China Coal Weekly

2019

NO. 0843E–Dec.09

XINHUA INFOLINK

China thermal import prices rise, settlements seen recovering

Chinese thermal coal import appetite continued this week, pushed by renewed import tenders by major power groups, which expect import controls will be removed in January, while current import costs are still well below expected mainstream domestic prices next year.

Australian high-ash material was estimated at approximately $64.30/t CFR, basis 5,500 kc NAR, up from $63.57/t CFR last Friday, which had climbed from $62.67/t CFR the previous week.

Low-rank Indonesian coal firmed to around $41.60/t CFR, basis 3,800 kc NAR, from $40.9/t CFR a week ago, and compared to $39.98/t CFR two weeks ago. FOB levels increased to about $34.10/t from $33.70/t last week.

The Australian material is estimated to cost roughly RMB512/t ($72.73/t) inclusive of CFR and Chinese tax, basis 5,500 kc NAR, while cost for the same quality domestic material delivered to Guangzhou is about RMB594/t ($84.38/t).

This results a cost differential of RMB82/t ($11.65/t), which is down slightly from RMB84/t ($11.93/t) last week, but remains attractive for major power plants. Domestic prices are unlikely to dip below RMB500/t ($71.02/t) FOB next year, according to most Chinese forecasts.

Major Chinese producers and users have been negotiating term coal pricing and supply volumes for next year this week, and are very likely to settle the annual price benchmark at RMB535/t ($75.99/t) FOB, basis 5,500 kc NAR, though generators had earlier favored a level of around RMB500/t ($71.02/t).

China is predicted to continue import restrictions next year, to prevent domestic prices from slipping to below RMB500/t ($71.02/t) FOB, because most producers will incur losses at the price level. It’s possible that domestic prices will be weak throughout the second quarter next year, and authorities will closely watch developments and weigh if some sort of intervention is needed. The risk of lengthy customs clearance and port congestions will repeat when restrictions are imposed, industrial sources said.

INEDX

	Index	Indicater	Unit	Dec.03-08 2019	WoW Change
Steam coal	BSPI	5500Kcal/kg	RMB/t	551	-9
	CCTD			549	-8
	CECI			547	-8
	CCI			548	-1
	API5		$ /t	51.36	0.86
	API8			63.90	0.69
Coking coal	Western Inner Mongolia coking coal index	Clean coking coal	point	855	2
	CTPI	Clean coking coal		168.57	0.08
Coke	CSPI	Coke price index	point	1,000.39	1.02
Ironore	CIOPI	62%	point	322.56	3.22
	CSI		$ /t	89.55	2.50
	Platts		$ /t	89.40	2.15
Freight	BDI		point	1,558	30
	China Coastal Bulk(Coal) Freight Index			900.74	53.49
	China Import Dry Bulk Freight Index			1,009.40	25.46

Source: XinhuaInfolink

Domestic prices of lower quality material softened today, after more than a week of steadiness. Prices of 5,000 kc NAR cargoes dipped RMB1/t ($0.14/t) to RMB489/t ($69.46/t) FOB at Qinhuangdao (QHD) today, having increased RMB11/t ($1.56/t) from RMB479/t ($68.04/t) FOB on 6 November.

Rates of 4,500 kc NAR material dropped the same amount to RMB437/t ($62.07/t) FOB, following a growth of RMB11/t ($1.56/t) from RMB427/t ($60.65/t) FOB on 6 November. Prices of 5,500 kc NAR products remained steady at RMB549/t ($77.98/t) FOB, representing no change since 18 November.

However, mine prices were largely steady, though production has been slipping because of safety checks, and as mines lowered operations after the whole year output targets had been met, local sources said, expecting some major mines to close between 17-30 January for the Lunar New Year, and suspension at small mines will be even longer.

Coal burn at coastal units hit 0.76 mt yesterday, up from 0.73 mt the previous day and 0.69 mt ta week earlier. This marked the highest level since end-August, and hiking 23% from 0.62 mt a year earlier. However, stocks edged up to 16.96 mt today, from 16.92 mt yesterday, and were enough for 22 days, down from 23 days yesterday.

Stocks at QHD hit 6.14 mt today, down from 6.24 mt yesterday. Vessels scheduled to arrive fell to 10 from 14 yesterday, while vessel queues grew to 24 from 22 yesterday. Inventories at Huanghua were stable at 2.28 mt yesterday, with vessel queues at 20, up from 19 the previous day. Stocks at Huaneng's Caofeidian terminal dropped to 3.61 mt from 3.66 mt yesterday.

In consuming regions, stocks at Guangzhou picked up to 2.73 mt yesterday from 2.61 mt the previous day, and volumes at Xinsha terminal grew to 2.13 mt from 2.03 mt the previous day. Ex-stock prices at Guangzhou stood at RMB650/t ($92.33/t) today, basis 5,500 kc NAR, unchanged since mid-November. Prices at Ningbo stood at RMB595/t ($84.52/t), which has been steady since 20 November.

Domestic seaborne freight rates continued to grow. Rates for the QHD to Guangzhou route in 50,000-60,000 t vessels climbed RMB0.3/t ($0.04/t) to RMB45.1/t ($6.41/t) yesterday, and costs for QHD to Shanghai in 40,000-50,000 t vessels expanded the same amount to RMB35.4/t ($5.03/t).

China coking coal prices firm as safety checks impact output

Domestic coking coal prices firmed this week, after central Shanxi ordered at least 27 mines to suspend production, while operating mines lowered output as well, as safety inspections are being carried out at all mines.

Premium products with low sulfur content traded in Liulin, Shanxi at RMB1,367/t ($194.18/t) ex-washery on 3 December, up RMB8/t ($1.14/t) from a week earlier. Material with higher sulfur content climbed RMB4/t ($0.57/t) to RMB1,091/t ($154.97/t).

In Luliang, Shanxi, low sulfur products hit RMB1,380/t ($196.02/t) on 3 December, while medium sulfur products were priced at RMB1,180/t ($167.61/t). Both increased RMB30/t ($4.26/t) from a week earlier.

This was backed by higher demand from independent cokeries, after rising coke prices boosted profits, while they anticipated supply strains ahead of the Lunar New Year, as large numbers of small mines will close around mid-January for holiday.

In Shanxi, coke with 12% ash changed hands in Linfen at RMB1,800/t ($255.68/t) ex-cokery on 5 December, and products with 13.5% ash traded in Luliang at RMB1,600/t ($227.27/t). Both were up RMB50/t ($7.10/t) from a week earlier.

In consuming regions, products with 12.5% ash climbed RMB50/t ($7.10/t) in Hebei's Tangshan to RMB1,860/t ($264.2/t), while in Shandong's Rizhao, the same grade went up RMB30/t ($4.26/t) to RMB2,050/t ($291.19/t).

The average operating rate of 230 major independent cokeries was 73.08% today, unchanged from a week ago. The rate for blast furnaces at 247 major steel mills hit 79.09%, up from 78.28% a week ago.

China steel majors' Jan-Sept output grows 6%

China's top ten steel groups produced 255.34 mt of crude steel in January-September, rising 14.61 mt or 6.1% from 240.73 mt in the same period last year, according to industry statistics.

The tonnage accounted for 34.14% of China's total crude steel output in the period, which rose 8.4% on the year to 747.82 mt, though the share dipped slightly from 34.42% in the first three quarters.

Baowu Group produced 52.33 mt in the mine months, growing 1.79 mt or 3.6% from 50.54 mt the same period last year, followed by Hebei Iron and Steel, which produced 34.44 mt, climbing 1.72 mt or 5.2% on the year from 32.72 mt.

Output of private group Shagang came in at 30.74 mt, edging up 0.72 mt or 2.4% on the year, while production by Ansteel was 29.43 mt, expanding 1.47 mt or 5.3% year on year. Jianlong produced 22.22 mt, up 4.08 mt or 20.2% on the year.

Shougang produced 20.94 mt, growing 0.44 mt or 2.2% on the year, and output of Shandong Iron and Steel hit 20.26 mt, jumping 3.01 mt or 17.5% on the year.

Hunan-based private owned Valin Group produced 18.49 mt, up 1.49 mt or 8.7% on the year, and Masteel saw output decline to 14.63 mt, a decline of 0.49 mt or 3.2% year on year. Benxi Steel, the tenth largest producer, produced 11.86 mt, rising 0.38 mt or 3.3%.

Their production is thought to have slowed in October, as China's total output eased to 2.63 mt/d from 2.76 mt/d in September.

China Oct coking coal demand down 3% on month

China's coking coal demand, including domestic use and exports, declined 3% to 45.04 mt in October, from 46.19 mt in September. Domestic consumption was 44.94 mt, also off 3% from 46.09 mt the previous month, according to industry statistics.

Total demand in January-October hit 457.59 mt, up 8% from 423.78 mt in the same period last year. Domestic use was 456.37 mt, also up 8%.

Total coking coal supply, including both domestic production and imports, reached 45.64 mt in October, declining 3% from 47.21 mt in September. Domestic production of washed coking coal was 39.94 mt in October, an increase of 2% from 39.24 mt in September, but imports eased 29% to 5.70 mt, from 7.97 mt the previous month.

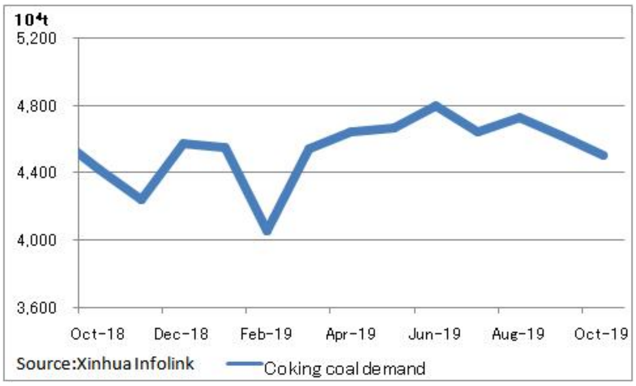
January-October supply amounted to 455.36 mt, up 10% from 414.03 mt in the same period last year. This included 388.55 mt of domestic production, which was up 9% year on year, and 66.81 mt of imports, which gained 20% on the year.

Separately, coke demand was 37.11 mt in October, declining 3% from 38.2 mt the previous month. Domestic consumption accounted for 36.84 mt, also off 3% from September's 37.81 mt. January-October demand totaled 384.99 mt, a decline of 7% from 412.33 mt in the same period last year. Domestic use accounted for 379.56 mt, off 6% from 404.47 mt a year earlier.

Coke supply in October was 38.78 mt, off 1% from 39.22 mt in September, which brought tonnages in the first ten months to 390.44 mt, growing 9% from 359.53 mt in the same period last year.

The October supply and demand position coincided with easing steel output in the month, which hit 2.63 mt/d, declining 4.7% from 2.76 mt/d in September, and falling 6.4% from 2.81 mt/d in August, as a result of production curbs in northern regions.

As a result, hard coking coal with lower sulphur content traded at RMB1,360/t ($193.73/t) ex-washery in Shanxi's Liulin on 29 November, declining RMB20/t ($2.85/t) from a month earlier. Coke with 12% ash changed hands in Shanxi's Taiyuan at RMB1,800/t ($256.41/t) ex-cokery on 29 November, off RMB50/t ($7.12/t) from a month earlier.



South China Oct power demand up 11% on year

The southern provinces of Guangdong, Guangxi, Yunnan, Guizhou and Hainan consumed 97.6 TWh of power in October, which climbed 11% on the year, though was down 5% from 103.2 TWh the previous month, the National Development and Reform Commission (NDRC) said.

This compares with the 5% year on year increase across the country, with the higher growth largely due to lower basis figures in the same month last year.

January-October power demand in the provinces totaled 943 TWh, growing 7% year on year, which also gained 0.4 percentage points from January-September. By contrast, overall power demand in China increased 4.4% on the year in the first ten months to 5,923.2 TWh.

NDRC urges 2020 term coal price settlements within 'green zone'

Annual and monthly term coal supply contracts for next year to be settled between power generators and coal producers this week should be within the government's 'green zone' of RMB500-570/t ($71.12-81.08/t) FOB, basis 5,500 kc NAR, the National Development and Reform Commission (NDRC) said in a policy guideline.

For tonnages under monthly contracts, volumes sourced by the major coal groups from smaller miners could be settled at higher prices but capped at RMB600/t ($85.35/t) FOB, the document added. The NDRC asked participants to complete contracting by 15 December, before railway departments allocate railing capacities by 20 December.

For volumes under annual contracts, the NDRC encouraged the groups to negotiate between themselves, and if no agreement is reached, they are advised to adopt the RMB535/t ($76.10/t) benchmark for this year.

Producers and users were urged to sign up contract volumes for at least 75% of their output or demand in the year, with fulfillment rates to be at least 90%. The power groups could source the remaining 25% of their needs from imports or the spot market. The contracting fair is scheduled to be held in Rizhao, Shandong, on 4-6 December.

Shenhua's prices under monthly contracts have ranged between RMB570-624/t ($81.08-88.76/t) FOB in January-November this year, averaging RMB596/t ($84.78/t) FOB, down from RMB635/t ($90.33/t) FOB last year.

Prices under the company's annual contracts ranged between RMB551-562/t ($78.38-79.94/t) FOB in January-November, averaging RMB556/t ($79.09/t) FOB, dipping from RMB559/t ($79.52/t) FOB in 2018.

It's understood that spot rates have been an important parameter for the coal groups' monthly prices, with spot levels now standing at RMB549/t ($78.09/t) FOB Qinhuangdao, basis 5,500 kc NAR, down from RMB637/t ($90.61/t) FOB a year ago.

Most market participants expect spot prices to ease further next year, with some forecasts expecting average levels to hit RMB540/t ($76.81/t) FOB, basis 5,500 kc NAR, down from RMB595/t ($84.64/t) FOB this year, which is down RMB60/t ($8.53/t) from 2018.

China to boost offshore wind power development

China's offshore wind power capacity is expected to increase by 18 GW or 257% in 2021-2025 to 25 GW, the National Development and Reform Commission (NDRC) has forecast.

Capacity could hit 5.5 GW by the end of this year, after 1.87 GW of new units are commissioned, growing 52% year on year.

China's overall wind power capacity is forecast at 340-360 GW by 2025, growing 65-75% from the expected 206 GW by the end of this year, which itself will represent a rise of 11% from 184.26 GW a year earlier, the NDRC added.

Some 15.41 GW of new units were put into operations in the first ten months of this year, growing 27% from the same period last year. Wind power capacity totaled 199 GW at end-October, climbing 12% from a year earlier.

China coal demand to peak by 2025 - State Grid

China's coal consumption will peak at 4.2-4.3 bnt/y in 2021-2025, after which further increases are unlikely, the State Grid has forecast.

Consumption reached a high of 4.27 bnt in 2013, before slipping 3% year on year to 4.15 bnt in 2014. Figures for subsequent years were 3.81 bnt in 2016, 3.83 bnt in 2017 and to 3.90 bnt in 2018, according to government statistics.

China's total energy consumption is forecast to peak by 2030, and will then stabilize at 5.8-6.0 bnt/y of coal equivalent (basis 7,000 kc NAR), versus 4.64 bnt in 2018, the State Grid added.

However, non-fossil energy is projected to account for 25% of total energy demand by 2025, up from 14.3% in 2018. The proportion will continue to increase to 40% by 2035, and to 50% by 2050.

This will see power output from non-fossil units account for 55-60% of total power production by 2035, compared to the current 30%. By 2050, the proportion will grow to 75-80%.

The country's power demand is projected at 9,400-9,800 TWh/y by 2025, up from 6,900 TWh in 2018. The volume is expected to expand to 11,500-12,500 TWh/y by 2035 and to 12,400-13,900 TWh/y by 2050. The 2050 volume will be almost double the 2018 figure.

In terms of annual growth rates, demand is seen growing 5.2-6.0%/y between 2019-2025, cooling from 7.7%/y in 2016-18. The upward rate will further ease to 2.2-2.8%/y between 2026-2035, and to 0.5-0.7%/y between 2036-2050.

Despite this, power is projected to account for around 50% of China's total energy demand by 2050, compared with 25.5% in 2018, 30% by 2025, and 40% by 2035.

China's power capacity is forecast to increase from 1,900 GW at end-2018, to 4,000 GW by 2035, and 5,000 GW by 2050. Coal-based power capacity will peak at 1,200-1,400 GW by 2030, versus 1,030 GW at end-October this year. However, solar and wind units will account for half of total power capacity by 2050.

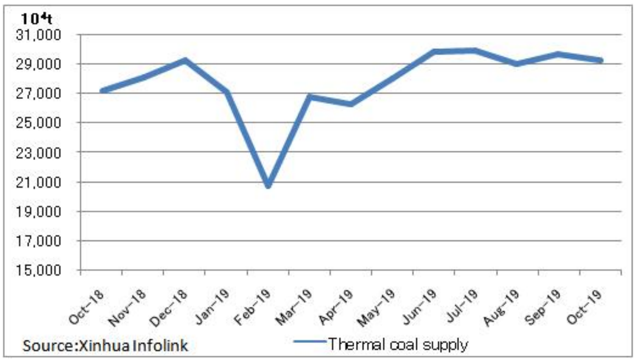
Inter-regional power transmission capacity, at 130 GW in 2017, will increase to 400 GW by 2035, and to 500 GW by 2050.

296.55 mt. Domestic production declined half a percent on the month to 272.87 mt, and imports slipped 11% to 19.99 mt.

All major consuming sectors saw weaker demand. The power sector used 164.99 mt in October, decreasing 3% from 170.38 mt the previous month. The steel sector used 12.5 mt of steam coal, falling 6% month on month, while the building materials sector used 27.53 mt, also lower than 27.71 mt in September. The chemicals sector consumed 16.96 mt, off just under half a percent from 17 mt the previous month.

Total demand in January-October was 2.73 bnt, which gained 4% from 2.64 bnt a year earlier. This included 1.68 bnt consumed by the power sector, which was up 4% year on year, and 133.69 mt used by the steel sector, which was up 4% on the year. Demand in the chemicals sector was 161.45 mt, climbing 11% year on year, and the building materials sector's demand went up 8% to 250.07 mt.

Total supply in the first ten months was 2.77 bnt, representing an increase of 6% year on year. Domestic production climbed 6% to 2.56 bnt, while imports hit 209.49 mt, up 8%.



China steam coal surplus grows in October

China's steam coal supply surplus grew to 24.32 mt in October, increasing 29% from 18.79 mt the previous month, after supply reached 292.86 mt in the month, well above consumption of 268.54 mt, according to industry statistics.

Steam coal demand, including domestic use and exports, eased 3% in October from 277.76 mt in September, after seasonal demand retreated, while industrial consumption remained sluggish, which resulted in sustained coal price weakness.

By contrast, steam coal supply, including domestic production and imports, eased 1% month on month to 292.86 mt from

China's top 10 coal miners' output up 1% in October

The top 10 coal groups in China produced a combined 140 mt of raw coal in October, which was up 1% from 138 mt the previous month, according to statistics from the China National Coal Association (CNCA).

Their January-October production amounted to 1.41 bnt, rising 4% from 1.36 bnt in the same period last year. This accounted for 46% of China's total coal output of 3.06 bnt in the period, which grew 5% from a year earlier.

The 90 largest coal companies produced a combined 220 mt of coal in October, which was flat from the previous month, with their January-October production at 2.16 bnt, an increase of 2% year on year.

CHN Energy produced 422.23 mt in the first ten months, growing half a percent from the same period last year. ChinaCoal's output increased 13% to 177.16 mt, while Datong produced 146.16 mt, jumping 27%. Shaanxi Coal mined 145.53 mt, rising 12% year on year.

Yankuang produced 131.35 mt, edging down 0.2% year on year, and Shandong Energy's production slipped 19% to 98.15 mt.

Shanxi Coking Coal's output climbed 5% to 87.02 mt, and the State Power Investment Corporation mined 68.64 mt, an increase of 4%. Henan Energy's production gained 9% to 67.19 mt, and Lu'an hit 67.12 mt, growing 1%.

Stocks at power plant

Dec..06, 2019	Coal burn(million tonnes/d)	Coal burn(million tonnes/d)	Days
Six coastal power plants	16.961	0.763	22
Huaneng	5.679	0.239	24
Datang	1.209	0.092	13
Guodian	2.787	0.155	18
Zhejiang Electric Power	3.5	0.15	23
Yudean	3.57	0.094	38
Shanghai Electric Power	0.216	0.033	7

Source:XinhuaInfolink

Port shipment and stocks (million tonne)

Dec..06, 2019	Railing	Shipment	Vesselqueue	Stocks
Qinhuangdao	0.40	0.51	24	6.14
Huanghua	0.45	0.59	18	2.12
Caofeidian	0.16	0.19	2	3.61
SDICJingtang	0.13	0.13	6	2.14
Guangzhou	-	-	-	2.75
Fangchenggang	-	-	-	4.90

Source:XinhuaInfolink

Import and Export

	November,2019	YoY change	YTD	YTD Change
Import (million tonne)				
Coal	20.78	8.5%	299.3	10.2%
Steel products	1.04	-1.4%	10.82	-11.0%
Iron ore	90.65	5.1%	970.69	-0.7%
Natural gas	9.46	3.3%	87.11	11.8%
Export (million tonne)				
Coal	0.79	15.0%	5.35	15.7%
Coke	0.32	-63.1%	5.76	-33.3%
Steel products	4.58	-13.6%	59.66	-6.5%

Source:XinhuaInfolink

Price

		C.V.	Unit	Dec.06, 2019	WoW Change	Price
Steam Coal						
Domestic	Datang,Shanxi	5500Kcal/kg	RMB/t	420	0	FOR
	Ordos,InnerMongolia	4500Kcal/kg		316	1	Ex-mine
	Shenmu,Shaanxi	6000Kcal/kg		385	2	Ex-mine
	Qinhuangdao	5500Kcal/kg		543	-1	FOB
		5000Kcal/kg		482	-2	FOB
		4700Kcal/kg		437	-1	FOB
		5500Kcal/kg		650	0	Ex-stock
		5000Kcal/kg		575	0	Ex-stock
Imported	Guangzhou	5500Kcal/kg	$/t	64.41	0.61	CFR(excludingVAT)
		4700Kcal/kg		55.79	-0.41	CFR(excludingVAT)
		3800Kcal/kg		41.50	0.60	CFR(excludingVAT)
Anthracite						
Domestic	Jincheng,Shanxi	A11，V11，S≤0.4		1,020	-	Ex-plant
	Handan,Hebei	A11，S≤0.8		1,070	-	Ex-plant
Imported	Australian PCI	A10.5，V14-17	$/t	99.50	-0.50	CFR(excludingVAT)
	Russian PCI	A10，V10		90.00	-4.00	CFR(excludingVAT)
Coking coal						
Domestic	Liulin,Shanxi	S0.6，G85	RMB/t	1,380	20	Ex-washery
	Tangshan,Hebei	S<1.2,G80-90		1,485	-	Ex-washery
Imported	Australia	S0.8，G95		1,310	-50	Ex-stockatJingtangport
	Mongolia	S0.8，G≥75		1,110	-	Deliveredcosts
Coke						
Domestic	Jiexiu,Shanxi	A13.5%	RMB/t	1,600	-	Ex-cokery
	Tangshan,Hebei	A13.5%		1,800	-	Ex-cokery
Cupola coke						
Domestic	Linfen,Shanxi	Grade-1	RMB/t	3,200	-	Ex-cokery
	Linyi,Shandong	Grade-2		3,080	-	Ex-cokery
Iron ore						
Domestic	Qian'an,Hebei	66%	RMB/t	830	0	Drybasistax
	Benxi,Liaoning	65%		630	0	WetbaseNotax
Imported	Australia	61.5%PB fineore Qingdao Port		660	5	Wetbasistax
	Brazil	66%fineore Qingdao Port		720	25	Wetbasistax
	SouthAfrica	65%fineore Qingdao Port		735	10	Wetbasistax
Freight						
Domesticshipping	Qinhuangdao-Guangzhou	5.0~6.0(DWT)	RMB/t	45.20	2.20	
	Qinhuangdao-Shanghai	4.0~5.0(DWT)		35.20	2.80	
International shipping	Indonesia-Guangzhou	7(DWT)	$/t	6.06	0.43	
	Australia-Zhoushan	13(DWT)		14.33	0.42	
Truckingfreight	Ordos Trucking Freight Index	Long distance	RMB/t	0.27	-	
		Medium distance		0.47	-	
		Short distance		0.87	-	

Source:XinhuaInfolin

Major regions coal production

	October, 2019	YTD	Jan. - Jun. 2019	YTD
Major regions coal production（10^9t）	0.22	0.0%	2.16	1.5%

Source:XinhuaInfolink

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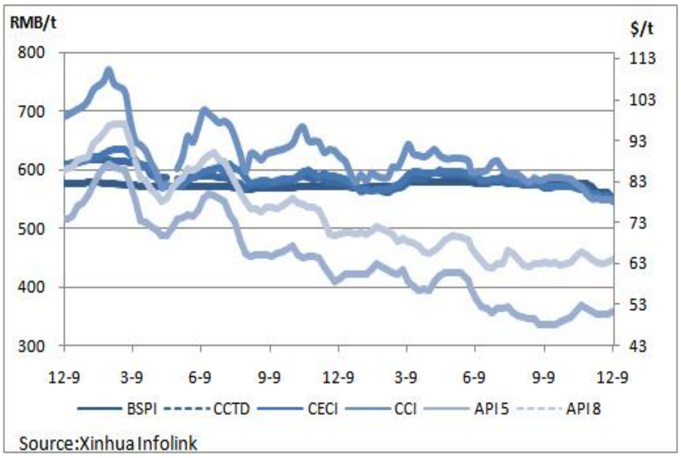

Coal burn at power plant