

Australian coal miners reroute lost volumes to China

(Montel) Australia managed to grow its thermal coal exports by 2% in the year through April, despite customs delays forcing a sharp slowdown in volumes to China, analysts told Montel.

Australia shipped 66.4m tonnes of thermal coal in the first four months of the year, compared to 65.2m tonnes over the same period last year, said IHS Markit director of coal Scott Dendy.

This was despite a 17% drop in exports to China that came in at just 14m tonnes.

A surge in appetite from countries including Taiwan, Korea and India helped to offset the declines from Australia's second-biggest coal customer, which extended checks on Australian coal shipments this year to over 40 days.

Some have suggested the delays have been intended as punishment for diplomatic differences, while others say the delays are a result of Beijing's desire to balance the interests of its domestic miners and power producers.

China policy

Irrespective of the motivation, the disruption has been regarded as one of the main factors to have pressured Australia's benchmark Newcastle coal price to its lowest levels in two years.

"Chinese industrial policy is currently one of the key factors driving price expectations," analysts at Societe Generale said in a report this week.

A slowdown in thermal power generation was "giving domestic coal producers an opportunity to catch up and gain market share, crowding out imports, largely with the blessing of the authorities".

Global Coal's Newcastle index, which measures premium 6,000kcal/kg thermal deliveries typically sold to Japan, last settled at USD 71.60/t, down around 10% on the week and nearly 30% below where it started the year.

A plunge in sales of the 5,500kcal/kg thermal coal that is typically sold to China has compelled Australian miners to look for alternative markets or to blend their coal to meet other customers' specifications, said Pat Markey, managing director of Singapore-based Sierra Vista Resources.

That has ultimately meant greater supply trying to squeeze its way into northeast Asia and India.

"Producers have done a good job in becoming more creative to find alternative markets for those volumes displaced from China," said Markey.

IHS data showed Australia grew its thermal coal exports to Taiwan by 20%, South Korea 18% and India 7% over the first four months of the year.

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