

NEWS AND ANALYSIS

Australia keeps price edge into Indian subcontinent

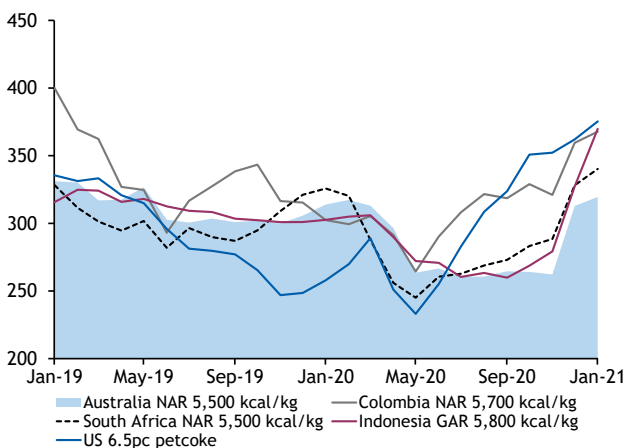
South African coal suppliers face the prospect of stiff competition into some Asia-Pacific markets early in 2021, if Australian suppliers remain shut out of China.

Newcastle fob prices have held a consistent discount to South African equivalents for NAR 6,000 kcal/kg and NAR 5,500 kcal/kg grades since April last year. And despite the higher shipping costs of transporting coal to the Indian subcontinent from Newcastle relative to Richards Bay, Australian coal has been the most competitive means of supplying the Indian market for much of that period, *Argus* analysis shows (*see chart*).

The delivered price of NAR 5,500 kcal/kg Australian coal to end users in inland India is around 323 rupees/Mn Btu, when adjusting for exchange rates, energy content, taxes and rail costs, *Argus* estimates.

By contrast, the delivered cost of Richards Bay NAR 5,500 kcal/kg coal is around Rs356/Mn Btu, while Colombian NAR 6,000 kcal/kg coal is around Rs373/Mn Btu and Indonesian GAR 5,800 kcal/kg product is closer to Rs400/Mn Btu.

Delivered cost to inland Indian end-users Rs/Mn Btu



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PRICES

Daily price assessments					\$/t
Energy	Basis	Timing	Port	Price	±
Europe					
6,000 kcal	NAR	2mths	cif ARA	65.24	-1.96
South Africa					
6,000 kcal	NAR	2mths	fob Richards Bay	90.04	-5.14

Argus cif ARA spot coal assessment \$/t



Argus Richards Bay spot coal assessment \$/t



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This competitive edge has enabled Australian coal to make inroads into markets including India and Pakistan in recent months. Australian exports to India rose to a record monthly high of 1.7mn t in November 2020 and, at 6.2mn t for the January-November period, they were up by 3.1mn t on the year and on track to beat the record 6.71mn t annual total set in 2014.

Pakistani imports of Australian thermal coal, meanwhile, surged to 638,158t in the fourth quarter of 2020, up from zero in October-December 2019.

The competition from Australian coal is likely to be felt most in the power and cement sectors, as South African coal remains the favoured option for sponge iron buyers, who prefer its high fixed carbon content.

But the overall size of the Indian and Pakistani coal markets is likely to grow in 2021, driven by recovering industrial activity and government policies to revive economic growth following the Covid-19-related downturn.

Indian and Pakistani seaborne thermal coal imports are forecast by Argus to increase by 15mn t to 170mn t and by 3.5mn t to 20mn t, respectively, this year.

Competition from petcoke is also likely to be subdued in the short-term given uncompetitive pricing, which should support coal demand. The energy-adjusted delivered cost of US 6.5pc petcoke to India has risen to a premium over most coal grades since the middle of last year, having traded at a substantial discount for much of 2019 and early 2020 (see chart).

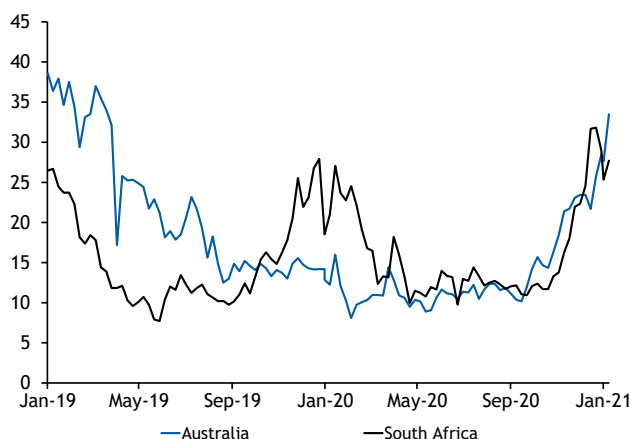
High-CV price decouples

The competition from Australian suppliers has helped to keep a lid on lower-CV coal prices in the past couple of months, despite the rally in the NAR 6,000 kcal/kg market.

As a result, prices of NAR 5,500 kcal/kg coal have disconnected from NAR 6,000 kcal/kg equivalents, with the

NAR 6,000 premium to NAR 5,500

\$/t



respective spreads between these grades from Richards Bay and Newcastle widening to \$27.70/t and \$33.49/t, respectively, from averages of \$15.98/t and \$13.54/t in 2020.

If China’s informal ban on Australian coal remains in place, downward pressure on lower-CV coal prices relative to higher grades should persist. But production difficulties in Indonesia associated with heavy rainfall may create additional market tightness.

Some South African suppliers which can meet China’s trace element requirements have been able to take advantage of the Australia ban to boost sales to this market and substitute some of the shortfall in Australian supply. Restocking demand from China following the cold winter may also support this trade flow in the coming months, but restocking demand from Japan and South Korea may favour Australia suppliers, given the shorter shipping distances.

By Alex Thackrah

WEEKLY PRICES

Off-specification South African prices and differentials for 15 Jan 2021											\$/t
Energy	Basis	Timing	Port	Price	±	Weekly index	February *	March *	Jan MTD †	Dec final †	
5,700 kcal	NAR	2mths	fob Richards Bay	81.81	+5.53	-6.50	-6.35	-6.70	-6.72	-7.99	
5,500 kcal	NAR	2mths	fob Richards Bay	67.84	+5.31	-15.35	-15.00	-15.00	-15.30	-17.52	
4,800 kcal	NAR	2mths	fob Richards Bay	49.78	+3.69	-26.10	-26.25	-25.95	-25.52	-27.15	

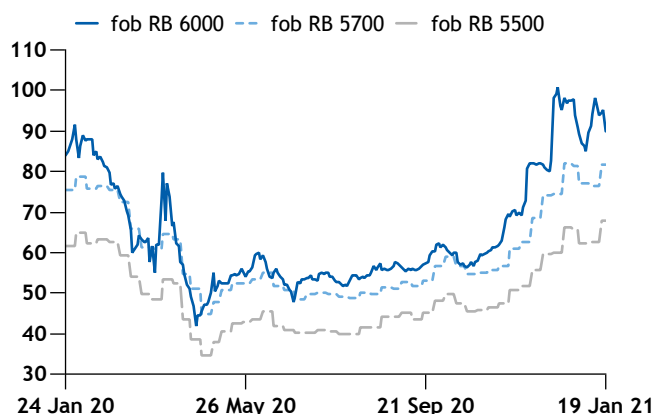
* Differential to API 4 swap for the month based on market survey. † Average of weekly spot price assessments based on deals and market survey.

International coal assessments for 15 Jan 2021						\$/t
Energy	Basis	Timing	Port	Price	±	
Europe						
5,700 kcal	NAR	2mths	cif ARA	69.02	+4.31	
Black Sea and Mediterranean						
6,000 kcal	NAR	1mth	cif Turkey mini bulk plus	80.00	+2.00	
6,000 kcal	NAR	2mths	cif Turkey supra plus	77.33	+3.16	
Russia						
6,000 kcal	NAR	2mths	fob Baltic ports	66.19	na	
6,000 kcal	NAR	2mths	fob Vostochny	91.75	na	
5,500 kcal	NAR	2mths	fob Vostochny	83.43	na	
6,000 kcal	NAR	2mths	fob Black Sea	71.83	na	
Asia-Pacific						
6,000 kcal	NAR	2mths	fob Newcastle	88.14	+7.18	
5,500 kcal	NAR	2mths	fob Newcastle	54.65	+1.33	
5,800 kcal	NAR	3mths	fob Newcastle	78.00	+9.19	
5,800 kcal	NAR	3mths	fob Newcastle (basis NAR 6,080 kcal)	81.77	+9.64	
5,500 kcal	NAR	2mths	fob Qinhuangdao domestic	148.53	+14.34	
5,500 kcal	NAR	2mths	cfr south China	89.36	+9.25	
5,500 kcal	NAR	2mths	cfr east India	72.55	+2.92	
5,000 kcal	GAR	2mths	cfr east India	81.57	+4.20	
4,200 kcal	GAR	2mths	cfr east India	57.40	+3.66	
5,000 kcal	GAR	2mths	cfr west India	82.02	+4.31	
4,200 kcal	GAR	2mths	cfr west India	58.02	+3.76	
6,500 kcal	GAR	2mths	fob Indonesia	88.72	+4.27	
5,800 kcal	GAR	2mths	fob Indonesia	82.03	+4.10	
5,000 kcal	GAR	2mths	fob Indonesia	72.44	+4.02	
4,200 kcal	GAR	2mths	fob Indonesia	47.94	+2.50	
3,400 kcal	GAR	2mths	fob Indonesia	26.32	+1.10	
5,800 kcal	NAR	3mths	cfr South Korea	88.44	+7.08	
5,800 kcal	NAR	3mths	cfr South Korea (basis NAR 6,080 kcal)	92.71	+7.42	

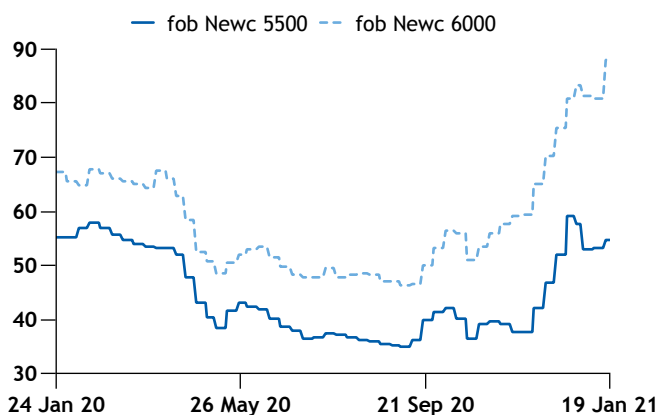
International coal assessments for 15 Jan 2021						\$/t
Energy	Basis	Timing	Port	Price	±	
Americas						
11,300 Btu	GAR	2mths	fob Puerto Bolivar	62.75	+2.25	
6,000 kcal	NAR	2mths	fob Hampton Roads	56.04-79.81	+0.80	
11,300 Btu	GAR	2mths	fob New Orleans	51.50	+2.00	

Weekly and monthly averages of daily assessments						\$/t
Energy	Basis	Timing	Port	Price	Previous	
Europe						
6,000 kcal	NAR	2mths	cif ARA rolling weekly avg	66.22	70.29	
6,000 kcal	NAR	2mths	cif ARA rolling monthly avg	68.03		
South Africa						
6,000 kcal	NAR	2mths	fob RB rolling weekly avg	92.61	95.54	
6,000 kcal	NAR	2mths	fob RB rolling monthly avg	91.71		

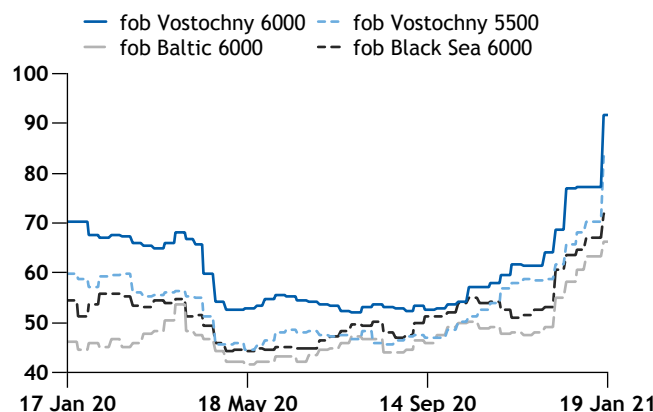
Argus fob Richards Bay spot coal assessments \$/t



Argus fob Newcastle spot coal assessments \$/t



Argus Russian spot coal assessments \$/t



COMMENTARY

Forward prices				\$/t
Timing	Buy	Sell	Average	±
cif ARA (Rotterdam) API 2				
February	66.15	66.65	66.40	-0.40
March	66.05	66.55	66.30	-0.30
April	65.80	66.30	66.05	-0.25
1Q21	66.50	67.00	66.75	-0.15
2Q21	65.75	66.25	66.00	-0.15
3Q21	66.80	67.30	67.05	-0.25
4Q21	68.05	68.55	68.30	-0.20
1Q22	68.65	69.15	68.90	nc
2022	68.85	69.35	69.10	+0.55
2023	67.80	68.30	68.05	+0.55
2024	69.60	70.10	69.85	+0.75
fob Richards Bay South Africa API 4				
February	84.80	85.30	85.05	-1.90
March	81.60	82.10	81.85	-1.80
April	80.60	81.10	80.85	-2.20
1Q21	85.80	86.30	86.05	-1.25
2Q21	80.45	80.95	80.70	-1.85
3Q21	79.10	79.60	79.35	-1.20
4Q21	78.35	78.85	78.60	-0.40
1Q22	77.70	78.20	77.95	-0.85
2022	77.90	78.40	78.15	-0.20
2023	76.40	76.90	76.65	+0.10
2024	77.60	78.10	77.85	+0.75
API 2 premium to API 4				
Prompt	-18.90	-18.40	-18.65	+1.50
South Africa to Europe, implied freight rate				
1Q21	-19.35	-19.25	-19.30	+1.10
2Q21	-14.75	-14.65	-14.70	+1.70
3Q21	-12.35	-12.25	-12.30	+0.95
4Q21	-10.35	-10.25	-10.30	+0.20
1Q22	-9.10	-9.00	-9.05	+0.85
2022	-9.10	-9.00	-9.05	+0.75
2023	-8.65	-8.55	-8.60	+0.45
2024	-8.05	-7.95	-8.00	nc

API 2 curve continues to move lower

Near-curve API 2 coal swaps extended their losses from yesterday, while firming power prices in Germany improved month-ahead margins for coal burn.

Contracts at the front of the curve registered the biggest declines today, while the back of the curve moved higher.

The physical market also moved lower, with Argus' daily cif Amsterdam-Rotterdam-Antwerp index falling by \$1.96/t to \$65.24/t.

The contango between the month and year-ahead contracts widened to \$2.70/t today, up from \$1.75/t a day earlier.

The German power market rebounded today with the base-load February contract gaining by €3.50/MWh on the day to €53.35/MWh, after falling by €2.20/MWh yesterday.

Gas prices also moved higher on the day, boosting coal's cost advantage for power generation, although the increase in profitability was partly offset by higher emissions costs.

Month-ahead NCG gas prices moved up by €1.43/MWh to €19.83/MWh today, bringing coal ahead of gas in the German merit order once again.

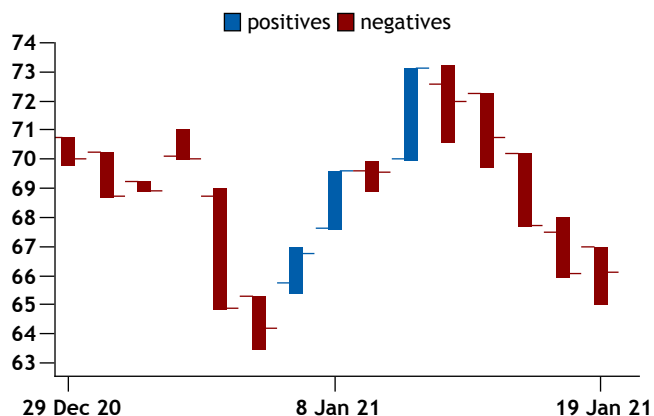
The front-month clean dark spread for a 40pc efficient coal unit improved by €2.42/MWh to €5.51/MWh, while clean-spark spreads for 55pc gas units only inched up by €0.35/MWh to €5.14/MWh.

Coal also remains competitive with gas in the day-ahead market, but outright margins for coal burn fell sharply to minus €8.60/MWh, owing to a steep decline in day-ahead power prices ahead of an expected increase in wind output.

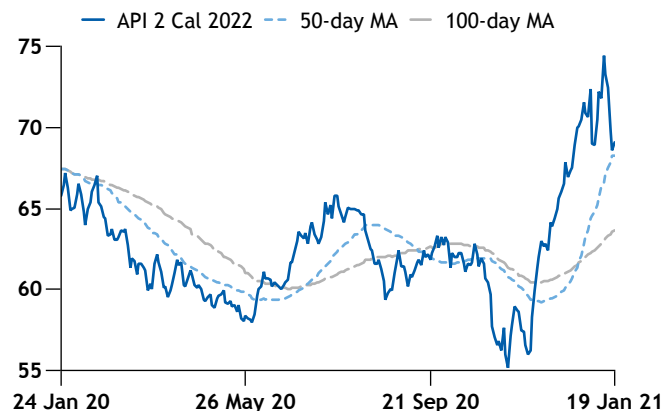
German power demand may be capped by above-average temperatures in the near term, compounding the impact of high wind load factors in excess of 50pc on overall generation from fossil fuels.

Elsewhere, near-curve South African coal swaps also slipped today in line with weakness in the physical spot market. Argus assessed the daily fob Richards Bay index down by \$5.14/t on the day at \$90.04/t.

API 2 swaps quarter-ahead intraday moves \$/t



API 2 year-ahead \$/t



COMMENTARY

Supply disruptions support low-CV Indonesian prices

Bids and offers for low-calorific value (CV) Indonesian coal increased on the back of weather-related supply disruptions across parts of Kalimantan. This is restricting spot availability at a time when Chinese demand is strong, while Indian buyers have also returned to the market.

An east Kalimantan GAR 4,200 kcal/kg (NAR 3,800 kcal/kg) producer has declared force majeure because of flooding at its pits following several weeks of heavy rainfall. The producer said the force majeure could persist into February or March. This comes after a mid-CV Indonesian producer recently declared force majeure on its shipments because of flooding at its pits and a hauling road. Other producers have been forced to delay shipments that had been scheduled to load later this month and in early February.

In the low-CV Indonesian market, February and March loading geared Supramax cargoes of GAR 4,200 kcal/kg (NAR 3,800 kcal/kg) coal changed hands at \$52-54/t fob Kalimantan. February-loading geared Supramax cargoes were bid at \$51-52/t against offers at \$54-55/t. The GAR 4,200 kcal/kg price was last assessed by Argus at \$47.94/t fob Kalimantan.

Activity in the ICI 4 derivatives market was subdued. February futures were last assessed by Argus yesterday at \$50.30/t, up by \$1.50/t from the previous day.

China's domestic spot prices showed signs of cooling after a sustained period of strong gains caused by robust winter heating demand. Temperatures in many parts of south China have begun to rise, with the country's meteorological administration forecasting moderate rainfall in many parts of the south for the next two days. This could end a dry spell in that part of the country and potentially raise hydropower availability, curbing thermal power generation.

But strong economic growth in China's industrialized southern provinces could cushion any significant fall in spot coal prices by sustaining industrial consumption for electricity. This depends on how effectively the government can curb inter-provincial travel in the weeks leading up to the 11-17 February lunar new year holiday in a bid to fight a recent Covid-19 outbreak. Higher manpower availability at factories during the holiday due to Covid-19 related travel bans could encourage businesses to minimise closures during this year's holiday, potentially supporting coal demand.

Chinese domestic NAR 5,500 kcal/kg coal was offered at around 1,050-1,100 yuan/t (\$161.99-169.71/t) fob north China ports, but some NAR 5,000 kcal/kg cargoes traded at Yn950/t, down from Yn980-990/t yesterday. Some market

Forward prices		\$/t
Timing	Midpoint	±
fob Indo 4,200 GAR, ICI 4		
February	51.75	+1.45
March	48.50	+0.10
1Q21	49.40	+0.55
2Q21	43.75	+0.50
2022	42.45	+0.10

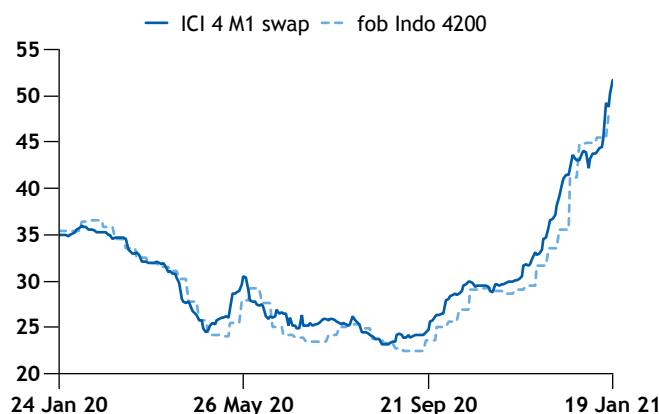
participants expect domestic NAR 5,500 kcal/kg prices to decline in tandem with the NAR 5,000 kcal/kg market. Argus last assessed the Chinese NAR 5,500 kcal/kg price at Yn960/t fob Qinhuangdao on 15 January. In dollar terms, the price was assessed at \$148.53/t.

China's coal futures market was in backwardation, with the prompt February contract at the Zhengzhou commodity exchange closing at Yn898.60/t, up from Yn896.20/t yesterday. The most actively traded May contract closed at Yn681.60/t, down sharply from Yn717.2/t yesterday, on market expectations that coal supplies could increase by March.

In the Australian high-ash market, February-loading Capesize cargoes of NAR 5,500 kcal/kg coal were indicatively bid at \$52-53/t fob Newcastle against offers at \$54.50-56/t.

In the high-CV Australian market, a 25,000t NAR 6,000 kcal/kg clip traded on the GlobalCoal screen at \$88/t fob Newcastle, although that is below the minimum 50,000t threshold for inclusion in the Argus index. A 25,000t April clip also traded onscreen at an index-linked price, although this cargo falls outside of the current February-March assessment window.

ICI 4 front month swap vs physical spot \$/t



COAL MARKET NEWS

Chinese coal output faces further tightening

China's domestic coal availability could be tightened further because of a new coal mining-related accident and heightened Covid-19 safety measures by some local authorities in the country's coal-producing north.

At least four workers remain trapped in a coal mine in south China's Guizhou province following an accident this morning involving excess carbon oxide. The latest accident happened shortly after China's ministry of emergency management issued reminders for the sector to observe strict safety protocols. The high demand winter period is regarded as particularly accident-prone for the industry. The accident comes after a series of mining accidents late last year that [involved fatalities](#) and could put renewed pressure on authorities to step up nationwide safety inspections that could curtail coal output.

Chinese Premier Li Keqiang and the country's main economic planning agency the NDRC have issued repeated calls for domestic coal producers to raise output to allay shortages caused by strong heating demand amid an unusually cold winter and a robust economic recovery. But they have stressed the importance of not compromising [safety standards](#).

China's coal supplies also face prospects of being curtailed by increasingly stringent health and safety measures adopted by local authorities in some critical coal-producing districts to combat the latest Covid-19 outbreak that started in [Hebei province at the start of 2021](#).

Covid-19 safety measures

Authorities in Yulin city of China's third largest coal producing province of Shaanxi have banned truck drivers from entering regions listed as "medium" and "high risk", and require them to perform trans-shipments at designated locations while being subject to two Covid-19 tests. Those coming from "low" risk regions must produce negative Covid-19 test results that are not more than three days old before collecting coal, among other measures.

Yulin authorities did not specify what regions are classified as "medium" and "high risk" but could involve some of China's northeastern provinces where the latest Covid-19 outbreak is gaining pace.

China's coal logistics could be severely restricted if other localities in the coal producing heartlands of Shaanxi, Shanxi and Inner Mongolia adopt the same stringent measures as Yulin. The impact on northeast China could be pronounced because heating demand in this part of the country is especially strong given harsh winter temperatures.

Temperatures in many parts of south China have risen after a recent cold snap. This could curb heating demand from this part of the country but a particularly robust economic recovery late last year spearheaded by

the industrial south [could sustain industrial demand for electricity](#), supporting thermal coal demand.

China's spot coal market is tightly supplied. Some cargoes of NAR 5,500 kcal/kg traded at 1,000-1,100 yuan/t (\$154.24-169.67/t) fob north China ports yesterday, with some offers as high as Yn1,200/t. *Argus* last assessed this market at Yn960/t fob Qinhuangdao on 15 January, up by Yn91.67/t on the week. In dollar terms, the price rose by \$14.34/t to \$148.53/t.

By Kelvin Leong

China Coal Energy exceeds 2020 output target

Output by Chinese state-controlled producer China Coal Energy exceeded its 2020 output target set at the start of the year, although higher production was not enough to lift national output.

China Coal Energy, the listed subsidiary of state-controlled producer China Coal, produced 110mn t last year. This was higher compared with a target of 96mn t and 8pc higher than its output in 2019.

The firm produced 8.57mn t in December last year, an increase of 14.6pc compared with the same month in 2019. Its coal sales, which includes what it produced and sold and what it bought from other producers to resell, were 24.74mn t last month, an increase of 6.9pc from December 2019.

The producer and its parent company China Coal have been seeking to increase production, in response to repeated calls by Beijing for domestic supplies to increase to help cope with strong demand caused by an economic rebound and a colder than usual winter.

But China's national coal production was relatively steady because of the delayed reopening of mines after last year's lunar new year holiday in February with measures taken to constrain the spread of Covid-19, as well as production cuts in Inner Mongolia and Shaanxi province that mainly hit small and privately-owned mines.

Chinese mines produced a combined 3.84bn t of coal in 2020, up by just 0.9pc from a year earlier, the national bureau of statistics said yesterday.

Coal production at China Coal reached 4.08mn t over 1-7 January, up by 18pc from the same period last year. Of this, 2.16mn t of was shipped by rail that was an increase of 11pc from a year earlier. The company's higher production in early January reflected increased output since the start of the winter. China Coal's output in the fourth quarter of 2020 was up by 30pc from the first quarter of the same year, the producer said. But this did not change the fact that overall domestic supplies remained tight.

The weather has started to turn warmer in south and east China following a series of recent cold snaps, although temperatures remain low in north China. This could ease power demand for heating in the south and the east, which

COAL MARKET NEWS

in turn could reduce coal demand.

Spot domestic coal prices showed signs of weakening today, with NAR 5,000 kcal/kg coal leading the fall. Tradeable prices of NAR 5,000 kcal/kg coal were at around 950 yuan/ t (\$146.50/t) fob ports in north China, down from Yn980-990/t fob yesterday.

Prices of higher calorific values may also start to weaken, although supplies from mines in Inner Mongolia and Shaanxi are still tight. There was little coal available at ports in north China today, although several cargoes traded at around Yn1,000-1,100/t fob yesterday.

Indonesia sets 2021 coal DMO at 137.5mn t

Indonesia's energy ministry (ESDM) has set the domestic market obligation (DMO) for coal producers at 25pc of the 2021 production target of 550mn t, equating to 137.5mn t.

Under Indonesia's coal DMO policy, producers have to make a certain percentage of their annual output available to the domestic market.

The bulk of the DMO volume is allocated to the power generation sector and this year, a total of 113mn t has been set aside to meet the needs of coal-fired power plants. This is higher than total consumption within the sector last year, which reached 105mn t.

The ESDM said that the higher allocation is to cover an expected increase in power demand in the country as the year progresses and the economy recovers. New coal-fired power plants are expected to start commercial operations this year, such as the 200MW Kalteng 1 plant operated by Dian Swastatika Sentosa and the 1,000MW unit 1 of Adaro Energy's Batang plant.

Other sectors that have been allocated coal under the DMO includes the agricultural industry which has been set a volume of 13mn t, metallurgy which has been allocated 6mn t and the cement industry which was given an allocation of 1.5mn t.

The DMO is set annually and is typically 25pc of the sector's projected total coal output for the prevailing year. Companies that are unable to fulfill their DMO quotas can have their production volume reduced the following year and have fines levied against them by the national government.

The Indonesian coal mining association (APBI) has requested the ESDM to waive DMO penalties for production and sales this year, saying that the coal market is still recovering after prices reached historical lows last year. The ESDM last week said it was [waiving](#) sanctions against coal producers that were unable to reach their DMO quotas for 2020 because of weaker domestic coal demand. The ESDM will review the APBI's latest request but it is still too early to make a decision for the whole of 2021.

Domestic coal consumption stood at 138mn t last year, according to an initial ESDM estimate, well below an original target of 155mn t set at the start of the year. But the low

domestic uptake occurred on weaker overall demand and not a lack of supplies, the ESDM said, so sales covered the needs of the domestic market.

By Antonio delos Reyes

India's NTPC expands thermal power capacity

Indian state-controlled power utility NTPC has increased its thermal generation capacity with the addition of a 660MW second unit at its Meja thermal power project in the northern state of Uttar Pradesh, potentially expanding its coal consumption.

The unit, in the state's Prayagraj district, completed trial operations recently and has been added to the company's installed capacity. The addition takes generation capacity at NTPC, India's largest utility, to 63.63GW.

The first unit of the 1.32GW power plant was commercialised in April 2019. The Meja power project is a 50:50 joint venture between NTPC and UPRVUNL, the Uttar Pradesh government's power generating company. BSE-listed NTPC also commercialised a 50MW solar power project at Kasargod Solar Park in the south Indian state of Kerala earlier this month.

NTPC added a record 8.26GW of capacity in the 2019-20 fiscal year that ended on 31 March from the [acquisition](#) of 3.3GW of hydropower and wind assets.

The company had set a target to build 5.54GW of coal-fired generation capacity in 2020-21. But it now expects to only add at least 4.74GW because of a [shortage](#) of workers from the Covid-19 pandemic.

NTPC aims to [add more than 16GW](#) of thermal power generation capacity in the next five years, lifting the country's coal consumption. This is part of its long-term aim of more than doubling its total power generation capacity to 130GW by 2032.

NTPC consumed nearly 23pc of India's 729mn t coal output in 2019-20. It consumed about 169mn t of coal in 2019-20, of which 2.3mn t was imported, marginally lower than 173mn t in 2018-19.

NTPC recently started commercial operations at the [7mn t/yr Dulanga coal mine](#) in east India's Odisha state, which is expected to reduce its dependence on external suppliers, including state-controlled mining firm Coal India.

Dulanga is one of the 10 coal blocks that has been allocated to the company that have combined estimated reserves of 7.3bn t and could produce about 103mn t/yr of coal by 2028-29, the company previously said. These blocks are for captive use, meaning output from the mines cannot be sold to other consumers.

NTPC produced 11.15mn t of coal in 2019-20, up by 52.5pc from the previous year. This coal was supplied to its 21 power plants. It has set a target to mine 15mn t of coal in 2020-21. The company has been expanding its coal output to ensure steady supplies for its growing number of power plants.

By Ajay Modi

COAL MARKET NEWS

Japan urged to review power market framework

Japan is under pressure to review functions of the country's deregulated retail power market, to avoid a repeat of the recent electricity shortage that bolstered wholesale power prices.

The trade and industry ministry today started discussion on issues that affect electricity supply. It plans to verify the market framework, focusing on securing generation fuels and power capacity, roles of authorities, an interconnection of generators, retailers and transmitters in a free market, adequate disclosure of relevant information and risk management.

The power shortage occurred from a combination of series of factors, including extended icy weather, higher-than-expected electricity demand, lower nuclear and solar output and shortage of thermal generation fuels, especially LNG. This became apparent in late December, when power prices on the Japan electric power exchange (Jepx) began to **increase**.

A buying spree by small power retailers may have contributed to higher-than-expected demand, said market participants close to generation and fuel procurement. Smaller retailers, especially those without power units, secure electricity on Jepx while major utilities are required to fill any imbalances to ensure stable supplies to consumers, even when the utilities face tight supply.

The higher-than-expected demand surprised power generators, as they realised their LNG inventories were **insufficient** to meet rising electricity demand. This prompted generators to reduce gas-fired operations since late December, while stepping up efforts to seek additional LNG cargoes.

Japan **deregulated** the retail power market in April 2016 and **spun off** the transmission sector in April 2020. This has made it difficult for a power company to manage a consistent flow from fuel procurement to power consumption.

The country's power agency, the organisation for cross-regional co-ordination of transmission operators, last week began a **survey** to understand the availability of thermal power generation fuels such as LNG and oil to ride out the current shortage of electricity across Japan. Survey results have not been disclosed to the public so far.

The disclosure of fuel availability might be necessary to push forward with further expansion of the deregulated market, some industry participants pointed out. But others said this may go against market mechanism.

By Motoko Hasegawa

South Korea's Koen seeks 300,000t of coal

South Korean state-owned utility Korea South-East Power (Koen) is seeking 300,000t of thermal coal for March-April 2021 loading as part of a three-year term tender closing on 21 January.

The coal will be used at Koen's 3.2GW Samcheonpo, 5.1GW Yeongheung and 669MW Yeosu thermal power plants.

The tender seeks coal with a calorific value in a NAR 4,400-4,990 kcal/kg range, maximum sulphur content of 0.5pc on an as-received basis, no more than 45pc moisture, volatile matter of minimum 22pc on an as-dried basis, and maximum ash content of 10pc.

The tender requires one Capesize vessel to be shipped each month over March-April 2021 in the first contractual year, with offers requested as a single fixed price on a fob trimmed basis. The requested volumes for subsequent years will increase to as much as 150pc of the first year – 130pc for Russian coal – with loadings requested for May 2021-April 2022 and then May 2022-April 2023.

Bidders are requested to supply the coal from a single mine and east Russian coal is not allowed to participate in the tender. Bids must be submitted to Koen's website by 15:00 Korean Standard Time (06:00 GMT) on 21 January.

Koen has been an active buyer in the South Korean coal market in recent weeks, and procured five Capesize vessels of minimum NAR 5,600 kcal/kg Australian coal for loadings in March 2021 in a joint tender that closed on 14 January. Koen also procured, on the same day, three Panamax cargoes of minimum NAR 4,400 kcal/kg and maximum 4,990 kcal/kg Indonesian coal for March loading.

Koen also bought a further two Capesize vessels of NAR 4,400-5,499 kcal/kg coal from Australia's Rolleston mine coal for loadings in March-April 2021 on 15 January.

By Evelyn Lee

Taiwan's FPG seeks imported thermal coal

Taiwanese conglomerate Formosa Plastics Group (FPG) is seeking a series of Capesize cargoes for an unspecified total volume of coal in a tender closing on 25 January.

The coal is to be delivered to Taiwan's Mailiao port during April. FPG is seeking a minimum calorific value (CV) of NAR 5,650 kcal/kg (GAR 5900 kcal/kg), with total moisture content not exceeding 16pc on an as-received basis, a maximum sulphur content of 0.8pc on an air-dried basis, and an ash content not exceeding 17pc on an air-dried basis. Volatile matter should be in a 24-42pc range on an air-dried basis.

The total volume required was not specified, but the coal should be shipped on Capesize vessels between 1-30 April. FPG will consider proposals submitted on both a cfr and fob basis, although bidders supplying Colombian coal or a first-time bidder to FPG must submit on a cfr basis only.

Both index-linked and fixed-price proposals will be considered, although additional reference to freight costs is required for cfr offers. Bids are to be submitted no later than 23:59 Taipei time (15:59 GMT) on 25 January on FPG's internet platform for coal offers.

By Evelyn Lee

COAL MARKET NEWS

Cerrejon faces human rights complaints

Legal activists have filed multiple complaints of alleged human rights and environmental abuses at Colombia's Cerrejon coal mine.

The Global Legal Action Network (GLAN) made complaints to the OECD's offices in the UK, Switzerland and Australia today, urging it to investigate the mine's owners Anglo American, Glencore and BHP, which are based in those countries, respectively.

GLAN's complaints relate to "the forced displacement of indigenous and Afro-Colombian communities and the widespread, persistent and extreme pollution of the air and water in the vicinity of the mine".

It alleges that Cerrejon has failed to comply with multiple Colombian court judgments and that the mine's owners are responsible, under the OECD's guidelines for multinational enterprises, for the harms caused by its operations.

The OECD's national contact points (NCPs) in Australia, Switzerland and the UK will assess the complaints and determine whether to evaluate the cases further. If the NCPs take on the cases, they would attempt to resolve the matters through mediation, dialogue and conciliation services.

GLAN has lodged separate complaints against Ireland's Coal Marketing Company (CMC), a marketer of Cerrejon's coal, as well as the country's state-owned Electricity Supply Board (ESB), which has purchased coal from the mine. GLAN described ESB as a "major purchaser" of Cerrejon coal, but ESB said it had not bought any material from the mine since 2018, and that it purchased "just over 2pc" of the mine's output during the previous three-year period.

Cerrejon told the UN in November that it was [complying with international air-quality regulations and fulfils water-quality standards in the La Guajira Wayuu reservation, home to the indigenous Wayuu population](#).

The company said that GLAN did not contact it before filing the complaints, but that it would respond fully "once

we are aware of the full details of their concerns".

"Cerrejon is ready to engage with the NCPs and provide all the information required," the firm said. "We strongly encourage them to visit the mine in La Guajira, when possible, considering the current global pandemic, to see the operation first-hand and understand the context and challenges faced."

The UN had previously called for a [temporary suspension of operations at the mine because of concerns about its impact on the environment and the health of local indigenous people](#).

Cerrejon resumed mining operations last month after a 101-day halt because of industrial action.

By Robert Preston

Strike curtails French generation capacity by 3GW

French nuclear, gas, hard coal and hydropower generation capacity has been curtailed since yesterday afternoon as a result of strike actions at state-controlled utility EdF's sites.

Around 3.33GW of nuclear, hard coal and gas-fired capacity was unavailable between yesterday at 22:00 local time until today at 14:00 local time, EdF remit data show.

In addition, EdF's hydropower production availability is scheduled to be limited by 1.44GW today because of industrial action, it said. Additionally, output at EdF's 915MW Cruas 2 nuclear reactor will be limited to 400MW from 14:00-21:00 local time.

The French Epex day-ahead settled at €60.39/MWh for today's delivery, down from €69.17/MWh for delivery yesterday and at a significant premium to its CWE neighbouring markets.

Intra-day hourly products have seen upside support since the strike began, to trade at weighted averages as high as €96.36/MWh for hour 18 and €87.05/MWh for hour eight local time, both above respective day-ahead settlements.

Trade union FNME-CGT called for additional strike action on 26 January, which could weigh on power generation output.

By Felicia Grosse

ANNOUNCEMENT: PROPOSED CHANGES TO DRY BULK METHODOLOGY

Changes to dry bulk timestamps, cargo sizes

Argus proposes to change the timestamp of the following Asia-Pacific Capesize and Panamax dry bulk freight assessments covering coal shipments to 6pm Singapore time from 5pm London time to align with the Singapore trading day.

- east coast Australia to south China 70,000t
- east coast Australia to east coast India 70,000t
- east coast Australia to Japan 70,000t
- east coast Australia to South Korea 70,000t
- Indonesia to east coast India 70,000t
- Indonesia to Japan 70,000t
- Indonesia to south China 70,000t
- Indonesia to South Korea 70,000t
- Hay Point to Rotterdam 160,000t
- Newcastle to Fangcheng 150,000t
- Newcastle to Zhoushan 150,000t

Argus also proposes to change the cargo size of a number of its Capesize and Panamax dry bulk freight assessments to better align with the traded market. A full list of affected assessments is provided in the table.

In addition, Argus proposes to specify that all dry bulk freight assessment are of contracts that include +/-10pc cargo size flexibility in keeping with industry practice and in acknowledgement of the various physical factors that can affect cargo size.

Proposed changes to cargo sizes			'000t
Route	Market	Current size	Proposed size
Capesize			
Newcastle to Fangcheng/Zhoushan (2 routes)	Coal	150	130
Gladstone to Fangcheng/Zhoushan (2 routes)	Coal	150	160
Hay Point to Fangcheng/Zhoushan (2 routes)	Coal	150	160
Puerto Bolivar to Rotterdam	Coal	150	160
Panamax			
EC Australia to south China	Coal	70	75
EC Australia to South Korea	Coal	70	75
EC Australia to east coast India	Coal	70	75
EC Australia to Japan	Coal	70	75
Indonesia to south China	Coal	70	75
Indonesia to Japan	Coal	70	75
Indonesia to South Korea	Coal	70	75
Indonesia to east coast India	Coal	70	75
Murmansk to Rotterdam	Coal	70	75
Puerto Bolivar to Rotterdam	Coal	70	75
Richards Bay to Rotterdam	Coal	70	75
US Gulf to ARA	Coal	70	75

Argus will accept comments on these proposals until 5 February 2021. To discuss comments on these proposals, please contact Will Collins at will.collins@argusmedia.com or +44 20 7780 4226. Formal comments should be marked as such and may be submitted by email to freight@argusmedia.com and received by 5 February 2021. Please note, formal comments will be published after the consultation period unless confidentiality is specifically requested.

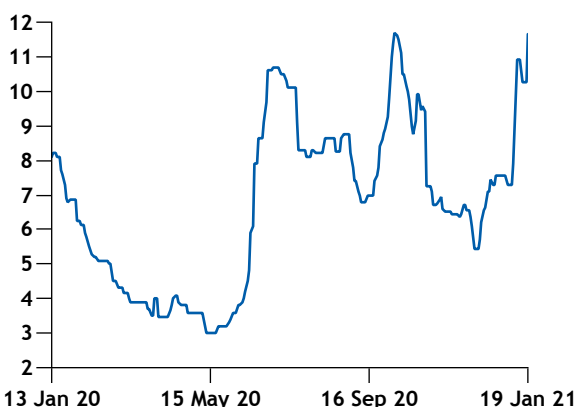
SHIPPING COSTS

Dry bulk freight rates			
Route	Size '000t	\$/t	±
Panamax			
Murmansk-Rotterdam	70	9.65	nc
Richards Bay-Rotterdam	70	15.00	nc
Puerto Bolivar-Rotterdam	70	14.80	nc
EC Australia-Japan	70	13.20	nc
EC Australia-S Korea	70	12.35	nc
EC Australia-S China	70	13.15	nc
EC Australia-EC India	70	15.40	nc
Indonesia-S China	70	7.60	nc
Indonesia-EC India	70	9.25	nc
Indonesia-Japan	70	9.15	nc
Indonesia-South Korea	70	7.85	nc
Capesize			
Richards Bay-Rotterdam	150	11.65	+1.40
Puerto Bolivar-Rotterdam	150	13.45	+0.40
Newcastle-Zhoushan	150	12.05	-0.60
Newcastle-Fangcheng	150	12.05	-0.60
Richards Bay-S China	150	14.60	nc
Richards Bay-Krishnapatnam	150	11.80	nc

Asia-Pacific freight analysis						
Route	Basis	Energy kcal/kg	Size '000t	Freight \$/t	Coal \$/t fob landed	±
EC Australia-Japan	NAR	6,000	70	13.20	88.14 101.34	nc
EC Australia-S Korea	NAR	6,000	70	12.35	88.14 100.49	nc
EC Australia-S China	NAR	5,500	70	13.15	54.65 67.80	nc
EC Australia-EC India	NAR	5,500	70	15.40	54.65 70.05	nc
Indonesia-Japan	GAR	6,500	70	9.15	88.72 97.87	nc
Indonesia-Japan	GAR	5,800	70	9.15	82.03 91.18	nc
Indonesia-S Korea	GAR	5,800	70	7.85	82.03 89.88	nc
Indonesia-S Korea	GAR	5,000	70	7.85	72.44 80.29	nc
Indonesia-S China	GAR	5,800	70	7.60	82.03 89.63	nc
Indonesia-S China	GAR	5,000	70	7.60	72.44 80.04	nc
Indonesia-S China	GAR	4,200	70	7.60	47.94 55.54	nc
Indonesia-EC India	GAR	4,200	70	9.25	47.94 57.19	nc
Indonesia-EC India	GAR	3,400	70	9.25	26.32 35.57	nc

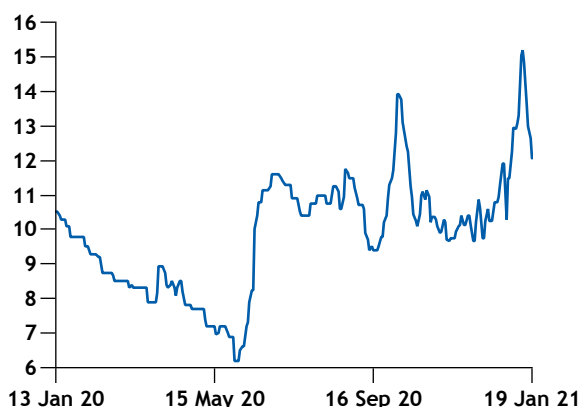
Richards Bay-Rotterdam, Capesize

\$/t



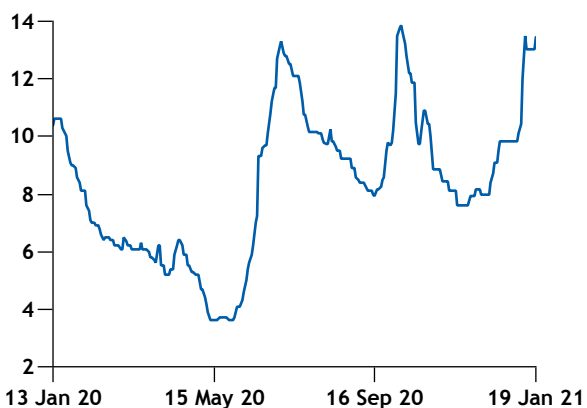
Australia to south China, Capesize

\$/t



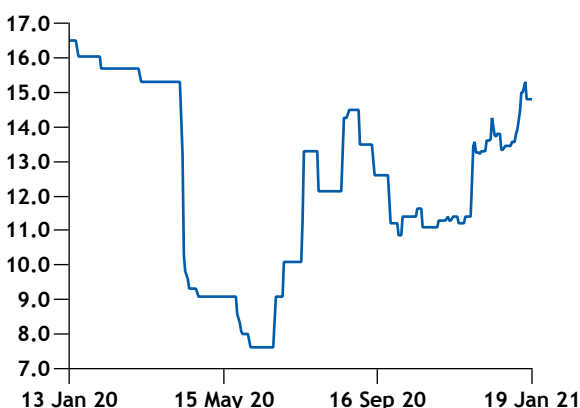
Puerto Bolivar to Rotterdam, Capesize

\$/t



Puerto Bolivar to Rotterdam, Panamax

\$/t



SPARK SPREADS

Spark spread calculations

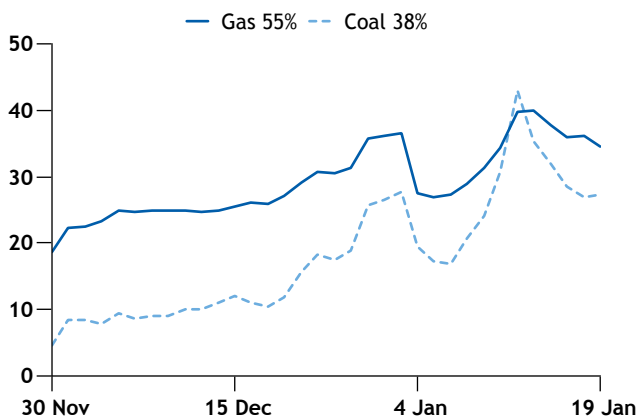
Spark spreads for various thermal efficiencies are calculated from Argus outright fuel, CO₂ emissions and electricity prices, and are not assessments based on actual spark-spread trades. Fuel, emissions and electricity prices are taken from the Argus European Electricity, Argus European Natural Gas, Argus Coal Daily International, Argus European Products and Argus European Emissions Markets daily reports.

A selection of spark and dark spreads are published in the print report. A full range of spark and dark spreads can be accessed through Argus Direct. Please contact sales@argusmedia.com to arrange access.

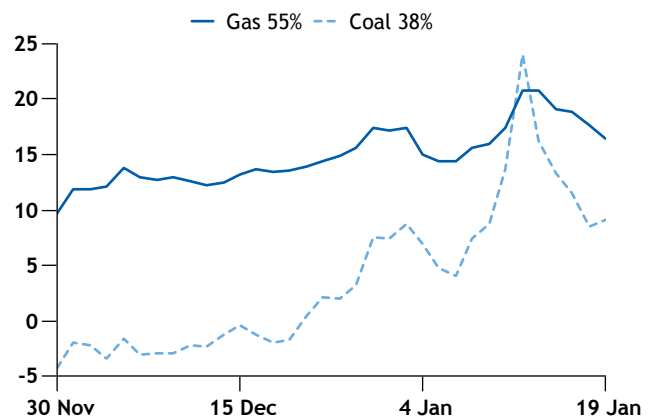
UK ETS and CSP adjusted spark and dark spreads					£/MWh
Contract	NBP 55%		ARA Coal 38%		
	base load	peak load	base load	peak load	
Working day ahead	9.261	15.761	0.468	6.968	
February	16.434	34.584	9.086	27.236	
March	11.741	18.741	1.777	8.777	
April	11.465	16.165	-2.793	1.907	
May	8.433	13.433	-	-	
June	8.274	13.024	-	-	
July	9.094	13.544	-	-	
2Q21	9.391	14.241	-6.702	-1.852	
3Q21	9.209	13.709	-8.523	-4.023	
4Q21	9.784	18.834	-3.502	5.548	
1Q22	10.746	19.646	-0.791	8.109	
Summer 2021	9.300	13.950	-7.614	-2.964	
Winter 2021	10.266	19.216	-	-	
Summer 2022	5.367	10.917	-	-	
Winter 2022	8.788	16.738	-	-	
2022	7.784	14.774	-9.097	-2.107	

UK unadjusted spark spreads				£/MWh
Contract	NBP 49.13%			
	base load	peak load		
Working day ahead	21.024	27.524		
February	28.050	46.200		
March	23.674	30.674		
April	23.891	28.591		
May	21.147	26.147		
June	21.080	25.830		
July	21.999	26.449		
2Q21	22.039	26.889		
3Q21	22.033	26.533		
4Q21	22.065	31.115		
1Q22	22.843	31.743		
Summer 2021	22.036	26.686		
Winter 2021	22.454	31.404		
Summer 2022	18.490	24.040		
Winter 2022	21.389	29.339		
2022	20.533	27.523		

UK front-month peak-load spark vs dark €/MWh



UK front-month base-load spark vs dark £/MWh



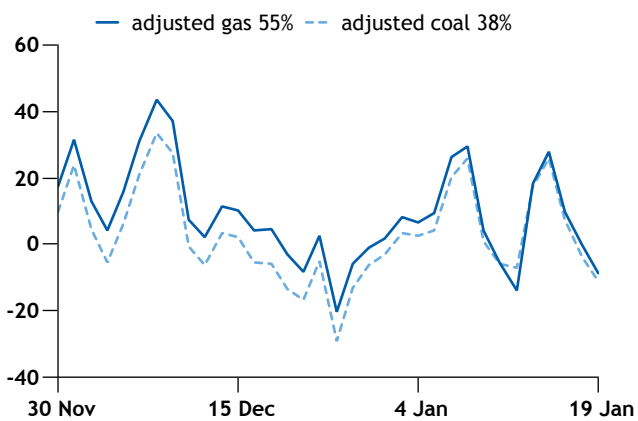
Announcement

To allow for the continued publication of UK power plant generating margins from 1 January 2021, Argus will calculate UK emissions-adjusted dark and spark spreads using EU ETS prices as the cost of carbon until the prices of UK allowances diverge.

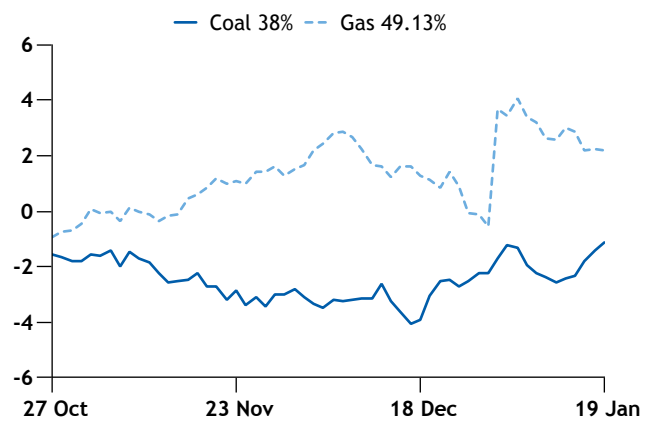
SPARK SPREADS

German ETS adjusted spark and dark spreads €/MWh							German unadjusted dark spreads €/MWh		
Contract	NCG 55%		Gaspool 55%		ARA Coal 38%		Contract	ARA Coal 38%	
	base load	peak load	base load	peak load	base load	peak load		base load	peak load
Working day ahead	-8.856	-2.306	-9.038	-2.488	-11.011	-4.461	Working day ahead	18.602	25.152
February	5.148	16.248	5.438	16.538	3.356	14.456	February	33.059	44.159
March	1.952	9.952	2.034	10.034	-0.982	7.018	March	28.721	36.721
April	-0.016	4.434	0.248	4.698	-5.955	-1.505	April	23.748	28.198
May	-2.080	2.120	-	-	-	-	2Q21	23.212	28.112
June	2.484	8.534	-	-	-	-	3Q21	26.079	32.429
July	3.184	9.434	-	-	-	-	4Q21	29.985	41.885
2Q21	0.179	5.079	0.461	5.361	-6.491	-1.591	1Q22	32.590	45.440
3Q21	3.820	10.170	4.048	10.398	-3.624	2.726	2Q22	na	na
4Q21	5.818	17.718	5.818	17.718	0.219	12.119	2022	28.773	38.823
1Q22	7.952	20.802	7.952	20.802	2.699	15.549	2023	28.337	38.437
2Q22	4.993	11.243	4.993	11.243	na	na	2024	26.299	37.499
3Q22	7.416	16.816	7.416	16.816	-	-			
2022	7.296	17.346	7.296	17.346	-1.144	8.906			
2023	7.899	17.999	7.899	17.999	-1.907	8.193			
2024	6.727	17.927	6.727	17.927	-4.364	6.836			

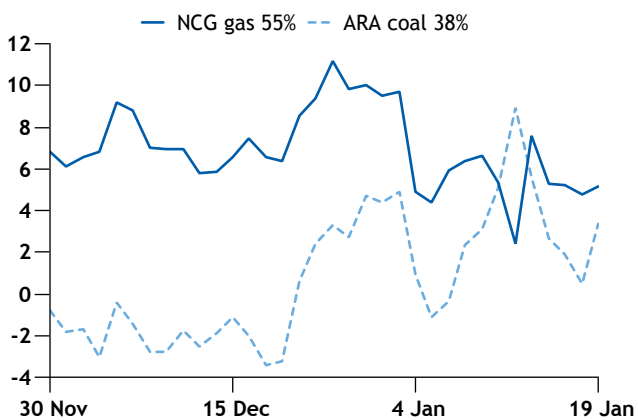
German day-ahead base-load spreads €/MWh



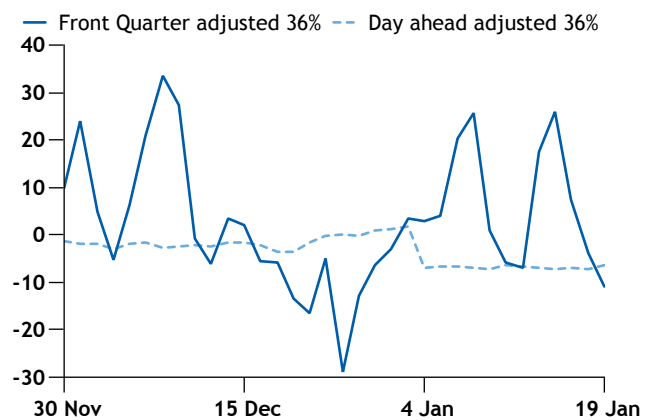
German year-ahead adjusted spark and dark €/MWh



German front-month base-load spreads €/MWh



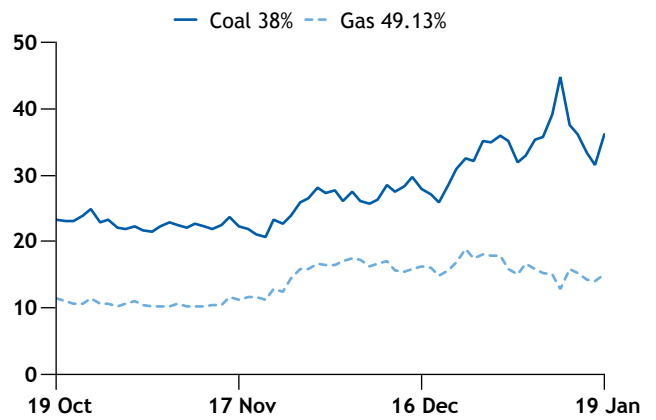
German day- vs quarter-ahead base-load darks €/MWh



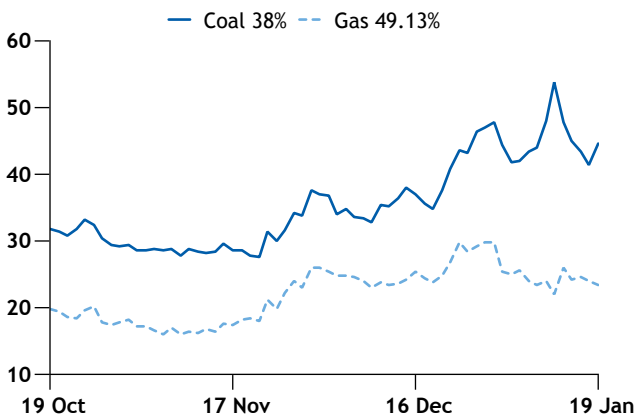
SPARK SPREADS

Dutch ETS adjusted spark and dark spreads					€/MWh
Contract	TTF 55%		ARA Coal 38%		
	base load	peak load	base load	peak load	
Working day ahead	-4.802	2.948	-5.911	1.839	
February	7.338	15.688	6.456	14.806	
March	4.529	8.329	2.368	6.168	
April	4.466	6.166	-2.155	-0.455	
2Q21	3.707	6.457	-3.691	-0.941	
3Q21	4.661	7.511	-3.474	-0.624	
4Q21	6.936	15.486	0.919	9.469	
1Q22	6.825	14.525	1.499	9.199	
2022	5.537	11.887	-3.194	3.156	
2023	5.672	12.922	-4.607	2.643	
2024	4.955	15.355	-6.864	3.536	

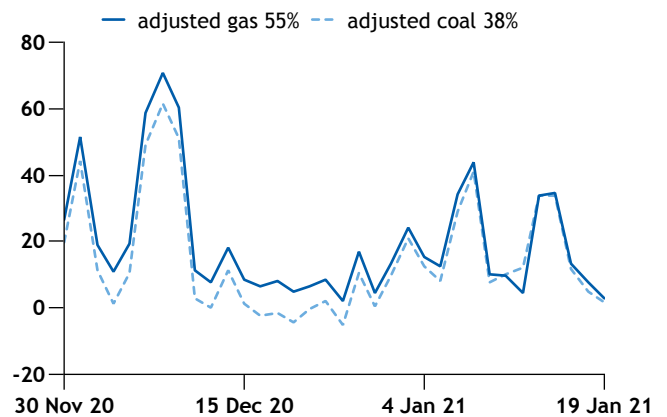
Dutch front-month base-load spreads €/MWh



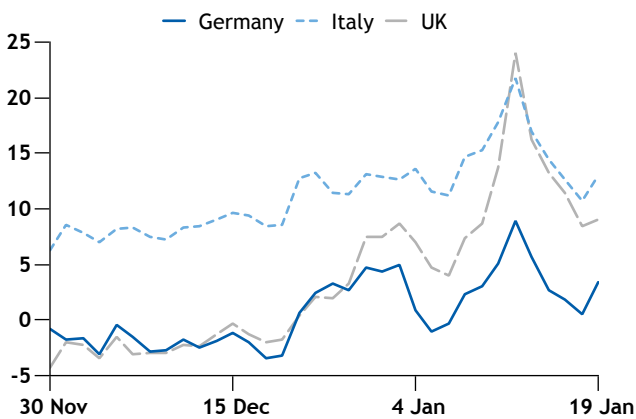
Dutch front-month peak-load spreads €/MWh



Dutch day-ahead peak-load spark vs dark €/MWh



European front-month base-load dark €/MWh



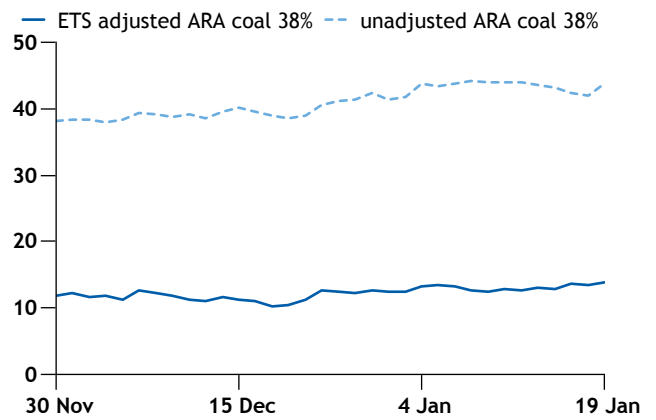
Italian ETS adjusted spark and dark spreads €/MWh

Contract	PSV 55%		ARA Coal 40%		ARA Coal 40% (incl. fuel tax)	
	base load	peak load	base load	peak load	base load	peak load
Day ahead	12.448	20.898	15.335	23.785	11.107	19.557
February	13.570	23.570	15.505	25.505	11.278	21.278
March	10.498	16.098	11.117	16.717	6.890	12.490
April	7.702	9.252	5.955	7.505	1.728	3.278
2Q21	7.493	12.693	4.969	10.169	0.741	5.941
3Q21	14.393	19.143	10.599	15.349	6.372	11.122
4Q21	13.395	21.695	12.014	20.314	7.786	16.086
1Q22	14.071	22.171	12.756	20.856	8.529	16.629
2022	11.919	18.069	7.566	13.716	3.338	9.488
2023	11.754	18.154	5.845	12.245	1.618	8.018

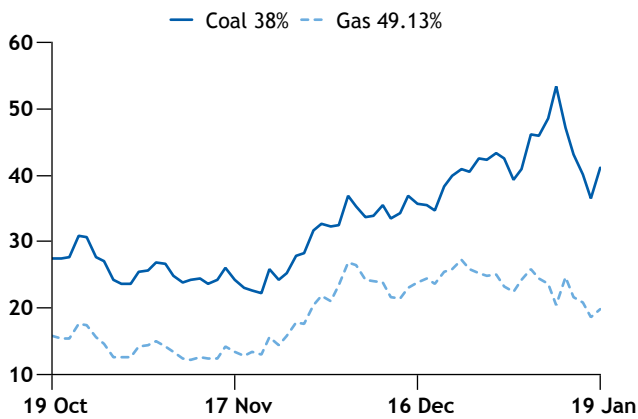
SPARK SPREADS

French ETS adjusted spark and dark spreads					€/MWh
Contract	ARA Coal 38%		Peg 55%		
	base load	peak load	base load	peak load	
Working day ahead	1.089	9.089	1.835	9.835	
February	11.406	26.256	12.107	26.957	
March	3.718	12.018	5.516	13.816	
April	-3.855	1.595	2.538	7.988	
2Q21	-6.491	-0.391	0.679	6.779	
3Q21	-5.124	2.476	2.875	10.475	
4Q21	7.869	23.619	13.959	29.709	
1Q22	9.999	28.199	-	-	
2022	0.206	13.806	8.828	22.428	
2023	-1.907	12.793	-	-	
2024	-4.014	11.936	-	-	

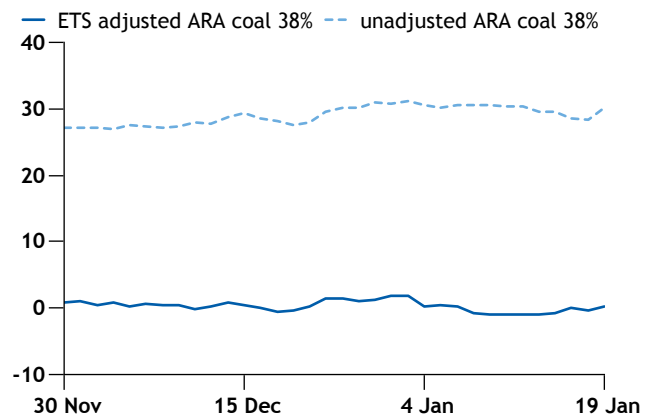
French calendar-year peak-load dark €/MWh



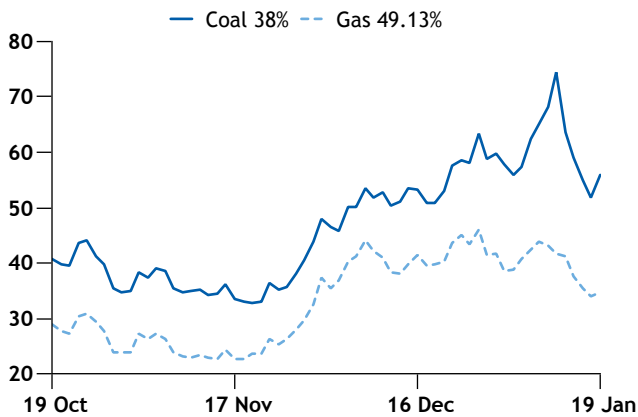
French front-month base-load spreads €/MWh



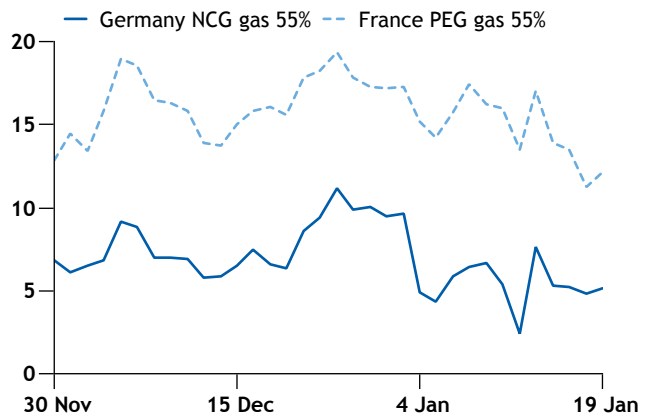
French calendar-year base-load dark €/MWh



French front-month peak-load spreads €/MWh



NGC vs Peg front-month base-load spark €/MWh



Argus successfully completes annual Iosco assurance review

Argus has completed the ninth external assurance review of its price benchmarks covering crude oil, products, LPG, petrochemicals, biofuels, thermal coal, coking coal, iron ore, steel, natural gas and biomass benchmarks. The review was carried out by professional services firm PwC. Annual independent, external reviews of oil benchmarks are required by international regulatory group Iosco's Principles for Oil Price Reporting Agencies, and Iosco encourages extension of the reviews to non-oil benchmarks. For more information and to download the review visit our website <https://www.argusmedia.com/en/about-us/governance-compliance>

Argus Coal Daily International Methodology

Argus uses a precise and transparent methodology to assess prices in all the markets it covers. The latest version of the Argus Coal Daily International Methodology can be found at: www.argusmedia.com/methodology.

For a hard copy, please email info@argusmedia.com, but please note that methodologies are updated frequently and for the latest version, you should visit the internet site.



ANNOUNCEMENT

The holiday calendar showing which Argus reports are not published on which days is now available online <https://www.argusmedia.com/en/methodology/publishing-schedule>

ANNOUNCEMENT

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