

PETROVIETNAM OIL & GAS GROUP

**PETROVIETNAM POWER CORPORATION**

**MONTHLY NEWS - NOVEMBER**

**(From 01/11 – 30/11/2017)**

1. **COAL MARKET ANALYSIS**

**1. INTERNATIONAL COAL PRICE ASSESSMENTS**

***Unit: USD/ton***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Price index | Week  30/10-03/11 | Week  06/11-10/11 | Week  13/11-17/11 | Week  20/11-24/11 | Week  27/11-1/12 |
| PCC 6  (*CFR South China 3,800 NAR*) | **53**.**93** | **52.74** | **50.94** | **50.98** | **51.58** |
| PCC 7  (*CFR South China 4,700 NAR*) | **74**.**09** | **73.06** | **71.00** | **70.58** | **70.86** |
| PCC 8  (*CFR South China 5,500 NAR*) | **88**.**32** | **87.46** | **84.70** | **83.50** | **83.82** |
| FOB Newcastle 6,300 GAR | **99**.**54** | **97.26** | **94.18** | **91.74** | **94.92** |
| CIF ARA 6,000 NAR | **95**.**34** | **95.03** | **94.86** | **92.97** | **92.63** |
| FOB Richards Bay 6,000 NAR | **77**.**65** | **77.01** | **75.05** | **74.15** | **78.20** |
| NEWC  (FOB Newcastle 6,000 NAR) | **99**.**11** | **98.99** | **96.32** | **91.91** | **96.24** |

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

*(Source: Platts Coal Trader International)*

**2. INTERNATIONAL SPOT DRY BULK FREIGHT ASSESSMENTS**

***Unit: USD/ton***

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Month - November** | **01/11** | **6/11** | **10/11** | **15/11** | **20/11** | **24/11** | **30/11** |
|  | **Capesize** (150,000 tons) | | | | | | | |
| 1 | Australia – China | 9.45 | 9.25 | 10.05 | 9.40 | 9.85 | 10.95 | 11.85 |
| 2 | Queensland – Japan | 11.00 | 11.00 | 11.75 | 11.10 | 11.55 | 12.65 | 13.55 |
| 3 | New South Wales – South Korea | 11.35 | 11.35 | 12.10 | 11.45 | 11.90 | 13.00 | 13.90 |
|  | **Panamax** (70,000 tons) | | | | | | | |
| 1 | Richards Bay - India West | 12.80 | 12.70 | 12.45 | 12.40 | 12.20 | 12.25 | 12.25 |
| 2 | Kalimantan - India West | 9.30 | 9.00 | 8.40 | 8.20 | 8.10 | 8.60 | 8.75 |
| 3 | Richards Bay - India East | 13.20 | 12.90 | 12.65 | 12.60 | 12.40 | 12.60 | 12.60 |
| 4 | Kalimantan - India East | 8.00 | 7.60 | 7.00 | 6.90 | 6.80 | 7.25 | 7.35 |
| 5 | Australia - China | 12.30 | 12.30 | 11.10 | 10.95 | 10.90 | 11.30 | 11.65 |
| 6 | Australia - India | 14.00 | 14.00 | 13.00 | 12.50 | 12.30 | 12.85 | 13.20 |

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

*(Source: Platts Coal Trader International)*

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1. **NEWS**

**Agreements bring Glencore hunter Valley coal industrial dispute to a close**

Anglo-Swiss miner Glencore has settled a long-running industrial dispute at six of its Hunter Valley coal mines and three coal processing plants in New South Wales, Australia by addressing unionraised issues in new enterprize agreements for each mine site, union and company sources said Monday. The new enterprize agreements cover all Glencore’s Hunter Valley coal operations including, Bulga underground mine, and the open cut mines of Bulga, Glendell, Liddell, Mangoola and Ravensworth, plus the Mount Owen, Liddell, and Ravensworth coal handling and preparation plants, said a Glencore spokesman. “These agreements are in the process of being registered with the Fair Work Commission,” said Peter Jordan, president of the Construction, Forestry, Mining and Energy Union’s New South Wales northern mining district. The enterprize agreements will last for three years from the date of their certification by the Fair Work Commission, the Australian government’s employment relations agency, a process expected to take about two weeks, said the union leader.

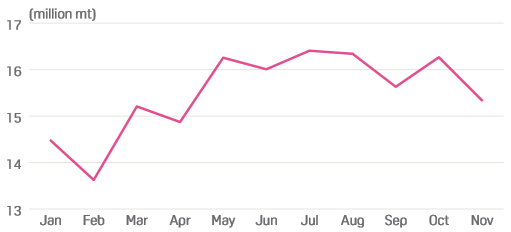
The union’s settlement with Glencore formally brings to an end an industrial dispute that erupted into strikes in early June, and has included 24 weeks of rolling work stoppages by 1,435 workers belonging to the CFMEU. Strikes at Glencore’s Hunter Valley coal operations had ceased for the past month after the union’s delegates accepted the company’s proposed collective agreements on an in-principle basis, he stated. The agreements were then put to a vote of unionized employees in secret ballots at individual mine sites in November, and received approval rates ranging from 68% to 90% in favor, or an average affirmative vote of 79%, said Jordan. “It took two to three weeks to get all eight [agreements] concluded,” said Jordan.

Discussing the content of the approved enterprize agreements for the Glencore Hunter Valley minesites, Jordan said they addressed the three issues including: security of employment, improved retrenchment pay, and an understanding on casual positions and permanent positions. The security of employment clause means that in the event Glencore needing to reduce its Hunter Valley workforce it will first look at reductions in casual or contract workers before moving on to voluntary redundancies and redeployments to other mines. In addition, the company has agreed to convert a number of contractor posts to permanent posts at Bulga and Ravensworth open cut mines, and to increase the opportunities for workers to undergo training. Jordan also said the union and the company had reached an agreement on the basis of future redundancy payments to retrenched workers. This would be based on employees’ average rostered hours, instead of a standard 35-hour week as at present. This could lead to higher redundancy payments as Glencore workers typically work more than 35 hours per week and closer to 45 hours.

Jordan said in his judgment the union’s campaign of strikes since June had “heavily” affected production at Glencore’s Hunter Valley coal mines as well as drilling and blasting to prepare overburden for removal from mine sites. Glencore said it now has agreements with workers at 13 of its coal mining sites in New South Wales and Queensland in Australia, although, workers at Glencore’s Oaky North underground mine remain locked out, according to Jordan. “Oaky North underground continues to be locked out,” he said.

**Russian November coal exports down 5.7% month on month to 15.34 million mt**

**Russian coal exports 2017**



*(Source: Russian Federation Ministry of Energy)*

Russian coal exports in November were 5.7% lower month on month at 15.34 million mt, which was up 8.6% year on year, the energy ministry said Monday. Year-to-date volumes were 112.25 million mt at the end of November, down 25% year on year. Despite exports in November declining on month, the November volume was the highest for the month since S&P Global Platts began collecting data in January 2013. Platts assessed the weekly FOB Russia Baltic 6,000 kcal/kg NAR 90 day price at $85.90/mt Friday and the weekly FOB Russia Pacific 6,300 kcal/kg GAR 90 day price at $96.50/mt.

**Rio Tinto expects to produce 3.8 mil- 4.5 mil mt thermal coal in 2018**

Mining giant Rio Tinto expects to produce 3.8 million- 4.5 million mt of thermal coal next year, which is less than a third of its 2017 guidance following the sale of its Australian Coal & Allied business this year, the company said Monday. Rio Tinto lowered its 2017 guidance to 13 million-14 million mt from 17 million-18 million mt in September following the completion of its sale of Coal & Allied to Yancoal. Coal & Allied had interests in the Hunter Valley Operations, Mount Thorley and Warkworth mines and made up the bulk of Rio Tinto’s Australian thermal coal production. Rio Tinto still produces some thermal coal from its Hail Creek and Kestrel mines in Queensland state.

**Proposed coal imports excise duty hike may impact Philippine power users**

Philippine power utilities believe a tenfold increase in the Asian country’s excise duty on thermal coal imports, which is set to be implemented from January 2018, could impact electricity consumers but not the imports volume, according to analysis by S&P Global Platts. The Philippine government is shepherding a proposal to increase the excise tax on thermal coal imports to Philippine Pesos 100/mt ($2/mt) through Manila’s Senate under its Tax Reform Acceleration and Inclusion (TRAIN) legislation, according to a copy of the proposal seen by Platts. Currently, the importers pay Pesos 10/mt excise duty. The additional tax has the potential to dramatically increase the landed cost or CFR price of imported cargoes, according to market sources. “Currently, the incremental cost to compute the landed cost for bituminous coal is 1%-3% on top of the CFR value,” a Philippine utility said. Under the proposal, the excise duty will rise to Pesos 200/mt in 2019 and to Pesos 300/mt in 2020, which will increase the landed cost by 7%-8%, the utility added. Coal power stations will have to add about Peso 0.50/kWh to the monthly power bill.

The impact could be greater for sub-bituminous coal, which mostly arrives from Indonesia. The most popular grade for Philippine consumers is Indonesian 5,000 kcal/kg NAR, which Platts assessed Friday at $64/mt FOB. He estimated the dry bulk Panamax freight rate from Indonesia to the Philippines to be around $6/mt. The source said if the increase was implemented, the estimated landed cost would be around $75-$76/mt CFR, inclusive of the $2 tax, customs duties, port dues and other costs. He also noted the hike could possibly be an alternative to a carbon tax the country may have to implement post signing of the Paris Climate Agreement. A Philippines-based trader said he did not expect the tax hike to affect trade flows. Another trader said it was still too early to understand the impact of the policy, if it is approved. Though, he suggested, there could be some unintended consequences. He said he was looking at how the policy would benefit the LNG market as an alternative fuel source in the country. Platts Analytics expects the Philippines’ thermal coal imports to rise to 18 million mt in 2035 from the estimated 11 million mt in 2017.

*(Source: Platts)*