



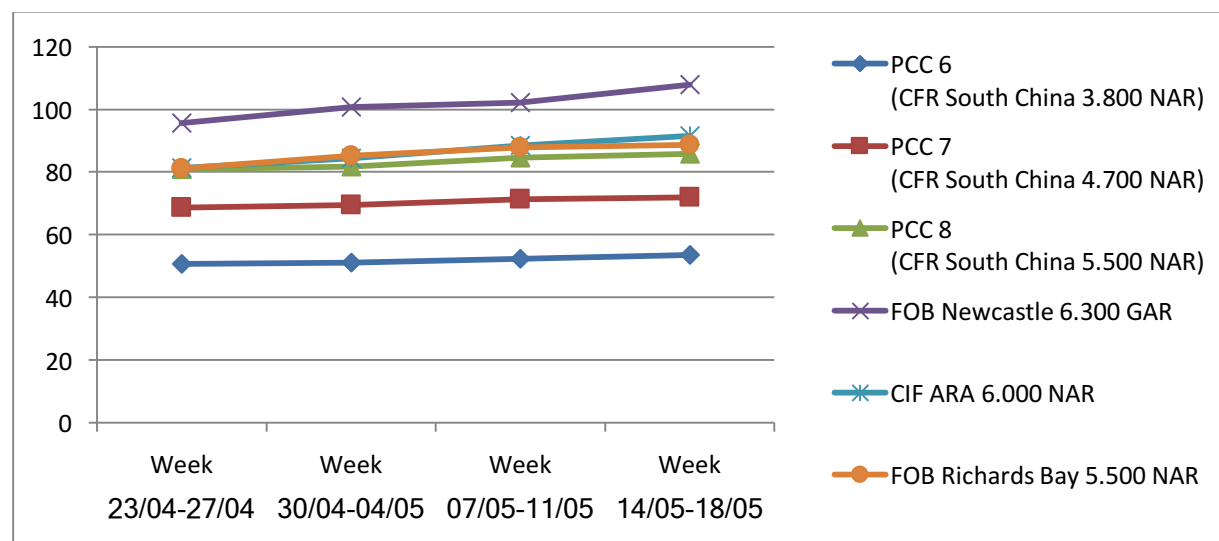
**PETROVIETNAM OIL & GAS GROUP**  
**PETROVIETNAM POWER CORPORATION**  
**WEEKLY NEWS – THIRD WEEK OF**  
**MAY**  
 (From 14/05 – 18/05/2018)

**I. COAL MARKET ANALYSIS**

**1. INTERNATIONAL COAL PRICE ASSESSMENTS**

*Unit: USD/ton*

Price index	Week 23/04-27/04	Week 30/04-04/05	Week 07/05-11/05	Week 14/05-18/05
PCC 6 (CFR South China 3,800 NAR)	50.75	51.01	52.35	53.57
PCC 7 (CFR South China 4,700 NAR)	68.77	69.57	71.26	72.03
PCC 8 (CFR South China 5,500 NAR)	80.83	81.65	84.66	85.9
FOB Newcastle 6,300 GAR	95.53	100.67	102.21	107.96
CIF ARA 6,000 NAR	81.28	84.45	88.53	91.47
FOB Richards Bay 6,000 NAR	81.15	85.26	87.78	88.71
NEWC (FOB Newcastle 6,000 NAR)	102.30	101.35	103.75	109.88



**Chart 1: Average coal price week 3<sup>rd</sup> May (2018)**

*(Source: Platts Coal Trader International)*

## 2. INTERNATIONAL SPOT DRY BULK FREIGHT ASSESSMENTS

Unit: USD/ton

	Week 3 <sup>rd</sup> - May	11/05	14/05	15/05	16/05	18/05
<b>Capesize (150,000 tons)</b>						
1	Australia – China	10.10	9.95	9.95	9.55	9.10
2	Queensland – Japan	11.75	10.60	11.60	11.15	10.55
3	New South Wales – South Korea	12.40	12.25	12.25	11.80	11.20
<b>Panamax (70,000 tons)</b>						
1	Richards Bay - India West	13.05	13.05	13.30	13.30	12.30
2	Kalimantan - India West	9.75	9.55	9.55	9.55	9.60
3	Richards Bay - India East	13.25	13.25	13.50	13.50	12.50
4	Kalimantan - India East	8.20	8.00	8.00	8.00	8.05
5	Australia - China	12.80	12.80	13.00	12.80	13.00
6	Australia - India	14.25	14.25	14.45	14.20	14.55

(Source: Platts Coal Trader International)

## II. NEWS

### Taiwan Q1 thermal coal imports down 7.4% on year at 14.8 mil mt

Taiwan imported 14.82 million mt of thermal coal in the first quarter, down 7.4% on the year, according to customs data released Tuesday. Of this volume, 9.5% was sub-bituminous, with the rest being bituminous. In the month of March, Taiwan imported 5.1 million mt, up 8% on the month, but down 4% on the year. Australia's export volume to Taiwan for Q1 stood at 7.7 million mt, down 6.7% on the year, with March volume at 2.58 million mt, up 14% on the month and up 12% on the year. Indonesia's Q1 volume was 3.35 million mt, down 15% on year, with March volume at 1.33 million mt, double the volume from February. South Africa's exports to Taiwan in Q1 came to 1.05 million mt, almost double the volume from the same period in 2017, though March volume at 239,978 mt was down 67% on the month and down 23% on the year. Russia exported 2.08 million mt in Q1, down 10% on the year, with export volume for March at 707,670 mt, up 22% on the month but down 29% on the year.

### European thermal coal market bullish despite low demand

The European thermal coal market opened the week with a continued bullish sentiment carried across from last week's industry event, with liquidity being low owing to some European national holidays. Sources said the CIF ARA spot price remained firm from external bullish factors as supply and demand fundamentals in Europe did not support higher prices. A broker said the market was bullish for Russian and US coals owing to the high prices in Europe, with other factors like the term negotiations between an Australian producer and a Japanese consumer as well as supply tightness in South Africa as reasons for firm prices in the market.

The source said the news regarding changes to the South Korean sulfur cap on imported coal could add downward pressure to prices in Europe as there would be more availability of benchmark-grade coal due to South Korea consuming less of this grade. The broker said this news was ultimately bullish for Russian coal. Despite an open arbitrage for US CAPP (Central Appalachian) coal to be sold into Europe, sources said low utility demand could limit the need for US imports. A Europe-based utility buyer said he had no need for coal at the moment, though prices were not reflecting this low demand. "This is a sellers' market," said the source. S&P Global Platts assessed the CIF ARA, 6,000 kcal/kg NAR 15-60 day price at \$91.80/mt, up 10 cents on day.

### **Sulfur limit change could alter South Korea's demand profile for thermal coal imports**

South Korea's adoption of an annual sulfur limit of 0.4% as-received basis for thermal coal used to fuel its coal-fired power plants could radically change the Asian country's demand profile for imports, said market sources familiar with the move. Power plant operators in South Korea, including the five state-owned generators, will have to comply with the new sulfur limit from July, and earlier than the originally-thought date of October, sources said. Financial penalties will be applied to power plant operators that exceed the 0.4% sulfur limit, which will be measured on an average calendar year basis across import deliveries to individual plant operators, they said. The lower sulfur limit has taken immediate effect, however, as power utilities in South Korea have already published tenders for the purchase of imported thermal coal that specify low sulfur thermal coal.

Blended cargoes are no longer a viable option for importers, as it is difficult to measure their sulfur content on a consistent basis throughout a shipment, sources said. The first end-of-year sulfur assessment is to be carried out for the period July to December 2018, sources said. The lower sulfur limit will likely lead to South Korean generators importing more, lower sulfur fuel from countries such as Colombia, Indonesia and Russia, sources said. "We expect demand for 4,200 kcal/kg GAR coal with low sulfur [0.2-0.3%] will increase for Korea," said one market source. "More Colombian, South African and Russian will be needed to bring down the sulfur [of imports]," he added.

### **Thermal coal buyers wait amid China's market cooling policy**

Chinese thermal coal buyers on Monday were waiting for prices to correct after top economic planner National Development and Reform Commission's meeting last Friday with the agenda to cool down the market, sources said. A China-based source said the news initially saw China's thermal coal futures market fall, but "it is slowly rising back up again." "Traders are willing to sell now because of a sudden government policy fear," he said, in view of NDRC's plans for a price ceiling. Domestic coal production was catching up and railways were running at full capacity, but coastal vessels were all waiting at ports because most power plants were looking to load supply under longterm contract agreements, he noted.

A north China-based trader said it was possible for prices to go in either direction, depending on prevailing weather conditions and any other policy measures from the government. "In the interim period, spot prices may fall but not by a large extent ... On the other hand, China's peak summer season is approaching and this could lift thermal coal prices up," he noted. "If coal consumption remains high and temperatures continue to increase, strong Chinese demand will support the high domestic thermal coal prices," a south China-based trader added. According to sources, at Qinhuangdao port in north China, cargoes of 5,500 kcal/kg NAR domestic thermal coal were heard traded at Yuan 650-665/mt FOB, and for the 5,000 kcal/kg NAR grade at Yuan 570/mt. A Dubai-based trader said he recently heard an inquiry from India for Australian 5,500 kcal/kg NAR coal. An offer for a Capesize shipment of this material for loading in June was heard at \$77-\$78/mt FOB, he said, but he has yet to hear a bid level.

*(Source: Platts)*