



## PETROVIETNAM POWER CORPORATION

### PETROVIETNAM POWER COAL IMPORT AND SUPPLY COMPANY

# MONTHLY NEWS – October

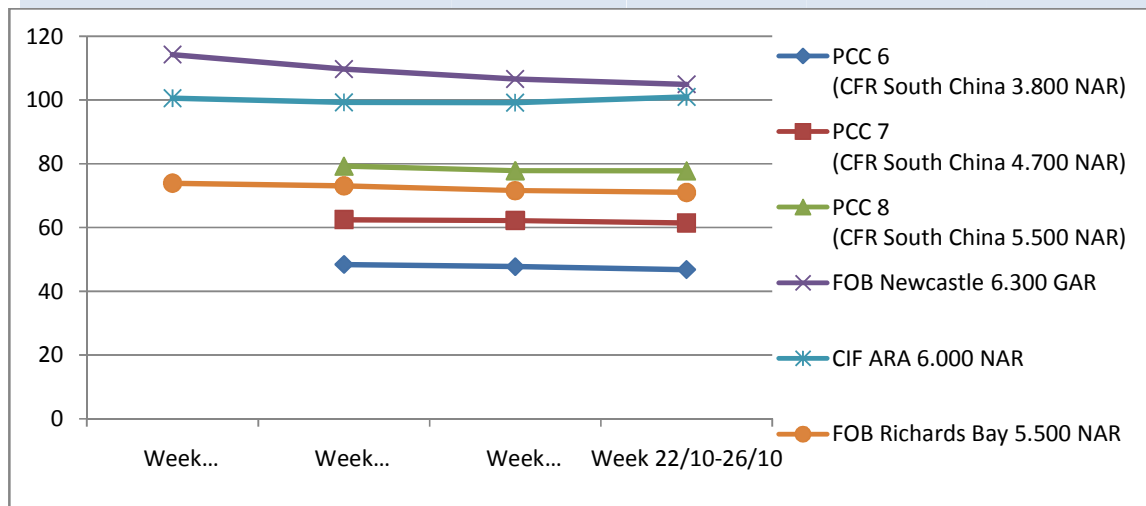
(From 01/10 – 31/10/2018)

## I. COAL MARKET ANALYSIS

### 1. INTERNATIONAL COAL PRICE ASSESSMENTS

*Unit: USD/ton*

| Price index                          | Week<br>01/10-05/10 | Week<br>08/10-12/10 | Week<br>15/10-19/10 | Week<br>22/10-26/10 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| PCC 6<br>(CFR South China 3,800 NAR) | N/A                 | 48.38               | 47.7                | 46.72               |
| PCC 7<br>(CFR South China 4,700 NAR) | N/A                 | 62.45               | 62.16               | 61.38               |
| PCC 8<br>(CFR South China 5,500 NAR) | N/A                 | 79.16               | 77.75               | 77.70               |
| FOB Newcastle 6,300 GAR              | 114.19              | 109.62              | 106.56              | 104.84              |
| CIF ARA 6,000 NAR                    | 100.54              | 99.22               | 99.14               | 100.89              |
| FOB Richards Bay 6,000 NAR           | 73.86               | 73                  | 71.53               | 70.96               |
| NEWC<br>(FOB Newcastle 6,000 NAR)    | N/A                 | N/A                 | N/A                 | N/A                 |



*Chart 1: Average coal price October(2018)*

*(Source: Platts)*

## 2. INTERNATIONAL SPOT DRY BULK FREIGHT ASSESSMENTS

Unit: USD/ton

|                                | Month – October             | 01/10 | 05/10 | 08/10 | 15/10 | 22/10 | 25/10 | 31/10 |
|--------------------------------|-----------------------------|-------|-------|-------|-------|-------|-------|-------|
| <b>Capesize (150,000 tons)</b> |                             |       |       |       |       |       |       |       |
| 1                              | Australia – China           | 10.35 | 10.80 | 10.65 | 11.20 | 10.70 | 10.20 | 11.40 |
| 2                              | Queensland – Japan          | 11.95 | 12.50 | 12.35 | 12.95 | 12.30 | 11.75 | 13.30 |
| 3                              | New South Wales-South Korea | 12.75 | 13.35 | 13.20 | 13.80 | 13.15 | 12.05 | 14.05 |
| <b>Panamax (70,000 tons)</b>   |                             |       |       |       |       |       |       |       |
| 1                              | Richards Bay - India West   | 14.65 | 15.00 | 15.25 | 15.50 | 15.50 | 14.20 | 14.00 |
| 2                              | Kalimantan - India West     | 11.05 | 11.25 | 11.25 | 11.35 | 11.10 | 10.30 | 9.90  |
| 3                              | Richards Bay - India East   | 14.85 | 15.20 | 15.45 | 15.80 | 15.80 | 14.50 | 14.25 |
| 4                              | Kalimantan - India East     | 9.30  | 9.50  | 9.50  | 9.55  | 9.30  | 8.60  | 8.25  |
| 5                              | Australia - China           | 14.50 | 14.75 | 14.95 | 14.75 | 14.35 | 13.40 | 13.35 |
| 6                              | Australia - India           | 16.50 | 16.75 | 16.95 | 16.60 | 16.40 | 15.00 | 15.00 |

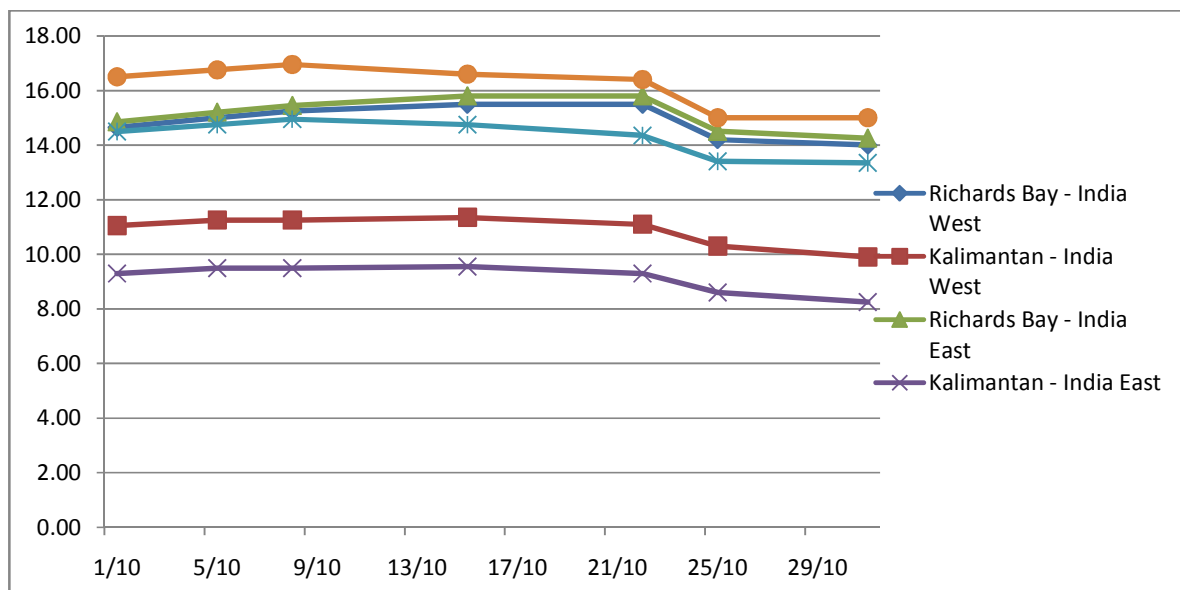


Chart 2: International spot dry bulk freight in October

(Source: Platts Coal Trader International)

## II. NEWS

### Russia's Oct coal exports up 2.5% on month, production also stronger: Ministry

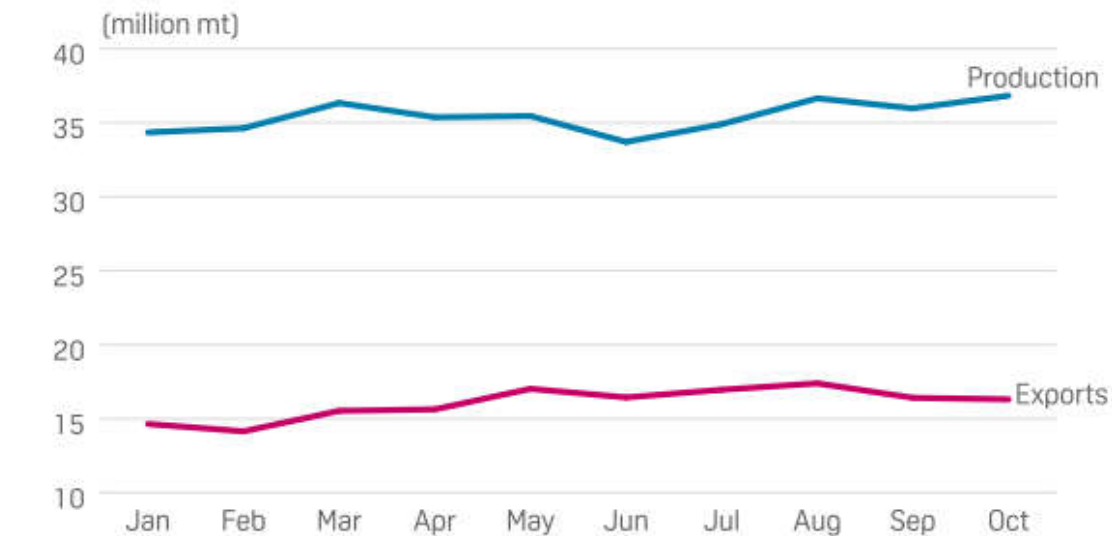
Total coal exports by Russia in October came to 16.3 million mt, an increase of 2.5% month on month and roughly unchanged year on year, according to data released by the Russian Federation Ministry of Energy Friday. The year-to-date volume stood at 145.29 million mt, down 6.3% year on year. This was the first year-to-date decline for Russian exports since November 2015. The data did not disclose the volume of thermal coal within the total export figure.

The increased export volume could be related to the upcoming winter season, which could limit shipments out of key Baltic ports. In addition, both benchmark Atlantic (CIF ARA) and Pacific (FOB Newcastle) prices were higher on year, most notably the FOB Newcastle 6,300 kcal/kg GAR price, which would have been likely to spur producers to export more thermal coal to Pacific ports. One such Pacific market of interest to Russian coal sellers is South Korea, which

has been steadily importing more Russian coal. In the January to September period, South Korea imported 14.98 million mt of Russian thermal coal, up 11.7% year on year, according to customs data. Turkey has also been a growth market in 2018 for Russian exports, which is likely to increase owing to the expanding export capacity in the Black Sea. According to customs data, Russia exported 1.47 million mt of thermal coal to Turkey in September, the first month in a year that exports from Russia were greater than Colombian exports to Turkey.

The average S&P Global Platts FOB Russia Baltic 6,000 kcal/kg NAR, 90-day price in October was \$94.60/mt, a drop of 6 cents month on month, while the average Platts FOB Russia Pacific 6,300 kcal/kg GAR 90-day price in October was \$115.75/mt, down \$2/month on month. Total coal production during October came to 36.82 million mt, an increase of 1% from September but was largely unchanged on year, the data showed. The year-to-date volume stood at 354.56 million mt, an increase of 5.4% from the year-ago period.

## RUSSIA YTD COAL EXPORT AND PRODUCTION



Source: Russian Federation Ministry of Energy

### Traders looking at late Dec high-ash thermal coal for China

Some traders were cautiously considering purchasing Australian high-ash thermal coal shipments for second-half December loading, as they expect China to lift its import restrictions by the time the cargoes arrive there in January 2019, market sources said Tuesday. Chinese buying interest however, remained thin for late November and early December Newcastle 5,500 kcal/kg NAR shipments, sources said. Discharging seaborne cargoes at Chinese ports is difficult, and can result in hefty demurrage for traders facing vessel delays. "Traders are factoring in waiting times [at Chinese ports] before they put on a trade," one market source said.

As things stand, Chinese buyers are in no hurry to return to the spot market as they have comfortable stock levels, low coal burn rates, and falling domestic thermal coal prices. "If stocks are high and coal burn is low and domestic prices [are] falling, there is no way the government will reconsider its import controls," the market source said. For Australian 5,500 kcal/kg NAR thermal coal, he said he heard some trades last week at levels around \$64-\$65/mt FOB Newcastle for November and December shipment, but none so far this week. "The market [for China] is looking quite weak. Not a lot of customers are in a position to buy any Australian or Indonesian coal," he said. He was seeing many cargoes offered to India, but prices there were coming off, and therefore any arbitrage opportunity for India could close very quickly, he added.

### **Coal stocks at Indian power plants recover on week, aided by imports: CEA**

Thermal coal stocks at Indian power plants totaled 10.1 million mt for the week ended Wednesday, up 5% week on week after hitting a year-to-date low of 9.4 million mt on October 26, according to data published Friday by the Central Electricity Authority. India has been struggling with low coal stockpiles for most of the year as state-owned producer Coal India was unable to increase production and dispatches in line with the country's growing energy demand. Stock levels were enough for just six days of power generation, having been at this level since early October. When this number falls below 10, power plants in coastal regions often turn to imported thermal coal, according to S&P Global Platts Analytics.

Inventories of imported thermal coal totaled 431,000 mt as of Wednesday, up 15% week on week. Stock levels were 28% higher year on year but 9% lower month on month, the data showed. "Although stockpiles at India's coal-fired power plants are higher year on year, they remain perilously low and are stimulating import demand somewhat," Platts Analytics said. Nationwide, the number of coal power plants with critical or supercritical stock levels was 29, down from 31 a week earlier.

### **Australian thermal coal prices boost Peabody's Q3 performance**

Peabody highlighted Australian thermal coal prices as a key support of its operational performance for Q3, the US coal miner said in its quarterly earnings report Tuesday. "During a quarter that ended with substantial challenges at the North Goonyella Mine, Peabody's large, diversified platform generated solid results, led by our Australian thermal coal segment," Peabody said in a statement.

Peabody sold 2.9 million mt of export thermal coal from its Australian operations in Q3, level with Q2 and below the 3.3 million mt sold in the year-ago quarter. The average price of export coal sold in the quarter was \$92.08/mt, reflecting high spot prices for the 6,000 kcal/kg NAR and 5,500 kcal/kg NAR grades of thermal coal, Peabody said. Platts FOB Newcastle 6,300 kcal/kg GAR price averaged \$117.92/mt throughout the quarter, the highest quarterly average since Q3 2011, while Platts FOB Newcastle 5,500 kcal/kg NAR price averaged \$68.90/mt over the quarter, down from \$75.84/mt in the previous quarter. Peabody also referenced the higher annual term contracts between Glencore and Tohoku Electric Power for thermal coal supply, which is seen by many as a barometer for the overall Australian export market. The contracts were heard settled at a fixed price of \$109.77/mt, \$15.02/mt higher than the previous settlement.

*(Source: Platts)*