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China Coal Weekly

Fenwei Energy Information Services Issue 580 Monday Dec 26, 2016

Inside This Issue

CCI Thermal Index

	Dec 20	Dec 21	Dec 22	Dec 23	Dec 26
CCI 5500*	633.00	630.00	630.00	630.00	625.00
CCI 5000*	564.00	560.00	560.00	560.00	557.00
CCI 5500 Import	73.50	73.50	73.50	73.50	73.00
CCI 4700 Import	62.00	61.40	61.40	61.00	60.70
CCI 3800 Import	43.70	43.70	43.70	43.50	43.00

** includes VAT at 17%.*

LEADING STORY

Further price drop seen at China thermal coal market

China's coastal market saw thermal coal prices drop further recently, as traders tried to sell off to get money back before the Spring Festival, market sources said.

One miner was said offering outsourced 5,500 Kcal/kg NAR coal with 0.6% sulphur at 628 yuan/t FOB with VAT, compared with other traders' offer of 625 yuan/t for the same-quality coal, one Inner Mongolia-based trader said.

"It's hard to sell the material at prices higher than 630 yuan/t," he said. "The price may fall to 600 yuan/t before the Spring Festival and drop further after the holidays.

Shipment of low- and mid-CV coal reduced due to higher cost, with price for 5,000 Kcal/kg NAR low-sulphur coal (below 0.6%) at 570 yuan/t, FOB with VAT, he noted.

Traders offered 5,500 Kcal/kg NAR coal with 0.8% sulphur at around 620 yuan/t FOB Yangtze River ports with VAT, said one Shanxi-based trader. But sales have been flat, due to weak demand, he noted.

Some traders predicted the price for the same-CV coal to drop to nearly 610 yuan/t in January, a second Shanxi-based trader said.

Offer prices for 5,500 Kcal/kg low-sulphur coal stood at 630-640 yuan/t, while that for 5,000 Kcal/kg NAR coal with 0.7-0.8% sulphur was at 560 yuan/t, FOB with VAT, one Zhejiang-based trader said.

A Tianjin-based trader said 5,500 Kcal/kg NAR blending coal with 0.6% sulphur was offered at around 630 yuan/t, FOB with VAT.

Trades were flat, as utilities kept pressing down prices but some miners intended to lift mine-mouth prices, he said.

Most buyers took a wait-and-see approach and kept an eye for large groups' January pricing, according to a Hebei-based trader.

(continued on page 5)

WEEKLY MARKET ANALYSIS & FORECAST

Weekly China thermal coal analysis and forecast

Prices of thermal coal in China's coastal market moved lower in the past week, as days of smog significantly pushed up stocks at norther ports while utilities remained interested in contract supply.

The Index

On December 26, the Fenwei CCI 5500 index was 625 yuan/t with VAT, FOB Qinhuangdao, falling 11 yuan/t from the previous week; the Fenwei CCI 5000 index stood at 557 yuan/t, down 10 yuan/t week on week.

On the same day, the Fenwei CCI 5500 Import index decreased $0.5/t on the week to $73/t; the Fenwei CCI 4700 Import index fell $1.3/t to $60.7/t, while the Fenwei CCI 3800 Import index declined $0.7/t to $43/t.

Lately in the market

Coal miners in northern Shanxi reported relatively high stocks and flat sales. The mine-mouth price for 5,500 Kcal/kg NAR coal in Datong fell 15 yuan/t from the week prior to 450 yuan/t, inclusive of 17% VAT.

In Yulin, mines in production halt were gradually resuming operation after safety and environmental checks, but supply of premium thermal coal was tight. Thermal coal market was affected by safety inspection in Inner Mongolia.

Safety overhaul continued at mines in producing areas, but the impact on the coastal market could roughly be neglected, market sources said.

While seeking contract coal, Chinese utilities were waiting for next month's pricing from top miners.

Traders predicted coal prices to further edge down before the Spring Festival falling late January, given high stocks at northern ports and upcoming factory suspension.

Offers for 0.8% sulfur 5,500 Kcal/kg and 5,000 Kcal/kg NAR coal were heard at 630-640 yuan/t and 560-570 yuan/t FOB with VAT, both down 10 yuan/t week on week.

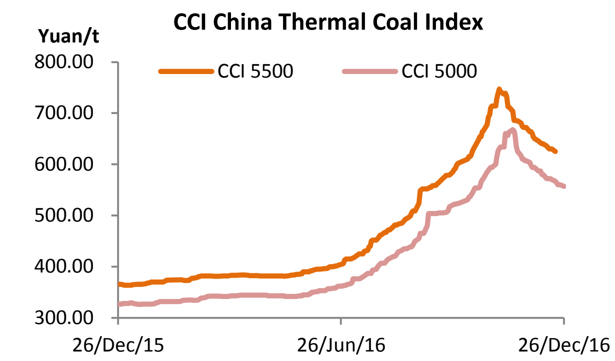
As heavy smog delayed shipment, coal stocks at Qinhuangdao stayed above 7 million tonnes for the eighth straight day on December 26, reaching 7.13 million tonnes, a week-on-week rise of 1.9%.

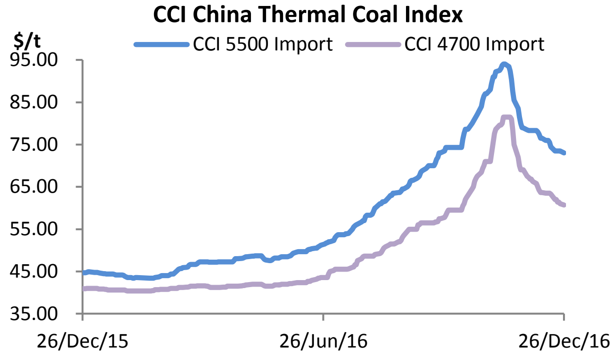
Chinese utilities focused buying of Indonesian coal on low-CV material, with 3,800 Kcal/kg NAR coal being offered at $38-39/t FOB, steady week on week. Few deals were heard concluded on Indonesian 4,700 Kcal/kg NAR coal, with offers at $55-56/t FOB, up 42/t from the week prior.

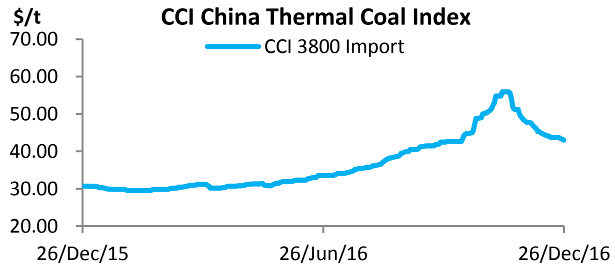
Offer prices for Australian 5,500 Kcal/kg NAR coal changed little on week at $66-67/t FOB. Chinese traders slowed import coal business, as subdued buying interest made it hard to sell overseas cargoes into domestic market.

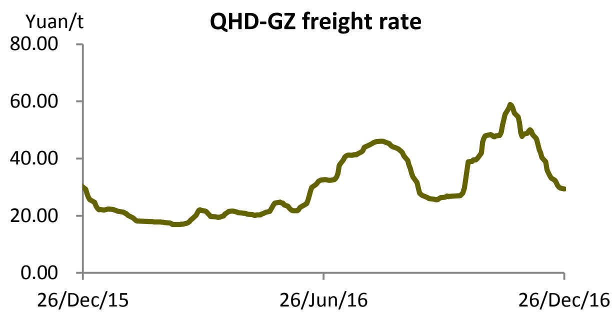
Forecast

Prices of thermal coal traded at northern China ports may continue to fall, as demand is likely to further shrink before the Spring Festival.









Source: Shanghai Shipping Exchange.

Weekly China coking coal analysis and forecast

China's coking coal market remained stable on the whole during the past week, despite sluggish demand from coke and steel makers amid safety and environmental checks.

The Index

The CR China Coking Coal Price Index (CRCP) was 1,460.6 yuan/t on December 26, down 1.7 yuan/t on week; while the CR China Coking Coal Socks Index (CRCS) was 82.3 points, up 2.36% from the previous week.

Lately in the market

Shanxi Shanxi's coking coal market was basically steady last week. Most producers of premium coking coal had seen 2016 deliveries sold out ahead of schedule. The price of premium coking coal may stay relatively firm before the Spring Festival, owing to low stocks at downstream sectors.

On December 26, the Fenwei CCI Liulin Premium index assessed ex-washplant prices of Liulin low-sulphur primary coking coal at 1,600 yuan/t with VAT, unchanged from the previous week; and that of Liulin high-sulphur at 1,300yuan/t, flat on week.

Hebei Coking coal market was depressed in Hebei, due to rapidly increased stocks at mines and inactive purchasing from coke and steel producers.

The CCI Met Coal index assessed the ex-washplant prices of Tangshan fat coal at 1,500 yuan/t with VAT on December 26, and that of Handan primary coking coal at 1,380 yuan/t, both flat on week.

Shandong Shandong's coking coal market was steady last week amid environmental checks.

On December 26, the CCI Met Shandong Semi-soft index assessed the ex-washplant price of gas coal at 1,000 yuan/t with VAT, down 10 yuan/t from the previous week. Glencore and Nippon Steel settled the January-March 2017 premium mid-vol coal at $285/t FOB Australia, 43% up on the fourth-quarter industry benchmark of $200/t.

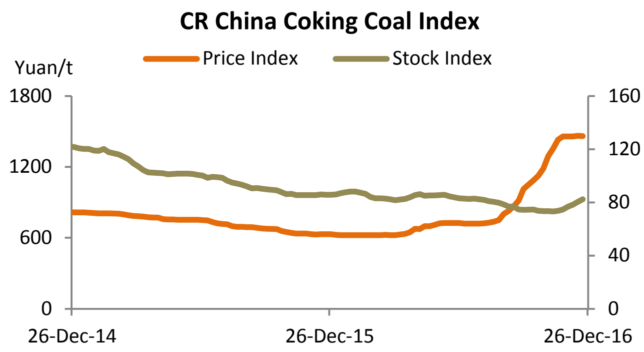
On December 23, CFR price of premium low-vol Australian HCC and Peak Downs HCC were assessed at $240/t and $241.5/t, both down $19.5/t on the week.

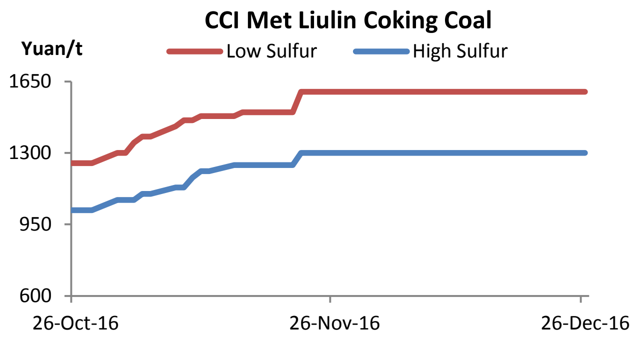
Mongolian coking coal continued to stabilize during the past week. Demand for the Mongolian material slid amid production restrictions at coking plants and steel mills. But the operating rate at coking plants and steel mills is expected to climb this week, as restrictions were lifted in most areas, which may support coal prices to some extent.

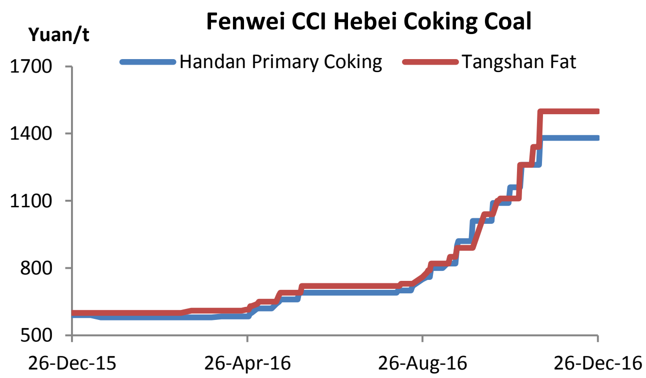
The ex-stock price of primary coking coal was assessed at 1,200 yuan/t at Ganqimaodu on December 23, and that of 1/3 coking coal was at 480 yuan/t at Ceke, both unchanged from the previous week.

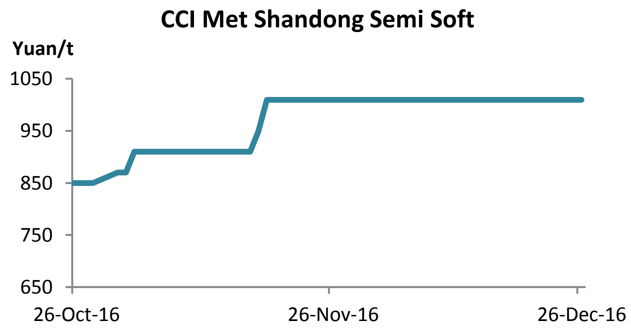
Forecast

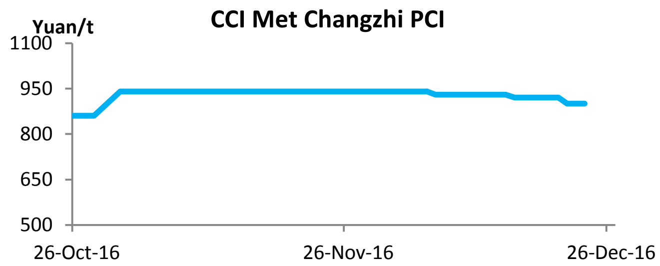
China's coking coal market may improve slightly at the year end, as supply is curbed owing to stricter safety inspection and routine maintenance at mines.









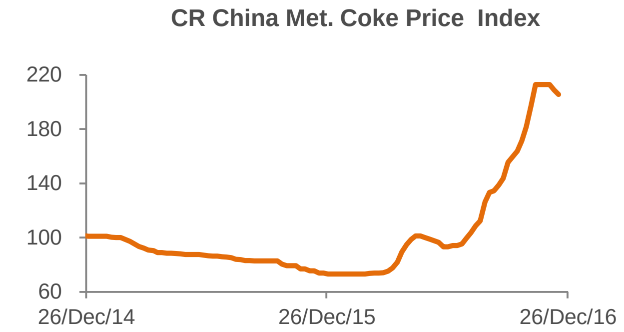


Weekly China met. coke analysis and forecast

Met. coke prices further fell 30-80 yuan/t at China's major coke producing areas during the past week, as demand from steel mills waned amid production cuts for better air quality.

The Index

On December 26, the CR China Met. Coke Price Index (CRMP) stood at 205.54 points, down 1.62% on week; the CR China Met. Coke Stock Index (CRMS) rose 0.72% week on week to 79.69 points on the same day.



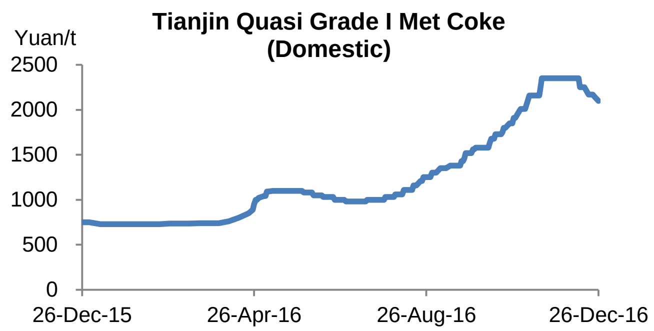
Lately in the market

Shanxi Coke prices dropped 30-50 yuan/t in Shanxi during the past week, mainly attributed to slowing purchases from steel mills as their coke stocks increased after being ordered to cut output.

Most coke firms ran 50% capacity under order of local environmental watchdog, and some were even asked to cut production by 60% or so. Coking plants generally had coking coal stocks enough to cover some 20-30 days of use, and their coke inventories increased to an average 20,000 tonnes or so.

On December 26, Fenwei assessed the price of Luliang Grade I met coke (0.7% sulphur, 13% ash and CSR 60) at 1,950 yuan/t, down 40 yuan/t on week; while that of Luliang Grade II met coke (0.7% sulphur, 13% ash and CSR 55) at 1,830 yuan/t, down 70 yuan/t on week.

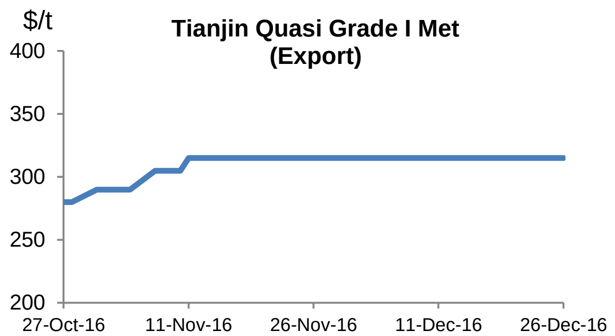
Hebei The met. coke market in Hebei reported a 20 yuan/t price drop during the past week, due to weakened demand from steel mills under strict production cut order to improve air quality. Coking plants in Handan, Tangshan, Shijiazhuang and Xingtai were enforced to slash operating rate by 50%, to reduce rampant smog.



On December 26, Fenwei assessed the price of Grade II met coke (0.7% sulphur, 13% ash and CSR 55) at 2,060 yuan/t with VAT, DDP Tangshan, unchanged on week.

Shandong The met. coke market in Shandong posted the sharpest price drop of 60 yuan/t during the past week, impacted mainly by a slump of purchase demand from steel mills amid environmental constraints.

Fenwei assessed Grade II met coke (0.8% sulphur, 13.5% ash and CSR 52) at 2,040 yuan/t in Rizhao on December 26, DDP basis with VAT, down 30 yuan/t on the week.



On December 26, Fenwei assessed price of Quasi Grade I met coke sold to domestic users via Tianjin port at 2,100 yuan/t FOB, down 70 yuan/t week on week, while for export at $315/t, unchanged on the week.

Forecast

The market is likely to continue the weakening trend in the short run, given the falling demand from steel mills amid ample stockpiles, though coke supply is contracting impacted by stringent environmental requirements.

MARKET COMMENT

Further price drop seen at China thermal coal market... *from page 1*

Wait-and-see attitude

Chinese buyers of import thermal coal were staying on the sidelines amid further weakness of the domestic market, contributing to a fall in prices of the fossil fuel.

Offer prices for Indonesian coal were steady recently, with 3,800 Kcal/kg NAR coal at $37.5-38/t FOB, said a Fujian-based trader, adding no new deals were heard concluded.

One Guangdong-based trader reported above $38/t FOB offers for the same grade coal and a wide range of $52-58/t FOB for 4,700 Kcal/kg NAR coal.

The trader put the shipping rate for Supramax vessels from Indonesia to southern China at $5.5/t.

Just a few traders were reportedly making inquiries for Indonesian coal arriving before the Spring Festival in late January, while most others basically were inactive in inquiries, he added.

He also said owing to the Christmas and New Year holidays, overseas miners and logistics firms had suspended business, resulting in a quiet market.

One utility source said he heard of offers at $38-38.5/t FOB for Indonesian 3,800 Kcal/kg NAR coal and $55-56/t FOB for 4,700 Kcal/kg NAR material.

As for prices some time later, the source said further drop may be inevitable, given a lack of demand.

One southern China-based trader reported lower offer of $52/t FOB for Indonesian 4,700 Kcal/kg NAR coal.

He also said Capesize cargoes of Australian 5,500 Kcal/kg NAR coal were available at around $68/t FOB.

"The seaborne freight rate is predicted to slide more, as festive activities in China and overseas countries may impact the market negatively," said one southern China-based trader.

China coal import & export: impact on global market and 2017 forecast

Coal imports and exports, though taking a relatively small share in China's coal supply, have exerted much influence in the global market and would continue to play a significant role in the foreseeable future.

Mr. Chang Yijun, chairman of coal consultant Fenwei Energy Information Services Co., Ltd., said in the past 20 years every huge fluctuation in the global coal market resulted from change of imports and exports by China.

Taking coking coal as an example, China's exports tumbled from 2002 to 2008, causing a shortage in the global market and driving up the Australian-Japanese term contract price to $300/t from $48/t.

Over 2011-2015, China's coal imports kept declining. This led to a surplus in the global market where spot coking coal price plummeted to $77/t by end-2015 from as high as $380/t.

As coal imports by China regained strength this year, owing to a nationwide de-capacity move, global spot coking coal price has risen to $310/t.

According to Chang, global coal prices, with wider fluctuation range, change earlier than China's domestic market and are always a leading indicator for China.

All volatilities in global market could be seen as miners' adjustment to change in supply and demand in China and other countries. For China's domestic market, the price trend is mainly influenced by the government and state-owned miners, who however are slow in responding to changing supply-demand dynamics.

The motive power for coal imports and exports comes mainly from the great change of production in China, Chang pointed out, which resulted in fluctuations in prices of the fossil fuel.

In the three months before the 2008 Olympic Games, local mines were ordered to halt production, causing 30% drop in output and spurred a price rally at both home and abroad.

Over 2009-2010, mines suspension in Shanxi for regrouping and consolidation led to a 10% decrease in China's total output, boosting imports and global prices.

As consolidated mines started operation gradually in Shanxi in 2012, China's coal output climbed swiftly, and seaborne prices were hit again.

Most recently, the de-capacity move this year contributed to a new boom in global market, with prices skyrocketing.

By the end of 2016, China's coal mines in operation were estimated to have a combined production capacity of 3.55 billion tonnes per annum. The capacity is expected to rise to 4 billion tonnes per annum by end-2017.

In 2017, the nation's net coal imports may stand around 210 million tonnes, if the government continues to allow advanced mines to operate 330 days annually after the heating season, while the rest mines for seasonal adjustment to ensure a roughly balanced market.

Fenwei has made forecast for supply and demand, as well as prices of thermal coal and coking coal in 2017 on a monthly basis, assuming that the government partially loosens working day restrictions.

Chinese coal mines' cost curve and profitability analysis in Nov

Coking coal mines in China's main production areas surveyed by China Coal Resource (sxcoal.com) saw further improvement in profitability amid resilient prices in November, while profit of thermal coal mines dip as prices slide in the latter half of the month.

Profit-making thermal coal mines accounted for 97.7% of the total sampled thermal coal capacity in November, down from 98.7% a month ago.

All sampled coking coal mines reported profitability in November, while coking coal mines in loss took 5.8% of the total sampled coking coal capacity in October.

Sampling sites and subjects of comparison

In November, we selected 265 thermal coal mines, with combined capacity of 704 million tonnes per annum (Mtpa). These mines are located at Shendong (Dongsheng) and Zhungeer mining areas in Inner Mongolia, Datong, Pingshuo and Shuonan mining areas in Shanxi, and Shendong mining area (Shenfu) in Shaanxi province.

The 122 coking coal mines selected have a combined capacity of 148 Mtpa. They are from Baotou and Wuhai mining areas in Inner Mongolia, Xishan, Liliu and Fenxi mining areas in Shanxi, and Kailuan mining area in Hebei.

To give a clearer and comprehensive picture of the cost and profitability of Chinese mines, we choose the Bohai-rim ports (Qinhuangdao, Caofeidian/SDIC Jingtang and Huanghua), and Tangshan of Hebei to make comparisons on thermal and coking coal.

1. Cost curve and break-even analysis

In November, the cost of raw thermal coal, which includes production cost plus sales, management and financial costs, was 212 yuan/t, rising 1.4% from the previous month; that of raw coking coal stood at 291.1 yuan/t, up 6.2% from a month ago.

Thermal coal

We use the cost per calorific value (CV) to evaluate a thermal coal mine's competitiveness, which is related not only to the mine's all-in cost but also to its coal quality, primarily the CV.

The cost curve indicated that coal produced in Datong mining area had the lowest cost of 0.072 yuan/Kcal ($0.01/Kcal) on a delivered basis to the Bohai-rim ports in November, given its relatively high CV at 5,400 Kcal/kg NAR on average, and lower transport cost through coal dedicated Daqin line.

While, the delivered cost of thermal coal from Zhunge'er mining area was the highest at 0.097 yuan/Kcal. This was due to its lower CV at 4,500 Kcal/kg NAR and a higher transport cost resulting from long hauling distance to end users, mostly in east and south China.

Coal mines with 88% of the total sampled capacity of Zhunge'er mining area and mines with 96.2% of the total sampled capacity of Wanli mining area could make money in November. In other sampled thermal coal mining areas, all mines enjoyed profit of various extents.

Coking coal

Among the six selected coking coal mining areas, Kailuan mining area had the lowest washed coal cost at 698.5 yuan/t in November, DDP Tangshan, while the cost of Baotou mining area was the highest at 912 yuan/t, owing to undeveloped railways and high transport cost to Tangshan because of long distance.

All sampled coking coal mines were profitable in November.

2. Market overview

Thermal coal

China's thermal coal market lost steam in late November, as coal mines continued boosting output and rail departments accelerated efforts to haul more coal to coastal ports under the government's directive.

Entering December, mine-mouth thermal coal prices increased marginally, backed by safety and environmental checks. Bu the price rise was deemed temporary and regional, and limited buying interest may drive price down gradually.

Since late December, frequent smoggy weather has affected vessel loading at Qinhuangdao port and pushed up coal stocks to over 7 million tonnes. China's coastal thermal coal prices may continue the downtrend before the Spring Festival, given high stocks at transfer ports and inactive utility buying.

Coking coal

The coking coal market saw further upticks in November, but a wait-and-see sentiment seemed increasing amid production cuts at coking plants and steel mills for environmental check.

Coking coal prices have been generally stable since early December, buy may feel downward pressure from obviously increased stocks at coke and steel makers. And, coke prices have started to fall, making it hard for coking coal miners to uphold prices, with some miners already offering discounts.

The profitability in China's thermal and coking coal sectors may slightly weaken in December, given less-than-expected demand under tough measures taken to improve air quality.

COAL/COKE NEWS

China may cap N. Korean coal imports at 7.5 mln T in 2017

China may cap North Korean coal imports at 7.5 million tonnes in 2017, following a U.N. Security Council resolution, as it is believed to be the only country buying North Korean coal.

China will comply with United Nations Security Council Resolution 2321 (2016), according to which total exports to all member states of coal originating in the DPRK do not exceed $400.87 million or 7.5 million tonnes per year, whichever is lower, beginning 1 January 2017, the Ministry of Commerce said on its website on December 23.

The majority of the North Korean coal imported into China is anthracite, which is sold to coastal steel mills for sintering and pulverized coal injection, and also to chemical plants as feedstock.

Chinese traders are allowed to import North Korean coal the way as before. However, they should pay close attention to the total imports figure which will be published on an UN Security Council website, the notice said.

All member states would receive a notification from UN Security Council if their aggregate value or volume of coal procurements from North Korea reaches 95% of the allowed yearly amount, and they must immediately cease procuring coal from North Korea for the year.

Since the Chinese government didn't establish a quota system for importers, traders may make procurement earlier than usual and concentrate their buying in the first half of 2017, in order to avoid the custom entry risk and maximize profit.

Chinese end users would be likely to use domestic anthracite for sintering and Australian/Russian PCI in replacement of North Korean coal, trade sources said.

The limitation on buying North Korea coal may impact anthracite coal supply in China. Of the total 420 million tonnes of anthracite coal produced in China last year, some 40% was used as thermal coal, while the remaining was used in steel and chemical sectors.

Coal accounts for nearly 40% of North Korea's exports to China, and anthracite exports to China takes 99.8% of North Korea's total anthracite exports.

In 2015, China bought 19.58 million tonnes of anthracite coal from North Korea, taking 80% of its total anthracite imports.

China imported a total of 20.44 million tonnes of North Korean coal in the first 11 months, rising 14.7% from a year ago. Total import value nudged up 4.7% year on year to $1.01 billion during the same period, with the November value more than doubling from a year ago to $139.38 million.

China coal prices may go downward in 2017

Analysts of the industry predicted coal prices may face downward correction but within a reasonable range next year, as the government eases production restrictions at advanced mines while at the same time keeping a tight rein on some other mines.

With China's continuously efforts to cut capacity, coal prices have bottomed out to rational level and the toughest year with most losses in the industry has been passed through, indicating a controllable era of coal industry at all links and less fluctuated coal prices in the future.

Meanwhile, Lian Weiliang, vice director of the National Development and Reform Commission (NDRC), pointed out that coal prices will fall back after the heating season ending in March next year, but stay above the red line.

The coal industry is embracing an opportunity of merging and reorganization with other industries, which is also encouraged by the NDRC, aiming at improving comprehensive competitiveness of coal enterprises.

Up to now, 15 of China's 36 listed coal enterprises have disclosed estimated earnings for 2016.

According to these reports, a total of 11 coal producers are expected to be in the black, among which China Coal Energy Co. Ltd., Shanxi Coking Coal Group, Kailuan Group and Hongda Mining Co., Ltd. may swing to profit.

China Coal Energy, which suffered a loss of 2.5 billion yuan in 2015, has strived to improve performance by optimizing product structure, reducing cost, and disposing assets of low profitability.

China's steps to fight rampant pollution hits Asian coal demand

Asian thermal coal prices are set to come under pressure as a mild December in the Northern Hemisphere caps heating demand and China shuts power stations, factories, and even ports in a desperate fight against rampant smog, Reuters reported on December 21.

To reduce the rampant air pollution that has gripped the country this month, China has closed or curtailed output at coal-fired power stations and hundreds of factories. Authorities even ordered Tianjin port to stop handling coal and iron ore, creating a traffic jam of dozens of dry-bulk ships waiting to unload.

"These are some of the most drastic steps ever by the government to reduce pollution, and it's bound to reduce coal consumption by power stations and imports into China's harbours," said one coal shipper.

Coal markets had some of the steepest price rises on record earlier this year, with Australian Newcastle cargo prices gaining almost two-thirds within two months to over $114/t by the start of November, after Chinese authorities capped domestic coal mining, sending utilities scrambling for imports.

But prices started falling from mid-November after China's mining caps were loosened and an early winter cold snap eased. Chinese spot coal prices are around $77/t, down from $100/t in early November, versus $91/t for Australian coal, excluding freight costs.

"Import arbitrage on the Chinese market has closed which removes one of the last bright spots in coal demand in the Pacific," said Georgi Slavov, head of energy, iron ore and shipping research at commodities brokerage Marex Spectron.

Yet China's coal consumption could rise again once the smog abides, much will depend on winter weather.

China Nov thermal coal imports jump 69pct

China imported 11.01 million tonnes of thermal coal (including bituminous and sub-bituminous coal) in November, jumping 69.12% year on year and up 50.41% from October, showed the latest data released by the General Administration of Customs.

The value of the imports totaled $733.28 million, translating to an average import price of $66.6/t, rising $14.16/t from a year ago and up $8.34/t from the month prior.

Over January-November, China imported 86.94 million tonnes of thermal coal, up 14.77% from the year-ago level. Total value stood at $4.51 billion, climbing 1% year on year.

Meanwhile, China imported 8.95 million tonnes of lignite in November, surging 137.7% year on year and up 28.78% month on month, with the value increasing 200% from the preceding year to $379.14 million.

Total lignite imports in the first eleven months reached 64.61 million tonnes, up 44.48% year on year, with value at $2.29 billion, up 23.5% year on year.

Separately, the country exported 419,900 tonnes of thermal coal in November, with value at $26.32 million. Thermal coal exports from January to November stood at 3.52 million tonnes, with value at $244.41 million.

China's export of lignite gained 1.7% on the year to 33.8 million tonnes over January-November, with values at $239,000; lignite export in November was 142 tonnes, with value at $9,000.

China Nov coking coal imports drop for the third mth

China imported 4.75 million tonnes of coking coal in November, down 7.9% from a month ago – the third consecutive drop, as domestic buyers shunned pricy imported material, showed the latest data from the General Administration of Customs (GAC).

However, the volume gained 16.8% year on year, also the third straight year-on-year rise, data showed.

According to the GAC, value of the imports stood at $444.31 million, surging 55.3% on the year but down 8.6% on the month, which translated into an average price of $93.54/t, down 0.66% from the previous month.

The year-on-year rise of imports value was mainly due to rapidly rallied price of the material. As of late November, the price of low-vol primary coking coal from Australia to northern China ports stood at $306/t, CFR basis, up $41/t month on month.

Over January to November, the country's imports of coking coal rose 23% year on year to 53.37 million tonnes; the value of the imports was $3.85 billion, rising 8.8% year on year.

Meanwhile, China's exports of coking coal stood at 110,000 tonnes in November, rising 7% from the year-ago level and 10% from October, with the value at $21.62 million, surging 120.9% from the year-ago level.

In the first eleven months of the year, China exported 1.04 million tonnes of coking coal, increasing 21.3% compared to corresponding period last year, with total value of the exports rose 12.6% year on year to $105.07 million.

Shanxi Nov coal output continues to drop

Coal-rich Shanxi province in northern China saw its raw coal output produced by above-sized enterprises (annual main business revenue above 20 million yuan) drop to 74.85 million tonnes in November, falling 9.4% year on year but up 3.02% month on month.

According to data released by the provincial Statistical Bureau on December 21, above-sized enterprises' raw coal output totaled 738.22 million tonnes over January-November, down by 15.2% compared to the corresponding period last year.

Shanxi's monthly coal output growth decreased from the year-ago level in 2016, with April-June and August registering 20% plus drop mainly due to the 276-working day regulation.

The province reported positive month-on-month growth of raw coal output in October and November, owing to the government easing on production control at mines.

China has been focusing on slashing overcapacity in the coal industry during the first year of its supply-side structural reform. Under the government's directive, the country's provinces, municipalities and autonomous regions actively shed capacity and shut down coal mines.

In March, the Shanxi government firstly ordered all coal mines in the province to arrange production under the 276-wording day regulation.

So far this year, the province has cut 23.25 Mtpa of coal capacity by shutting and regrouping 25 coal mines, including 21.3 Mtpa in provincial-owned coal enterprises and 1.95 Mtpa in Taiyuan city.

China Coal Energy Nov output slides 10.7pct

China Coal Energy Co., Ltd, the listed arm of China National Coal Group, produced 6.84 million tonnes of commercial coal in November, sliding 10.7% year on year and down 8.2% from October, the company said in a statement late December 16.

Over January-November, China Coal Energy produced 74.36 million tonnes of coal, dropping 15.1% from the year prior.

During the same period, the company sold 121.56 million tonnes of commercial coal, falling 0.7% from the year before, with sales of self-produced commercial coal dropping 14.9% to 74.04 million tonnes.

The company sold 10.44 million tonnes of commercial coal in November, edging up 0.3% year on year but down 2.1% month on month, the company said.

Of the November sales, 6.46 million tonnes were self-produced commercial coal, dropping 15.3% from the preceding year and down 5.7% from October.

China National Coal Group and Shenhua Group have signed mid- and long-term thermal coal supply contracts with the nation's top five power generators in early November, with the contract base price agreed at 535 yuan/t ($79/t) FOB for 5,500 Kcal/kg NAR coal, which would be adjusted monthly based on the market conditions.

China Coal lowered the spot price of its thermal coal by 10 yuan/t, effective November 3. Later on December 1, the group reduced price of 5,500 Kcal/kg NAR thermal coal traded at Qinhuangdao port by 5 yuan/t to 675 yuan/t.

Despite its sensitivity and flexibility to the market, China Coal still had a harsh time amid price drops in recent years. Last year the group was in the red for the first time, with losses of 2.53 billion yuan, mainly owing to its great dependence on coal businesses and high cost of coal production, said industry insiders.

However, the group reported a net profit of 890 million yuan in the first nine months this year, compared with a loss of 1.66 billion yuan during the same period last year, thanks to cost control and price surge in the third quarter, said the company in its quarterly report at the end of October.

Shanxi Coking Coal signs term contracts with 8 steel makers

Shanxi Coking Coal Group, China's top producer of the key steelmaking material, signed mid- and long-term contracts with eight steel makers at the 2017 coal trade fair held in Taiyuan on December 20, said the company on its website.

The eight steel enterprises are Taiyuan Iron and Steel Group, Shandong Iron and Steel Group, Benxi Iron and Steel Group, Anyang Iron and Steel Group, Lingyuan Iron and Steel Group, Inner Mongolia Baotou Steel Union Co., Ltd, Xinyu Iron and Steel Group, Shagang Group.

It was the second time for the company to build cooperation with major users, in a bid to ensure coal supply and realize maximum benefits for both sides.

On November 23, Shanxi Coking coal signed mid- and long-term contracts with six leading steel mills including Baosteel and Angang Group.

The agreed supply volume for the six steel firms reached nearly 15 million tonnes, accounting for about one fourth of annual production of Shanxi Coking coal, which is 60 million tonnes or so.

According to contract terms, the two parties agreed on a base price, while some discounts are to be provided for those with a large amount of coal demand, long delivery distance or quick payment.

Jinneng Group inks term coal contracts with 3 end users

Jinneng Group, a major state-run energy enterprise based in Shanxi province, inked mid- and long-term contracts with Xinfa Group, Shandong Weiqiao Aluminum Co., Ltd and Luxi Chemical Group at the coal trade fair held on December 20.

The coal supply volume agreed in contracts totaled 21.4 million tonnes per year.

"We will further promote the signing of mid- and long-term contracts in the future to contribute to a stable balance between supply and demand in domestic market," said Wang Qirui, president of Jinneng Group.

The contract volume in 2017 is expected to double to reach some 70 million tonnes, Wang added.

Earlier on December 5, the group signed 2017 term contracts with four utilities, including China Resources Group and three of China Huaneng Group's subsidiaries – Huaneng Power International, Huaneng Shandong Power Generation and Huaneng Fuel Company, with total volume at 16 million tonnes.

"The long-term cooperation will not only help companies to avoid market risks, but give an impetus to the national supply-side structural reform as necessary supply is guaranteed," said Jiang Zhimin, vice president of China National Coal Association, at the coal trade fair.

Shandong to cut coal production to 100 mln T by 2020

Shandong province in eastern China planned to cut its coal production to 100 million tonnes by 2020, and further to 60 million tonnes by 2030, according to the provincial Development and Reform Commission.

As a giant coal producer and also a consumer, Shandong produced 144 million tonnes but consumed 400 million tonnes of coal in 2015, ranking the nation's first in terms of coal use.

Coal accounts for some 80% of the province's energy consumption mix, higher than the country's average level of 65%.

As for coal shortage caused by the plan, Shandong will buy the fuel from other areas to ensure supply, said the commission.

Meanwhile, the province will work to reduce coal consumption by over 20 million tonnes by 2020 compared with 2012, and slash another 50 million tonnes of coal by 2030.

By then, coal's share of the province's total energy consumption will drop to some 55% from the current 80%.

Shandong has slashed 19.6 million tonnes per annum of coal capacity by shutting 66 mines this year.

Sichuan eliminates 23 Mtpa coal capacity

Southwestern China's Sichuan province has slashed 23.03 Mtpa coal capacity through closure of 169 mines, achieving this year's de-capacity target ahead of time, said the provincial Finance Department.

The province has gone farther in the capacity-cut move, compared to the previous target of 20.31 Mtpa at 148 mines.

Financial departments at various levels have allocated 2.438 billion yuan fund to help address overcapacity in the province.

Ganqimaodu coal imports surpass 12 mln T

Ganqimaodu border crossing in northern China's Inner Mongolia autonomous region imported 12.07 million tonnes of coal from neighboring Mongolia as of December 16 this year, up 104.56% from a year prior, showed data from Bayannur municipal government.

The border crossing last saw coal imports above 12 million tonnes in 2012, when the volume reached 12.09 million tonnes.

Higher coal imports were mainly attributed to improving domestic market demand and stable trading environment, sources said.

China's coking coal supply was constrained by the government's capacity cut campaign, which forced coke and steel makers to buy the material from abroad.

Imported prices of raw and washed coking coal from neighboring Mongolia peaked at 950 yuan/t and 1,200 yuan/t respectively in 2016.

Daqin coal transport exceeds 5 bln T in 24 yrs

Daqin railway, China's leading coal-dedicated rail line connecting Datong City of coal-rich Shanxi province with northern Qinhuangdao port, has hauled over 5 billion tonnes of coal in the past 24 years.

Daqin line, which commenced full operation in 1992, has always played an irreplaceable role in delivering coal from main production bases – Shanxi, Shaanxi and western Inner Mongolia -- to Qinhuangdao port of Hebei province, relieving fuel tightness in eastern and southern China.

Daqin mainly serves large coal producers, power generators, steel makers and industrial companies, and its annual haulage hit 440-450 million tonnes during 2013-14 when coal demand was at all-time highs.

After realized its designed capacity of 100 million tonnes in 2002, the rail line further boosted annual coal transport over 2003-2005, with volume doubling to 2 million tonnes in 2005. By 2007, Daqin transported 300 million tonnes of coal, with annual growth of 50 million tonnes over 2005-2007.

Starting from 2004, China's Ministry of Railways carried out capacity upgrading on Daqin that boosted its coal transport to 340 million tonnes in 2008, making it the world's largest cargo rail line.

In 2010, Daqin's coal transport quadrupled the original capacity to over 400 million tonnes.

Daqin line has always been striving to secure energy supply for the social and economic development. It well fulfilled commitment of delivering over 1 million tonnes of coal each day during the unprecedented snow disaster in January 2008.

However, with the operation of Zhunchi railway (Zhunger, Inner Mongolia – Shenchi, Shanxi) and Mengji (Ordos, Inner Mongolia – Caofeidian port, Hebei) last year, the market share of Daqin has been greatly squeezed.

In 2015, Daqin transported a total 396.99 million tonnes of coal, down 11.82% from 2014. Total coal transport amounted to 312.84 million tonnes in the first eleven months this year, falling 14.07% year on year.

In November, Daqin saw its coal transport rise for the fifth consecutive month to 37.59 million tonnes, thanks to the government and Qinhuangdao port authorities' concerted efforts to boost inventories and stabilize the market.

Daily coal transport of the line is expected to surpass 1.25 million tonnes in December, to maintain stockpiles at Qinhuangdao above 7 million tonnes while meeting strong restocking demand from end users.

Daqin is forecast to haul 352 million tonnes of coal in 2016, 45 million tonnes or 11.34% less than the year-ago level.

In the meantime, competitiveness from Shuohuang line (Shenchi-Huanghua port) is gradually stabilizing, as coal handlings of Huanghua port has grown close to its maximum capacity, said analysts.

What's more, China's leading miners, including Datong Coal Mine Group, China National Coal Group, Shenhua Group and Yitai Group among others, have considered increasing coal shipment via Daqin to Qinhuangdao next year, which may spur a growth in its whole-year transport volume.

POWER/STEEL NEWS

China power generation capacity seen to surge, NDRC

China's electricity generation capacity is set to hit 2 TW by 2020 to meet growing demand, and the country will also upgrade its electricity structure and distribution network to cut carbon emissions, said the National Development and Reform Commission (NDRC).

Nearly 500 GW are to be added in the next five years to the 1.53 TW at the end of 2015, as "the nation's electricity consumption would grow 3.6-4.8% annually to 680-720 GWh by 2020," the NDRC said in the 13th Five-Year (2016-20) Plan for electricity, which was unveiled on December 22.

By then, China's power generation capacity per capita would reach 1.4KW while the consumption per capita is to be 5,000 KWh annually, "close to the standard of moderately developed countries," according to the NDRC.

Of the 2 TW, 39% or 770 GW should be generated by non-fossil fuel, while coal-fired generation capacity should be limited to 1.1 TW or 55% of the total, in a bid to upgrade its power structure with more clean energy.

To meet the target, the government plans to trim over 20 GW capacity from low-efficient coal power plants, while nuclear energy would increase by 30 GW to 58 GW in the next five years.

Besides upgrading the electricity structure, the country plans to allocate electricity more efficiently in a bid to save energy and cut carbon emission.

China plans to build more distribution channels in the west, where energy resources are abundant, to run to the east. Over 130 GW will be added in these channels to bring the distribution capacity to 270 GW by 2020.

China's offshore wind farm with largest single unit capacity comes on stream

China's offshore wind farm with largest single unit capacity in Dongtai, Jiangsu went into operation on December 20, China Electric Power News reported.

The wind farm has a total installed capacity of 200MW, consisting of 50 generating units with 4MW capacity each.

Jiangsu Guangheng New Energy Co., Ltd. will be responsible for the construction of the wind farm.

China cuts 72.71 Mtpa of steel capacity in 2016

China has cut 72.71 Mtpa of steel capacity this year, exceeding planned target of 45 Mtpa by 61.6%, said the National Development and Reform Commission.

A total 26 provinces have fulfilled or overfullfilled their capacity cut target in steel sector this year.

North China's Hebei province cut 33.85 Mtpa of steel capacity by end-November, ranking first in the nation, followed by northeastern Heilongjiang and Liaoning with capacity cut at 6.1 Mtpa and 6.02 Mtpa, respectively.

Southeastern Jiangsu saw its 2016 capacity cut in steel sector reach 5.8 Mtpa this year, exceeding target by 48%.

About 71% of the eliminated capacity was invalid, which means that the 2017 capacity cut target – with volume at no less than this year's – will be tougher than in 2016, said analysts.

In 2017, the capacity cut of "Ditiao steel" (building materials made of inferior quality of steel, which is simply processed by induction furnace without gradient and quality control) would be put into first place, as most producers of the material were not included in the capacity-cut list this year.

One industry insider said that "Ditiao steel" capacity stood at 80 Mtpa across the country, and China is expected to cut 50 Mtpa of the capacity in 2017.

China's key steel mills daily output dips 0.42pct in early Dec

Daily crude steel output of China's key steel mills dipped 0.42% from ten days ago to 1.71 million tonnes over December 1-10, according to data released by the

China Iron and Steel Association (CISA).

The country's total crude steel output was estimated at 2.26 million tonnes each day on average during the same period, staying stable from ten days ago but falling 0.44% from the month-ago level, the CISA said.

By December 10, stocks of steel products at key steel mills stood at 12.82 million tonnes, gaining 3.39% from ten days ago, the CISA data showed.

On December 9, total stocks of major steel products in China climbed 3.53% month on month to 8.81 million tonnes.

In late November, the average price of crude steel increased 268 yuan/t from ten days ago to 2,815 yuan/t, while that of steel products rose 99 yuan/t from ten days ago to 3,498 yuan/t.