.73/MWh in the week ended 27 December.

German clean spark and dark spread



Source: IHS Markit

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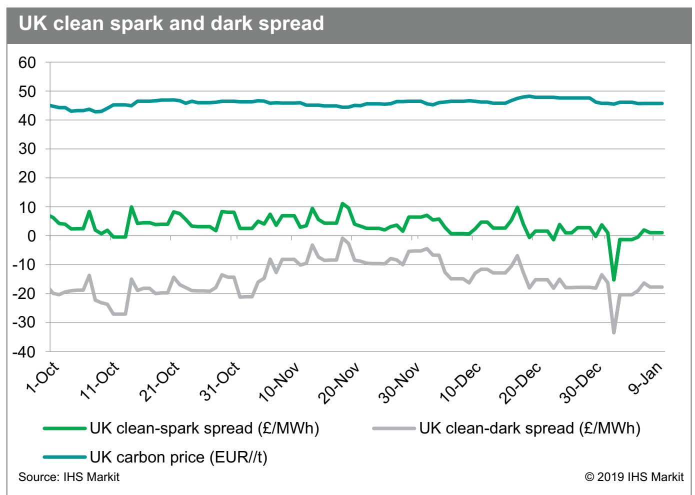
UK clean spark and dark spread



Source: IHS Markit

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Indian Coal Report
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South African Coal Report
The interplay between domestic power demand and exports is a focus. Covers corporate news and wider African coal markets and includes an infrastructure focus on Richards Bay coal terminal, loading rates, rail, capacity, vessel queues, and freight.

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4109-CE-0119

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