

Argus Insight: Coal



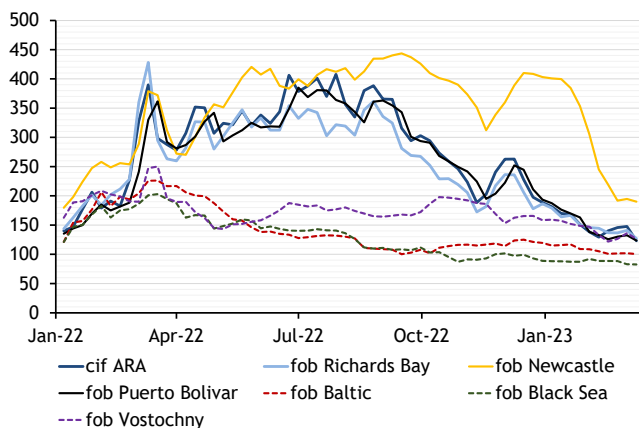
Key global thermal coal market trends in 2023

2022 was a tumultuous year for the thermal coal market, with seaborne prices hitting record highs and global trade flows being reshaped. 2023 has started off in an environment of falling prices and global benchmarks reconnecting. Here are some of the key market trends to watch in the coming months.

Prices fall from 2022 highs, Russian and non-Russian prices reconnect

Risks associated with European energy supply this winter following the cut in imports from Russia have eased over the past few months on firm coal and gas stocks, while demand erosion has cut overall consumption. This has pressured prices globally, while the large premiums established by non-Russian coal to Russian equivalents for much of last year have narrowed.

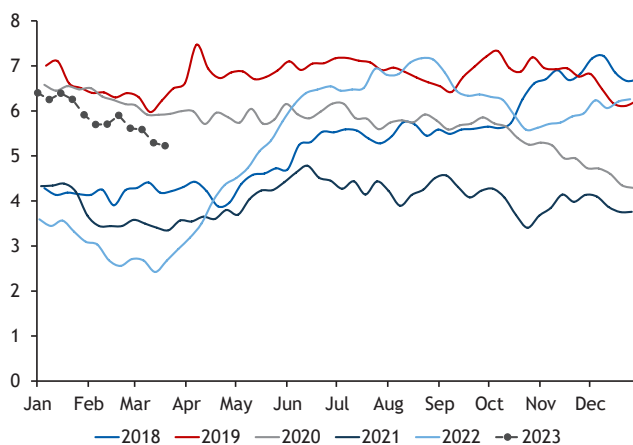
Key NAR 6,000 kcal/kg prices \$/t



Margins fall but coal paper trading thin

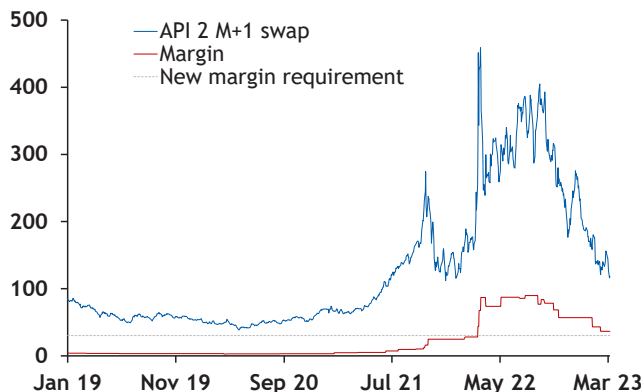
The lower outright prices and the decline in volatility have led exchanges to reduce margin rates for their coal derivative

ARA coal stocks mn t



products – high margins were a factor behind reduced paper liquidity in 2022. But trading costs remain high compared with historical levels given the current financial and geopolitical environment, impacting the size of position-taking and leading some firms to pull back from trading futures entirely.

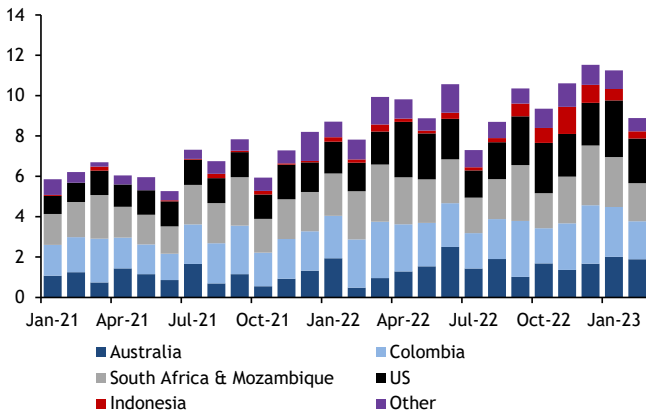
Ice rolling API 2 M+1 swap vs margin \$/t



European coal import mix shifts towards US, Colombia, South Africa

Europe’s thermal coal import mix has shifted dramatically since the EU’s embargo on Russian coal was implemented in August. Imports from all non-Russian origins have increased, with flows from the US, Colombia and South Africa picking up most of the slack.

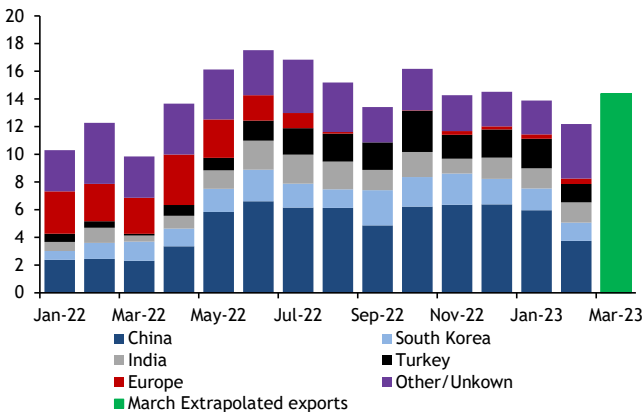
EU-27+UK seaborne thermal coal imports *mn t*



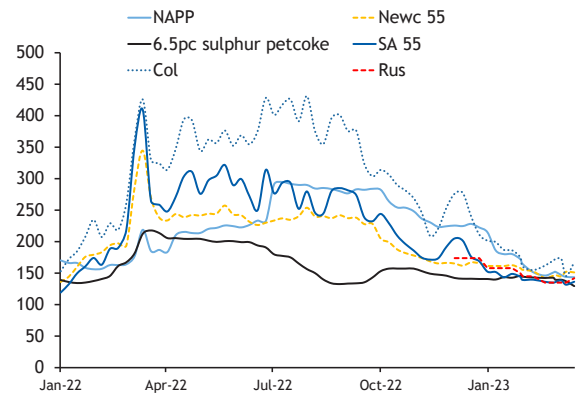
Russia’s seaborne exports firm, India returns to Richards Bay

Russian coal exporters maintained or boosted market share into non-sanctioned destinations including China, India, Turkey and South Korea in 2022. But with price spreads to non-Russian origin coals narrowing, and an uncertain outlook for sales into Morocco and Turkey, it could be more difficult to maintain sales during 2023. Russia’s 2022 seaborne thermal coal exports grew by 10.5pc on the year.

Russia seaborne thermal coal exports *mn t*



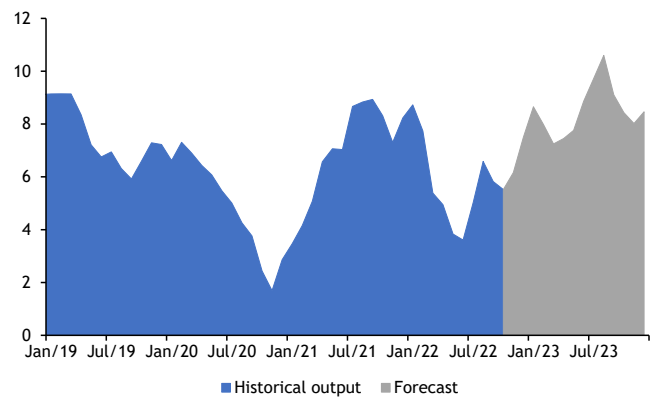
India net forwards NAR 6,000 kcal/kg basis *\$/t*



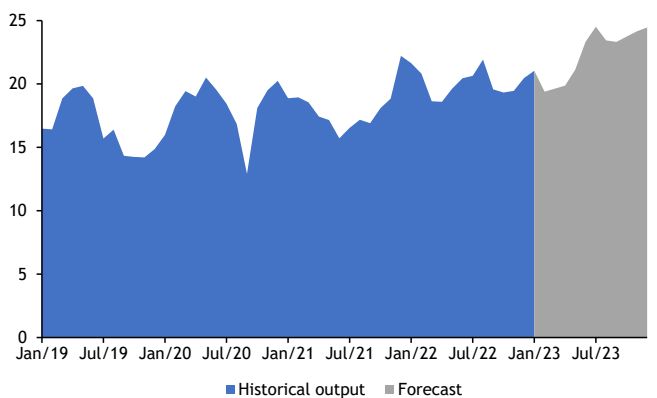
Recovering nuclear to weigh on NE Asian coal import outlook

Returning Japanese nuclear plants are set to push the country’s annual nuclear generation in 2023 to its highest level since before the Fukushima disaster. This could pressure thermal generation in the country and limit its coal import appetite, although nuclear output will remain far below 2010 levels.

Japan nuclear generation/outlook *GW*



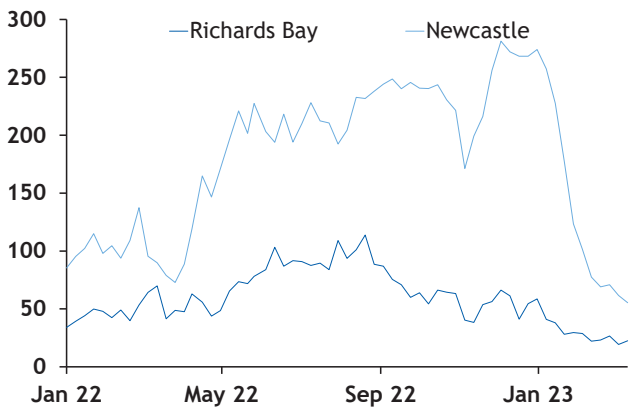
South Korea nuclear outlook *GW*



Quality spreads narrow in line with lower 6,000 kcal/kg prices, China-Australia ban relaxation

The recent fall in NAR 6,000 kcal/kg prices globally has pressured quality spreads. The spread between NAR 6,000 kcal/kg and NAR 5,500 kcal/kg coals from Newcastle and Richards Bay has dropped to more typical levels, also driven by increased supply from Australia in early 2023. Price support for the lower-calorific value (CV) grades has also arrived from the relaxation of China's informal ban on Australian coal and re-emerging demand from south Asia.

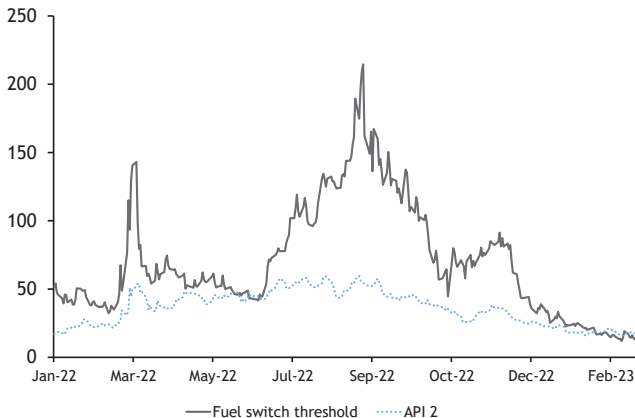
NAR 6,000 kcal/kg premium to 5,500 kcal/kg \$/t



Coal and gas/LNG prices realign but coal still ahead in most regions

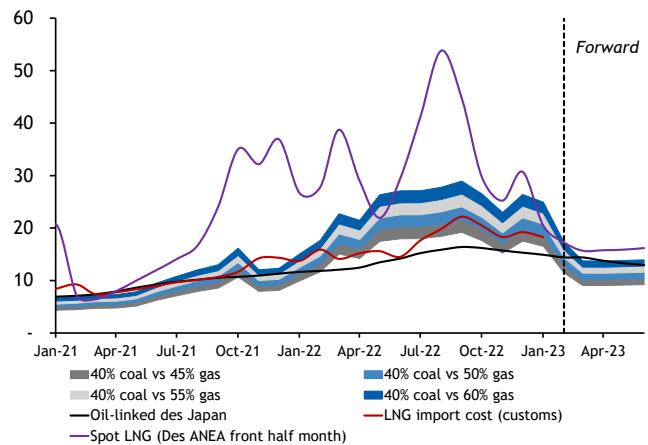
Spot Dutch TTF gas prices have fallen sharply in recent months, resulting in high-efficiency gas-fired plants becoming competitive with low-efficiency coal-fired plants in the German fuel mix. Coal and gas prices disconnected for most of 2022, with TTF prices rising far above fuel switching thresholds. It is a similar story in northeast Asia, where declining spot LNG prices have begun eating into coal's competitive advantage over gas. But with falling coal prices becoming more competitive with oil-indexed LNG costs, the overall coal-gas fuel-switching balance should remain tilted in favour of coal in the short term.

German fuel-switching (40% coal, 55% gas) €/MWh



Japanese generation costs

\$/mn Btu

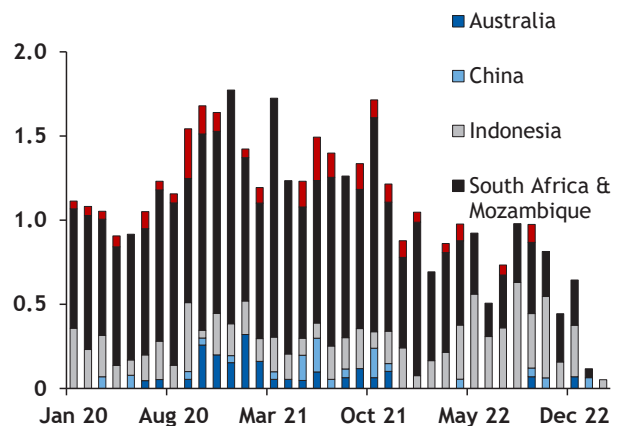


Will lower prices stimulate more demand from south/southeast Asian markets?

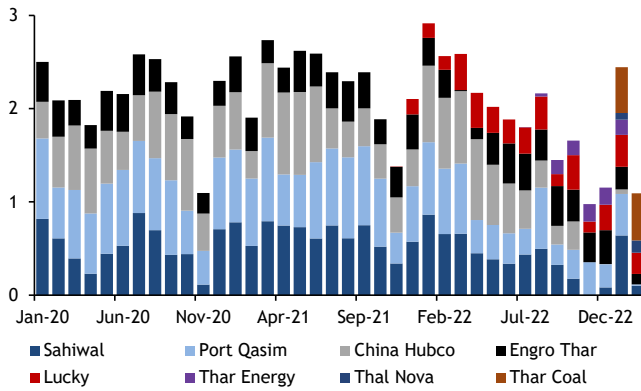
Importers in south Asian markets, including Pakistan and Vietnam, scaled back seaborne imports in 2022 owing to high prices. Pakistani buyers ramped up domestic coal output, took more affordable low-CV Indonesian supply and increased overland imports from Afghanistan to partially mitigate the loss of more expensive seaborne supply, but demand erosion still weighed on the country's overall coal-fired generation. The extent to which these countries' import appetite re-emerges in 2023 remains to be seen.

Pakistan seaborne thermal coal imports

mn t



Pakistan coal-fired generation by plant TWh



Argus Coal Daily International

The *Argus Coal Daily International* service provides the latest accurate, unbiased pricing and reporting for the global thermal coal markets, including Europe, South Africa and Asia-Pacific. It also provides key indexes used and trusted around the world, including forward levels and swap prices for the API 2 and API 4 indexes.

For more information:

 contact@argusmedia.com

 +44 20 7780 4200

 www.argusmedia.com

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