

China Coal Daily

The definitive daily publication on the Chinese coal industry

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China thermal coal prices continue lower

Prices in mining regions and at loading ports continued to slide today, amid lower consumption by industrial users and rapid rises in power plant stocks.

Some mines in Shaanxi reduced prices by RMB20-50/t (\$2.97-7.42/t), after several mines reopened in Yulin, and in Inner Mongolia prices were RMB5-10/t (\$0.74-1.48/t) lower, but prices in Shanxi were largely steady.

Industry sources estimate that term contract supplies, coupled with strong imports, will be more than sufficient to meet demand in the next month.

Major coal groups meanwhile have been requested to maintain higher production to ensure supplies through to March, when the National People's Congress meets.

Port prices eased RMB2/t (\$0.30/t) from yesterday to RMB588/t (\$87.24/t) FOB Qinghuangdao (QHD), basis 5,500 kc NAR, and 5,000 kc NAR cargoes dipped RMB1/t (\$0.15/t) to RMB511/t (\$75.82/t) FOB.

Coal consumption at coastal power plants fell to 0.49 mt yesterday from 0.53 mt the previous day and 0.67 mt a week earlier. Stocks reached 15.12 mt or 31 days today, up from 14.83 mt or 28 days yesterday.

Temperatures could drop 6-8°C in central and eastern regions and 10°C in south China later this week, according to weather forecasts, however any support to prices will be limited, market sources said.

Seaborne freight rates were largely steady. The rate for QHD to Guangzhou in 50,000-60,000 t vessels edged up RMB0.1/t (\$0.01/t) to RMB23.5/t (\$3.49/t) yesterday, while the rate for QHD to Shanghai in 40,000-50,000 t vessels was unchanged at RMB17.3/t (\$2.57/t).

China coal capacity falls 3% in 2018

China's total coal capacity, including operational mines and mines under construction, was 5.17 bnt/y at the end of 2018, which declined 3% from 5.31 bnt/y a year earlier, and down 9% from around 5.70 bnt/y at end-2015, the National Coal Mine Safety Administration (NCMSA) said.

The number of mines fell to 5,900 by the end of last year, down 23% from 7,662 at the end of 2017, and nearly half the 10,800 at end-2015, as a result of capacity reduction in the past few years.

Steam coal prices

| Week ending | 11-Jan | 18-Jan | 25-Jan |
|---------------------------------------|--------|--------|--------|
| QHD FOB markers (\$/t) | | | |
| 5,000kc NAR | 75.01 | 76.09 | 75.44 |
| or 4,700kc NAR | 70.51 | 71.52 | 70.91 |
| 5,500kc NAR | 85.78 | 87.26 | 86.62 |
| 5,800kc NAR | 92.87 | 93.97 | 93.23 |
| or 6,000kc NAR | 96.08 | 97.22 | 96.44 |
| QHD FOB markers (RMB/t) | | | |
| 5,000kc NAR | 509 | 515 | 511 |
| or 4,700kc NAR | 479 | 484 | 481 |
| 5,500kc NAR | 583 | 590 | 587 |
| 5,800kc NAR | 631 | 636 | 632 |
| or 6,000kc NAR | 652 | 658 | 654 |
| South China CFR markers (\$/t) | | | |
| 3,800kc NAR | 38.60 | 39.11 | 39.94 |
| 4,700kc NAR | 54.49 | 55.11 | 56.97 |
| 5,500kc NAR | 70.15 | 70.52 | 71.97 |
| 6,000kc NAR | 79.97 | 80.89 | 85.35 |

Note: FOB prices include domestic taxes

Note: CFR prices are exclusive of Chinese taxes

Source: IHS Markit, Xinhua Infobank

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Other regional key FOB prices (\$/t)

| | Jan-18 | Dec-18 | 18-Jan | 25-Jan |
|-------------------------------------|--------|--------|--------|--------|
| Steam coal | | | | |
| Indonesian low rank (3,800kc NAR)* | 48.43 | 30.01 | 32.64 | 33.79 |
| Indonesian Sub-Bit (4,700kc NAR)* | 70.06 | 46.53 | 50.31 | 52.95 |
| Indonesian Bituminous (5,500kc NAR) | 82.52 | 64.93 | 67.68 | 68.13 |
| Australian High Ash (5,500kc NAR) | 82.88 | 59.89 | 61.33 | 62.91 |
| Coking coal | | | | |
| Premium Australian | 246.17 | 225.14 | 192.20 | 196.32 |

*IHS McCloskey Indonesian Sub-Bituminous FOB marker

Note: The Indonesian Sub-Bituminous FOB marker and corresponding South China CFR marker changed to a 4,700 kc NAR basis as of 6 May 2016.

Source: IHS Markit

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Domestic coke (\$/t)

| | Year ago | Month ago | Week ago | 29-Jan |
|-------------------|----------|-----------|----------|--------|
| Hebei Steel (CIF) | 354.38 | 350.19 | 324.16 | 326.62 |

Note: Coke with 12% ash

Source: IHS Markit/Xinhua Infobank

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Last year saw 832 mine closures with combined capacity of 150 mt/y, putting capacity cuts in 2016-18 at 690 mt/y.

The closures reduced mines below 0.3 mt/y in capacity to 3,113 by the end of last year, which represented a 56% decline from more than 7,000 in 2015. Combined capacity of the mines amounted to 460 mt/y, or 9% of China's total, with the proportion down from 11% in 2015.

Mines below 0.09 mt/y totaled 1,344 or 23% of the country's mines, and their combined capacity was 90 mt/y or 2% of the country's total.

All mines below 0.09 mt/y in capacity, and mines below 0.3 mt/y but with higher gas explosion risk will be phased out in the next couple of years, the NCMSA added.

China issues two coal mine approvals

The National Development and Reform Commission has approved the planned expansion of the Manglai open-pit mine in Xilingol, eastern Inner Mongolia, to 5 mt/y from 0.9 mt/y, developer China Railway Resources Group said.

Meanwhile, the 4 mt/y Hongshaquan open-pit mine in Changji, Xinjiang, also received NDRC approval, said Xinjiang based project operator, Zhonglian Runshi.

China power use seen up 6% in 2019

China's power consumption is forecast to increase 5.5% this year, compared with 8.5% growth last year and 6.6% in 2017, the China Electricity Council (CEC) said.

This will lift total power use to 7,220 TWh from 6,840 TWh last year. The CEC expects northern and central regions to see seasonal shortages, while surplus is predicted for northeastern and northwestern regions.

Power capacity totalling 110 GW is expected to come online this year, compared with 124 GW last year, which dropped 4.6% from 2017. This will bring the total power capacity to 2,004 GW, up 5.5% from 1,900 GW at the end of last year.

Renewable unit capacity is expected to grow by 70 GW, from 770 GW at end-2018, which could raise the share of renewables in China's total power capacity by 1 percentage point to 42%.

Hydro power capacity will increase to 360 GW from 350 GW, and wind units will grow to 210 GW from 180 GW. Solar units will reach 200 GW, rising from 170 GW, and nuclear power will grow to 50 GW from 44.66 GW.

Thermal power capacity is forecast to increase 3% to 1,184 GW from 1,144 GW at the end of last year, with unit launches estimated at 40 GW, slowing from 41 GW last year and 45 GW in 2017.

Operational periods of thermal units are forecast at 4,400 hours, up from 4,361 hours last year, and 4,218 hours in 2017, according to the CEC.

China renewable power capacity increases 12%

China's power capacity from hydro, wind, solar and biomass units totaled 728 GW at the end of last year, which grew 12% year on year.

The units accounted for 38.3% of China's total power capacity of 1,899.67 GW, with the proportion widening 1.7 percentage point on the year, the National Energy Administration (NEA) said.

Coal stocks at ports (mt)

| | Last Year ave | Last Month | Previous day | 29-Jan |
|-----------|---------------|------------|--------------|--------|
| QHD | 6.14 | 6.05 | 5.56 | 5.42 |
| Guangzhou | 2.32 | 2.26 | 1.62 | 1.72 |
| 25-Jan | | | | |
| Fangcheng | 3.84 | 3.18 | 3.50 | 4.00 |

Source: IHS Markit

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Freight (\$/t)

| | Year ago | Month ago | Week ago | 29-Jan |
|---------------------|----------|-----------|----------|--------|
| Domestic | | | | |
| QHD to Guangzhou | 6.74 | 4.65 | 3.23 | 3.15 |
| QHD to Shanghai | 5.40 | 3.79 | 2.78 | 2.57 |
| Freights into China | | | | |
| Indonesia | 6.58 | 6.52 | 5.41 | 4.82 |
| Russia | 9.00 | 9.00 | 9.00 | 9.00 |
| Australia | 11.05 | 11.69 | 9.86 | 9.58 |

Note: QHD to Shanghai 40-50kt, QHD to GZ 60-70kt

Source: IHS Markit

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Mine-mouth coal stocks (mt)

| | Last Year | Last Month | Week ago | 28-Jan |
|-------------|-----------|------------|----------|--------|
| Major mines | 14.90 | 14.45 | 14.27 | 14.05 |

Note: Major Chinese mines, with production sharing around 33% of China's total

Source: China National Coal Association

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Nationwide major power plants (mt)

| | Last Year | Last Month | 20-Jan |
|------------------------|-----------|------------|--------|
| Major power plants | 70.96 | 87.90 | 77.21 |
| Daily coal consumption | 3.76 | 4.27 | 4.83 |
| Days of burn | 19 | 21 | 16 |

Note: Key power plants refer to those monitored by the State Grid

Source: IHS Markit/Xinhua Infolink

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Six major coastal power groups (mt)

| | Last Year | Last Month | Last week | 29-Jan | daily change |
|------------------------|-----------|------------|-----------|--------|--------------|
| Inventory | 14.16 | 17.12 | 14.53 | 15.12 | 0.285 |
| Daily coal consumption | 0.67 | 0.70 | 0.64 | 0.49 | (0.04) |
| Days of burn | 21 | 24 | 23 | 31 | 3 |

Note: Six coastal power groups include Zhejiang Electric Power, Yudean, Shanghai Electric Power, Huaneng, Guodian and Datang Source: IHS Markit/Xinhua Infolink

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North China ports (mt and number of vessels)

| 29-Jan | QHD | Huanghua | Caofeidian | Tangshan | Tot. N.China | Daily |
|------------------|------|----------|------------|----------|--------------|--------|
| | | | | | ports | Change |
| Stocks | 5.42 | 1.59 | 4.52 | 2.06 | 13.59 | (0.15) |
| Inbound | 0.53 | 0.50 | 0.18 | 0.12 | 1.33 | (0.13) |
| Outbound | 0.68 | 0.58 | 0.16 | 0.12 | 1.53 | (0.04) |
| Vessel Queue | 30 | 71 | 6 | 7 | 114 | 5 |
| Vessels Planned* | 8 | - | 12 | 1 | 21 | (8) |

*Planned refers to vessels expected over the next 5 days

Source: Chinese port groups

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Power output from the units was 1,870 TWh last year, an increase of 10% year on year, and represented 26.7% of total power output, up from 26.5% in 2017.

Wind capacity increased 20.59 GW to 184 GW at end-2018, while wind power waste eased 5 percentage points to 7%.

Solar unit commissioning stood at 44.26 GW last year, the second highest level after 53.06 GW in 2017, putting solar power capacity at 174 GW at end-2018. Solar power wastage rates declined to 3% from nearly 6% in the previous year.

Hydro power capacity increased 8.54 GW to 352 GW at end-2018. Yunnan, Sichuan and Guangdong had the largest unit launches in the year, respectively at 3.92 GW, 1.55 GW and 0.9 GW.

Biomass units increased by 3.05 GW to 17.81 GW, with major regions including Shandong, Zhejiang, Anhui and Jiangsu, accounting for a combined 7.69 GW.

China wants non-fossil energy consumption to account for 15% of its total primary energy demand by 2020, expanding from 12% in 2015. The proportion will be further lifted to 20% by 2030.

Customer notice

There will be no China Coal Daily between Monday 4 February and Friday 8 February due to public holidays in China.

Normal service will resume on Monday 11 February.



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Daily domestic price estimates

| | | Last Year | Last Month | Last week | 29-Jan | Daily Change |
|--------------------------------|----------------------------|-----------|------------|-----------|--------|--------------|
| Mine-mouth prices RMB/t | | | | | | |
| | NAR | | | | | |
| Shanxi Datong | 5,500Kcal/30Vda/15Ad/1.0St | 484 | 472 | 441 | 441 | 0 |
| Inner Mongolia Dongsheng | 5,200Kcal/35Vda/20Ad/0.6St | 365 | 331 | 355 | 369 | 2 |
| Inner Mongolia Ordos | 4,500Kcal/29Vda/15Ad/1.2St | 225 | 223 | 223 | 226 | 0 |
| Shaanxi Shenmu | 6,000Kcal/30Vda/15Ad/1.0St | 432 | 416 | 456 | 467 | 0 |
| Prices at ports (RMB/t) | | | | | | |
| | NAR | | | | | |
| QHD (FOB) | 5,500Kcal/25Vda/20Ad/1.0St | 649 | 607 | 590 | 583 | (2) |
| QHD (FOB) | 5,000Kcal/25Vda/20Ad/1.0St | 572 | 532 | 510 | 506 | (2) |
| QHD (FOB) | 4,500Kcal/25Vda/24Ad/0.8St | 507 | 472 | 457 | 453 | (2) |
| Huanghua (FOB) | 5,500Kcal/25Vda/16Ad/0.5St | 659 | 617 | 600 | 593 | (2) |
| Huanghua (FOB) | 5,000Kcal/25Vda/17Ad/0.5St | 584 | 544 | 522 | 518 | (2) |
| Huanghua (FOB) | 4,500Kcal/25Vda/18Ad/0.6St | 513 | 478 | 463 | 459 | (2) |
| Caofeidian | 5,500Kcal/25Vda/22Ad/0.8St | 653 | 612 | 595 | 588 | (2) |
| Caofeidian | 5,000Kcal/25Vda/24Ad/0.8St | 578 | 538 | 516 | 512 | (2) |
| Caofeidian | 4,500Kcal/25Vda/24Ad/0.8St | 508 | 473 | 458 | 454 | (2) |
| Guangzhou | 5,500Kcal/28Vda/14Ad/0.6St | 750 | 709 | 695 | 695 | 0 |
| Guangzhou | 5,000Kcal/27Vda/21Ad/0.8St | 674 | 628 | 605 | 605 | 0 |

Note: Inclusive of domestic taxes

Vda = Volatile matter

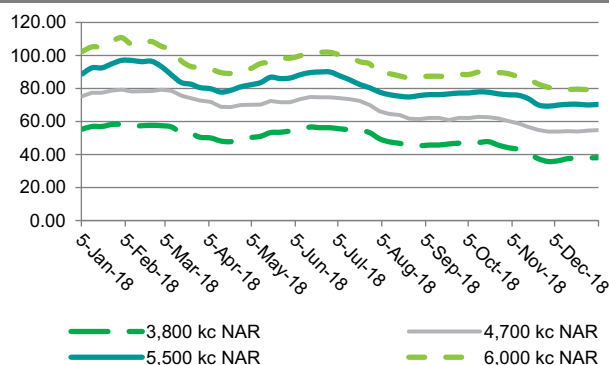
Ad = ash

St = sulphur

Source: IHS Markit/Xinhua Infoclink

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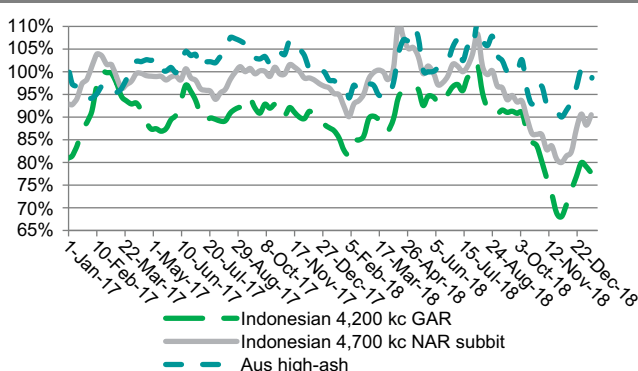
Import prices into South China (\$/t)



Source: IHS Markit, Xinhua Infoclink

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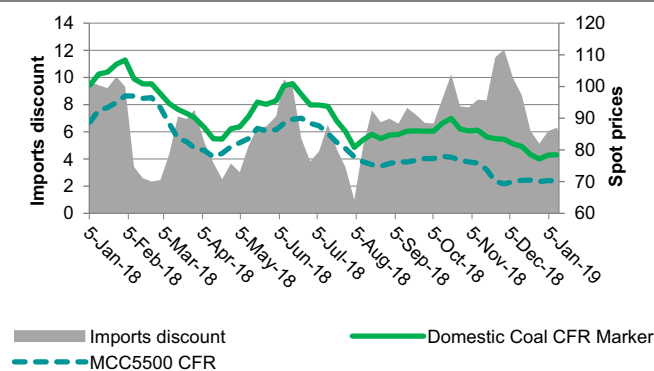
Relative strength of indices vs domestic (CV adjusted)



Source: IHS Markit, Xinhua Infoclink

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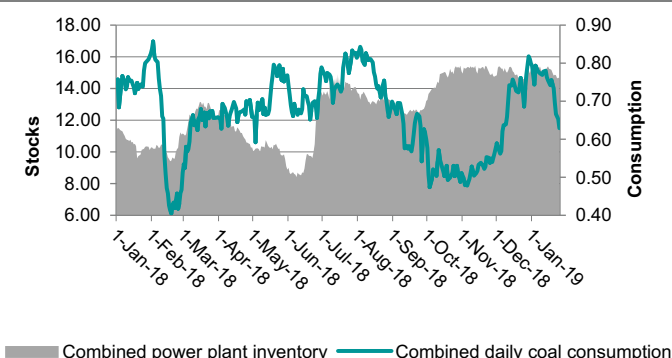
Imports discount to domestic coal (\$/t)



Source: IHS Markit, Xinhua Infoclink

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Power station coal stocks vs consumption (mt)



Source: IHS Markit, Xinhua Infoclink

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North American Coal Market News & Analysis

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