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Coking coal, a market in flux

Singapore
Deepali Sharma
November 2022



illuminating the markets

Market Reporting

Consulting

Events

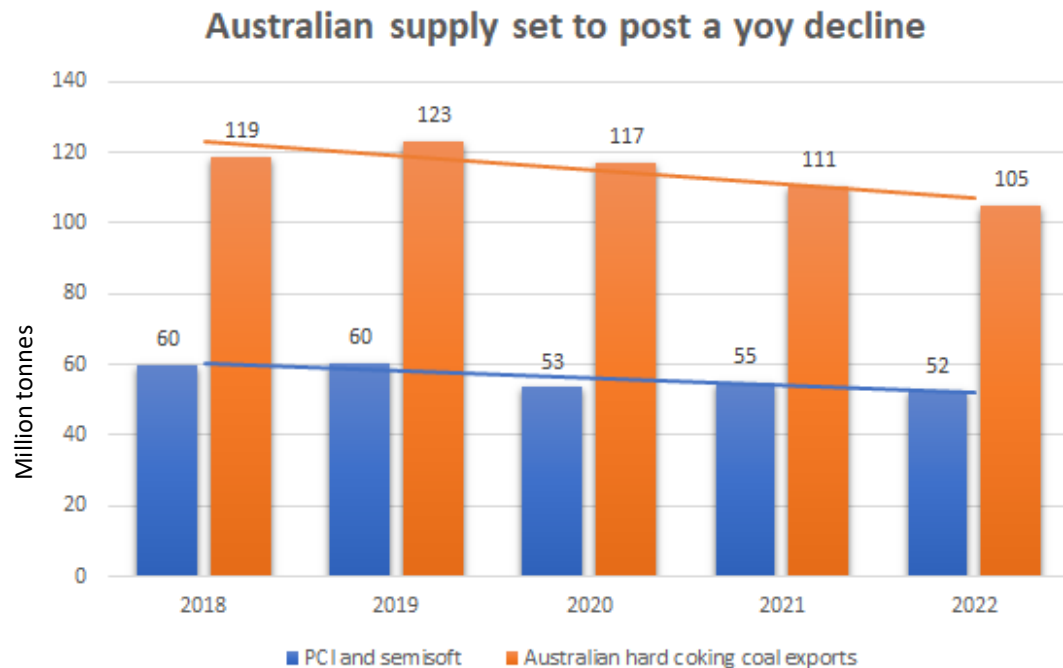
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Tight supply underpinned high prices this year

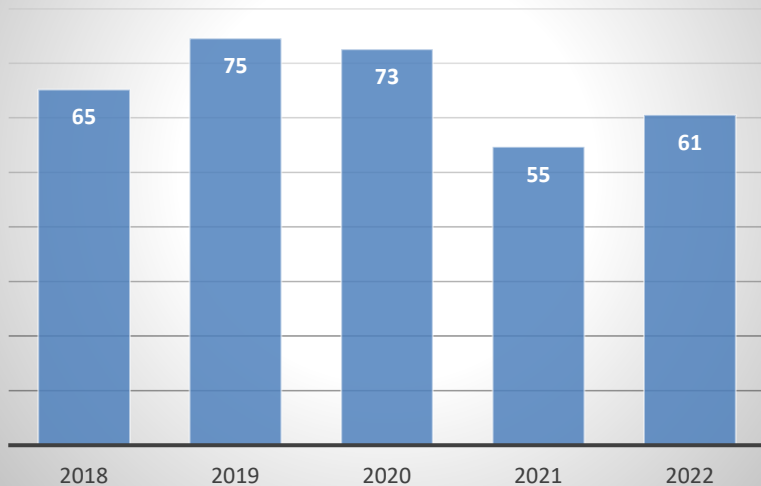
- Wettest September for BMA operations in 10 years
- North American supply improving from low base
- Australian exports posted a recovery in September



Source: GTT. 2022 annualised based on Jan-September.

China still a relevant factor for fob Australia

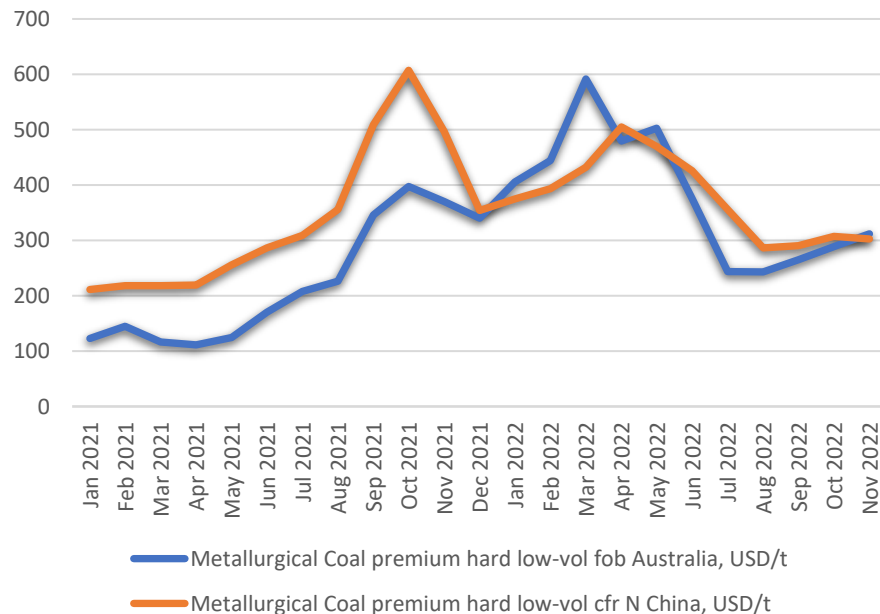
Russia, Mongolia drove higher Chinese imports



Source: GTT, Chinese imports in million tonnes. 2022 annualized based on Jan-September



Fob and cfr relationship no longer set in stone

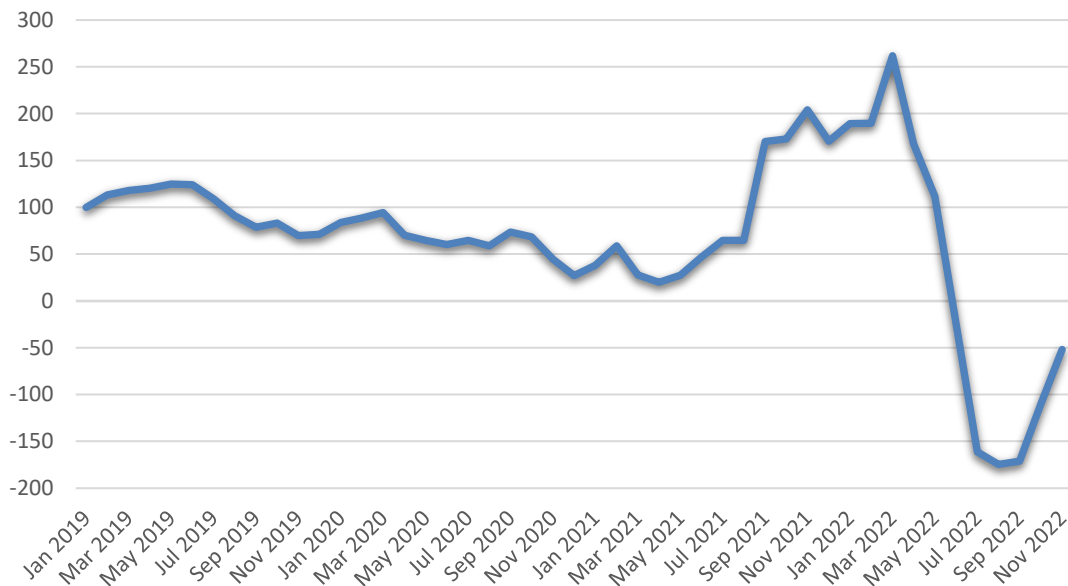


Source: Argus

Russian invasion has caused trade flow alterations

- Russian cargoes sought because of discounts but risks persist
- Japan recorded no Russian imports in September
- Met to thermal switching has hit limits as thermal retreats

Metallurgical Coal premium hard low-vol fob Australia
vs Newcastle 6000kcal NAR fob Australia

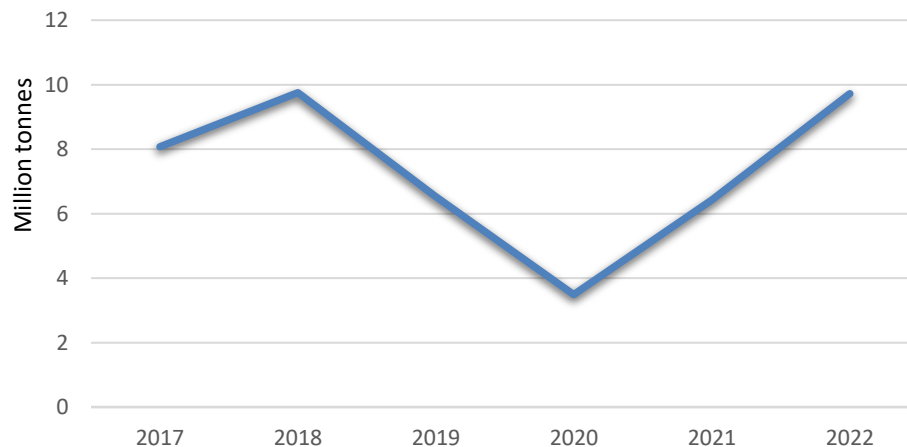


Source: Argus

Asean poised to become key coke supplier

- Around 19mn t of coke capacity in Indonesia over the next two years
- 30-40pc of the exports back to China from Indonesia
- Indonesian coke plants will mainly be fed by Australian coal supply

Chinese met coke exports have made a comeback on domestic output increase

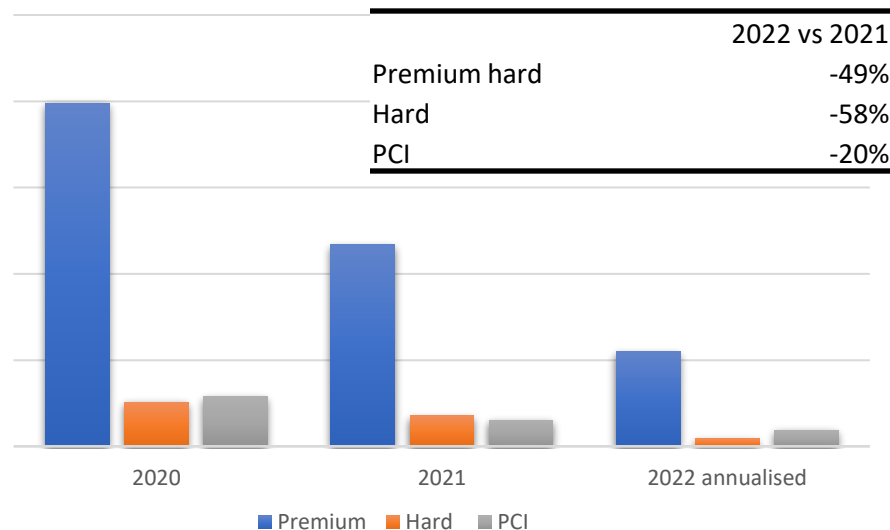


Source: National Bureau of Statistics, China. 2022 annualized on Jan-September

Spot market in numbers: liquidity has taken a hit

- Wet weather impact on production levels
- Less spot availability with more tonnage on term contract basis
- Platform trades done at a wide-spread on same day

Liquidity has fallen across grades, with premium spot trades down 50pc 2022 vs 2021

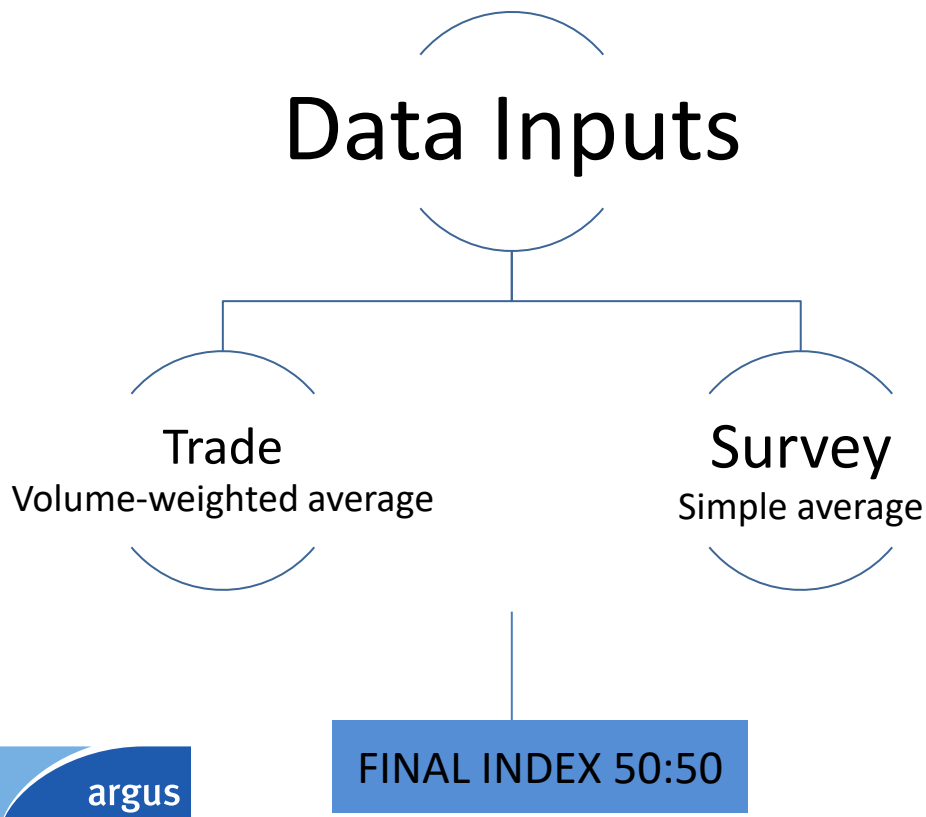


Source: Argus data on spot trades across grades. 2022 annualized based on Jan to 15 July data

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Argus PHCC fob Australia index methodology



- Equal weighting allows market to provide inputs on deals
- Prices through a 24-hr window, not point in time
- Unaccompanied bids, offers not used

New coking coal projects, mainly in Australia

Company	Location	Capacity Added	Date
Pembroke Resources	Olives Down, Moranbah	4.5mn t/yr Phase 1 (target 15mn t/yr)	2023 (phase 1)
Vitrinite	Vulcan mine	2mn t/yr	2022
Whitehaven Coal*	Near Moranbah	Approvals sought	TBC
Anglo American	Aquila	5mn t/yr	Feb 2022
Coronado Coal	Curragh mine	2mn t/yr	2023
Peabody	United Wambo, North Gooneylla Australia	6.5mn t/yr (thermal+met)	2022, 2024 respectively

*In list of projects being asked to reconsider

Firmer prices lift [Australian coking coal capacity](#)

What to keep track in the coming months?

Factors	Impact Created	Impact Expected	Look out
Macro: Covid-19 curbs in China	We know that!	Unverified Wechat post was enough to push market higher	Official announcement
European energy needs	We know that!	Pivot away from Russia is structural in some instances	2023 LTCs
Steel demand	Chinese steel, iron ore inventories low but poor demand has weighed on prices	Steel costs in China are down but mills need to maintain supply discipline to ensure prices sustain	Monetary, fiscal and Chinese Covid policy changes

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