



PETROVIETNAM OIL & GAS GROUP
PETROVIETNAM POWER CORPORATION
WEEKLY NEWS - FOURTH WEEK
OF JULY
 (From 24/07 – 28/07/2017)

I. COAL MARKET ANALYSIS

1. INTERNATIONAL COAL PRICE ASSESSMENTS

Unit: USD/ton

Price index	Week 03/07-07/07	Week 10/07-14/07	Week 17/07-21/07	Week 24/07-28/07
PCC 6 (CFR South China 3,800 NAR)	46.84	46.24	48.10	48.84
PCC 7 (CFR South China 4,700 NAR)	61.56	61.68	63.30	65.18
PCC 8 (CFR South China 5,500 NAR)	74.30	75.75	78.66	80.12
FOB Newcastle 6,300 GAR	83.59	84.40	93.36	94.37
CIF ARA 6,000 NAR	84.00	84.60	84.58	82.19
FOB Richards Bay 6,000 NAR	70.16	72.40	74.48	71.20
NEWC (FOB Newcastle 6,000 NAR)	81.64	83.25	N/A	N/A

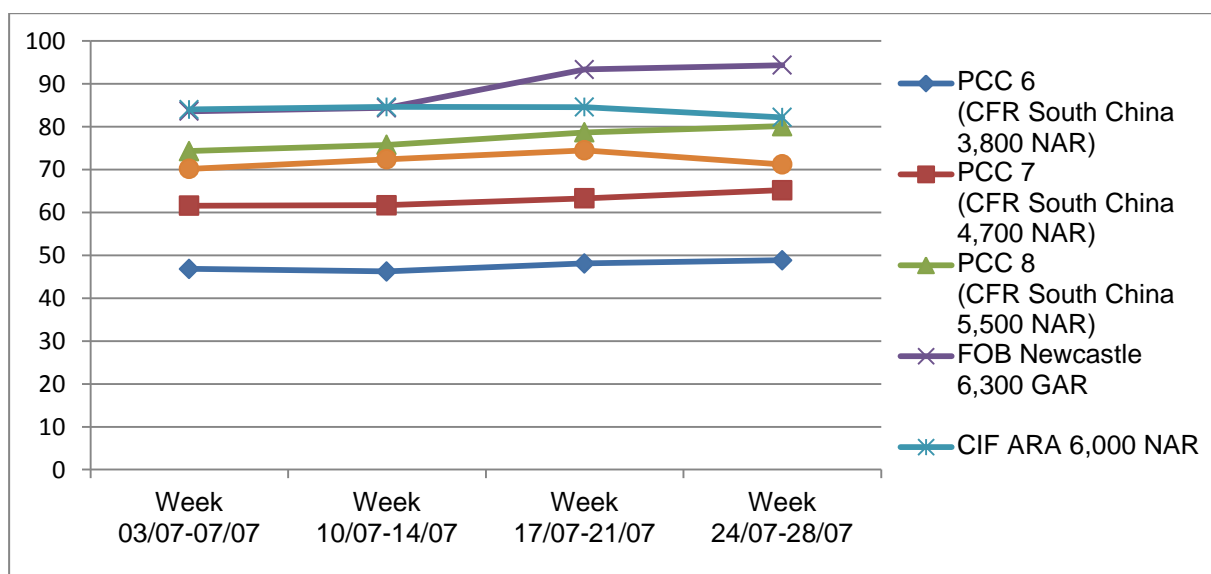


Chart 1: Average coal price week 4 July (2017)

(Source: Platts Coal Trader International)

2. INTERNATIONAL SPOT DRY BULK FREIGHT ASSESSMENTS

Unit: USD/ton

	Week 4 - July	24/07	25/07	26/07	27/07	28/07
Capesize (150,000 tons)						
1	Australia – China	7.00	7.30	7.05	6.55	6.60
2	Queensland – Japan	7.80	8.10	7.85	7.35	7.40
3	New South Wales – South Korea	8.05	8.35	8.10	7.60	7.65
Panamax (70,000 tons)						
1	Richards Bay - India West	10.75	11.00	10.85	10.50	10.40
2	Kalimantan - India West	7.60	7.60	7.45	7.25	7.15
3	Richards Bay - India East	11.00	11.25	11.10	10.75	10.65
4	Kalimantan - India East	6.55	6.55	6.40	6.20	6.10
5	Australia - China	9.65	9.60	9.55	9.40	9.35
6	Australia - India	11.25	11.10	11.00	10.70	10.60

(Source: Platts Coal Trader International)

II. NEWS

South African thermal coal exports to Europe have record high June

South Africa exported 6.74 million mt of thermal coal in June, a slight fall of 4.1% from May's year-to-date high but 32.9% higher year on year, as volumes to Europe increased significantly, according to the latest customs data released Tuesday. Exports in the first half of the year totaled 38.46 million mt, an increase of 9.2% from H1 2016.

Destination	Volume 6/2017 (ton)	% change /month	% change /year	Market share (%)
India	2,830,764	- 27	4	42
Europe	1,042,630	783	664	15.47
South Korea	595,000	17	261	8.83
Turkey	471,574	65	110	7
Pakistan	464,482	- 54	- 31	6.89
Taiwan	305,000	- 50	N/A	4.53

Of the key markets, exports into Europe saw the largest increase at 1.04 million mt for June, up nearly eightfold month on month. These figures represent a year-to-date high for the continent, and the single biggest June since Platts records began in 2014, while H1 2017 finished at 2.84 million mt, more than double the amount a year earlier. While Spain, France and Italy had provided an outlet for South African volumes displaced from traditional importer markets such as India, significant volumes were also seen making their way into the Netherlands, representing the highest trade flow of the year so far. Spread trading between the derivatives markets of CIF ARA in Europe, South Africa's Richards Bay FOB and Australia's Newcastle FOB had provided a boost to outright physical pricing in recent months, opening the arbitrage for volumes between South Africa and the Amsterdam-Rotterdam-Antwerp hub for a brief period.

Market questions Indonesia thermal coal price sustainability

Indonesian thermal coal prices held steady at firm levels Tuesday on the back of limited supply, demand from China and strong Newcastle coal prices, but market participants were questioning the sustainability with China raising production in the second half of the year. “The market looks more alive now. We received many inquiries for 3,800 kcal/kg NAR and 3,400 kcal/kg NAR coal,” said a major Indonesia-based producer source. He recently sold three August-loading Panamax shipments of 3,400 kcal/kg NAR or 3,800 kcal/kg GAR coal at \$37.50/mt FOB, and was currently offering a Supramax shipment of 3,400 kcal/kg NAR coal loading in August at \$37/mt FOB. This producer source expected Q3 to remain more or less strong even though better weather conditions have seen an improvement in the supply situation. “I think Q3 is still looking good as there is more power demand from China this summer,” he added. However he was doubtful firm prices could be sustained. “The situation in China is not very clear and we are also not confident to predict the market,” he said.

In India, a trader based in the east said price volatility has made buyers sensitive to any price movement. “A \$1/mt increase in prices, buyers will stop talking to you. They will say they don’t require cargoes at the moment,” he said. “Indian buying has not been very aggressive,” he said, adding he doubted there would be a strong revival in demand post-monsoon season. Indian buying interest for a H2 August-loading Supramax shipment of 4,200 kcal/kg GAR coal was heard at \$41-\$42/mt FOB, according to a west India-based trader, but he did not get any offer at this level. With China willing to buy similar cargo at \$43/mt FOB, miners were not keen to sell into India, he said. He said there was some interest for 5,000 kcal/kg GAR coal from India as well but it is difficult to match the bid and offer. The offer for an August loading Supramax shipment of 5,000 kcal/kg GAR coal was at \$60/mt FOB while the bid was at \$58-\$58.50/mt FOB. Offers for South African 5,500 kcal/kg NAR coal were heard at a discount of \$7-\$7.50/mt to 6,000 kcal/kg NAR, and bids were at minus \$8-\$8.50/mt, sources said. They pegged the South African 6,000 kcal/kg NAR coal at \$83/mt FOB. The east India-based trader said the 6,000 kcal/kg NAR coal price has been “very volatile” in the past months, so many end-users were bidding on a fixed price basis.

Finance Ministry refuses to cut tax rates for coal industry

In a report sent to the Prime Minister, the finance ministry said that the Prime Minister had approved a development plan for the coal sector to ensure reduction of coal exports and export for kinds of coal for which the domestic market does not have a demand. He approved a plan on exporting two million tonnes of coal per year for the period of 2017-20. Coal has had many kinds of tax rates, ranging from 10 per cent to 45 per cent. The coal export tariff stands at 10-15 per cent. Anthracite coal, with an export tax rate at 10 per cent, is the lowest under the National Assembly’s tax rate frame. Therefore, the coal industry’s proposal on cutting the rate under 10 per cent is beyond the authority of the Government as well as the Prime Minister, the ministry said. Under the Law on environmental protection, environmental protection tax rate for coal is between VND10,000-30,000 per tonne. According to Resolution 1269 issued by the Standing Committee of the National Assembly, the environment protection tax rate is VND10,000 per tonne of brown coal and coking coal and VND20,000 per tonne of anthracite coal. These rates are the lowest level allowed by National Assembly’s regulations, reported vietnamnet.vn. The National Assembly had not proposed to adjust those tax rates as part of the amended Law on environmental protection that is scheduled to be proposed at the National Assembly’s October session this year, the ministry said. The cut of those taxes is also beyond the Government’s authority, according to the ministry, which cited China’s environmental protection tax rate of

VND25,600-118,400 per tonne of coal. The highest natural resource tax for coal is 20 per cent under the Law on Natural Resource Tax but in fact, the tax stands at between 10-12 per cent. Those rates are reasonable to ensure enough supply of coal for domestic power production, according to the ministry.

According to the Viet Nam National Coal, Mineral Industries Holding Corporation Limited (TKV), the corporation reported an inventory of 9.5 million tonnes of coal in the first five months of this year. It was estimated to reduce to 8.45 million tonnes in the first half of the year. Therefore, the ministry has proposed that the Government increase import tax rate for coal from zero to 3 per cent or to 5 per cent to cut further the inventory to acceptable level, helping solve existing difficulties in production and business of the coal industry. The TKV said 2016 was the most difficult year since it was established, especially when the domestic market had strong growth of coal imports to 12.6 million tonnes. However, the imports reduced since early 2017, due to rising global coal prices. The finance ministry reported that coal import demand for large coal consumers on the local market, especially electric producers, is expected to be higher in the future. The demand on coal imports is likely to reach 11.7 million tonnes in 2017, 40.2 million tonnes in 2020, 70.3 million tonnes in 2025 and 102 million tonnes in 2030.

(Source: Platts)