McCloskey Coal Report

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2019: The year Exxaro takes over South Africa's coal industry?

The landscape of South Africa's coal industry is poised to change dramatically this year, with Exxaro Resources looking to transform itself into a global behemoth should it win South32's thermal assets.

The industry is also likely to see the strengthening of junior miners from Wescoal to Canyon Coal, and new players entering the picture, like Project Halo.

Multi-year high coal prices and an improving regulatory environment in 2018 have re-ignited excitement into an industry battered by years of underinvestment.

"These are exciting times. Players are changing and South32's sale is the key to this changing landscape," said Canyon Coal Managing Director Vuslat Bayoglu.

South32's South Africa Energy Coal (SAEC) is one of the biggest South African coal assets to go up for sale in decades, operating mines that together produce 29 mt/y of thermal coal, or around 10% of the country's total output. Of that total, 17.5 mt is sold domestically and 11.5 mt exported.

Its reserves from the Klipspruit, Middleburg, Khutala and Wolvekrans collieries are estimated at around 500 mt with a reserve life of 30 years.

SAEC also has a 21% holding in the Richards Bay Coal Terminal (RBCT), which translates to an export entitlement of around 19 mt/y.

An Exxaro-led consortium is understood to be the frontrunner for SAEC, which became a stand-alone business in June.

South32 has whittled down a number of qualified bidders for SAEC to just a few candidates, from more than 20 initially, according to a market source with direct knowledge of the matter.

Phembani Holdings, which already holds an 8% stake in SAEC, and Seriti Resources have also expressed interest in bidding for SAEC but it wasn't clear if they were still in the running.

South32 is progressing through the bidding process much faster than expected with the second of three rounds nearly complete, the source said. South32 had said the process could take up to a year.

In its latest quarterly report, South32 on Thursday said it "remained on track with binding bids (for SAEC) expected in the June 2019 half year." The company did not elaborate.

Big ambitions

Both Exxaro and its main partner in the consortium, Wescoal, have both repeatedly expressed their desire for more RBCT entitlements to match their growing ambitions in South Africa's coal industry.

Exxaro is believed to hold around 70% of the consortium and

Market round-up

ASIA – Prices rose again across most Asian markets, with India and China both active. prompt Australian high-ash transaction were between $62.50-63.50/t FOB, basis 5,500 kc NAR. Fortunes for 6,000 kc NAR Newcastle coal were more mixed, with lower February prices countered by firmer March and April bids. Rains continue to support Indonesian by limiting loading at some locations. Sub-bituminous traded at around $54.00/t FOB, basis 4,800 kc NAR, with low-rank trading numerous times at close to $34.00/t FOB, basis 3,800 kc NAR, both for February loading geared vessels.

EUROPE – Atlantic thermal markets drifted lower over the past week, but tender activity in Europe and India is beginning to pick up. There is good availability of Russian prompt cargoes available out of the Baltic. Rail car deliveries to Baltic terminals are slowing as inventory levels near full capacity. In the South African FOB market, Indian interest is beginning to emerge, with Reliance, JSW and Essar in the market for high c.v. prompt material loads, according to trading sources.

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

	Incoterm	52 weeks ago	4 weeks ago	25 Jan
Northwest Europe (6,000 kc NAR)	CIF	93.91	86.19	79.77
Richards Bay (6,000 kc NAR)	FOB	98.36	96.86	89.31
Newcastle (6,000 kc NAR)	FOB	104.50	98.50	97.30
Australian (5,500 kc NAR)	FOB	86.45	60.13	62.91
South China* (5,500 kc NAR)	CFR	94.96	70.01	71.97
Indonesian sub-bit (4,700 kc NAR)	FOB	71.27	46.60	52.95
Colombian (6,000 kc NAR)	FOB	88.50	79.00	75.00
Petcoke mid-sulphur (7,500 kc NAR)	FOB	84.50	73.00	70.00

Source: IHS Markit (except South China CFR* IHS/Xinhua Infolink) © 2019 IHS Markit

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Customer notice: IHS Markit's coal price reporting service completes fourth annual assurance review; adds four new markers to the in-scope benchmarks

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. In addition, the IHS McCloskey Northwest Europe Steam Coal (5,700kc min) marker; IHS McCloskey Richards Bay (5,700kc NAR min) FOB marker; NAPP FOB Rail marker; and ILB FOB Barge marker were subjected to a limited assurance review.

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

Wescoal around 25%. The remaining minority shareholders are a mixture of junior miners, black economic empowerment companies, and outside investors.

Exxaro and Wescoal officials have not commented on their bid.

In October, the consortium submitted a wide-ranging offer of ZAR8bn-15bn ($540m-$1bn) in the first round. It has since narrowed down its price range based on information it has received from South32 on SAEC's financial state.

Exxaro is already South Africa's biggest coal producer, outpacing Sasol Mining, Glencore and Anglo American, with production of around 48 mt/y.

Adding South32's assets, Exxaro could control as much as 80 mt of annual coal production, which translates into more than 30% of South Africa's total output each year.

Diversifying the field

Exxaro's potential dominance in the industry is one reason many believe President Cyril Ramaphosa's administration won't allow it.

One market source said the government will either force Exxaro to invite more players into its consortium to dilute its stake or ask South32 to find another bidder.

Minister of Mineral Resources Gwede Mantashe last year implemented a more industry-friendly mining charter and withdrew revisions to a minerals law in order to end regulatory uncertainty and attract new investment.

The changes are aimed at helping junior miners to grow and bring new companies into the industry.

Just last month, the government approved Canyon Coal's $40m purchase of Kangra Coal, which operates a 3.6 mt/y mine and a 1.6 mt RBCT export entitlement.

The junior miner has ambitions to more than double its current 7.5 mt/y output to 20 mt/y by the end of next year.

This year could also see the long-awaited surge in Botswana coal exports, which threatens to weigh on South Africa's domestic market.

Minergy is expected to produce its first coal from its Botswana Masama project in February, after months of delays in obtaining a mining license. The open-cast mine has the potential to produce 2.4 mt/y within 12 months of starting operations.

Later in the year, Maatla Energy is due to start production at its Mmamabula coal mine, producing as much as 1.2 mt/y. Both companies plan to ship their coal mainly to nearby South African industrial users.

"Botswana is going to be a game changer for South Africa's domestic prices," said Nate Macmillan, Southern Africa trade director for Ascon Group.

And finally, South Africa's coal industry could see the arrival of Project Halo - a little known, Macquarie-backed consortium - that is due to take over the troubled Optimum coal assets.

Optimum's business rescue practitioners in December picked Project Halo as the preferred bid to take over Optimum mines. But Eskom and other creditors refused to approve the ZAR3.6bn ($260m) sale until they could review the final business rescue plan more closely. A vote is expected to be delayed until at least February.

Project Halo, whose consortium members have no experience in coal mining, is poised to take control over Optimum's 10 mt/y mine, 3.5 mt/y Koornfontein mine, and its prized 6.5 mt/y export RBCT entitlement.

"Let it be stated clearly that we won the bid fair and square," said Project Halo's director Paul Buckley in the company's first-ever media statement last week.

The stage is set for a fascinating Southern African coal industry revolution.

Off-spec S. African losing Indian market share to Indonesia

Lower c.v. South African coal exports are lagging significantly behind year ago levels as a growing number of Indian power stations and cement makers opt for low rank Indonesian material.

Limited Chinese buying has driven down prices for Indonesian 4,200-5,000 kc GAR material with prices falling harder than higher c.v. Indonesian material such as the 5,700 kc NAR sub-bituminous material. This has provided potential arb opportunities for Indian buyers to replace more expensive South African 4,800 kc NAR material with the low-rank coal.

Indonesian 4,200 kc GAR material was priced at around $32.64/t FOB, on 18 January, which translates to around $41.20/t FOB on a 4,800 kc NAR basis. The equivalent Richards Bay 4,800 kc NAR price is 16% higher at $47.93/t FOB.

With Panamax freight to West coast India at $8 from Indonesia and $11.50 from Richards Bay, 4,200 kc GAR material is $10 more economical than the off-spec South African on a 4,800 kc NAR c.v. adjusted basis, while Indonesian sub-bituminous material is $6.50 more expensive on the same prorated delivered basis than the 4,800 kc NAR South African.

Despite a significant rise in Indian buying in the spot market over the last few months, South African traders said they were not seeing a significant rise in purchases for Richards Bay 4,800 kc NAR.

Although the South African and Indonesian materials are very different products, with Indonesian having higher moisture and South African with higher ash, some private Indian power stations and cement makers which usually have a preference for the higher ash, lower moisture South African material have been incentivised by the price difference to switch coals. And according to traders, they will continue to purchase Indonesian as long as the discount on a delivered basis to the South African remains above 10%, traders said.

Traders expect this trend of purchasing Indonesian over South Africa to be maintained if Indonesian miners ramp up production as expected after the first quarter and South African domestic prices remain firm.

South African 4,800 kc NAR coal is typically sold to Eskom and other domestic buyers, with little sold on the export market until a few years ago. The beginning of last year saw a surge of this quality hit the international market due to a basket of factors, such as maximising take or pay rail arrangement, issues with Eskom and strong international prices for the lower c.v. products.

It seems the Eskom issues are being ironed out and prices on the domestic market are currently stronger than the returns on the international market.

Last year, around 30-35% of South Africa's exports to India was 4,800 kc NAR material, 60-65% 5,500 kc NAR and less than 3% 6,000 kc NAR, with very little 5,700 kc NAR min material traders said. South African bituminous exports to India totalled 32.78 mt from January-November, up marginally from 32.60 mt a year ago.

Indonesian cargoes make their way to Northwest Europe

Triggered by a decline in demand from China due to import restrictions from November last year and cheaper freight, Indonesian material has been making its way into the Northwest European market since December.

The Amsterdam-Rotterdam-Antwerp (ARA) terminals have received at least three Indonesian cargoes since late December and are expected to receive another two by early February, according to terminal sources and IHS Markit vessel tracking data.

The EMO terminal in Rotterdam expects to receive a Cape, Samjohn Solidarity, carrying a 5,000-5,100 kc GAR Indonesian material with 0.8% (adb) sulphur loading out of Samarinda, East Kalimantan on 27 January.

This will be the third Indonesian cargo to arrive at EMO since the first vessel arrived in December. The terminal received its second Indonesian cargo in the Kamsarmax CL Mona on 15 January, according to a terminal source.

"After a very long time we are now seeing Indonesian volumes at the terminal. The volumes are being shipped to customers in Germany," the source said.

Another Kamsarmax, Panamanian, which loaded at Samarinda is expected to arrive at Rotterdam on 4 February, according vessel tracking data. Two terminal operators in Rotterdam confirmed they are due to receive Indonesian cargoes in early February

Indonesian 5,000 kc GAR material equates to around 4,700 kc NAR and this quality was assessed by the IHS McCloskey Indonesian sub-bituminous FOB marker at $52.95/t on 18 January.

The freight rates for Kamsarmax vessels are currently estimated at around $10/t and Capesize at $8/t implying a DES ARA price of $61/t at best. When prorated to 6,000 kc NAR basis this comes in at $75.60 DES ARA and compares today with 6,000 kc NAR DES ARA prices, as assessed by the McCloskey Northwest Europe Steam Coal marker, of around $80/t, implying a discount of only $3.50 today.

Back in early November, when the first cargoes were likely booked, this discount would have been around $22.50.

Indonesian cargoes have historically found their way into Europe, largely due to the ultra low sulphur content of certain brands, though figures make up a small percentage of total Indonesian exports. Spain accounted for 5% of major Indonesian miner, Adaro Energy's customer base in the first half of 2018. Adaro also delivers coal into The Netherlands. State-owned miner, Bukit Asam, previously sold cargoes into France in 2016, though it has not repeated sales into Europe since.

According to IHS Markit Maritime and Trade data, Indonesian shipments arriving in Europe in 2018 were 7.06 mt, up from about 5.38 mt in 2017.

Import prices in China rebound

Imports into China found support in mid-January, after months of declines, due to domestic production disruptions caused by a fatal accident in Shaanxi. This, coupled with the apparent cessation of measures to impede or restrict imports, saw prices strengthen in the domestic and import markets, although this is likely to be a short lived rebound.

The accident happened in Yulin, one of the largest coal producing areas in Shaanxi, on 12 January which killed 21 miners at the Lijiagou mine in Shenmu. Immediately afterwards the local government ordered production to be suspended at all mines with capacity below 0.45 mt/y. Production in neighbouring Shanxi and Inner Mongolia was also understood to have slowed due to safety inspections.

Consequently, Shaanxi mine mouth prices jumped by an average of RMB50/t($7.34/t) on the previous week. On the Zhengzhou Commodity Exchange (ZCE), the May contract rose by RMB30.60/t ($4.49/t) to close at RMB591.60/t ($86.87/t) on 18 January.

However, the impact on spot prices at north China ports was much more muted with Qinhuangdao (QHD) prices for 5,500 kc NAR product only rising by RMB6/t on January 22 compared to prices before the accident.

This was because, with no import restrictions, the price advantage of imports over domestic became the main driver of purchasing decisions. IHS Markit/Xinhua Infolink data shows February arrival cargoes priced at $70.33/t CFR South China, basis 5,500 kc NAR, on 18 January, which equated to around RMB560/t with Chinese taxes. This compared to RMB615/t CFR South China for domestic material.

Prices for various grades of Indonesian coal and Australian 5,500 kc NAR materials saw notable gains in the week immediately after the mining accident. Apart from some loading issues causing delays to cargoes in Kalimantan, improved buying appetite from China played the major role in pushing up import prices.

However, this is likely to be only a temporary pause in the softening Chinese domestic and international markets. The muted QHD price response, compared to mine mouth prices, was also partly attributed to weaker demand due to the coming Lunar New Year, which starts 5 February, as well as accelerated import deliveries through customs with the restrictions on imports subsiding at the end of 2018.

This Lunar New Year slowdown is already starting with consumption at major coastal power generators dropping to 0.67 mt on 24 January, from 0.78 mt on 11 January, with many factories reducing their operations.

At the same time, inventory rose to 14.45 mt on 24 January, the highest since 4 January, and enough for 22 days of generation, up from 18 days two weeks ago and 10 days in the comparable period last year.

Adding to the softer sentiment, the Chinese authorities have requested that domestic miners, especially those state-owned mines in Yulin and Ordos, ramp up production in the coming weeks to provide stable supply.

In response, the Yulin government issued a circular on 21 January calling for state-owned miners to ensure "supply stability" in February and March. This has poured cold water on the possibility that domestic supply will continue to be curtailed, prompting a sharp fall in domestic futures on 22 January and expectations that Chinese import demand may also soften in response.

The ZCE May contract, the most liquid, was down 2% on the day on January 22, closing at RMB576.00/t ($84.58/t), an RMB12.00/t ($1.76/t) drop from Monday's settlement price. March and July were down RMB10.20/t ($1.50/t) and RMB12.40/t ($1.82/t) on the day respectively.

Australian coal exports slow, as multiple issues hit ports

Bad weather, maintenance issues and labour strikes at various Australian coal terminals are causing a major slowdown in the country's exports.

Coal shipments from the east coast declined 15% on the week to 6.35 mt, and well below the long-term weekly average of 7.43 mt.

Among the issues is aging infrastructure at the BHP BMA-controlled Hay Point Coal Terminal (HPCT) in Queensland, which is understood to be contributing to a perpetual cycle of maintenance closures.

Maintenance at HPCT's Berth 2 ran six weeks past the original completion date, but its operations began again earlier this week.

Sources say bad weather and maintenance issues have extended the shutdown time.

HPCT"s Berth 1 has also been closed since 17 January and its scheduled maintenance has also been extended by a further three days until 30 January.

Meanwhile, coal exports from Port Kembla Coal Terminal (PKCT) in New South Wales are severely hampered as industrial action continues.

Rolling stoppages have been brought about by Construction, Forestry, Maritime, Mining and Energy Union (CFMEU) workers after negotiations over a new enterprise agreement collapsed. The strikes were extended another seven days at the end of this week.

PKCT had already been subject to seven days of industrial action by the CFMMEU, which was understood to be set to conclude at midnight on 25 January.

Australian vessel queues and delays

Port	Queue 25/01/19	Avg. delay 25/01/19	Queue 18/01/19	Avg. delay 18/01/19
Abbot Point	15	19	11	3
Dalrymple Bay	29	14	26	14
Hay Point	10	12	11	14
Gladstone	5	6	8	2
Wiggins Is	3	6	1	2
Brisbane	0	0	1	1
Port Kembla	0	0	2	2
Newcastle				
PWCS	5	1	2	1
NCIG	5	2	1	1

Source: IHS Markit vessel tracking software © 2019 IHS Markit

However, on 23 January it rejected an offer from port management for a "meaningful" job security clause in the new enterprise agreement, and is now following up with another week of action planned.

"We are open to continuing negotiations with the CFMMEU in good faith and are working towards a positive resolution to the benefit of our workforce, the Illawarra export industry and the local economy," PKCT said in a statement.

The key sticking point in negotiations is management's refusal to carry over the previous job security clause, which prevents a sacked permanent employee being replaced by a casual contractor.

PKCT exported 6.6 mt of mostly coking coal in 2018 from Illawarra producers, including South32 and Simec.

Abbot Point suspended

Coal loading at Abbot Point, in Queensland, was suspended from 18-23 January following a series of incidents.

Berth 1 was suspended by maritime safety authorities earlier last week after the shore side ladder was labeled "inadequate and unsafe".

Meanwhile, berth 2 was closed on 18 January after its ship loader reportedly "came into contact" with a vessel's crane during operations.

Delays on loading at the Abbot Point coal terminal blew out this week following the unexpected suspensions.

Average delays for vessels loading at the terminal ballooned to 19 days as of 25 January, from three days in the previous week, while the queue has increased to 15 from 11.

Two vessels were berthed this morning, 25 January, suggesting the terminal is dual loading to make up for an unexpected shutdown and to clear congestion.

Meanwhile, the usual bottlenecks at Dalrymple Bay Coal Terminal (DBCT) have eased in the first month of the year.

The reduced wait times, however, have reportedly forced some producers to give notice of coal availability issues at their mines, which are impacting delivery time.

The average wait at DBCT was reduced to 14 days in the week, from 17 in the previous week and within the described optimal range of 10-15 days. It is understood a number of major mines which ship out of DBCT have availability issues, including some controlled by Anglo American and Glencore.

However, some metallurgical coal traders say the availability of cargoes for purchase remains quite healthy, with the issues mainly surrounding delivery schedules to terminals.

Planned maintenance shutdowns in the first quarter may cause higher delays again, with berth 3 to be closed for maintenance from 20 February to 11 March, and berth 4 will close from 21 February to 4 March.

Tight supplies support Central Appalachian thermal prices

Tight coal supplies are helping to keep Central Appalachian (CAPP) near 2018 highs, despite the arb closing for US East Coast (USEC) exports.

As of Thursday, the over the counter (OTC) price for CAPP rail-delivered coal for the prompt month was $76.50/st (short ton), down $0.50/st earlier in the week. Prices have eased since hitting a 2018 high of $77.95/st in the first week of November. Sources said that, even at those prices, producers are passing on offers from domestic power generators because so much CAPP thermal is moving into the metallurgical (met) market.

CAPP rail delivered coal has typical specs of 12,500 Btu/lb. and less than 1% sulphur.

The Tennessee Valley Authority, a southeastern US electricity generator, paid more than $80.00/st for CAPP thermal coal in December after having its FOB mine offers of $80.00/st rejected by some producers.

A source said his company "is selling that same coal into the PCI market" at just over $100.00/st and said other producers are doing the same.

"The met market is helping keep (CAPP) thermal supplies tight," the source said.

The long dormant CAPP barge market has also made gains after seeing its OTC price stay flat at $62.00/st since early December. CAPP barge coal, with specs of 12,000 Btu/lb. and 1% sulphur, gained $1.50/st during the holiday shortened week to $64.00/st.

USEC, USGC exports up 21% in 2018

Total coal exports for 2018 out of the United States East Coast (USEC) and US Gulf Coast (USGC) came in at 86.2 mt, a 21% climb from 70.9 mt last year and a 92% leap from the 44.7 mt exported in 2016.

Data from shipping agent T. Parker Host shows 2018 metallurgical (met) coal shipments from Hampton Roads, Baltimore, Mobile and New Orleans totalled 45.3 mt, an 11% increase from the 40.8 mt moved in 2017.

Thermal coal shipments, powered by a strong API2 pricing dynamic throughout much of 2018, saw a 35% year-on-year increase to 40.9 mt, up from 30.2 mt in 2017.

India, for the second consecutive year, was the top export destination for US thermal coal at 11.1 mt, up 52% year-on-year from 7.3 mt in 2017. The Netherlands was second at 7.6 mt, up 15% from 6.6 mt in 2017, and Morocco maintained its spot at No. 3 with 3.6 mt in 2018, up 44% from 2.5 mt the previous year.

Egypt jumped from ninth in 2017 to No. 4 in 2018, taking 3.4 mt compared to 0.95 mt the previous year, a 258% increase.

For US met coal, Brazil maintained its No. 1 import customer status at 7.6 mt of US coking coal taken in 2018, up 18% from 6.4 mt in 2017. Japan was again No. 2 at 4.6 mt, up 15% from 4.0 mt in 2017.

India claimed the No. 3 spot at 4.4 mt, up 69% from 2.6 mt and a sixth-place finish in 2017.

As strong as 2018 exports were for US producers, momentum waned substantially in December. Host data shows 5.5 mt of total USEC and USGC exports in December, the lowest monthly total of the year and lowest total seen since July 2017.

December met coal exports were 3.0 mt, down 14% from 3.5 mt in November 2018. December thermal shipments were 2.5 mt, down 17% from 3.0 mt in November 2018.

Turning to the 2019 outlook, several sources said thermal coal shipments may have a hard time keeping pace with 2018, but met coal shipments could be basically flat.

"A lot of what we're going to see this year will be a function of India and Indian demand," a US-based trader source said. "I'm not sure there's enough US supply to warrant thoughts of a big boost to (met) exports. On the thermal front, you'll definitely see some overall decline. I don't think there's any question about that."

So far in January 2019, vessel tracking continues to look strong as coal shipping now is either contract coal or based on deals done prior to the recent slide in API2 pricing, $79.90/t as of Thursday. It was the first time daily prices into Northern Europe had dipped below $80.00/t since 3 April 2018 and is down from a 2018 high of $103.65/t on 11 July 2018.

Dr. James Stevenson, IHS Markit's director of global coal, expects 2019 US exports to look similar to 2018 with an edge towards a slight decline.

"We're calling for a reduction, but not a big one," Stevenson said. "For met, we're pretty confident that bookings are strong. For thermal, I hear things like 'a lot of tons are booked,' but it's not really clear if that's 50% of the 2018 level, 75% of that level, or what. But January often tips the hand of what the year will look like, so the start is very positive."

Germany's coal phase-out plan likely to be flexible

Germany's coal commission is expected within days to announce exactly when the fossil fuel should be phased out, but will likely allow room for the government to push back the timeline to ensure power security.

As MCR went to press, the government-appointed commission was debating a draft document detailing a three-stage plan for the eventual shutdown of coal and lignite-fuelled power plants in Germany. A final decision is expected by the end of next week, but could come as early as Friday.

German coal importers and traders are closely watching developments, as the commission's decision will provide a clearer picture of the country's future coal needs. German coal generation last year sunk to its lowest level since 1949, as renewable output surged.

Some commission members believe Germany should halt the use of coal between 2035-2038. But RWE has said such a timeline would be "unacceptable" as more time was needed for the country to transition to renewables.

Whatever the commission ultimately decides, the government should review the country's phase-out plan every two to three years and adjust the timeline if necessary to ensure power security, according to a draft document seen by IHS Markit.

The commission's phase out plan was supposed to have been finalised last month. But a final decision has been delayed, partly due to opposition from lignite regions concerned by the loss of the industry.

German Chancellor Angela Merkel intervened last week to get the commission back on track, with her administration promising ample state aid to those affected mining regions.

The federal government had initially offered EUR1.5bn ($1.7bn) in aid to 2021. But the states of Brandenburg, Saxony-Anhalt, Saxony and North Rhine-Westphalia have demanded around EUR1.5bn annually for 15-20 years, as well as compensation for affected power station operators.

Following Merkel's meeting, Saxony-Anhalt Premier Reiner Haseloff told reporters the federal finance minister promised a "considerable" amount of aid over many years, while Brandenburg's premier Dietmar Woidke said he was "optimistic" about state aid.

Industry officials on the commission have also raised concerns over the losses they could incur with the early shutdown of their plants.

Industry officials warned higher power costs accumulated over the next decade could add up to as much as EUR14-54bn ($16-$61bn) over the next decade if the phase-out date is too early.

A lignite and coal phase-out by 2030 could push wholesale power prices to EUR61/ MWh by 2030, from EUR41/MWh last year, according to German think tank Agora Energiewende.

If the phase out is accompanied by an expansion of renewables to 65% of power generation, prices would rise to just EUR53 /MWh because renewables costs are continually falling.

Nippon struggles to get Q4 semi-soft over the line

Japan's largest steel maker Nippon Steel is struggling to settle prices for some of the semi-soft coal it has already received from Australian suppliers in the fourth quarter of 2018. This is despite prime hard coking coal prices over the same period being set back in November.

The problem lies partly in the different mechanisms that apply to premium coals as opposed to lower quality material.

For prime hard coking coal, Nippon uses a lagged index-linked approach, applying the average price of a basket of indices to set prices for the quarter, two months into the given quarter. But for semi-soft, the price is negotiated in reference to other factors such as thermal coal prices and general market conditions.

However, the price is usually agreed to with little dispute if historical percentage ratios against hard coals look right. Since 2017, semi-soft has achieved an average 65% of the hard coking coal price – a ratio most market participants agree is generally fair and a predictable outcome.

In the July-September 2018 quarter, Nippon and suppliers agreed to a $129/t FOB for the lagged price on that quarter's deliveries.

So, when the December quarter prime hard coking coal was set at around $212/t FOB at the end of November, it would have seemed reasonable for semi-soft producers to expect to settle somewhere around $138/t FOB, or 65% of the value of hard coal.

But Nippon's battles with semi-soft producers have been ongoing for two months. It seems partly because other pricing mechanisms, covering different time periods, have clouded the waters for all involved.

Firstly, main supplier Glencore remains opposed to using indexation to set prices for semi-soft contract tonnes. Its production budget this calendar 2019 for semi-soft is believed to be around 7.5 mt, of which it will supply Nippon cornerstone volumes of around 2.0-2.5 mt, it's estimated.

Unlike other suppliers, Hunter Valley producer Glencore has a six-month contract with Nippon for semi-soft coal at $137-138/t FOB from July 2018 to end March 2019, according to sources, which has effectively set a floor for other producers as far as aspirations for Q1 2019 go. Producers subsequently flagged $138-140/t FOB at the start of talks it is understood.

The same sources say the current producer hold-outs are likely aware of the price Glencore achieved, and are chasing similar, or better numbers.

Meanwhile, also coming into play is the fact Nippon's key competitor, JFE Steel, last week agreed to a forward price for the first calendar quarter of 2019 (January-March) at $131/t FOB for its semi-soft deliveries. The deal was a slight improvement on the $130/t FOB price agreed with suppliers in Q4.

The Q1 deal was reportedly struck between a non-Australian producer and the steel-maker and subsequently followed by Queensland's Stanmore Coal, according to sources.

Between the two price points is an expectation gap of $6-7/t which has so far proven unsurmountable.

JFE buys less semi-soft coking coal than Nippon. But it purchases a substantial volume of BHP's Blackwater Weak coal, produced in Queensland, and it is thought this quarterly contract was also priced at around $131/t FOB for calendar Q1.

"Nippon is in the difficult position of having agreed to a strong price with Glencore for two quarters," one producer said. "But they see that JFE has done better with their forward prices, so they're sticking to their guns to try and claw back some costs from the remaining guys that haven't settled."

But in another potential market mover, JFE's Kurashiki blast furnace is believed to be struggling to come back on line after problems last year.

Sources say JFE may be looking to offload some Blackwater Weak tonnes in the next few months that it can't use while the furnace remains out of production.

With spot interest out of China currently quoted at around $112/t FOB, according to semi-soft producers, it's likely JFE would have to take a hit on contract priced tonnes, if indeed it is forced onto spot markets.

Key physical market commentaries

Chinese buying slows down ahead of Lunar New Year

The number of China CFR spot trades started to taper off over the past week with four prime hard deals reported.

These included a Goonyella cargo sold by BHP at $195.50/t CFR to a steel mill and a cargo of Oaky North reported sold at $197/t CFR.

Meanwhile, a Panamax cargo sold on Thursday at $198.50/t CFR for February delivery Saraji material, continued the week's emerging theme of a firming market.

Another deal reported Thursday was for a February Panamax of Saraji coal at 103.5% of index, sold to a steel mill.

Notably, three of the trades reported this week were prime hard FOB deals, coming off only two previous prime hard FOB deals having been reported since the start of January. Two of the deals were concluded on a trading platform, each for a 75,000 t cargo priced at $197/t FOB, one unbranded March and the other a branded cargo, the latter likely to be Goonyella brand.

By way of comparison, the last branded cargo that traded on the platform a fortnight ago was done at $193/t FOB.

Indian buyers are making multiple enquiries for cargo but one trader today said that given there appeared to be no fundamental driver pushing up the FOB price, other than trader speculation, this made any more significant price hike hard to stomach.

In second-tier markets, limited availability from Australian mines like Lake Vermont and Middlemount has capped trading activity, with fresh spot tonnes only anticipated by March-April.

PCI availability for spot markets is similarly tight while semi-soft interest from China was reported around $118/t FOB. No trades in either coal quality have been reported in recent weeks.

In the United States, the rapid downward slide in coking coal prices seemed to have eased somewhat in the past week, but demand and solid buyer enquiries have been slow to materialise across January.

Freight rates continue to support Atlantic petcoke prices

Atlantic petroleum coke high sulphur prices continue to gain support from improving spot demand in India and weakening freight rates.

The high sulphur market (>5.5-7.0%), saw trades netting back to levels in a range of $60-63/t FOB United States Gulf (USG), basis 7,500 kc NAR. Deals into India closed at $94/t CIF east coast, basis 7,500 kc NAR. Freight is estimated at $31-32/t, down a $1-2/t on last week, leaving a net back price of $62-63/t FOB USG. Last week trades closed between $90/t, $93/t, and $95/t CIF east coast India.

Saudi material is assessed at $89-91/t CIF east coast India for high sulphur 7% material. Some buyers are restocking petroleum coke inventory, partly due to planned maintenance at the Jamnagar refinery this month.

A trade into Brazil has also been reported at $75-76/t CIF, basis 7,500 kc NAR for a Supramax. Freight is estimated at $15-16/t, leaving an FOB price of $60-61/t FOB USG.

Prices into Turkey are assessed at $77-78/t CIF Marmara, basis 7,500 kc NAR, based on recent tender activity. Supramax freight costs are assessed at $17/t. A Turkish cement producer issued a tender for a prompt loading Supramax this week.

IHS Markit's weekly USGC high-sulphur (5.5-7.0%) petcoke FOB marker is assessed at $61.00/t, up from $60.00/t on 18 January.

Trades for mid-sulphur products (4.0-5.5%), saw a refiner sell up to four cargoes at a premium to indices for loading spread over 2019. Traders speculated that fixed-prices were in a range of $69-71/t FOB USG.

A deal into Argentina and Uruguay closed at $95/t CIF, with freight costs estimated at $24/t for a two-port discharge from the USG. A deal out of the United States west coast closed at $69/t FOB, basis 7,500 kc NAR. A Colombian cement producer is in the market for a Supramax. There are requests out for cargoes into Ireland and Romania.

There are up to two import tenders out for cargoes in Turkey. There is about 45,000 t of enquiries from two different Tunisian cement producers.

Shipments loading out of Venezuela are not expected in January for the second consecutive month.

The weekly IHS USGVC mid-sulphur (4.0-5.5%) petcoke FOB marker, basis 7,500 kc NAR, is assessed at $70/t FOB, down $1/t from 18 January.

China import prices bolstered by domestic uncertainty

Uncertainty over domestic supply in China after the Lunar New Year boosted imports in the latter half of January.

Some are anticipating supply tightness through to March, as suspensions and safety checks were rolled out in some key mining provinces in the middle of the month, after 21 miners were killed in an accident at a mine in Shaanxi.

However, others believe some state-owned mines will ramp up production in the next couple of months.

A new round of power group tenders for March delivery was also a shot in the arm for imports though.

One tender was understood to have been awarded at RMB323/t CFR, or $40.64/t (excluding 16% VAT), basis 3,800 kc NAR, for March arrival into east China, up from the previous tender for February arrival into the same location, at RMB313/t CFR, or $38.18/t (excluding VAT), same basis.

Another tender was heard to have been awarded at RMB385/t CFR, or $48.44/t (excluding 16% VAT), basis 4,200 kc NAR, for March arrival into a Yangtze river port.

Indonesian low-rank traded at $33.00-34.25/t FOB, basis 3,800 kc NAR for a February loading geared vessel, compared with a trade at $31.00/t FOB, same basis, for a January loading geared vessel two weeks ago.

Trades also concluded at $34.50-34.75/t FOB, basis 3,800 kc NAR for February loading on a gearless basis.

Sub-bituminous material traded at $54.50/t FOB, basis 4,800 kc NAR, for a February loading Panamax, notably higher than $50.50/t FOB, same basis two weeks ago. Prompt Australian high-ash traded at $61.50-63.50/t FOB, basis 5,500 kc NAR, for Capesize vessels.

Consumption at major coastal power plants dropped to 0.63 mt/d on Friday, compared with 0.78 mt/d two weeks ago, due to slowing industrial activity as Lunar New Year nears, coupled with warmer weather, while inventory rose to 14.69 mt from 13.74 mt a fortnight ago.

Indonesian prices lifted by steady demand, constrained supply

Indonesian coal prices generally rose on the week as demand was sustained ahead of the Lunar New Year and with Indian importing appetite growing.

Storms and high swells in Kalimantan continue to keep supply constrained, further supporting prices.

Trades for low-rank coal loading in February concluded at $34.50-34.75/t FOB, basis 3,800 kc NAR, for Panamaxes, and at $33.75-34.25/t FOB, same basis, for geared vessels. Last week, trades for February concluded at $33.00-33.45/t FOB, basis 3,800 kc NAR, for February loading Panamaxes, and at $31.50-33.25/t FOB, same basis, for geared vessels.

Slightly lower grade material traded at $33.00/t FOB, basis 4,100 kc GAR, also for a February loading geared vessel.

A deal also went through for a cross-month February/March loading geared vessel at $33.00/t FOB, basis 3,800 kc NAR. A week ago, a geared vessel loading in March transacted at $33.50/t FOB, same basis.

Lower c.v. coal in February loading geared vessels traded at $27.50/t FOB, basis 3,400 kc NAR, as well as at $26.50/t FOB, basis 3,350 kc NAR. This is an improvement from traded levels last week at $26.00-27.00/t FOB, basis 3,400 kc NAR.

Trades for even lower rank material were heard at $19.75/t FOB, basis 3,400 kc GAR, and at $20.00/t FOB, basis 3,000 kc NAR. Both were also for February loading geared vessels.

Trades for sub-bituminous coal were heard concluded at $54.50/t FOB, basis 4,800 kc NAR, for February loading Panamaxes. Similar material traded last week at $50.00/t FOB, basis 5,000 kc GAR, also for a Panamax loading February.

Multiple trades were heard concluded on a China-delivered basis this week.

Deals for February arrival Panamaxes into Guangdong settled at $39.50-40.30/t CFR, basis 3,800 kc NAR, compared with $39.00/t CFR, same basis, last week.

Trades for mid c.v. material continued to rise on the week, to $56.70-57.50/t CFR, basis 4,700 kc NAR, compared with $54.75-55.00/t CFR, same basis, last week.

Paper

M42 traded at $31.95/t for January, which was in the range of reported trades last week at $31.70-32.00/t. February traded at $35.10/t, up from $35.00/t last week.

Renewed tender activity fails to lift Atlantic thermal markets

Ample supplies and thin trading activity have pushed Atlantic thermal markets lower over the past two weeks, while tender activity in Europe and India is beginning to pick up.

In Northwest Europe, traders are reporting good availability of Russian prompt cargoes out of the Baltic. Rail car deliveries are slowing down due to inventory levels near capacity.

Indonesian material is also arriving into Rotterdam. The Amsterdam-Rotterdam-Antwerp (ARA) terminals are expected to receive at least two Indonesian cargoes over the next few days, adding to the two-three cargoes already received since late December, according to terminal sources and IHS Markit's vessel tracking software, MINT (see separate story).

Coal inventory at ARA remain relatively high, but colder weather, especially in Germany, is improving coal burn.

In Morocco, Jorf Lasfar awarded Russian material in its latest tender award (see separate story). Croatian power producer Plomin also closes a tender today, likely for Russian material.

Spot prices over the past two weeks have drifted lower from $80.28/t DES Amsterdam-Rotterdam on 14 January to $79.90/t DES AR on 24 January, according to the daily IHS McCloskey NW Europe Steam Coal marker.

In the South African FOB market, Indian interest is beginning to emerge with Reliance, JSW and Essar in the market for high c.v. prompt material loads, according to trading sources. Tangedeco is also in the market for 2 mt. Indian buyers were also showing increasing interest in 5,500 kc NAR quality coal.

In other spot markets, African buyers are increasingly picking up Handysize vessels, while Pakistan demand remained limited due to lower volume enquiries.

Despite the increase in spot demand from India, spot prices over the past two weeks have fallen, according to the daily IHS McCloskey Richards Bay FOB marker from $89.65/t on 14 January to $88.25/t on 24 January.

DES ARA fixed price deals
14 January 2019 - 25 January 2019

Date	Price	Del	Origin	Port	Tonnes	Broker	EFP	Index setting
15-Jan-19	81.70	Mar-19	ACPRSU	AR	50,000	Braemar Atlantic	Y	Y
16-Jan-19	82.85	Mar-19	ACPRSU	AR	50,000	globalCOAL	Y	Y
24-Jan-19	80.10	Mar-19	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

Newcastle FOB fixed price deals
14 January 2019 - 25 January 2019

Date	Price	Loading date	Tonnes	Broker	EFP	Index Setting
14-Jan-19	96.00	Feb-19	50,000	globalCOAL	N	Y
14-Jan-19	95.50	Feb-19	50,000	globalCOAL	N	Y
16-Jan-19	101.25	Feb-19	25,000	globalCOAL	N	N
16-Jan-19	100.50	Mar-19	50,000	globalCOAL	N	Y
16-Jan-19	100.50	Mar-19	75,000	globalCOAL	N	Y
16-Jan-19	100.50	Mar-19	25,000	globalCOAL	N	N
17-Jan-19	100.50	Mar-19	50,000	globalCOAL	Y	Y
22-Jan-19	97.00	Feb-19	75,000	globalCOAL	N	Y
22-Jan-19	100.50	Apr-19	50,000	globalCOAL	N	N
23-Jan-19	96.00	Feb-19	50,000	globalCOAL	N	Y

EFP - exchange of futures for physical
Source: IHS Markit

Richards Bay FOB fixed price deals
14 January 2019 - 25 January 2019

Date	Price	Loading date	Tonnes	Broker	EFP	Index Setting
21-Jan-19	93.00	Mar-19	50,000	globalCOAL	N	Y
22-Jan-19	92.20	Mar-19	50,000	globalCOAL	N	Y
25-Jan-19	83.50	Feb-19	50,000	Bilateral	N	Y

EFP - exchange of futures for physical
Source: IHS Markit

Corporate

Macquarie-backed group looks to reassure creditors on Optimum sale

Project Halo, a consortium backed by Macquarie Group Limited, has sought to reassure creditors of South Africa's Optimum coal assets that it could quickly revive operations at the troubled thermal mines, despite their lack of experience in mining.

Optimum's business rescue practitioners in December picked Project Halo as the preferred bid to take over Optimum mines. But Eskom and other creditors refused to approve the ZAR3.6bn ($260m) sale until they could review the final business rescue plan more closely. A vote is expected to be delayed until at least February.

Project Halo, whose consortium members have no experience in coal mining, is poised to take control over Optimum's 10 mt/y mine, 3.5 mt/y Koornfontein mine, and the prized 6.5 mt/y export entitlement at Richards Bay Coal Terminal (RBCT).

"Let it be stated clearly that we won the bid fair and square, based on our sound business proposal which was assessed by the Business Rescue Practitioners as the best plan presented to them," said Project Halo's director Paul Buckley in the company's first ever media statement.

The consortium beat out the only other qualified bidder, the Trafigura-backed Phakamisa Coal Consortium. Commodities trader Vitol also showed interest but withdrew at the end.

Project Halo's main shareholders are Buckley, Mbongiseni Duma, Nkanyiso Buthelezi and Julian Kidd.

Buckley has experience in the transportation of coal through South Africa's Bao Bao Transport, while Duma is the head of Zamalwandle Transport Logistics, which also deals with logistics.

Buthelezi has more than 12 years of experience in the shipping industry and is the owner and executive chairman of Inala Shipping, while Kidd is a steel and commodities trader for Tisco International.

Together, the four own 40% of Project Halo. The consortium said an "A-rated financial institution" that provided initial funding held 20%. Sources with direct knowledge of the matter said that institution is Macquarie Group. Macquarie has declined to comment.

If approved as the new owner, Project Halo will be under huge pressure to turn around the assets quickly as both Eskom and the South African government have blamed the mine for much of the rolling blackouts currently hitting the country.

The National Union of Mineworkers said on Monday workers at Optimum and Koornfontein have not been paid for the past three months.

"As soon as we take over the mine, and production resumes, we hope to address the workers' plight," Buckley said.

Optimum and Koornfontein are owned by Tegeta Resources & Exploration, a company with links to the Gupta family, whose members have fled South Africa amid allegations of fraud and corruption.

Tegeta's assets, including Optimum, went into business rescue in February after the parent company was locked out of South Africa's banking facilities.

Mining

Australian miners report improved Q4 production

Major Australian producers have reported increased production in October-December 2018, particularly for metallurgical coal, where demand in the short term is expected to remain strong.

South32 increased saleable production at its Illawarra Metallurgical Coal operations in New South Wales by 86% year-on-year in the December 2018 quarter to 1.94 mt from 1.04 mt, with both the Dendrobium and Appin longwalls performing strongly. The company had faced protracted geological issues at Appin, forcing the suspension of mining for the better part of a year.

With Appin back in production, South32 has increased Illawarra's production guidance by 7% for the financial year ending 30 June 2019 to 6.5 mt and is expecting to reduce its operating unit costs for FY 2019.

Illawarra's coal sales for the quarter totaled 1.76 mt, a 99% increase on the 0.88 mt sold in the corresponding quarter of 2017.

Sales comprised 1.35 mt of metallurgical coal, up 106% year on year, and 0.37 mt of thermal coal, an increase of 45% on the year.

Global miner BHP also increased its met coal production in Queensland by 6% year on the year during the December 2018 quarter to 10.27 mt from 9.69 mt.

This was supported by record production at the South Walker Creek mine and higher wash plant throughput at Poitrel following the purchase of the Red Mountain processing facility. However, the increase was partially offset by the scheduled longwall move at the Broadmeadow mine.

Meanwhile, BHP has completed the Caval Ridge Southern Circuit project and the first coal was conveyed in October 2018.

However, BHP's Australian thermal coal production during the quarter was down 2% to 4.31 mt from the 4.38 mt produced in the corresponding quarter in 2017 due to higher average strip ratios at the NSW mines.

NSW producer Whitehaven Coal reported a record run of mine coal production of 7.39 mt during the October-December 2018 period, a 36% year-on-year increase on 5.43 mt. However, the miner maintained its FY 2019 saleable production guidance at 22-23 mt.

Managed saleable coal production was 5.58 mt, an 11% increase on 5.01 mt produced in the corresponding 2017 quarter, with both Narrabri and Maules Creek mines performing strongly.

The company's outlook remained positive, as strong Asian demand continued to underpin robust coal prices, said Whitehaven managing director and CEO Paul Flynn.

Strong demand, maintenance issues at Queensland ports and Chinese production constraints due to increased safety inspections following a mining accident have kept hard coking coal prices above $200/t for the December quarter.

"Prices are expected to moderate as these issues are overcome," Flynn said.

"However, with the Queensland cyclone season arriving, weather disruptions are possible and likely to keep prices elevated until later this year."

Whitehaven achieved an average price of $121.56/t for its mix of both benchmark linked and spot prices of met coal.

During the December 2018 quarter, the relative price differentials between Newcastle 6,000 kc NAR thermal coal and semi soft coking coal spot prices improved sufficiently to encourage Whitehaven to sell more of its met coal from Maules Creek into the spot market.

Maules Creek produced 0.81 mt of met coal during the quarter, representing 33% of total saleable production from the mine.

Maules Creek saleable coal production in the December quarter was 2.41 mt, a 13% year on year increase, while Narrabri's saleable coal production for the quarter rose 25% on the year to 2.11 mt.

However, Whitehaven's total equity coal sales, including purchased coal was down 5% on the year to 4.32 mt from 4.52 mt.

Whitehaven said strong production in the December quarter had led to higher than usual product coal stocks, up 88% on the year.

In the December quarter, Yancoal Australia's total saleable coal production was down slightly year on year to 12.4 mt on a 100% basis, compared with 12.5 mt in the December 2017 quarter, although Yancoal's attributable share of 8.4 mt was up 18% on the year prior.

A total of 10.5 mt of 85% of the production came from Yancoal's three tier one assets of Moorlarben, Mount Thorley Warkworth and Hunter Valley Operations.

On a quarterly basis, the company saw Mount Thorley Warkworth's production jump 30% to 3.5 mt from 2.7 mt in the last quarter of 2017, while output from Hunter Valley Operations rose 12% to 3.8 mt from 3.4 mt. Moolarben's tonnages edged lower to 3.2 mt from 3.3 mt, down 3%.

Yancoal's total sales volume (attributable share) of 10.1 mt in the December quarter was up 4% on the corresponding quarter's total of 9.7 mt.

It comprised of 7.4 mt of thermal coal, up 17% on the year, and 2.7 mt of met coal, down 19% on the year.

Yancoal said it was making "positive progress" on developing a proposed 6 mt/y underground mine at Mount Thorley Warkworth, with exploration drilling for the prefeasibility on the target seams completed at the end of last year.

Yancoal said it expects the long-term demand for both thermal and met coal to grow due to the increasing energy and infrastructure requirements associated with South East Asia's population growth and urbanisation.

Anglo's export met coal output up 11% in 2018, thermal down 2%

Anglo American's production of export metallurgical (met) coal rose 11% to 21.8 mt in 2018, while thermal coal export output eased 2% to 28.6 mt.

The miner maintained its 2019 production forecasts at 22-24 mt for export met coal and 26-28 mt for export thermal coal.

For met coal, Anglo's production was driven higher by its Moranbah and Grosvenor mines in Australia, which saw output rise to 6.76 mt and 3.76 mt, up 25% and 82% respectively from 2017.

The company said hard coking coal made up 86% of its production with the remaining 14% PCI/semi-soft coking coal.

On a quarterly basis, export met coal production rose to 5.6 mt in the fourth quarter, up 15% from the same period last year.

The average realised price for its hard coking coal in 2018 was $194/t, up 4% from the previous year. Its PCI sold at $128/t, up 2%.

Anglo said the decline its export thermal coal output was due to the impact of rain at the Cerrejón mine in Colombia. Colombian production eased 4% to 10.22 mt in 2018.

In South Africa, export thermal coal output edged down 1% to 18.36 mt, while domestic output tumbled 56% to 13.69 mt. The sharp drop in domestic production was due to the sale of Anglo's New Vaal, New Denmark and Kriel mines to Seriti Resources last March.

On a quarterly basis, Colombian export thermal coal output fell 19% to 2.36 mt in Q4, while South African export production eased 2% to 4.54 mt.

The average realised price for its Colombian coal was $83/t FOB, up 11% from the previous year. Its South African export production sold at $87/t FOB, up 14%, while its domestic material went for $19/t, down 10%.

Stanmore increases 2019 production guidance to 2.15 mt

ASX-listed junior Stanmore has lifted its full year 2019 coal production forecast from its Queensland operations by 0.15 mt, to 2.15 mt, the company said.

The upgrade is expected to lift full year EBITDA to between A$140-155m, from $130-150m earlier advised.

The company achieved record run-of-mine (ROM) production of 799,000 t in the December quarter and record sales of 573,000 t, up 214% on the December 2017 quarter.

The relocation of a dragline to the lower strip ratio area at the Isaac Plains East pit means mining is now at three pits in this section of the complex.

The company said the average price per tonne of coal sold was US$120, with 441,000 t of semi-soft coking coal sold at $132/t and 132,000 t of thermal coal sold at $80/t. The 2019 product split is expected at 90:10 between semi-soft and thermal coal.

Currently, Stanmore is subject to a A$240m ($173m) takeover bid by Singapore's Golden Investments which has recently acquired a 19.9% interest in the miner.

On 16 January, Golden Investment submitted a fourth supplementary bidder's statement declaring its initial offer of A$0.95/share unchanged, unconditional and final, with no extensions beyond 22 January in the absence of a competing proposal.

In the statement, Golden Investment rejected a report prepared by the Stanmore-commissioned independent expert, BDO, which put the value of Stanmore shares at $1.48-1.90/share.

It said its own independent expert, Grant Thornton, had identified "material issues" with the report, including "BDO providing no justification or explanation of a six fold increase in the value of Isaac Downs over a short, five month, period since the acquisition of Isaac Downs."

Coronado's Curragh met coal production up in Q4

US-based metallurgical coal miner, Coronado Global Resources, reported saleable production of 3.0 mt from the Curragh mine in Queensland in October-December 2018, unchanged from the corresponding quarter of the previous year.

However, Curragh's met coal/thermal coal mix in the quarter was 80:20 compared with 76:24 in the corresponding quarter of the previous year.

Coronado purchased the Curragh mine from Wesfarmers on 29 March 2018 and has increased met coal saleable production by 7.6% compared to the equivalent period in 2017. It has also had

8.1% improvement in dragline efficiency compared with preceded nine months, Coronado said.

Sales volume during the quarter was down 6% year on year to 3.1 mt from 3.3 mt, impacted by network disruptions caused by bush fires, track maintenance and union action.

But this was partially offset by the addition of coal blending into Curragh shipments, the miner said.

The realised Curragh met coal price was US$151.80/t FOB for the quarter, up 5% compared with the prior year.

Coronado also operates the Buchanan, Logan and Greenbier mine in the United States and achieved an overall saleable coal production of 4.9 mt during the December quarter, down 4% year on year from 5.1 mt.

Total sales volume during the quarter was 5.0 mt, down 7% on the year from 5.4 mt.

Contura expects up to 26.7 mst of 2019 production

United States (US) producer Contura Energy – fresh off its merger with Alpha Natural Resources – expects total 2019 coal shipments to be in the range of 24.6-26.7 m short tons (st).

Contura said it is planning on 12.2-12.8 mst of Central Appalachian (CAPP) metallurgical (met) coal output, 4.6-5.2 mst of CAPP thermal coal, and 1.0-1.5 mst of met coal through its Trading and Logistics segment. From its Northern Appalachian (NAPP) operations, sold primarily into thermal markets, production is expected to be between 6.8-7.2 mst.

As of 7 January, Contura said about 40% of the midpoint of anticipated 2019 CAPP met coal shipments were committed and priced at an average expected realization of $123.10/st, with an additional 26% committed and either unpriced or priced based on various indices.

As far as costs go, Contura expects cost of coal sales in its CAPP met coal segment to range from $79.00-$83.00/st.

Drummond's La Loma concession extended 20 years

Colombia's state-owned National Mining Agency (ANM) announced the extension of Drummond's La Loma mine in Cesar department on 24 January, after three years of negotiations.

According to the ANM, during the next 20 years the country will receive at least $586m in taxes, royalties and social investment among other resources as a consequence of the signing of the extension.

La Loma, with 60 mt of proven reserves produced 13.7 mt in 2017, equivalent to 15% of Colombia's total. In 2018, La Loma's output reached around 9.2 mt, equivalent to an estimated 11% of Colombia's total, though ANM has not released total production figures for 2018.

The department of Cesar is responsible for around 60% of Colombia's total production and 65% of mining royalties.

According to the ANM, La Loma generates 4,000 direct jobs and 36,000 indirect, and pays 15% in royalties, the highest tariff, compared with 10% of various other Colombian mines with similar production capacity.

Drummond's president in Colombia, José Miguel Linares, said that the extension includes a one-time lump sum of $10.8m for social investments and nearly $1m annually for each year of production.

"Drummond reiterates its commitment to the sustainable development of Colombia and its mining municipalities. We welcome the extension of this contract, which guarantees the continued development of an integrated mining project, while we contribute to the development of a society to which we have belonged for more than 30 years", Linares said.

JSW 2018 coking coal output down 3%

Jastrzębska Spółka Węglowa (JSW) mined 10.35 mt of coking coal last year, down 3% from 10.68 mt in 2017, according to company data.

The Polish state miner, which operates four mines, did not give a reason for the decline in coking coal production. However, it expects output to rise to 14.11 mt and 18.20 mt by 2024 and 2030, respectively.

The majority of JSW's coking coal is exported to steel producers in Germany and other parts of the European Union (EU), while coke is supplied globally, a company official said.

Thermal coal production stood at 4.67 mt last year, an increase of 14% compared with 4.09 mt in 2017.

Total coal production, including coke, rose 2% to 15.02 mt, according to JSW data.

In terms of coal sales, JSW sold 14.82 mt of all types of coal including coke last year, a rise of 2% compared with 14.56 mt in 2017.

Coal sales to external customers accounted for close to 70% of the total volume produced last year, JSW noted.

On a quarterly basis, Europe's largest coking coal miner produced 2.31 mt of coking coal in the last quarter of 2018, an increase of 2% compared with 2.26 mt in the third quarter of the same year.

Jastrzębska Spółka Węglowa (JSW) production (mt)

	Coking coal		Thermal coal		Total production	
	2018	2017	2018	2017	2018	2017
Q4	2.31	2.57	1.43	0.9	3.74	3.47
Q3	2.26	2.55	1.11	0.99	3.37	3.54
Q2	2.74	2.73	1.06	1.05	3.8	3.78
Q1	3.04	2.83	1.07	1.15	4.11	3.98
Total	**10.35**	**10.68**	**4.67**	**4.09**	**15.02**	**14.77**

Source : JSW and IHS Markit

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Thermal coal production was recorded at 1.43 mt in the last quarter of 2018, up 29% compared with 1.11 mt in the third quarter of the same year.

Coal sales totaled 3.68 mt in the fourth quarter, up 3% compared with 3.56 mt in the third quarter of 2018.

Ukraine coal output down 5% in 2018

Ukraine's coal output fell 5% year-on-year in 2018 to 33.3 mt, the country's energy and coal ministry said.

Thermal production eased 2% to 27.5 mt, while coking coal output dropped 15% to 5.8 mt.

On a monthly basis, Ukraine mined 2.8 mt of coal in December, down 5% from the same period last year.

Output at state-owned coal mines fell 15% in 2018 to 4.14 mt, with coking coal dropping 40% to 0.56 mt and steam coal down 8% at 3.58 mt.

Coal mines in the Donetsk region produced 11.11 mt of coal for the year, down 3% from 2017. In the Lugansk region, output crashed by 71% on the year to 0.49 mt.

In the Dnepropetrovsk region, production was 20 mt, under 1% less than a year ago, while mines in the Lvov region produced 1.57 mt, an increase of 2% from 2017.

Pro-Russian separatists are in control of mining assets in the east and there has been a lack of investment in mines together with labour shortages, which continue to impact output.

The fall in production is opening opportunities for higher imports, with Russian and US suppliers taking market share in thermal and coking coal markets.

Russia supplied 7.58 mt of coking coal in the first 10 months of 2018, up from 5.67 mt in 2017 and 1.96 mt of thermal coal via rail in the first 10 months of 2018, up from 1.76 mt in 2017. The US was the main seaborne coking coal supplier at 2.58 mt, up from 1.72 mt and 0.99 mt of thermal coal, up from 0.66 mt for the same prior-year period in 2017.

Power

Indian 2018 power station imports down despite H2 surge

Coal imports by Indian power plants fell 4% in 2018, however the second half of the year was notably stronger than the first and up 11% on the same period a year earlier as private coastal power plants came back online as international prices fell.

Second half imports would have been even higher if there had not been huge delays in the finalisation of several tenders by government owned power plants.

Imports totalled 57.44 mt in 2018, down from 59.82 mt a year earlier, with the second half performance at 31.45 mt, compared to 28.45 mt in 2017, according to provisional Central Electricity Association (CEA) data.

Despite the delays in awarding tenders, imports by these government plants that take imports to supplement domestic coal rose 13% year on year to 19.54 mt, from 17.25 mt.

However, imports by private coastal power plants, that only use imported coal, slipped 11% in 2018 to 37.90 mt, from 42.57 mt.

Indian power plant imports (mt)

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

Source: IHS Markit/CEA © 2019 IHS Markit

This was primarily due to Adani Power shutting down its 4.63 GW Mundra plant between January and April and a stoppage at Essar's 1.2 GW Salaya plant that lasted the entire year.

Adani Power's imports in 2018 were 9.88 mt, down 29% from 13.86 mt a year earlier. Essar did not use imports in 2018 against 1.83 mt in 2017.

Imports by CEA monitored plants in December rose 8% from November to 5.54 mt, from 5.15 mt. This was up 15% on 2017, from 4.83 mt and was partly due to the softening in international prices, which helped mitigate further the seasonal winter easing of electricity prices in the day ahead market, particularly in the northern and western regions of the country.

Imports by hinterland plants to supplement domestic supply totalled 1.85 mt in December, up from 1.76 mt in November and up from 1.71 mt in December 2017.

Private coastal plants imported 3.69 mt in December, up from 3.40 mt in November and up from 3.12 mt a year earlier.

The average price in the day ahead electricity market was INR3.30 ($0.04)/KWh in December, down 8% from INR3.59 ($0.05)/KWh in November. However, the average December price was up 10% on the year.

Total coal consumption by CEA monitored plants in December was 52.28 mt or 1.69 mt/d, compared with 51.62 mt or 1.72 mt/d in November.

Indian power plant coal stocks up 3% as supply improves further

A continued improvement in coal supplies amidst stable electricity generation and a seasonal dip in demand brought further improvement in coal stocks at Indian power plants this week, Central Electricity Authority's (CEA) data show.

Stocks at the 125 plants monitored by the CEA were 18.66 mt on 22 January, up 3% from 18.06 mt on 15 January, which was enough for an average 11 days of forward consumption, unchanged from last week.

This continues a trend which began in late October, with stocks up 20% on the month and 97% on the quarter as of 22 January. Stocks were also up 36% on the year.

Coal stocks at power plants start seasonally rising from October-November, as the onset of winter brings softer electricity demand and, in turn, lower burn, while domestic production and supplies improve too.

The capacity and number of the plants monitored by the CEA was unchanged on the week at 149.86 GW and 125 respectively. This was up from 149.06 GW and 124 plants a month ago and 123 plants with capacity of 147.50 GW a quarter back.

The CEA was monitoring 113 plants with installed capacity of 136.97 GW a year ago on 22 January 2018.

The number of plants with three or fewer days of forward cover was 28 on 22 January, down from 32 on 15 January, while those with five days or fewer inched down to 42, from 43, and those with seven days or less slipped to 50, from 54.

Imported stocks at the plants rose 3% on the week, helped by slightly better availability of rail cars, while domestic stocks were also up 3% on the week (see table).

Total power generation, according to CEA data, averaged 3.26 TWh/d between 1-18 January. This was up 1% on the month, but stable on the year (see table).

Coal stocks at Indian power plants (mt)

	22-Jan-19	15-Jan-19	22-Dec-18	22-Oct-18	22-Jan-18
Imported	0.55	0.53	0.61	0.37	0.38
Domestic	18.11	17.53	14.98	9.12	13.38
Total	**18.66**	**18.06**	**15.58**	**9.48**	**13.76**

Source: Indian Central Electricity Authority (CEA)

Daily power generation in India (average TWh/d)

	1-18 Jan 2019	Dec-18	Jan-18
Coal-fired	2.70	2.67	2.70
Hydro	0.22	0.25	0.37
Other	0.34	0.33	0.20
Total	**3.26**	**3.24**	**3.27**

Source: CEA, IHS Markit

Malaysia's TNB imports blended Indonesian coal for Perak plant trial

State-owned Malaysian power provider, Tenaga Nasional Berhad (TNB), has imported its first cargo of blended coal for the 0.4 GW Sultan Azlan Shah Power Plant in Lumut, Perak.

A Panamax of blended 4,800 kc NAR min material from an established miner out of Balikpapan port arrived at Lekir Bulk Terminal on 31 December 2018.

The power plant in Lumut produces 20% of Peninsular Malaysia's energy generation and burns 15 mt/y of sub-bituminous coal.

The coal was procured through the generator's fuel procurement arm, TNB Fuel, and will be used as a trial.

TNB explained: "The introduction of blended coal for Sultan Azlan Shah Power Station will help secure coal supply for the power plant, going forward."

Back in October, TNB Fuel managing director, Zainal Abidin Shah Mahmood, said that the genco would be growing its intake of lower c.v. imports in line with Indonesia's increasing supply of such material (see previous story).

"With the availability of lower rank coal growing there, we too must adjust by blending high and low c.v. coals," Zainal had explained.

TNB is poised to import around 40 mt/y of coal by 2020. It imported around 33 mt in 2018 and is expected to take 35-36 mt this year.

Chile's coal-fired power output steady in 2018, renewables up

Chile's coal-fired generation in 2018 steadied year on year, while power from renewables increased, according to data from the National Electricity Commission (CNE).

Total electricity generation was 75.6 TWh, up 2% from 74.1 TWh in 2017. Of that total, coal-fired generation made up 29.3 TWh, compared with 29.4 TWh in 2017.

Renewables represented power output of 32.0 TWh, up 10% from 29.2 TWh in 2017. LNG and natural gas-fueled generation fell 5% year on year to 11.4 TWh in 2018 from 12.1 TWh the previous year.

Chile's government said it was on track to boost renewables to 90% of its electricity needs by 2050, thanks to the commissioning of new solar and wind power plants. Last year, renewables contributed more than 40% of the country's power needs.

France mulls converting EDF 1.2 GW coal plant to biomass

The French energy ministry is considering extending the life of EDF's 1.2 GW Cordemais coal-fired power station by converting it to use biomass, as continued strikes and freezing weather expose the vulnerabilities of France's power supply.

France's largest coal-fired station is due to be shut down by 2022 as part of the country's efforts to cut carbon emissions. But the government is looking at the possibility of converting Cordemais to a biomass-fuelled power station to ensure security of electricity supply.

Cordemais partly returned online on Wednesday after being off the grid for the past four days due to strikes and maintenance, forcing the country to import power from neighbouring countries.

The country will likely have to continue importing power due to worsening weather and further strikes, which EDF has warned could force Cordemais offline again from 25 January to 4 February.

Power demand rose to an average 74.36 GW on Wednesday, from 64.29 GW seven days ago, according to the French grid operator RTE.

Transport & logistics

Richards Bay coal exports fail to match 2017's record, down 4%

South Africa's Richards Bay Coal Terminal (RBCT) exported 73.50 mt last year, down 4% from 2017's record of 76.47 mt, as operations were affected by several bouts of bad weather and last month's train derailment.

Around 82% of RBCT shipments went to Asia and 10% to Europe, the company said in its annual update.

For the month of December, RBCT exports totalled 8.18 mt, with 43% of the shipments bound for India and 14% to Pakistan.

Indonesia to trial coal exports insurance rule throughout February

Indonesian authorities say they will move forward with implementing a marine cargo insurance regulation on 1 February, but will only do so on a trial basis for the first month.

Trade regulation 82/2017 requires all Indonesian coal exports to be insured by national insurance providers.

The Directorate General of Foreign Trade has also released technical guidelines which specify the paperwork required before coal exports can leave Indonesian shores. However, several shipping agency sources still expect administration related delays to take place.

The controversial ruling does not specify who should buy the insurance. But as Indonesia typically sells coal on a Free on Board (FOB) basis, the requirement appears to oblige buyers to engage Indonesian insurance providers.

In a bid to allay concerns that the requirement would cause logistical disruptions for coal exporters, the trade ministry has promised no penalties will be meted out during the trial period, which could also be extended if required. The government has unveiled a list of approved insurance providers, all of which are joint venture companies:

- AIG Insurance Indonesia
- Allianz Utama Indonesia
- AXA Indonesia
- China Taiping Insurance Indonesia
- Chubb General Insurance
- KB Insurance Indonesia
- MSIG Indonesia
- Sompo Insurance Indonesia
- Tokio Marine Indonesia
- Zurich Insurance Indonesia

"Traders would be expected to comply with the regulation. Some end users from Japan and Malaysia have also expressed support as the insurance providers are not foreign to them," a source from a sizeable East Kalimantan producer said.

He added, however, "Some buyers from China, Korea and India have expressed some resistance as they are less familiar with the insurance providers. It could be a case of the miner shouldering the cost at the start, as it's only about $0.02-0.10/t depending on the extent of coverage required."

In 2017, Indonesian authorities, through trade regulation 82/2017, mandated that coal exports would require coverage by national insurance companies as of 1 May 2018. But this was delayed twice after the coal industry expressed opposition.

Kalimantan coal ports braced for storms

Some ports in Indonesia's coal rich Kalimantan region have been warned to prepare for storms in the week ahead.

The Indonesian Directorate General of Sea Transportation has urged harbourmasters to step up safety measures and prevent accidents at sea by halting vessels from leaving should conditions prove dangerous.

"Based on previous experiences and the geography of where some anchorages lie – high swells will be more frequent at loading points in the open sea with no breakwater," a source from major shipping agency, Indo Dharma Transport explained.

They said the ports and anchorages in Samarinda, Asam Asam, Satui and Adang Bay were among those likely to be taking extra precautions.

The circular from the directorate was dated 21 January, and no major delays have been noted at key loading points as yet (see previous story).

However, coal loading volumes at Samarinda fell 16% on the week to 1.41 mt as of 22 January, compared with 1.68 mt, according to data from IHS Markit Maritime and Trade.

US railroads see strong year for coal exports

The two major railroads in the eastern United States (US) expect 2019 to be a strong year for coal exports, despite slipping international prices that have carried over from the fourth quarter into the beginning of the year.

Norfolk Southern (NS) and CSX both said full-year 2019 bookings were ahead of where they were in January of last year but warned it will be difficult to maintain such pace for the remainder of the year.

CSX Executive Vice President for Sales and Marketing Mark Wallace expected shipments to the export market would remain in the low 40 mst (short tons) range this year, from 43.1 mst last year. Of that total last year, 65% was metallurgical and the remaining 35% thermal.

CSX Chief Executive Officer Jim Foote said that 65% of the railroad's export contracts for the year have already been completed.

NS had a similar positive outlook but did not provide a breakdown of its export shipments.

The railroad's Chief Marketing Officer Alan Shaw said first quarter export numbers could be hurt by "coal availability" as contracted export shipments and increased domestic demand meet head on.

Shaw said availability of thermal coal in the first quarter is particularly acute, but it's "something that we feel like is going to cycle off by the end of the first quarter. There is very strong demand out there both overseas and domestically."

Russia's RZD at near capacity, urges shippers to look at other routes

Operating at close to full capacity, Russian Railways (RZD) appealed to coal shippers this year to look at alternative routes, such as ports in Georgia or Turkey, to handle additional material.

The amount of export coal transported by RZD is expected to increase by less than 4% year on year in 2019 to around 167 mt, said Alexey Shilo, the rail operator's deputy head. That compares to a 5% increase in 2018 and a 9% increase in 2017.

Rail transport for export coal to Russia's Northwest, Pacific coast and Southern ports was already close to capacity and will only manage to increase shipments by 1-2% this year.

Shilo said the mostly likely point of growth for transporting coal exports would be through land crossings to China.

RZD's capacity issues are expected to ease in 2020, when its large-scale expansion projects are completed.

Indian Railways' 2018 coal handling up 9% on year

Indian Railways' (IR) 2018 coal loading rose 9% on the year, driven by an 18% year on year increase in imported coal and an 8% rise in domestic coal transport.

The national freight carrier handled a total of 595.63 mt or 1.63 mt/d of coal in 2018, up from 544.02 mt or 1.49 mt/d in 2017, according to provisional IR data.

Imported coal handling jumped to 100.73 mt (0.28 mt/d), from 85.49 mt (0.23 mt/d), while domestic coal loading increased to 494.90 mt (1.36 mt/d), from 458.53 mt (1.26 mt/d).

The sharp increase in railings was due to an estimated 16% year on year rise in thermal coal imports to around 168 mt, and a 6% on the year rise in domestic coal output to around 715 mt, according to IHS Markit data.

The freight carrier provided on average 389 cars/d for coal loading in 2018, up from 355 cars/d in 2017.

IR has set a target to load 500 rail cars/d between January-March, the peak coal production season, up nearly 29% from the 2018 average.

This should facilitate even higher IR coal handling in the current quarter to meet the expected increase in domestic output. Imports are also likely to remain buoyant as industrial buyers are still not getting enough domestic coal due to prioritisation of supplies to power plants.

IR's provisional December coal handling at 52.44 mt was up 6% on the year from 49.63 mt and up 3% on the month, from 50.94 mt.

Imported coal handling in December rose to 8.75 mt, up 11% on the year, from 7.91 mt, but down 4% on the month, from 9.12 mt.

IR's handling of iron ore slipped marginally to 132.07 mt in 2018, from 132.48 mt in 2017. The decline in iron ore movements is primarily due to a decline in iron ore exports.

The handling of iron ore for export slipped 44% on the year to 4.91 mt, from 8.88 mt as international prices fell. In addition, there was an increased reliance on trucks as rail car allocations were prioritised for coal.

The overall decline in iron ore handling was seen at a time when India's crude steel production provisionally rose 4% on the year to 105.57 mt, from 101.62 mt, according to Joint Plant Committee (JPC) data.

Cement and clinker handling rose 4% on the year to 118.15 mt, from 113.11 mt.

This contrasted with a near 16% year on year rise in the country's cement production to an estimated 325 mt and indicates that road transportation remained the priority of cement makers, also in the absence of enough rail cars.

Steel

China's crude steel production up 7% on year in 2018

China's crude steel production rose 7% on the year to a record 928.26 mt in 2018, according to data released by the National Bureau of Statistics.

Crude steel production in December was 76.12 mt, down 2% from 77.62 mt in November and the lowest monthly volume since April 2018. However, it was still 13% higher than the 67.05 mt produced in December 2017.

Analysts suggest the past two months of falling crude steel production volumes from the record high in October of 80.82 mt is indicative of China's slowing economic growth. China's crude steel production is forecast to fall below 900 mt in 2019.

Meanwhile, China's coking coal-intensive pig iron output was up 3% on the year in 2018, at 771.05 mt. December's output of 63.20 mt was 9% higher year on year, although down on the 63.73 mt produced in November.

New steel plant to boost Indian coking coal imports

Indian import demand for prime hard coking coal is expected to rise significantly over the next few years, with the commissioning of a new 3 mt/y steel plant in eastern India's state of Chhattisgarh later this year.

Leading iron ore miner National Mineral Development Corporation Ltd (NMDC) is investing around INR200bn ($286m) on the new Nagarnar Steel Plant, located near Visakhapatnam port on the eastern coast of India.

A pure-play miner, NMDC conceived the Nagarnar steel plant project some 10 years ago with the intention of moving up the value chain and diversifying its portfolio. The move was also aimed at protecting the company from volatile iron ore prices.

Monthly throughput from key export ports (kt)

Port	Oct-17	Oct-18	Jan-Oct 17	Jan-Oct 18
Australia				
Abbot Point	2,301,294	2,460,488	21,305,940	24,765,245
Dalrymple Bay	6,643,366	6,003,812	53,932,381	57,195,753
Hay Point	2,953,426	4,123,121	35,523,887	41,220,820
Gladstone	5,788,772	6,690,030	56,583,417	55,674,391
Brisbane	721,432	960,504	6,084,564	5,864,676
Port Kembla	266,353	715,066	4,975,812	5,451,159
Newcastle				
PWCS	6,958,000	9,752,000	86,983,014	90,319,000
NCIG	4,337,675	1,068,297	44,232,388	38,420,572
Total	**29,970,318**	**31,773,318**	**309,621,403**	**318,911,616**
	Oct-17	**Oct-18**	**Jan-Oct 17**	**Jan-Oct 18**
United States*				
Norfolk	2,727	3,314	25,680	31,610
Baltimore	2,192	1,737	15,009	16,815
New Orleans	1,246	1,766	8,296	15,096
Mobile	485	1,218	7,853	8,621
Total	**6,650**	**8,035**	**56,838**	**72,142**

* To destinations excluding Canada

Source: IHS Markit, RBCT, US FTD

Key port stocks (mt)

Port	Aug-18	Sep-18	Oct-18
ARA			
Amsterdam (OBA)	1.60	1.72	2.35
Rotterdam (EMO)	3.40	3.40	3.60
Total	**5.00**	**5.12**	**5.95**
China Domestic			
Qinhuangdao	6.25	6.56	4.86
Guangzhou	2.29	2.14	2.38
Total	**8.54**	**8.70**	**7.24**

Source: IHS Markit

"The integrated steel plant at Nagarnar is almost ready, and we are working on a strategy to commence production by June-July or in the second half of 2019," according to a senior official of the company.

The plant, at full capacity, should use about 4.5 mt/y of coking coal and is gearing up to charge the coke oven plant in the next 2-3 months.

Typically, 1.3-1.5 mt of coking coal is required to produce 1 mt of steel. Most of the coal will need to be imported.

Full plant capacity is likely to be reached in two years.

NMDC has already purchased 0.16 mt of coking coal from Australia in November-December in the run-up to charging the coke oven batteries.

Besides importing coking coal from Australia, NMDC also plans to bring in coking coal from Mozambique through International Coal Ventures Ltd (ICVL), a joint venture of five Indian government owned steel, power and mining companies.

Steel major SAIL holds a 46.63% stake in the JV, while RINL and NMDC Ltd each hold 26.49%.

Due to its shareholding, NMDC may be allocated a small quantity of around 0.1 mt/y of coking coal from ICVL's Benga mine, but the balance has to be purchased from other countries, the official said.

Iron ore for the plant will be used from its own Bailadila mines located around 100 km from the plant.

NMDC currently produces around 30 mt/y of iron ore but plans to raise capacity to 50 mt/y and above in coming years.

India imported 49.70 mt of all types of coking coal in the first 10 months of 2018, compared to a full-year total of 52.85 mt in 2017.

EU steel import quotas unlikely to impact Brazil coal imports

Brazilian coal imports are unlikely to be affected by European Union restrictions on steel imports from countries including Brazil, industry sources said.

The EU will impose quotas on steel imports from 2 February, impacting 2.1 mt/y of Brazilian steel exports, according to industry group, Brazil Steel Institute. Imports exceeding 105% of volumes recorded in 2015-17 will be subject to a 25% tariff.

However, the measures are not expected to dent Brazilian steel production, as the Jair Bolsonaro-led government plans to cut import tariffs on capital goods to 4% from 14% in a phased manner over the next few months. A cut in duties on capital goods will boost domestic infrastructure significantly, helping to maintain strong steel demand, according to a source from Sao Paulo.

As a result, industry sources expect Brazilian coal imports to remain steady at around 25-26 mt this year. The country imported around 25.5 mt last year, up 2% from 2017. Imports from the United States, Colombia and Canada have risen at the expense of Australian material, which fell 21% year on year.

"US met coal imports have increased in the Brazilian market and they will continue to gain ground this year," a large buyer of metallurgical coal said.

The EU is imposing the restrictions after the United States set a 25% import duty on steel. Fearing a surge in cheap steel flooding the EU, the European Commission decided to put a cap on imports to safeguard European steel mills.

The impact on Brazilian exports will most likely be felt in sales of cold-rolled products used by the automotive, machinery and equipment industries; heavy plates, used in shipbuilding and sheet metal used for packaging, among other types of steel. Part of this volume relates to semi-finished steel products, which were not included in the list of restrictions.

Brazil's crude steel production totalled 34.74 mt last year, up 1% from 34.35 mt in 2017, and up 11% from 31.28 mt in 2016, according to Brazil Steel Institute data. (See previous story)

Markets: Steam coal

Egypt takes record amount of US thermal coal in 2018

Egypt's cement producers imported a record 3.0-3.3 mt of United States (US) thermal coal in 2018, up three-fold from the previous year's 1.1 mt, according to the latest shipping and customs data.

Official customs data have yet to be published for the 2018 full year, but trading sources said imports were around 3.3 mt. Official customs data showed imports at 2.5 mt for the first nine months of 2018, which translates to 3.3 mt on an annualised basis.

Egypt is now one of the biggest export markets for US suppliers, apart from India, Japan and South Korea.

Cement producers are the only buyers in Egypt of US coal, taking higher c.v. coal such as Illinois Basin (6,200 kc NAR) or Northern Appalachian coal (6,900 kc NAR) instead of petroleum coke from the US Gulf. That is because the heat content of higher c.v. coal was cheaper than petcoke last year. The bulk of the volume was NAPP origin.

South African imports were also higher at 1.14 mt for the first 11 months of 2018, up 43% from 0.80 mt for the whole of 2017. South African imports are poised to rise even further this year, with the Beni Suef 12.50 mt/y plant expected to consume up to 1.30 mt/y at full capacity. Operations started in August last year, and the plant is expected to mainly take South African material, according to trading sources.

Petroleum coke imports from the US fell to 0.65 mt for the first 10 months of 2018, from 0.83 mt in 2017. The US is the main supplier to the seaborne petcoke market.

Egypt's cement capacity stands at 83 mt/y, while consumption is about 53 mt/y.

South Korean tendering slows

South Korean tendering activity has slowed considerably as the Lunar New Year nears.

Korea Southern Power (Kospo) was in the market with two tenders. One of those was a term tender for sub-bituminous for its Hadong power plant, while the other was for low-rank for the Samcheok Green facility.

Kospo's tender ELT01 outlined a requirement for 4,600 kc NAR min material, with no more than 43% max moisture, 10% max ash (air dried) and max 0.5% sulphur.

Four Panamaxes (0.32 mt) spread equally across March-April 2019 is requested for the first contract year. The second and third contract years cover the same volume of delivery in May 2019-April 2020 and May 2020-April 2021 respectively. The deadline for offers was 25 January.

It has been several months since the Korean gencos have awarded a tender for similar material. In December, Korea East-West Power (EWP) canceled tender LT08, which was for 0.56 mt of 4,500 kc NAR min material.

The second of Kospo's tenders was a reissue. Tender EST-02 was for four Panamaxes (0.32 mt) of 3,800 kc NAR min material, with no more than 43% max moisture, 4.5% max ash (air dried) and 0.2% max sulphur, for loading in March-April.

Offers must be priced on a Free on Board Trimmed (FOBT) basis, and the deadline was 22 January. The original tender, EST-01, closed on 18 January. No award details have emerged as yet.

Kospo's prior purchase of such material was in December, when it bought single mine Indonesian low-rank supplies for the same plant.

Samsung and Avra were understood to have won tender EST-15, for four Panamaxes (0.32 mt) of 3,800 kc NAR min material for January-February loading.

Samsung was said to be supplying two Panamaxes from Golden Energy's Borneo Indobara (BIB) concession at around $29.75/t FOB, basis 3,800 kc NAR.

Avra was understood to be providing two Panamaxes from Jhonlin at around $29.40/t FOB, basis 3,800 kc NAR. Some sources suggested these would be loaded in December, rather than the January-February window Kospo outlined in its tender.

Korean tender results

Genco	Origin	Min c.v. NAR	Winners	Price (6,080kc NAR FOB)	Vessel	Volume (mt)	Loading	Terms	Moisture*	Ash*	Sulphur*	Tender #	Closing
GS Donghae		4,700			Panamax (x3)	0.12	Mar-Apr	Spot	30	17 a.d.	1	SP02	24-Jan
Kospo		3,800			Panamax (x4)	0.32	Mar-Apr	Spot	43	4.5 a.d.	0.2	EST-02	22-Jan
Kospo		4,600			Panamax (x4)	0.32	Mar-Apr	Term	43	10 a.d.	0.5	ELT01	25-Jan

Source: IHS Markit

GS Donghae seeks spot

Independent power producer GS Donghae (GSDEP) issued a spot tender for 0.12 mt of thermal coal.

Tender SP02 was for 4,700 kc NAR min material, with one 60,000 t shipment required for loading in the second half of March, and a second same size shipment required for loading in the first half of April.

The quality specifications limited the coal to no more than 30% max moisture, 17% max ash (air dried) and 1% max sulphur. The deadline for offers was 24 January.

GSDEP's prior purchase of this grade of coal via tender was in December, with Flame winning SP01, for the supply of one 58,000 t shipment of Indonesian 4,700 kc NAR min material for loading in 27 December to 10 January, at around $53.75/t FOB Samarinda, basis 6,080 kc NAR.

India's Tangedco back in the market

India's Tamil Nadu Generation and Distribution Corporation Ltd (Tangedco) has issued two separate tenders totaling 2 mt for supplies of any origin coal to its plants in Chennai and Tuticorin from March to September.

The company is looking for 1 mt of 5,000 kc GAR coal for its 1.05 GW Tuticorin plant.

It is also seeking another 1 mt of 6,000 kc GAR material at either Ennore, Kamarajar or Karaikal ports for its 1.83 GW North Chennai and 1.44 GW Mettur plants.

The tender was issued early in January with a 23 January deadline for offers, but this has been extended to 30 January.

Tangedco is looking for supply between March and September through Tuticorin port. The supply period for either of three ports (Ennore, Kamarajar or Karaikal) is March to July.

In July 2018, it floated a tender for 3 mt for the same plants, but awarded only 0.75 mt for Tuticorin. It issued another tender for 2 mt in September for the same plants, but awarded only 1 mt, again for Tuticorin.

The remaining quantities against both the tenders were not awarded due to the large difference in Tangedco's price expectations and the bids that it received.

According to Central Electricity Authority (CEA) data, Tangedco's imports for its Mettur plant rose to 0.97 mt in 2018, from 0.87 mt in 2017.

Its intake for the North Chennai plant was down to 0.93 mt in 2018, from 1.21 mt, but for the Tuticorin plant, imports rose to 0.95 mt in 2018, from 0.54 mt in 2017.

JLEC awards thermal tender

Moroccan power producer, Jorf Lasfar Electricity Company (JLEC), is understood to have awarded its recent thermal tender for 0.12 mt, according to trading sources.

It paid about $85/t CIF Jorf Lasfar, basis 6,000 kc NAR, for delivery of two separate 60,000 t cargoes in March and April.

It is understood Russian material was awarded for use at its 350 MW five and six units. Freight costs from the Baltic, the most likely load ports, are assessed in a wide range of $8-10/t, leaving an indicative net back price of $75-77/t FOB, broadly consistent with last Friday's weekly IHS Markit Baltic marker assessment at $76.25/t. The final price paid by Jorf, is also a premium of about $4/t, compared to the IHS McCloskey's NW Europe Steam Coal marker at $80.93/t, the day the tender closed on 23 January.

JLEC typically requests a 5,800 kc NAR min material with 1.50% max sulphur.

Safi awards Q1 tender

Moroccan power producer Safi Energy has bought 0.12 mt of thermal coal for delivery spread over the first quarter of 2019.

It bought multi-origin material, understood to be in a range of $88.50-89.50/t CIF Safi, basis 6,000 kc NAR. The tender closed on 11 January.

Safi requested four separate shipments of 30,000 t into the port of Safi for February and March.

Safi typically requests a 5,400 kc NAR min material, with 1.5% max sulphur for its 1.32 GW plant.

US utility buys 55,000 t of thermal from Colombia's La Jagua mine

United States (US) power producer Duke Energy has purchased 55,000 t of Colombian thermal coal to help counterbalance tight supplies from Central Appalachia (CAPP).

The coal, which was loaded last week and will be delivered this month, is from Glencore's La Jagua mine and is comparable in quality to CAPP thermal coal in both heat value and sulphur content. The coal will supply Duke's Marshall generating station in Catawba County, North Carolina.

Price was not disclosed.

US sources say the transaction is a strategic decision by Duke to expand its low sulphur options while also relieving pressure on CAPP shipments by rail carrier Norfolk Southern (NS). The coal will be delivered to the Shipyard River Terminal in Charleston, South Carolina, then railed north to the power plant via NS.

Duke has had previous experience with the La Jagua product, which was regularly exported to the utility about a decade ago.

Turkish thermal demand limited to low volume Black Sea deals

A Turkish steel producer is understood to have recently bought a Handysize thermal coal cargo loading out of a Russian Black Sea port.

It paid about $90/t CIF Colakoglu, basis 6,000 kc NAR, which with freight estimated at $18/t, leaves an FOB net back price of $72/t for Russian material. IHS Markit's weekly Baltic marker was assessed in a range of $76.00-76.25/t FOB over the past two weeks.

The main importing coal-fired power generators are understood to be covered for the first quarter and early part of the second quarter. Wholesale power prices in Turkey remain low and there is good hydro-availability from the main state-owned plants, according to one market source.

The latest generation data from the country's grid operator, Turkish Electricity Transmission Company (TEIAS) showed that coal-fired generation increased 20% to 62.15 TWh in 2018, from 51.78 mt in 2017, covering 22% of the country's energy needs from 17% a year earlier.

Hydro generation increased by 10% in 2018 to 18.82 TWh making up around 6% of the country's energy mix.

In December, hydro generation surged to 1.83 TWh from 0.79 TWh in November and was up 68% from 1.09 TWh in December 2017.

Turkish buyer seeks petcoke ahead of thermal coal

Turkish cement producer Medcem is in the market for a high sulphur petroleum coke Supramax for delivery in March, as industrial buyers look to switch away from thermal coal.

It is looking for a 6.50% maximum sulphur quality from the United States, on a fixed-price CIF basis into the port of Yeşilovacık, Mersin.

Medcem usually buys Russian thermal coal, according to trading sources, but petcoke is more competitive against thermal coal on a heating basis.

Delivered prices are assessed at $76-78/t CIF Marmara, basis 7,500 kc NAR, against the last deal concluded for Russian thermal coal at $90/t CIF Marmara, basis 6,000 kc NAR.

Markets: Metallurgical coal

Mechel signs met coke deal with Kardemir

Mechel said it is extending its supply deal with Turkish steel maker Kardemir to deliver 0.20 mt of metallurgical coke from January-December this year. Mechel said its latest supply deal is up 70% on volumes in its previous agreement.

The coke is produced at its Moscow coke and gas plant.

The Turkish industrial market consumes about 6 mt/y of coke, of which 5 mt is produced domestically, and 1 mt is covered through imports.

Trade

South Korean imports flat in 2018, but major supply origins lose share

South Korea's total thermal coal imports were flat on the year in 2018, the latest customs data show.

However, the two major supply origins, Indonesia and Australia, lost market share to Russia, and tonnage shipped out of Canada, which includes some United States coal.

Total thermal coal imports in the year were 108.81 mt, inching up from 108.75 mt in 2017.

Indonesia was the largest supplier, providing 37.07 mt, but this was down 9% from 40.58 mt in the previous year.

Australian intake was down 5% on the year, to 29.47 mt from 31.08 mt.

In turn, Russia picked up almost 3 mt of additional business into South Korea last year, rising 17% on the year to 19.77 mt from 16.93 mt, in part helped by considerable infrastructure improvements in the Russian Far East since late 2017.

Tonnage out of Canada increased more than 2 mt on the year, up 43% to 7.28 mt from 5.09 mt. The US directly provided 1.29 mt to South Korea in 2018, down from 1.76 mt in 2017.

Colombia also made gains in 2018, with 5.19 mt arriving in South Korea, a 38% rise from 3.77 mt in 2017.

South Africa had another strong year, supplying 7.44 mt, and while this was slightly down from 7.79 mt in the previous year, it far outstripped the 2.19 mt total of 2016.

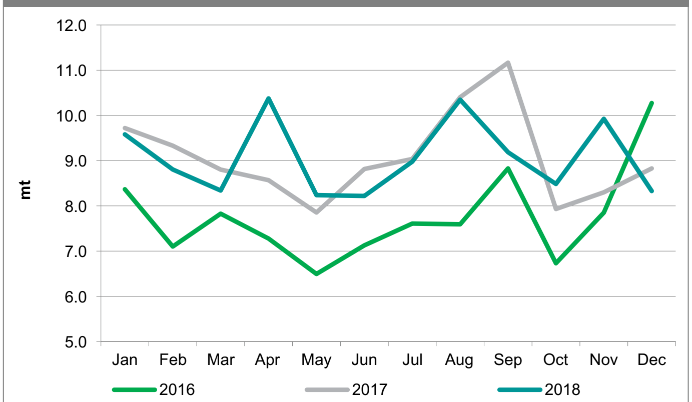
"The change was mainly caused by sulphur controls," said one Korean buyer (see earlier story).

"As far as I know, the average sulphur level on an input basis in South Korea last year is estimated to be under 0.5%.

"Thus, typical 0.35% Russian and USA coal, loaded at Canadian ports, have substituted for Australian and Indonesian," they added.

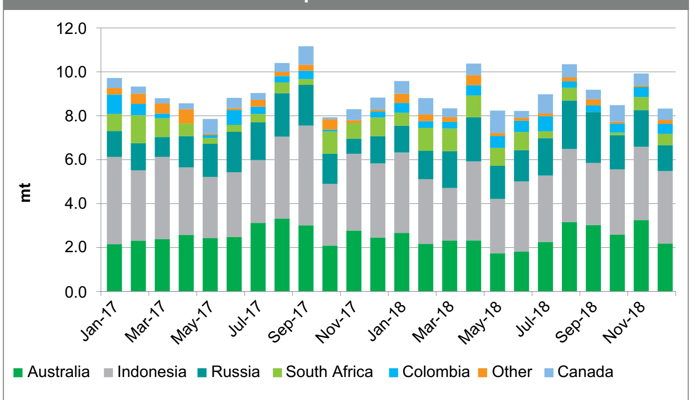
In December alone, South Korea's thermal coal imports were

South Korea's thermal coal imports



Source: IHS Markit © 2019 IHS Markit

South Korea's thermal coal imports



Source: IHS Markit © 2019 IHS Markit

down 16% to 8.33 mt from 9.92 mt in November.

Australia bore the brunt of that decline, dropping 32% on the month, to 2.19 mt from 3.24 mt, and down 10% on the year from 2.45 mt.

Indonesian volumes were largely stable on the month, at 3.29 mt, compared with 3.35 mt in November, and were near flat to 3.38 mt in December 2017.

Russian tonnage dropped 29% on the month in December, to 1.18 mt from 1.67 mt, and was marginally below the 1.24 mt taken in the December prior.

Supply from all other major origins in December was generally flat on the month, with South Africa at 0.52 mt, compared with 0.59 mt in November; Canada at 0.52 mt, compared with 0.55 mt, and Colombia at 0.45 mt, from 0.47 mt.

South Korea's total coking coal imports were also flat in 2018, at 24.72 mt, compared with 24.41 mt in 2017.

Australia was by far the largest coking coal supplier to South Korea, providing 10.08 mt, and this was near flat to 10.42 mt in the previous year.

Russia and Canada shared much of the rest of that intake. Russia supplied 5.30 mt, up from 4.41 mt, and Canada provided 5.45 mt, rising from 5.14 mt.

South Korea's coal imports total in 2018 – including steam, coking, anthracite and low-vol steam – was 148.14 mt, up from 147.14 mt in 2017.

The full South Korean import data can be found here.

Colombia's 2018 thermal exports down 4%

Colombia exported 80.0 mt of thermal coal in 2018, down 4% from 83.17 mt in 2017 and down 10% from 88.57 mt shipped in 2016, according to the latest data from IHS Markit.

The main reasons for the year-on-year decline were heavier than expected rainy seasons that reduced output at Glencore's mines and to a lesser extent at Cerrejón, as well as a change in mining plans at Glencore's Calenturitas mine.

The market share of Colombian exports in 2018 was 54% of the total to Europe (59% in 2017), 36% to the Americas (34% in 2017) and 10% to Asia (7% in 2017).

For the third year in a row, Drummond was Colombia's largest exporter in 2018 (see separate story), followed by Cerrejón and Glencore.

Drummond exported 32.51 mt in 2018, down 1% from 32.82 mt in 2017, according to the IHS Markit data, followed by Cerrejón with 30.31 mt in 2018, down 5% from 31.76 mt in 2017, while Glencore's exports reached 12.12 mt in 2018, down 13% from 13.94 mt in 2017.

Smaller exporters, including Murray Energy's CNR, shipped 5.06 mt in 2018, up 9% from 4.65 mt in 2017.

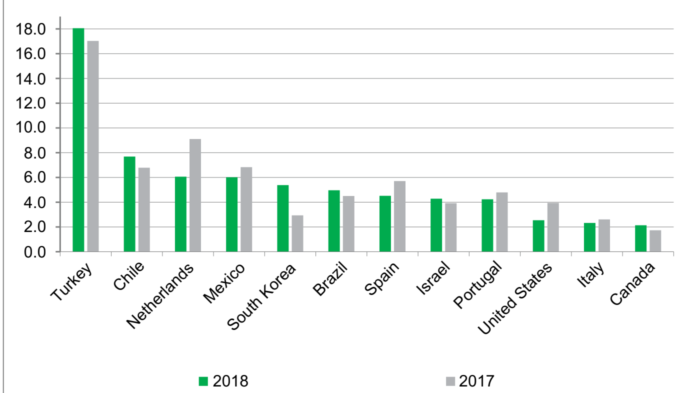
The largest destination countries in 2018 included Turkey, Chile, the Netherlands, Mexico, South Korea, Brazil, Spain, Israel and Portugal, each with volumes between 4.24 mt and 18.10 mt.

Other destination countries in 2018 included United States (US), Italy and Canada.

In Europe, Colombian thermal exports dropped 11% year on year to 43.47 mt in 2018 from 48.90 mt in 2017.

The largest European destination in 2018 was Turkey, with 18.06 mt, up 6% from 17.03 mt in 2017. Deliveries to Turkey in 2018 accounted for 23% of Colombia's exports.

Colombia's largest steam coal exports Jan-Dec (mt)



Source: IHS Markit © 2019 IHS Markit

The Netherlands, Spain, Italy and Portugal followed Turkey as large destinations for the Colombian exports, among various other countries in Europe.

Exports to the Americas were 28.84 mt in 2018, up 3% year on year from 28.07 mt in 2017. The largest volumes went to Chile, with 7.69 mt in 2018, up 13% from 6.79 mt in 2017. Other large destination countries in the Americas included Mexico, Brazil and the US.

In Asia, Colombian thermal exports in 2018 reached 7.70 mt, up 24% from 6.20 mt in 2017. South Korea was the largest Asian destination, with 5.38 mt in 2018, up 83% year on year from 2.94 mt in 2017. Other Asian destinations included Japan, Taiwan, India, China and Malaysia.

Thailand's 2018 coal imports rise 12%

Thailand's coal imports rose 12% on the year in 2018, to 24.7 mt from 22.1 mt, customs data show.

Indonesia was by far the largest supplier to the country, providing 19.9 mt, up 24% from 16.1 mt in 2017.

The growth in Indonesian imports was mainly sub-bituminous and low-rank material, which is categorised as steam and other types of coal in the statistics.

Thailand's intake of Australian eased 9% to 3.5 mt, from 3.8 mt in 2017, while the kingdom imported 0.5 mt of Russian coal in 2018, declining sharply from 1.4 mt in 2017.

Imports have increased while domestic lignite burn has been reduced, and coal-fired generation on the whole has trended slightly down, according to the country's latest available power data.

Coal-fired generation fell 1% in January-November, figures from the country's Energy Policy and Planning Office (EPPO) show. Total power production rose 1% on the year, to 187.90 TWh, from 185.76 TWh.

Coal-fired power generation accounted for 32.84 TWh in January-November 2018, down from 33.09 TWh in the corresponding period in 2017.

However, the biggest drop was in generation from lignite (including domestic origin) which slipped 4% on the year, producing 16.67 TWh compared with 17.33 TWh.

Standard coal fired generation increased 3% on the year in January-November 2018 to 16.17 TWh, from 15.76 TWh, indicating an increased burn of imports.

Coal accounted for 17.5% of Thailand's generation mix in January-November, falling from 17.8% in January-November 2017.

A 3.4% decline in gas-fired generation, which saw its share drop to 57.0% from 60.4%, was largely offset by gains from hydro, renewables and power imports.

German steam coal imports to steady at 30 mt this year

German steam coal imports are expected to steady at 30 mt in 2019, while coking coal shipments will edge up to 15 mt from 14.4 mt last year, said the country's importers association.

The industry group doesn't see an improvement in German steam coal imports from 2018, after a 17% drop from 2017's 36.1 mt.

"Like 2017, 2018 was a very poor year for hard coal in Germany," said Wolfgang Cieslik, chairman of the German Coal Importers Association at its annual reception in Hamburg. "The exit from coal is already under way...and hard coal bears the primary burden for CO2 reductions in Germany."

The industry group believed steam coal imports would stay at 30 mt, despite a projected 3 mt drop in demand from power plant shutdowns and higher renewable output. It said that gap will be offset by an additional 3 mt of import demand to replace a decline in domestic coal production.

The forecast is based on the shutdown of seven coal-fired power plants, totalling 2.3 GW.

In 2018, Russia remained Germany's top supplier of all types of coal with 18.5 mt, down from 19.8 mt the previous year, according to the association.

Imports from the United States came in second at 9.0 mt, down slightly from 9.1 mt in 2017.

Australian shipments, all of which was coking coal, totalled 5.0 mt, down from 5.6 mt. Colombian shipments declined sharply to 3.9 mt from 6.5 mt.

By industry, German power stations took 26.1 mt and the steel industry 17.3 mt in 2018, down from last year's 31.2 mt and 17.6 mt, respectively.

German thermal coal imports hit 20-month high in November

German steam coal imports rose to 3.65 mt in November, up 6% on the year and the highest since March 2017, as renewables struggled to keep up with the country's electricity demand.

On a monthly basis, thermal coal imports were up 23% in November, according to the latest customs data.

The increase in imports was driven by higher German coal burn. In November, coal-fired power generation rose 20% month-on-month, offsetting a 17% decline in wind, hydro and solar generation, according to Fraunhofer data.

In the 11 months to November, thermal imports fell 14% to 27.81 mt, from 32.50 mt a year earlier.

Russia, the country's largest supplier, accounted for 2.08 mt of German's imports in November, up 30% from 1.60 mt in October and up 40% from November 2017's 1.48 mt.

In the first 11 month of 2018, Russia provided 15.83 mt, up 6% year on year.

Colombia exported 0.24 mt in November, up 5% on a monthly basis but down 40% from 0.41 mt in November 2017.

The South American country shipped 3.28 mt to Germany in January-November 2018, 40% down from 5.74 mt a year ago.

Tonnages from the United States rose 22% to 0.79 mt in November from 0.64 mt in October, but declined from 0.89 mt in November 2017.

US shipments dropped 11% in the first 11 months of 2018 to 5.14 mt.

Ukraine's 2018 coking coal imports increase 14%

Ukraine's coking coal imports were close to 12 mt in 2018, up 14% on 2017, according to data from Ukrmetallurgprom, the country's national association of steel producers.

Supplies of coking coal mined domestically were 2.69 mt, down 16% on 2017.

In December, coke producers received just over 1 mt of imported coking coal, broadly unchanged month-on-month.

Customs data up to January-October 2018 showed Russia as the dominant supplier of coking coal at 7.58 mt, up from 5.67 mt in 2017. The United States was the main seaborne coking coal supplier at 2.58 mt, up from 1.72 mt previously.

Ukraine's steel output continued to show signs of improvement in 2018 reaching 21.10 mt, up 1% on 2017. Iron output was higher at 20.56 mt, up 5% year-on-year, while rolled steel production increased by 3% to 18.36 mt.

Chile's November thermal imports rise 84%

Chile's thermal coal imports rose 84% year on year in November 2018, and rose 35% from October 2018, according to customs data.

November 2018's imports were 1.12 mt, from 0.61 mt in November a year earlier and 0.83 mt in October 2018. Colombia supplied 0.81 mt, followed by 0.21 mt from the United States (US) and 0.10 mt from Australia.

In the eleven months to November, Chile imported 10.08 mt of thermal coal, up 5% from 9.56 mt in the same period in 2017. The main reason for the rise was the increase in demand from the startup of Engie's 375 MW IEM (Infraestructura Eléctrica de Mejillones) coal fired power plant, as well as lower hydropower availability.

Imports from Colombia and the US in January-November 2018 were up at the expense of Australian exports.

Colombia supplied 7.56 mt of thermal coal during the period, up 16% from 6.50 mt in January-November 2017, while the US supplied 1.84 mt in the same period during 2018, up 31% from 1.40 mt in 2017. Australian tonnages fell 57% to 0.68 mt in 2018, from 1.58 mt in January-November 2017. In 2017, the balance of the total tonnage came from Canada and New Zealand.

Physical prices

IHS Coking coal marker prices ($/t)

Monthly	Incoterm	Ash	Jan-17	Jan-18	Jul-18	Dec-18	Jan-19
Australian prime hard *	FOB	10.5% max	193.13	239.95	186.97	225.14	199.62
N. China prime hard *	CFR	10.5% max	201.40	226.24	193.74	206.45	197.31
US low-vol **	FOB	9% max	187.63	197.75	176.06	206.00	190.75
US high ash, high-vol **	FOB	9% max	190.56	142.20	153.25	172.00	161.13
ULV PCI **	FOB	10% max	112.00	151.85	134.25	126.00	119.75
Coke Rizhao **	FOB	12% max	209.60	351.60	330.00	373.75	348.75
ARA Coke **	CIF	12.5% max	226.44	324.40	318.75	363.25	340.00

* 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

IHS Steam coal marker prices ($/t)

Daily	Incoterm	Basis CV	21 Jan	22 Jan	23 Jan	24 Jan	25 Jan
Northwest Europe	CIF	6,000 kc NAR	80.27	80.03	80.93	79.90	77.72
Richards Bay	FOB	6,000 kc NAR	92.50	91.60	89.36	88.25	84.86
			14 Jan	**15 Jan**	**16 Jan**	**17 Jan**	**18 Jan**
Northwest Europe	CIF	6,000 kc NAR	80.28	81.36	82.51	82.49	82.62
Richards Bay	FOB	6,000 kc NAR	89.65	89.87	90.71	91.33	92.72
Weekly	**Incoterm**	**Basis CV**	**104 weeks ago**	**52 weeks ago**	**4 weeks ago**	**2 weeks ago**	**25 Jan**
Petcoke mid-sulphur	FOB	7,500 kc NAR	67.00	84.50	73.00	72.00	70.00
Petcoke high-sulphur	FOB	7,500 kc NAR	49.75	66.50	60.00	58.00	61.00
Northwest Europe**	CIF	6,000 kc NAR	88.01	93.91	86.19	81.21	79.77
Northwest Europe (5,700 kc NAR min)	CIF	6,000 kc NAR	-	-	84.57	80.25	77.35
Richards Bay**	FOB	6,000 kc NAR	88.28	98.36	96.86	90.23	89.31
Richards Bay (5,700 kc NAR min)	FOB	6,000 kc NAR	87.25	95.90	88.75	83.73	82.72
~South China*	CFR	6,000 kc NAR	80.77	108.57	79.29	79.97	85.35
Newcastle	FOB	6,000 kc NAR	83.11	104.50	98.50	96.17	97.30
Colombian (Bolivar)	FOB	6,000 kc NAR	84.00	88.50	79.00	74.50	75.00
Russia East (Vostochniy)	FOB	6,000 kc NAR	85.50	103.00	96.75	96.18	97.13
Russia West (Baltic)	FOB	6,000 kc NAR	85.25	89.75	81.00	76.00	74.75
US East Coast	FOB	6,000 kc NAR	82.12	93.94	87.50	87.33	87.00
US Gulf high-sulphur	FOB	6,000 kc NAR	58.13	59.24	67.08	65.10	63.17
China domestic (Qinhuangdao)	FOB	6,000 kc NAR	95.88	126.13	94.44	96.08	96.44
ARA FOB barge	FOB	6,000 kc NAR	90.05	95.95	88.69	83.70	82.30
China export (Qinhuangdao)	FOB	5,800 kc NAR	95.47	126.47	94.04	95.66	96.03
~South China*	CFR	5,500 kc NAR	71.05	94.96	70.01	70.15	71.97
Australian	FOB	5,500 kc NAR	62.72	86.45	60.13	60.31	62.91
China domestic (Qinhuangdao)	FOB	5,500 kc NAR	89.07	115.62	84.37	85.78	86.62
China domestic (Qinhuangdao)	FOB	5,000 kc NAR	79.23	104.29	72.62	75.01	75.44
South African	FOB	4,800 kc NAR	55.10	67.90	49.35	46.81	47.22
~South China*	CFR	4,700 kc NAR	61.22	78.73	54.50	54.49	56.97
~South China*	CFR	3,800 kc NAR	45.25	58.20	38.00	38.60	39.94
Indonesian sub-bituminous	FOB	4,700 kc NAR	58.07	71.27	46.60	49.00	52.95
Indonesian sub-bituminous	FOB	3,400 kc GAR	-	29.28	18.74	19.22	20.13
Monthly	**Incoterm**	**Basis CV**	**Jan-17**	**Jan-18**	**Jul-18**	**Dec-18**	**Jan-19**
Coal UK's Aire Valley Marker	CIF	6,000 kc NAR	105.81	110.16	115.25	102.33	95.91
Asian steam coal marker	CIF	6,080 kc NAR	98.42	112.58	117.50	109.00	108.45
Japan steam coal marker	CIF	6,080 kc NAR	89.80	112.02	125.03	106.09	105.42
Yearly			**4 years ago**	**3 years ago**	**2 years ago**	**1 year ago**	**FY 2018/19**
>Japanese reference price	FOB	6,322 kc GAR	81.80	67.80	61.60	84.97	110.00

* 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)

Freight

Asian Panamax and Supramax rates slump

A lack of prompt coal shipment demand in the Pacific brought Asian Panamax and Supramax rates tumbling down this week.

Lacklustre agricultural activity from South America also weighed on Panamax rates.

Panamax time chartering rates for major Pacific coal trade routes are understood to be approaching cash cost.

Market participants do not expect any immediate rebound ahead of the Chinese New Year in early February, but are generally quoting higher prices for forward fixtures.

Spot Panamax rates (on an Arrival Pilot Station basis) for the Indonesia-China route were quoted around $6,000/d.

Panamax voyage charter rates for South Kalimantan-South China were assessed at $4.80/t, down from $5.40/t a week ago. Spot Supramax rates on the route were down on the week to $5.70/t, from $6.40/t.

Voyage chartering rates on the South Kalimantan-Yangtze River port route decreased to $8.20/t, from $8.80/t on 16 January.

Panamax rates from Indonesia to western India were assessed at $7.15/t, falling from $7.80/t last week.

The Supramax voyage chartering rate for the same route was $7.80/t, declining from $8.60/t last week.

The Panamax rate for the Newcastle to South China route was around $9.80/t, dropping from $10.70/t last week.

Capesize voyage chartering rates for the same route were assessed at $9.50/t, up from $9.20/t last week.

The Baltic Exchange (BE) average time chartering rate for Capes on Transpacific round voyage, route C10_14, was $12,229/d on 22 January, up from $9,983/d last week.

The BE Panamax average time chartering rate for South China-Indonesia round voyage, P5, was $6,744/d, down from $8,478/d a week ago.

The BE average time charter rate for South China, via Indonesia, to East Coast India, S8_58, was $6,488/d, falling from $7,650/d a week ago.

The time chartering rate for South China to Indonesia and back to South China was $6,356/d, down from $7,544/d from last week.

Freight Rates - Weekly Averages ($/t)

Route	Tonnage	52 weeks ago	4 weeks ago	1 week ago	25 Jan
European destinations					
Baltimore/ARA*	70,000	11.85	10.75	8.75	8.05
Hampton Roads/Rotterdam*	125,000	9.50	10.60	10.30	9.75
Murmansk/Rotterdam*	70,000	6.75	8.50	5.25	5.00
Puerto Bolivar/Rotterdam*	150,000	8.50	9.25	9.00	8.50
Richards Bay/Rotterdam*	150,000	8.00	8.50	8.00	7.00
US Gulf/ARA*	65,000	13.80	15.75	11.50	11.25
Asian destinations					
Balikpapan/Guangzhou^	70,000	6.10	6.30	5.15	3.80
Dalrymple Bay/Longkou*	70,000	13.10	13.35	11.45	9.57
Kalimantan/Krishnapatnam^	70,000	6.75	7.10	5.90	4.65
Newcastle/Japan ^	150,000	7.50	7.90	8.55	7.80
Newcastle/Zhoushan^	70,000	11.50	11.90	10.00	8.50
Newcastle/Zhoushan^	150,000	8.55	8.55	9.30	8.55
Puerto Bolivar/Qingdao^	150,000	22.95	19.75	19.05	17.95
Queensland/Japan*	138,000	7.00	7.55	7.50	6.60
Richards Bay/Fangcheng^	150,000	10.55	11.20	11.85	11.00
Richards Bay/Krishnapatnam*	70,000	13.45	12.75	11.00	11.00
Richards Bay/Mundra*	50,000	13.00	13.20	12.75	11.25
Richards Bay/Mundra*	70,000	12.85	12.50	11.50	11.50
Richards Bay/Mundra^	150,000	8.25	8.35	8.75	8.50
Richards Bay/Vizag*	50,000	13.50	13.70	13.25	11.75
Roberts Bank/Longkou*	70,000	14.65	15.60	13.90	11.46
Samarinda/Dahej*	72,000	8.30	7.50	8.00	7.50
Samarinda/Pipavav*	50,000	9.35	9.50	8.25	7.85
Chinese domestic destinations					
Qinhuangdao to Shanghai	20-30,000	7.62	4.25	3.25	2.79
Qinhuangdao to Guangzhou	40-50,000	9.02	5.53	4.36	4.53

Source: Clarksons*, SSY^, IHS Markit, Xinhua Infolink

Weekly coal fixtures 2019

Date	Name	Cargo	Cargo Size	Laycan	Load Port	Discharge Port	Rate	Terms	Charterer
11-Jan	Berge Kinabalu	coal	160,000	24 Jan/2 Feb	Drummond	Iskenderun	$10.40	fio 50000shinc/30000shinc	Oldendorff
11-Jan	Global Enter-prise	coal	150,000	24 Jan/4 Feb	Richards Bay	Rotterdam	$7.40	fio scale/25000shinc	JERA
11-Jan	Panocean TBN	coal	165,000	30 Jan/13 Feb	Dalrymple Bay	Pohang	$6.21	fio 50000shinc/45000shinc	POSCO
11-Jan	SBI Lynx	coal	60,000	23 Jan/1 Feb	Newport News	Jorf Lasfar	$9.40	fio 30000shinc/25000shinc	JERA
11-Jan	TBN	coal	175,000	21/25 Jan	Nacala	Kwangyang & Po-hang		fio 55000shinc/45000shinc	Vale
11-Jan	TBN	coal	75,000	5/14 Feb	Gladstone	Visakhapatnam	$13.75	fio 35000sshex/20000sshex	SAIL
11-Jan	TBN	coal	75,000	19/28 Feb	Newport News	Visakhapatnam	$27.55	fio 40000sshex/20000sshex	SAIL
14-Jan	TBN	coal	60,000	26 Jan/4 Feb	Newport News	Jorf Lasfar	$9.40	fio 30000shinc/25000shinc	JERA
14-Jan	TBN	coal	75,000	5/14 Feb	Dalrymple Bay	Visakhapatnam	$13.55	fio 35000sshex/20000sshex	SAIL
15-Jan	TBN	coal	75,000	10/19 Feb	Gladstone	Visakhapatnam	$13.35	fio 35000sshex/20000sshex	SAIL
15-Jan	TBN	coal	162,000	early Feb	Hay Point	Rotterdam	$9.50	fio 50000shinc/25000shinc	BHP Billiton
16-Jan	TBN	coal	75,000	10/19 Feb	Dalrymple Bay	Visakhapatnam	$8.60	fio 35000sshex/20000sshex	SAIL
16-Jan	TBN	coal	130,000	5/14 Feb	Newcastle	Liuheng	$8.55	fio 50000shinc/45000shinc	CCS
17-Jan	COSCO TBN	coal	135,000	3/17 Feb	Newcastle	Kwangyang	$7.86	fio 45000shinc/50000shinc	POSCO
17-Jan	TBN	coal	75,000	1/10 Feb	2 berths Norfolk	Ploce	$12.00	fio 30000shinc+30000shinc/13000shinc	ArcelorMittal
17-Jan	TBN	coal	75,000	16/25 Feb	Port Kembla	East Coast India	$13.85	fio 40000sshex/20000sshex	SAIL
18-Jan	Artvin	coal	75,000	end Jan	Murmansk	Rotterdam	$5.25	fio 18000shinc/25000shinc	JERA
18-Jan	CMB Chardon-nay	coal	80,000	1/5 Feb	CMT	Rotterdam	$11.70	fio 60000shinc/25000shinc	Uniper
18-Jan	TBN	coal	38,000	10/15 Feb	Beira	Visakhapatnam-Paradip	$19.35	fio 18000sshex/14000shinc	Saif
18-Jan	TBN	coal	75,000	15/24 Feb	Dalrymple Bay	Visakhapatnam	$12.55	fio 35000sshex/20000sshex	SAIL
21-Jan	TBN	coal	38,000	2/7 Feb	Beira	Visakhapatnam-Paradip	$16.50	fio 18000shinc/25000shinc	RINL
21-Jan	TBN	coal	38,000	19/24 Feb	Beira	Visakhapatnam-Paradip	$19.85	fio 18000sshex/14000shinc	SAIL
21-Jan	TBN	coal	75,000	19/28 Feb	Gladstone	Visakhapatnam	$12.85	fio 35000sshex/20000sshex	SAIL
21-Jan	TBN	coal	75,000	1/10 Mar	Newport News	Visakhapatnam	$27.60	fio 40000sshex/20000sshex	SAIL
22-Jan	TBN	coal	75,000	10/20 Mar	Newport News	Visakhapatnam	$27.50	fio 40000sshex/20000sshex	SAIL
22-Jan	TBN	coal	75,000	1/10 Mar	Gladstone	Visakhapatnam	$13.20	fio 35000sshex/20000sshex	SAIL
22-Jan	TBN	coal	75,000	1/7 Feb	Taboneo	East Coast India	$6.25	fio 18000sshex/20000sshex	SAIL
23-Jan	TBN	coal	60,000	5/14 Feb	Newport News	Jorf Lasfar	$8.75	fio 30000shinc/25000shinc	JERA

Source: SSY

Electricity power generation

Cold weather boosts coal-fired generation in Germany

Coal-fired generation in continental Europe increased this week, supported by colder weather, higher heating demand, and lower coal prices.

In Germany, the clean dark spread for a 49%-efficient plant moved into positive territory to average around EUR13.58/MWh on 25 January, from minus EUR1.64/MWh two weeks ago.

Meanwhile, coal prices have fallen by over 1% in the past two weeks with the IHS McCloskey NW Europe Steam Coal marker averaging near $80.00/t in the week ending 25 January, from $81.21/t two weeks ago. Carbon prices have also been strong on a fortnightly basis averaging EUR 24.99/t on 25 January compared with EUR 23.04/t two weeks back.

German hard coal burn during the second week of January doubled to 1.59 TWh compared with 0.80 TWh in the first week.

Increased power demand has pushed average German power prices to a high of EUR65.87/MWh on 25 January compared with EUR 48.66/MWh two weeks back.

The German clean spark clawed out of negative territory to finish at an average of EUR 11.55/MWh for the week ending on 25 January compared with an average of minus EUR 4.41/MWh two weeks ago.

Meanwhile, German renewable generation rose to 7 TWh in the first two weeks of January compared with 6.10 TWh in the first two weeks of December.

Moving to the UK, gas usage has stayed strong in January with gas fired CCGT's clean spark spread rising by 15% to an average of £8.39/MWh for the week ending 25 January, from £7.32/MWh two weeks ago.

The limited number of coal fired plants in UK burnt more coal in January, which led to the clean-dark spread rising to £1.98/MWh from £0.51/MWh over the two-week period. UK power prices have risen by 4% to an average of £64.98/MWh on 25 January from £62.76/MWh on 11 January. Carbon prices also rose by 6% to EUR45.60/t on 25 January from EUR 43.20/t on 11January.

Weekly average Sparks & Darks

	11 Jan	18 Jan	25 Jan
United Kingdom £/MWh			
Power	62.76	59.80	64.98
Gas PPT	59.20	58.82	60.20
Dirty-Spark	21.66	18.96	23.19
Dirty-Dark	37.21	34.34	39.86
Differential	-15.55	-15.38	-16.67
Clean-Spark	7.32	4.51	8.39
Clean-Dark	0.51	-2.64	1.98
Differential	6.81	7.15	6.41
Germany €/MWh			
Power	48.66	42.74	65.87
Gas €/MWh	21.88	21.74	22.15
Dirty-Spark	4.12	-1.52	20.80
Dirty-Dark	20.18	14.05	37.24
Differential	-16.06	-15.57	-16.44
Clean-Spark	-4.41	-10.27	11.55
Clean-Dark	-1.64	-8.33	13.58
Differential	11.65	-1.93	-2.02
Carbon			
EUA €/t	23.04	23.64	24.99
UK Carbon €/t	43.20	44.02	45.60

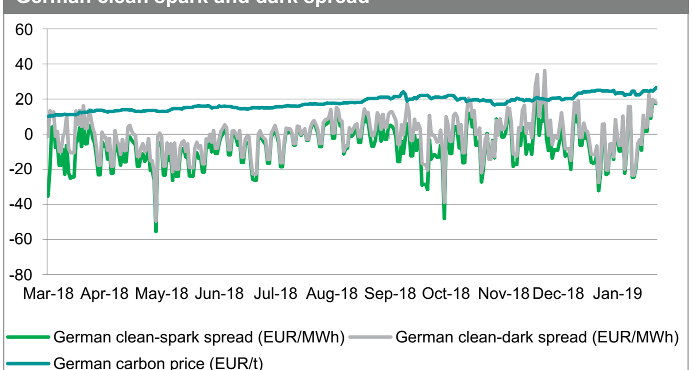
Notes: Differentials are calculated by taking the spark away from the dark – therefore negative numbers favour coal over gas and positive numbers favour gas over coal.

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.

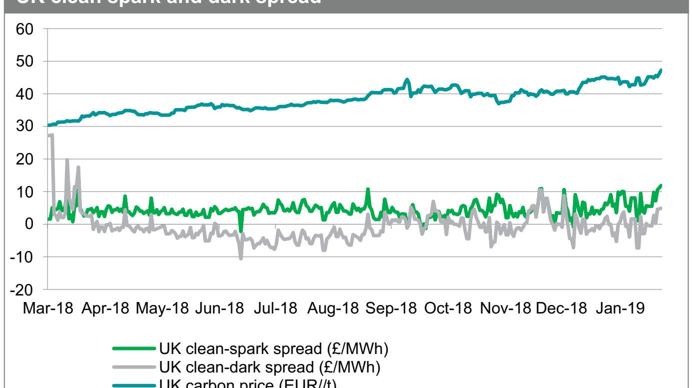
Source: Marex Spectron

German clean spark and dark spread



Source: IHS Markit

UK clean spark and dark spread



Source: IHS Markit

Global Coal News & Analysis

McCloskey Coal Report:
Comprehensive news and analysis of the global coal markets covering coal prices, seaborne trade and discussing supply and demand issues with immediate and longer term implications.

Fax:
Weekly digest of global prices and news in bite-sized form. All your weekly pricing data and market moving information in one place.

Newswire:
Real-time breaking coal market news and pricing wherever you are, delivered 24 hours a day.

North American Coal Market News & Analysis

Coal & Energy Price Report
Coal & Energy Price Report is the go-to daily publication for industry professionals. It features Commentary by Jim Thompson, critical news and insight about the U.S. domestic markets, and analysis of the U.S.' participation in international markets. The publication is included in IHS Markit's Energy's North American Coal suite.

U.S. Coal Review
Published weekly, U.S. Coal Review is focused on the U.S. utility market but has complete coverage of current coal developments including comprehensive price coverage and production trends. The publication also features weekly analysis and insight from IHS Markit's experts. The publication is included in IHS Markit's Energy's North American Coal suite.

Coal Price Data and Indexes

IHS Markit coal price markers form a key component of the API indices, which serve as the settlement price in 90% of the world's coal derivative contracts. With its legacy of playing a key role in developing steam coal indexation, McCloskey first published the NW European marker in 1991.

Available as an add on to our other products, the full set of steam, coking and petcoke prices – along with vital coal market data, news and analysis can be accessed through our online platform Connect™.

Chinese Coal Market News & Analysis

The service, which comprises analytical reports and daily intelligence updates, brings together IHS Markit's tradition of excellence in covering seaborne markets with Xinhua Infolink's knowledge and insight of the Chinese market. Recent coverage has been at the heart of the policy, regulation, implementation and effect of China's goal of reducing domestic production capacity. This intelligence is augmented with data sets of key indicators.

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Global Steam Coal Service

The service is a one-stop shop for forward-looking analysis on the international steam coal market. At its core is a supply/demand and price forecast service. Outlooks are updated quarterly and backed up with in-depth commentary and a comprehensive data-base. The service also focuses on the inter-relationships between steam coal and other fuels, particularly natural gas as well as petcoke.

APAC and African Coal Market News and Analysis

Australian Coal Report
In-depth weekly coverage of Australian coal markets focusing on market moving events. Infrastructure is a key focus and includes port performance, vessel queues and freight. Australian coal statistics and published monthly in Excel covering exports and other data.

Indian Coal Report
Monthly update on developments in the Indian coal, power and steel markets, including coal production and prices. Key shipping routes to India (Cape, Mini Cape, Supermax) are assessed and priced. Data includes monthly coal imports.

Coalfax
Weekly summary of events impacting international coal markets focusing on Australia and wider Asia. Includes prices, tenders, stocks, shipping and the NEX Index, a key indicator of the spot price of thermal coal ex-Newcastle.

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.

Metallurgical Coal Market Insight, News and Analysis

The Metallurgical Coal Quarterly
forecasts metallurgical coal fundamentals and price out ten years. It is the critical decision making tool for metallurgical coal market players, and those in its related commodities.

Inside Coal
Daily news and analysis of the biggest events in the international metallurgical coal market. Complete coverage of prices, deep insight from met coal specialists, and supply/demand analysis.

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