



**PETROVIETNAM POWER CORPORATION**  
**PETROVIETNAM POWER COAL IMPORT AND SUPPLY COMPANY**  
**DAILY NEWS**

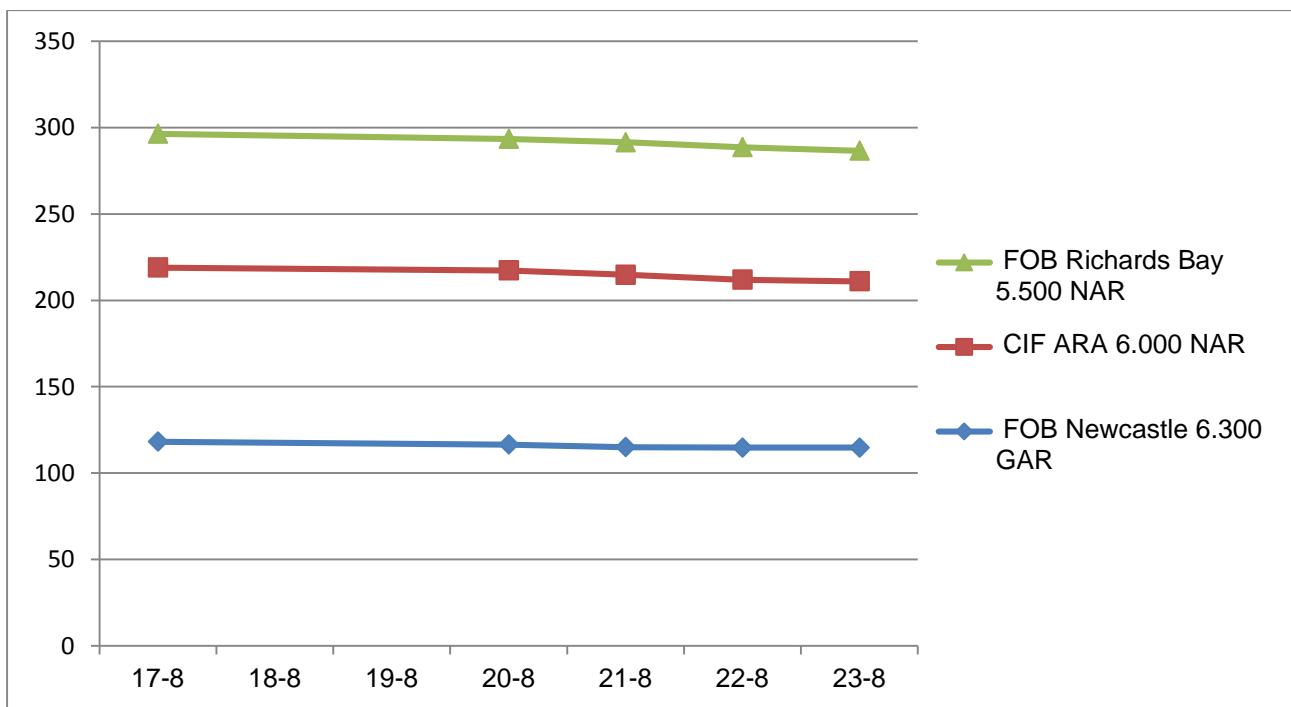
Date 27/08/2018

**INTERNATIONAL COAL PRICE ASSESSMENTS**

Daily prompt physical thermal coal assessments	Window 7 – 45 day	+/-	Window 90 - day	+/-
FOB Newcastle 6,300 GAR	114.75	+0.05	N/A	N/A
CIF ARA 6,000 NAR	96.20	-1.00	N/A	N/A
FOB Richards Bay 5,500 NAR	75.65	-1.00	N/A	N/A
FOB Kalimantan 5,900 GAR	N/A	N/A	76.50	-0.50
FOB Kalimantan 5,000 GAR	N/A	N/A	55.75	-0.25

China Coal Assessment	USD/tons	+/-	NDT/tons	+/-
PCC6 (CFR South China 3,800 NAR)	46.00	+0.00	365.24	+1.28
PCC7 (CFR South China 4,700 NAR)	64.25	+0.00	510.13	+1.77
PCC8 (CFR South China 5,500 NAR)	76.50	-1.25	607.40	-7.77

**DAILY PROMPT PHYSICAL THERMAL COAL ASSESSMENTS IN 2018**



*(Source: Platts Coal Trader International – Date 23/08/2018)*

## **NEWS**

### **Indian coal imports surge despite rising prices**

Total coal imports may reach 17.7 million tonnes in August, according to vessel-tracking and port data compiled by Thomson Reuters, the August imports are likely to be more or less in line with the 17.4 million tonnes imported in July, which was the strongest monthly outcome so far in 2018. But no matter what the exact level of imports turns out to be, India's coal imports have been exceptionally strong and are on track to rise for the first year in three in 2018. This is despite prices for thermal coal rising to the highest in six and a half years, with the Australian benchmark Newcastle cargoes trading above \$120 a tonne recently, taking the year-to-date gain to around 18 per cent. The gain in prices has been largely driven by strong Chinese imports, partly because of output restrictions at domestic mines and partly because of high demand caused by a recent heatwave. Previously Indian coal imports, especially for thermal grades used to generate electricity, have been thought to be sensitive to price, and likely to decline if prices moved rapidly higher, as they have done this year. But Indian imports have been on an upward trend in recent months, despite the rising prices.

Data from India's Central Electricity Authority show that coal imports for what are termed on-grid power plants, ie those that supply power to the network, are actually declining, falling 14 per cent in the June quarter. So, as far as thermal coal imports for the power sector are concerned, the price signal is working insofar as they are declining as prices rise. However, as Mr Buckley notes, a large part of India's coal imports are used by consumers other than on-grid power plants. There is a about 30 gigawatts (GW) of coal-fired generation capacity that is used by captive power plants, Mr Buckley said in a recent paper sent to Reuters. These users include aluminium smelters, cement makers and other industrial users, and they are more reliant on coal imports as their demand isn't prioritised by Coal India, effectively meaning they are last in line for domestic supplies. If this 30 GW was run at 61 per cent capacity, it would need about 96 million tonnes of thermal coal a year, Mr Buckley said, a figure that represents about two-thirds of current thermal coal imports.

In the first seven months of the year, India's coal imports totalled 112.5 million tonnes, with Indonesia the largest supplier at 43.4 million. However, Indonesia's share of imports is declining, running at 38.6 per cent of the total so far in 2018, down from 43.8 per cent for the whole of 2017. In contrast, South Africa's share of Indian imports in the first seven months of 2018 rose to 18.1 per cent, from 17.1 per cent for 2017, while that of the United States rose to 9.6 per cent from 7.1 per cent. South Africa and the United States supply higher grades of coal with greater energy content than Indonesia. It makes sense for captive-power plant buyers in India to seek higher quality coal as it maximises the output from their plants. Australia's share of India's imports is also up, rising to 23.9 per cent in the first seven months of 2018 from 22.6 percent in 2017. However, virtually all of Australia's exports are coking coal, used in steel-making, and the increase is likely a reflection of rising domestic steel production, as well as the paucity of Indian supplies of this higher-grade type of coal.

### **U.S. coal shipment to China shifts to South Korea amid trade spat**

A vessel hauling a shipment of coal from the United States switched its destination on Friday to South Korea from China, according to ship tracking data, a day after China imposed 25 percent tariffs on the U.S. fuel. The Underdog was loaded with 63,000 metric tonnes of coal on July 23 in Long Beach, California, and sailed to China, where it arrived off the coast of Nanshan on Aug. 17. It spent a week idling off the Chinese coast before departing for Yeosu, South Korea, where it is expected to arrive on Aug. 28, according to Thomson Reuters vessel tracking data. The Underdog was one of several U.S. cargoes that have rerouted amid the U.S. trade dispute with China. Last month, a coal cargo on the Navios Taurus shifted to Singapore after originally heading to China.

On Thursday, the U.S. levied 25 percent tariffs on Chinese goods including semiconductors, plastics and railway equipment. China responded with tariffs on goods valued at a similar \$16 billion, including oil, coal and steel products and medical equipment. U.S. coal exports to China

dropped in July, with only two other tankers, the Navios Altair I and Glory, departing from California to China, and carrying a combined 128,000 metric tonnes of coal. No ship with U.S. coal departed for China in August, Thomson Reuters data show. The United States shipped 3.2 million tonnes of coal to China last year, up from less than 700 tonnes in 2016, making it China’s seventh largest supplier.

### **South32 to consider South African energy coal ownership options in Sept**

Diversified miner South32 will start a process to broaden the ownership of its South Africa Energy Coal (SAEC) business, in September. “We have been very clear that we don’t plan to own an interest in energy coal in the long term, and it has never been a better time in terms of where South Africa is at the moment, what Eskom needs around coal, and some liquidity to the buyers out there. “We haven’t formally started the process yet, but certainly we’ve had some strong interest from numerous parties, and we will keep that process up in the second half of the calendar year,” CEO Graham Kerr said on Wednesday.

The miner in 2017, announced its intention to manage SAEC, which includes the Khutala, Klipspruit, Middelburg and Wolwekrans collieries and processing plants in Mpumalanga, as a standalone business, allowing the company to collapse its regional model and simplify the company. This is expected to deliver \$50-million a year in cost savings from the 2020 financial year onwards. Kerr on Wednesday said the group was making progress in establishing SAEC as a standalone business, with a separate leadership team with its own governance framework having been appointed. A \$4.3-billion investment to expand the life of the Klipspruit colliery by 20 years has also been approved. Meanwhile, the group on Thursday reported strong financial results, with a 16% year-on-year increase in underlying earnings to \$1.3-billion.

*(Source: Platts)*

## **INTERNATIONAL SPOT DRY BULK FREIGHT ASSESSMENTS**

<b>Size</b>	<b>From</b>	<b>To</b>	<b>Freight rates</b>	<b>Change</b>
				<i>Unit: USD/ton</i>
<b>Capesize</b>	Australia	China	11.45	-0.55
(150,000 tons)	Queensland	Japan	13.25	-0.70
	New South Wales	South Korea	14.10	-0.70
<b>Panamax</b>	Richards Bay	India West	14.30	+0.50
(70,000 tons)	Kalimantan	India West	10.00	+0.20
	Richards Bay	India East	14.50	+0.50
	Kalimantan	India East	8.50	+0.20
	Australia	China	13.25	+0.50
	Australia	India	15.50	+0.75

*(Source: Platts Coal Trader International – Date 23/08/2018)*