



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

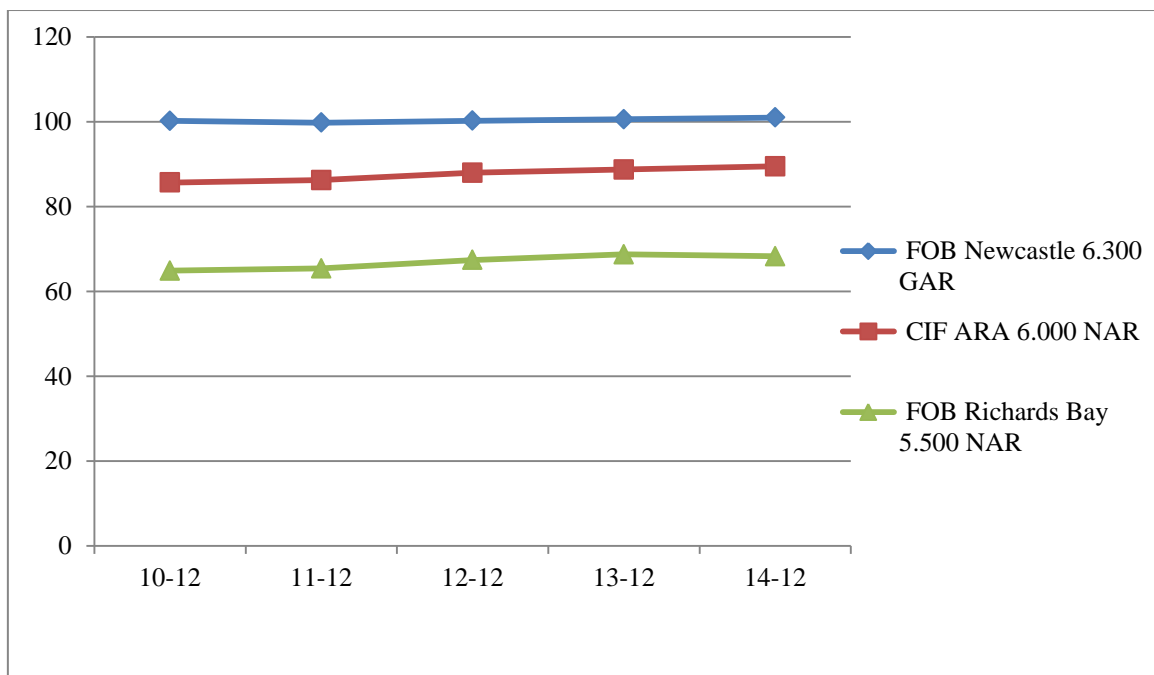
Date 26/12/2018

**INTERNATIONAL COAL PRICE ASSESSMENTS**

Daily prompt physical thermal coal assessments	Window 7 – 45 day	+/-	Window 90 - day	+/-
FOB Newcastle 6,300 GAR	101.00	+0.65	N/A	N/A
CIF ARA 6,000 NAR	89.50	+1.75	N/A	N/A
FOB Richards Bay 5,500 NAR	68.30	+2.55	N/A	N/A
FOB Kalimantan 5,900 GAR	N/A	N/A	68.10	+0.00
FOB Kalimantan 5,000 GAR	N/A	N/A	46.40	+0.00

China Coal Assessment	USD/tons	+/-	NDT/tons	+/-
PCC6 (CFR South China 3,800 NAR)	38.30	+0.00	263.34	+1.11
PCC7 (CFR South China 4,700 NAR)	54.30	+0.00	373.35	+1.57
PCC8 (CFR South China 5,500 NAR)	72.70	+0.00	499.86	+2.10

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



*(Source: Platts Coal Trader International – Date 14/12/2018)*

## **NEWS**

### **Coal demand zooms, while supplies struggle to keep pace**

India's domestic coal supplies will continue to struggle to meet the zooming demand in the next fiscal year too. According to NITI Aayog, the country's total coal demand will rise to 991.35 million tonne in the current financial year (2018-2019). This is 9.13 per cent higher than the 908.40 million tonne demand reported in FY18. Domestic production is also on the rise. In the current year, during April-November, 2018, coal production across India was 433.90 million, with a growth rate of 9.8 per cent over the corresponding period of the last financial year. Despite similar percentage increases (in demand and production), the gulf between requirement and supply has widened, putting pressure on the need to ramp up imports. In a reply to a query by the Lok Sabha, the Ministry of Coal blamed the demand for coking coal and the power plants that are designed to run on imported coal for the huge quantity of imports. Till September this financial year, the coal imports stood at 111.6 million tonne.

“Imports will increase not just to cater to the demand for coking coal, but also to cater to demand for thermal coal. This will be because of coal supply issues and prioritised allocations to public sector companies undertaking power plants,” an official at a diversified coal and power company told BusinessLine. “With the general elections approaching, the state and centre governments are expected to try and improve the power supply to domestic consumers, as a poll pitch to reflect developmental achievements. This will come at the cost of supplies to captive and independent power producers who will resort to imports to keep their industries running,” he added. Even if the government does not divert any committed coal supplies, the lack of rail evacuation infrastructure will continue to make it difficult to meet demand.

### **India likely to allow power plants to swap imported and domestic coal**

Pushing through further rationalisation of coal supply linkages, India's Coal Ministry is working on permitting thermal power plant operators to swap imported transported to deep into the hinterland with domestic coal being transported to plants along the coast. The Coal Ministry has set up an inter-Ministerial task force, which would be meeting on Friday to go into the detail of swap of imported and domestic coal, a government official said. The officials said that at present thermal power plants deep in the interior have to import coal and incur additional transportation costs, while thermal power plants along, or near, the coast source domestic coal and swapping of dry fuel between such plants would reduce fuel costs for both the consuming plants. Some years ago, few thermal power plants had entered into such swap agreements between themselves and were successful in reducing cost of dry fuel, but officials said that the Ministry was keen to lay down guidelines for such linkage arrangements and avoid risks of disputes between thermal power plants that might arise from possible quality, grade and delivery issues.

While the inter-Ministerial task force will go into the finer details of swap arrangements, the Coal Ministry will not permit a blanket permission for such permission, but instead thermal power plant operators will have to seek approval for each swap agreement after declaration of their existing linkage for domestic coal and import contracts of the respective operator. Indications are that thermal power companies will be permitted to swap linkages between import and domestic coal on a long-term basis and not in case of single consignments. Another issue to be clarified by the task force is whether the fuel cost saving resulting from swaps will be absorbed by respective thermal power operators or mandatorily passed on to power distribution companies through suitable provisions in the power purchase agreements between plant operators and electricity distribution companies. Earlier this year, the government had allowed swapping of domestic coal linkages between two thermal power plants operated by the same companies even though each of the plants might have linkage agreements with two coal mines at different locations.

### **S Korean, Taiwanese thermal coal buyers seeking delivered index**

South Korean and Taiwanese utilities are developing more appetite for a delivered Pacific index as the gap continues to widen between FOB Newcastle benchmark and off-spec thermal coals, trade sources said Tuesday. Buyers are resisting index-linked transactions, as the spread between FOB

Newcastle 6,000 kcal/kg NAR coals and off-spec coals has widened to over \$50/mt this summer, and is currently just shy of \$40/mt. “This year is a crucial year,” a European trade source said. “Never before have we had such a spread between off-spec and Newcastle prices. It is the biggest spread that we have ever seen in this market.” Korean and Taiwanese buyers are moving away from the benchmark grade coals, which are no longer representative of the real coal market, the source said. Those who bought index-linked coals at a \$3-\$4/mt discount last year are now seeing those coals selling at a \$25/mt discount, he said.

“The qualities are lower – the discount is so wide,” he said. The wide gulf has created essentially two markets – index grade FOB Newcastle 6,000 kcal/kg NAR thermal coal favored by Japanese buyers and a blended mix of coals ranging from 4,200 kcal/kg NAR and 5,700 kcal/kg NAR minimum sought by Korean and Taiwanese. Buyers will typically blend their coals into a roughly 5,000 kcal/kg NAR mix, the source said. Benchmark prices remain elevated due to a combination of factors, including illiquidity and dominant producer control, the source said. That is keeping off-spec prices higher as well, and punishing buyers who rely on an FOB index. “The real coal market has been hijacked by Newcastle and [buyers] are suffering the consequences,” he said. The source says buyers are ready for a delivered index price to emerge, but some are still tied into long-term freight contracts which limit the ability to purchase on a delivered basis, he said. As those roll off, more Asian buyers will begin seeking coals from different origins, including Colombia, the US and Russia.

*(Source: www.spglobal.com)*

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

				<i>Unit: USD/ton</i>
<b>Size</b>	<b>From</b>	<b>To</b>	<b>Freight rates</b>	<b>Change</b>
<b>Capesize</b> (150.000 tons)	Australia	China	10.60	+0.45
	Queensland	Japan	12.20	+0.55
	New South Wales	South Korea	13.05	+0.55
<b>Panamax</b> (70.000 tons)	Richards Bay	India West	12.70	-0.05
	Kalimantan	India West	8.80	+0.15
	Richards Bay	India East	12.90	+0.10
	Kalimantan	India East	7.40	+0.00
	Australia	China	12.15	+0.05
	Australia	India	13.15	+0.25

*(Source: Platts Coal Trader International – Date 14/12/2018)*