



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

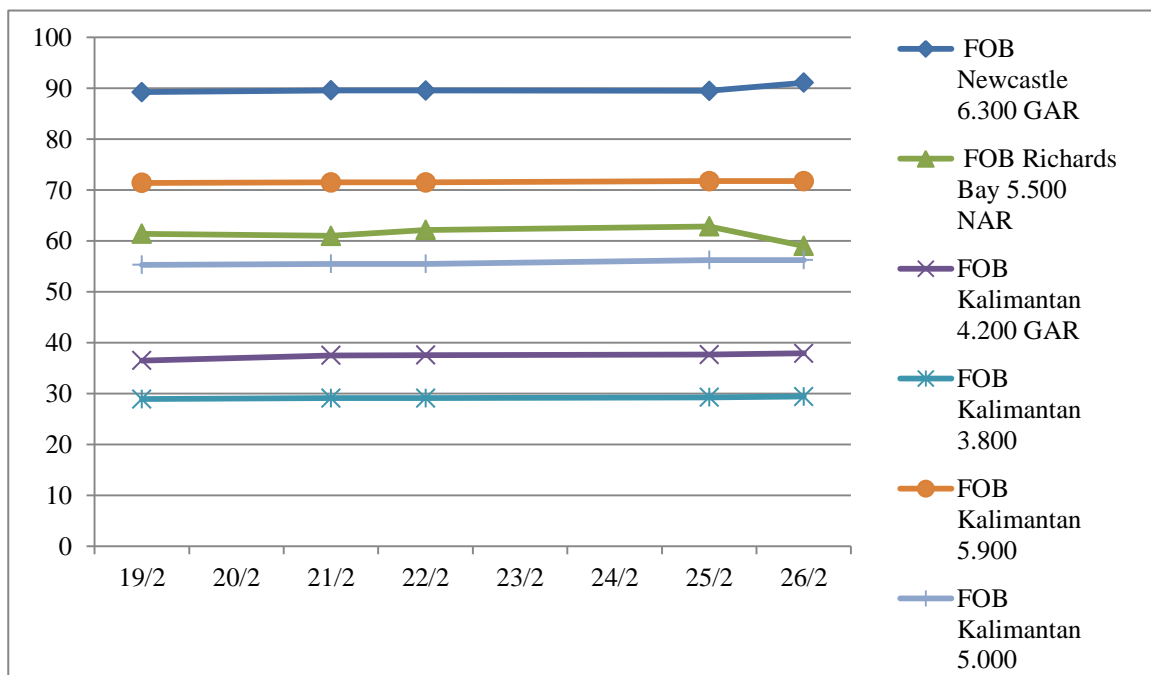
Date 6/3/2019

INTERNATIONAL COAL PRICE ASSESSMENTS

Daily prompt physical thermal coal assessments	Window 7 – 45 day	+/-	Window 90 - day	+/-
FOB Newcastle 6,300 GAR	91.10	-0.65	N/A	N/A
FOB Richards Bay 5.500 NAR	59.00	-0.15	N/A	N/A
FOB Kalimantan 5.900 GAR	N/A	N/A	71,75	+0.00
FOB Kalimantan 5,000 GAR	N/A	N/A	56,25	+0.00
FOB Kalimantan 4,200 GAR	37.90	+0.25	N/A	N/A
FOB Kalimantan 3.800 GAR	29.40	+0.15	N/A	N/A

China Coal Assessment	USD/tons	+/-	NDT/tons	+/-
PCC6 (CFR South China 3,800 NAR)	44.40	+0.10	296.14	+0.82
PCC7 (CFR South China 4,700 NAR)	62.85	+0.10	419.20	+0.88
PCC8 (CFR South China 5,500 NAR)	67.50	+1.00	450.21	+6.89

DAILY PROMPT PHYSICAL THERMAL COAL ASSESSMENTS IN 2019



(Source: Platts Coal Trader International – Date 26/2/2019)

NEWS

Indonesia sets March HBA thermal coal price at \$90.57/mt, down 11% on year

Indonesia's Ministry of Energy and Mineral Resources has set its March thermal coal reference price, also known as Harga Batubara Acuan or HBA, at \$90.57/mt, down 11.1% year on year and down 1.3% from February, a source familiar with the matter said Tuesday. The ministry had set the price for February at \$91.80/mt, and for March 2018 at \$101.86/mt. The HBA is a monthly average price based 25% each on Platts Kalimantan 5,900 kcal/kg GAR assessments, Argus-Indonesia Coal Index 1 (6,500 kcal/kg GAR), Newcastle Export Index (6,322 kcal/kg GAR) and globalCOAL Newcastle (6,000 kcal/kg NAR). In February, the daily Platts FOB Kalimantan 5,900 kcal/kg GAR coal assessment averaged \$71.46/mt, up from \$69.48/mt in January, while the daily 7-45 day Platts Newcastle FOB price for coal with a calorific value of 6,300 kcal/kg GAR averaged \$91.74/mt, down from \$98.06/mt in January. The HBA price for thermal coal is the basis for determining the prices of 77 Indonesian coal products and calculating the royalty producers have to pay for each metric ton of coal sold. It is based on 6,322 kcal/kg GAR coal with 8% total moisture content, 15% ash as received and 0.8% sulfur as received.

Coal-fired power set to grow to meet Vietnam's needs

Though the Government plans to increase its renewable energy capacity, Viet Nam's power industry is forecast to see a rise in coal-powered generation as the cheap and reliable source remains the most feasible option to meet the country's rapidly rising power demands. According to Yoel Sano, Head of Global Political and Security Risk of Fitch Group's Fitch Solutions Macro Research, Viet Nam's coal-powered generation growth is expected to increase rapidly over the next decade and dominate the country's power sector expansion. "While the Government also intends to increase LNG imports and non-hydro renewable energy generation capacity, coal would remain the more attractive option over the next decade as it is cheaper and more reliable at present. As such, we forecast that coal generation will reach 50.5 per cent of the total consumption power mix by 2028, with gas at 22.5 per cent, hydropower at 22.8 per cent and non-hydro renewables at 3.8 per cent," Sano told Viet Nam News. "This is due to relatively slow supply growth from traditional sources of energy such as hydropower and natural gas, with the Government set to turn to coal to meet the surge in demand for power," he explained. According to Sano, traditionally, Viet Nam has relied on hydropower and natural gas for its power generation, but there are several obstacles to see continued growth in these two sectors.

Firstly, hydropower potential has already been almost fully exploited at present. Furthermore, recent droughts and decreasing water supplies highlight the threats facing Viet Nam's hydropower generation output reliability. Secondly, domestic gas reserves are depleting and will not sustain a substantial ramp-up in gas power generation over the longer term, Sano said. "As a result, we expect the Government to turn largely to coal power to meet Viet Nam's increasing power demand, which stems in particular from an expanding industry and manufacturing sector, in order to support continued economic growth. Rapid urbanisation and Government efforts to up electrification levels to 100 per cent will further boost electricity consumption growth rates."

Sharing the view, Tran Viet Ngai, chairman of the Vietnam Energy Association, told Viet Nam News that coal-fired power would still play a key role in the country's electricity industry next year.

"The ratio of coal-fired power will increase from the current 39 per cent to some 60 per cent," he forecast. Dr Nguyen Canh Nam from the Vietnam Energy Association said with Vietnamese economic conditions, coal-fired power is still a good option. "Considering the country's domestic coal resources, the ability to import coal and the level of greenhouse gas emissions, it is necessary to develop coal-fired power because of its technical and economic feasibility," Nam told Viet Nam News, explaining while renewable energy from solar and wind is more costly, it can't ensure consistent power. "The ratio of Viet Nam's coal-fired power is 39.1 per cent, the same as the global average. The rate is much higher in many other countries, such as 63 per cent in China, 61 per cent in Australia, 46 per cent in South Korea, 78 per cent in Poland and 87 per cent in South Africa,"

Nam said, adding that coal-fired power output per capita in Viet Nam is also 793 kWh, much lower than the world’s average level of 1,290 kWh.

Vietnam needs to develop technology

However, Nam said the development of coal-fired power must be cleaner to increase efficiency and reduce emissions through the use of more modern technologies. Besides coal-fired power, Nam also noted the need to accelerate the development of electricity from other resources, especially renewable ones. “For more sustained development, it is very important to change the country’s economic structure with an aim to reduce the share of power-intensive industries,” he stressed. “In doing so, the demand for electricity decreases, which will reduce the pressure on the electricity supply. At that time, we can make long-term investments for clean and renewable energy,” Nam said. Sano also warned that, over the longer term, there are downsides to coal-fired power growth due to increasing environmental concerns and rising coal prices. “The Commodities Team of Fitch Solutions expects coal prices to increase due to a market deficit for coal over the next five years as global demand will exceed global supply,” he noted.

As a net coal importer since 2015, the rising cost of coal coupled with Viet Nam’s increasing dependence on coal imports will increase electricity generation costs. In the last few years, State-owned Vietnam Electricity (EVN) had been reporting losses due to electricity tariffs for coal-fired power – which are set by the government – having been too low to absorb the increasing costs of coal power generation. Increasing concerns over pollution have led to a general pushback against coal. While Viet Nam has committed to reducing carbon emissions, there are limited practical alternatives for the government to meet the surge in power demand at present. In a scenario where the cost of alternative sources of power generation are comparable to that of coal power, Sano believes there would be a shift in government strategy that would seek to curb coal power growth and focus on alternatives. However, a substantial shift in the Government’s strategy is likely to occur only beyond the next decade as Viet Nam is only just starting to develop its grid infrastructure to facilitate renewable energy and building its first LNG terminal to increase natural gas imports, according to Sano.

(Source: www.spglobal.com)

INTERNATIONAL SPOT DRY BULK FREIGHT ASSESSMENTS

Size	From	To	Freight rates	Change
Capesize (150.000 tons)	Australia	China	6.10	+0.00
	Queensland	Japan	6.70	+0.00
	New South Wales	South Korea	7.55	+0.00
Panamax (70.000 tons)	Richards Bay	India West	10.70	+0.00
	Kalimantan	India West	8.00	+0.30
	Richards Bay	India East	10.75	+0.00
	Kalimantan	India East	6.70	+0.30
	Australia	China	10.40	+0.25
	Australia	India	11.50	+0.25

(Source: Platts Coal Trader International – Date 26/2/2019)