

Power build underpins thermal demand

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Powered by aggressive electricity generation growth across Asia, the region's demand for imported thermal coal is forecast to climb by some 31Mt in calendar year 2008 to around 676Mt.

China's dominant role, as the world's largest coal producer, in regional supply-demand dynamics, remains unquestioned, but there are emerging new demand centres – such as Malaysia, Thailand and Vietnam.

In 2007, Malaysia is estimated to have imported 11Mt of thermal coal, about 63% of it sourced from Indonesia, and Malaysia's total demand is forecast to almost double inside four years – primarily due to increased coal-fired generation capacity. According to recent Australian Bureau of Statistics (ABS) figures, Australia shipped 2.68Mt of thermal coal to Malaysia in 2007.

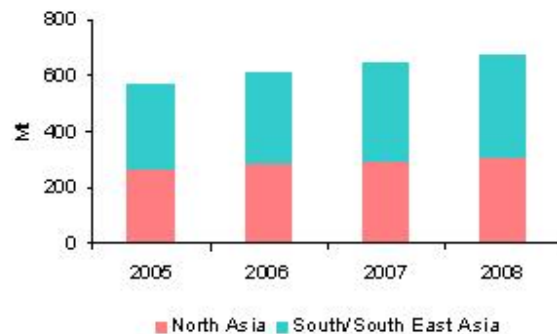
In Thailand, gas provides 70% of electricity, but by 2020, an extra 4GW of coal-fired capacity is expected to be built and with increased industrial consumption, Thai thermal coal demand is likely to increase by about three times the 2006 level of 11Mt, to which Australia contributed 3.2Mt.

In The Philippines, strong demand growth is expected from increased coal-fired generation – likely to account for as much as 50% of the country's total energy mix by 2020. Filipino coal imports have grown steadily since 2000, from 4.2Mt to a 2007 figure of 7.6Mt – with Indonesia as the major supplier.

South Korea, with four coal-fired power stations on the drawing board for 2008-09 and Taiwan, where power generation growth will require 52Mt of imported thermal coal by 2010, will also be drivers for increased regional coal trade. Industrial users in both countries will require around 14Mt and 9Mt, respectively, by 2010.

For Australia, Taiwan (17.8Mt) and South Korea (15.6Mt) were the leading export destinations for thermal coal exports after Japan, which took 63.4Mt of Australian thermal coal in 2007.

Asian demand growth 2005-2008



Demand from Japan, the world's largest thermal coal importer, has been stable for some time and is predicted to remain so this year at around 115Mt.

Despite expectations that it would move to net importing status in 2007, China continued to export – but only at 2.4Mt. Total thermal coal imports to China totaled 44.4Mt last year, while Indonesia's tonnages into the country jumped by 130% to 10.7Mt - at the expense of Australian sales, which declined by 56% to 2.1Mt.

China's coastal power stations remain the major driver of import demand and are currently supplied with Vietnamese anthracite - 24.6Mt in 2007, up 23% y-o-y.

Reference: Barlow Jonker's Thermal Coal Market – Supply Demand to 2020