



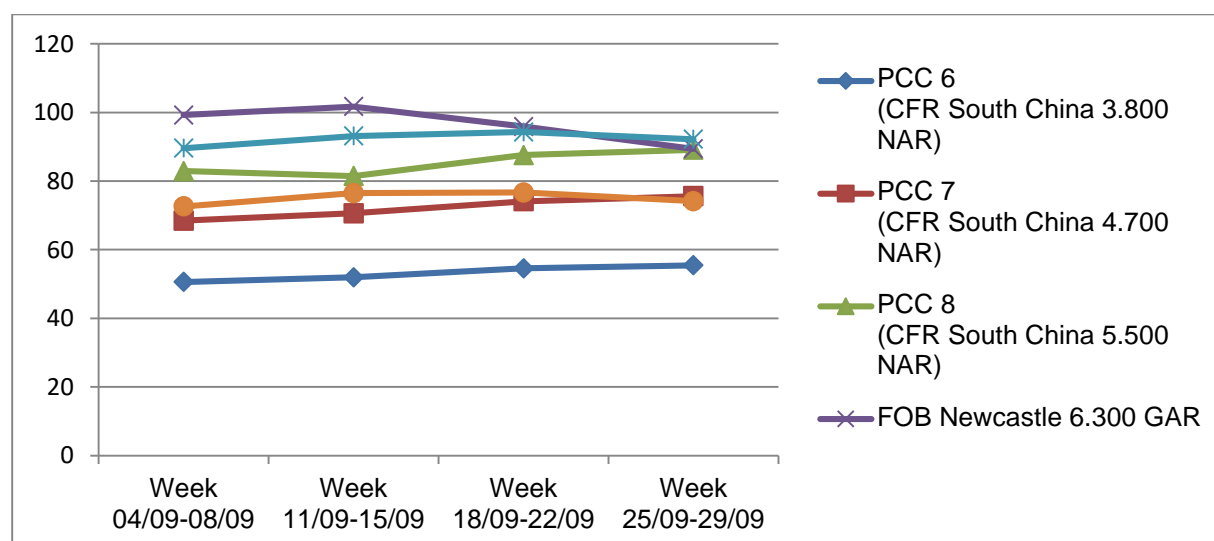
**PETROVIETNAM OIL & GAS GROUP**  
**PETROVIETNAM POWER CORPORATION**  
**MONTHLY NEWS - SEPTEMBER**  
 (From 01/09 – 30/09/2017)

**I. COAL MARKET ANALYSIS**

**1. INTERNATIONAL COAL PRICE ASSESSMENTS**

*Unit: USD/ton*

Price index	Week 04/09-08/09	Week 11/09-15/09	Week 18/09-22/09	Week 25/09-29/09
<b>PCC 6</b> (CFR South China 3,800 NAR)	50.58	51.95	54.55	55.46
<b>PCC 7</b> (CFR South China 4,700 NAR)	68.45	70.6	74.1	75.58
<b>PCC 8</b> (CFR South China 5,500 NAR)	82.92	81.45	87.6	89.10
<b>FOB Newcastle 6,300 GAR</b>	99.22	101.7	95.9	89.39
<b>CIF ARA 6,000 NAR</b>	89.59	93.12	94.31	92.21
<b>FOB Richards Bay 6,000 NAR</b>	72.61	76.47	76.69	74.14
<b>NEWC</b> (FOB Newcastle 6,000 NAR)	98.15	99.44	N/A	N/A



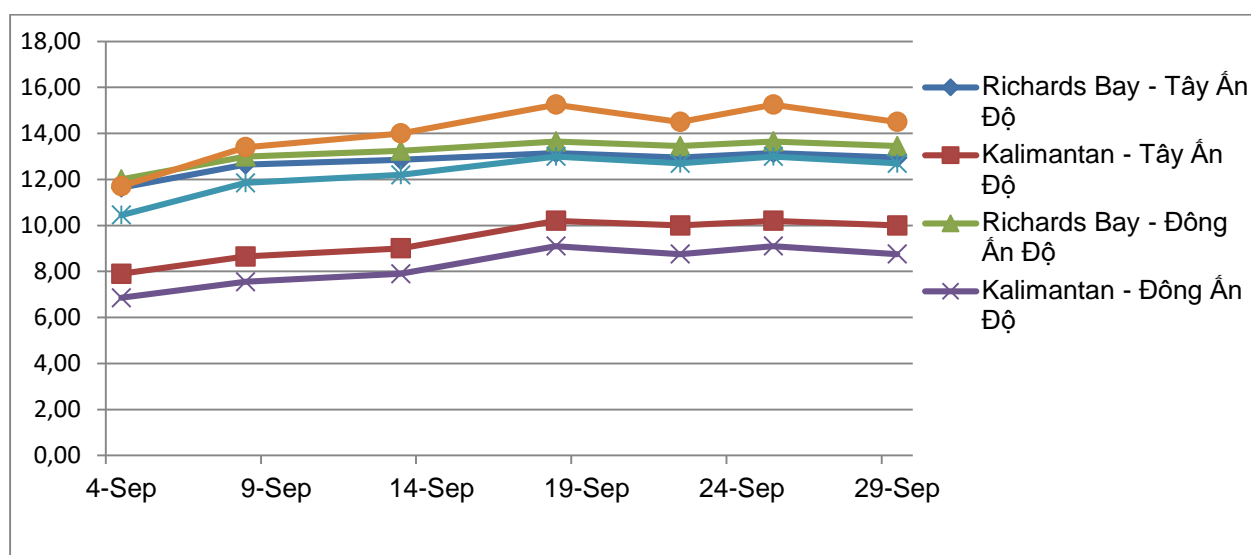
**Chart 1: Average coal price September (2017)**

*(Source: Platts Coal Trader International)*

## 2. INTERNATIONAL SPOT DRY BULK FREIGHT ASSESSMENTS

Unit: USD/ton

	Month - August	04/09	08/09	13/09	18/09	22/09	25/09	29/09
<b>Capesize (150,000 tons)</b>								
1	Australia – China	8.50	9.50	9.40	9.65	9.90	9.65	9.90
2	Queensland – Japan	9.30	11.00	10.90	11.15	11.40	11.15	11.40
3	New South Wales – South Korea	9.55	11.35	11.25	11.50	11.75	11.50	11.75
<b>Panamax (70,000 tons)</b>								
1	Richards Bay - India West	11.65	12.65	12.85	13.15	12.95	13.15	12.95
2	Kalimantan - India West	7.90	8.65	9.00	10.20	10.00	10.20	10.00
3	Richards Bay - India East	12.00	13.00	13.25	13.65	13.45	13.65	13.45
4	Kalimantan - India East	6.85	7.55	7.90	9.10	8.75	9.10	8.75
5	Australia - China	10.45	11.85	12.20	13.00	12.70	13.00	12.70
6	Australia - India	11.70	13.40	14.00	15.25	14.50	15.25	14.50



**Chart 2: International spot dry bulk freight in September**

(Source: Platts Coal Trader International)

## II. NEWS

### Vietnam September thermal coal imports rise to 1.02 million mt

Vietnam imported 1.02 million mt of coal in September, up 34.5% from the same month last year, according to preliminary data from Vietnam Customs.

Destination	Volume (mt)	% on-month	% on-year
Indonesia	565,163	11.83	139.34
Russia	198,033	-45.82	-17.67
Australia	164,816	-44.06	28.76
China	62,596	-41.72	-19.67
Malaysia	33,372	N/A	36.89
<b>Total</b>	<b>1,024,170</b>	<b>-27.63</b>	<b>34.45</b>

<b>Destination</b>	<b>Volume (mt)</b>	<b>% on-month</b>	<b>% on-year</b>
Japan	88,926	-13.57	-23.23
Thailand	37,811	416.4	N/A
Indonesia	28,300	1,615.15	N/A
South Korea	16,475	199.6	69.28
India	8,800	128.57	N/A
Taiwan	8,246	N/A	N/A
Malaysia	8,194	6.42	-17.77
Laos	2,403	N/A	N/A
Others	24,833	N/A	N/A
<b>Total</b>	<b>223,988</b>	<b>70.03</b>	<b>63.99</b>

Indonesia was the biggest supplier of coal in September with 565,163 mt, surging 139.3% year on year, followed by Russia and Australia. In the first nine months, Vietnam imported 10.39 million mt of coal, up just 0.1% on year, mostly from Indonesia, Australia and Russia.

Vietnam exported 223,988 mt of coal in September, up nearly 64% year on year, mainly to Japan, Thailand and Indonesia. In the first nine months of the year, Vietnam exported 1.53 million mt of coal, up 118.6% from the same period last year, largely to Japan, Malaysia, Thailand and South Korea. Vinacomin said October 6 it produced 26.81 million mt of coal in the first nine months of this year, of which 23.26 million mt was sold domestically and 1.07 million mt exported. Most of the country's coal production is used domestically by the power, cement and other industrial sectors.

### **China market**

Robust dry freight costs for Australian thermal coal shipments to China exerted downward pressure on high-ash cargo prices at the Newcastle trading hub Tuesday, market sources said. Buyers in China were still interested in Australian high-ash cargoes despite unofficial import restrictions at a number of ports in South China, but high freight costs were proving a disincentive, a source said. The "realistic" price for Newcastle 5,500 kcal/kg NAR thermal coal for November delivery was now \$74/mt FOB, or more broadly in a trading range of \$73.50-\$74.50/mt, according to one market source.

Offer prices at \$75-\$77/mt FOB Newcastle for high-ash cargoes was of little interest to buyers in China facing freight rates of \$11/mt for Capesize ships on the Newcastle to South China trading route, he added. Prior to China's Golden Week holiday, 5,500 kcal/kg NAR thermal coal was trading at \$78-\$79/mt FOB Newcastle, according to S&P Global Platts prices. Typically, Chinese traders return from the week-long holiday with gusto, but this time is different, with order volumes noticeably lower than previous years, one source noted. Import restrictions at Chinese ports are one of a series of measures being employed by Beijing to stabilize the country's domestic market, which has seen soaring prices in recent weeks, a source said. Additional Chinese ports were added to the unofficial list of those unable to accept coal imports just before the holiday, sources said. Ships laden with coal imports are having to divert from original destinations to other ports in China that have yet to be affected by the embargo, sources

said. Longer customs and quality clearance checks for import cargoes are adding to congestion and delays at Chinese ports.

### **Adverse weather supports Indonesia thermal coal prices despite slow Chinese demand**

Indonesian thermal coal prices held steady amid worsening weather conditions in the country, even though Chinese demand was yet to pick up post Golden Week holidays, sources said Tuesday. The weather situation in parts of Indonesia has worsened but there has not been any impact on supply or production yet, an Indonesia-based trader said. ‘If [rain] continues, things would not be favorable for production and supply flow,’ he added. A Singapore-based trader said that Indonesian mine sites were affected again by heavy rains and he expected coal prices to remain stable. “[Rains in Indonesia] can lend some support to prices in the short term,” a China-based trader said.

Meanwhile, the market is expecting Chinese buyers to return this week but if Chinese demand does not pick up, prices might soften, another Indonesia-based trader said. The China-based trader said there is limited interest for end October or early-November seaborne cargoes. Chinese power utilities have stocks that can sustain them for around 17 days, which is why they are not in a rush to buy, he added.

Moreover, the restriction on imports in various Chinese ports is also impacting the landed cost for buyers and it’s a big dampener, he noted. The Singapore-based trader said that he heard buying interest for a H2 October-loading, geared-vessel shipment of 3,800 kcal/kg NAR coal at \$46.50 /mt FOB against a firm offer at \$47/mt. There was also an indicative bid for 3,400 kcal/kg NAR coal at \$36.50-\$37/mt FOB on geared-vessel basis, also for loading in H2 October. “We don’t know how it goes from here. It is hard to judge,” the second Indonesia-based trader said. “No one wants to offer as well in this market,” the China-based trader said. He received indicative offers for Panamax shipments of 3,800 kcal/NAR coal at \$47-\$48/mt FOB but doubted any trade could be concluded at these levels.

### **Australian thermal coal prices projected to drop in 2018**

Australian thermal coal prices are projected to drop to around \$75/mt in 2018 with the Chinese government increasing supply following a strong September rally, an Australian analyst said in a note Tuesday. “Thermal coal is up against the Chinese government and thus one of our strongest short calls as we move into Q4,” Australian investment bank Macquarie said in its research note. “Prices are too high for the Chinese government’s liking.” Australian FOB Newcastle 6,300 kcal/kg GAR prices for 7-45 day loading have averaged \$85.64/mt in 2017 through Monday, up 48% on the year. Chinese supply disruptions were a “key theme and ongoing factor” in the price spike, but increased demand from utilities restocking ahead of winter driving physical trading, Macquarie said. “We have been surprised by the Chinese government’s tolerance of higher prices through the summer, but we now begin to see the first signs that the steep, trader-driven

rally of September has finally shaken up Chinese authorities, bringing thermal coal prices close to a turning point,” Macquarie said.

Signs are already pointing to increased government action. In mid September, the National Development and Reform Commission said it would fast-track the approval of new coal capacity and re-approve capacity for some of the existing mines, Macquarie said. The NDRC estimated a net increase of about 200 million mt of new mining capacity by the end of 2017, increasing the country’s total coal capacity to 3.8 billion mt. Additionally, Macquarie said weak demand could drive prices down, with seasonal drops in demand from heavy industry and construction. “If traders get their way and utilities restock, prices may have another short-run ride, but that would simply mean a sharper correction later on once fundamentals reassert themselves,” the bank said.

*(Source: Platts)*