



Thermal coal Least-loved commodity defies sceptics to hit highest level since 2012

Thermal coal, tagged the least-loved major commodity by analysts, is defying sceptics, with prices rising to the highest level since 2012 because of strong Asian demand. High-grade Australian thermal coal, the benchmark for the vast Asia market, was quoted at \$112.60 a tonne yesterday by Argus Media.

The fuel, which is burnt in power stations to generate electricity, has jumped 130 per cent from its 2016 lows, boosting the profits of big producers such as Glencore and Peabody. The price of South African thermal coal has hit a six-year high as consumers in Asia scramble for supplies.

While thermal coal is being phased out in Europe on environmental grounds, it accounts for about 40 per cent of energy consumption in emerging markets,

especially Asia.

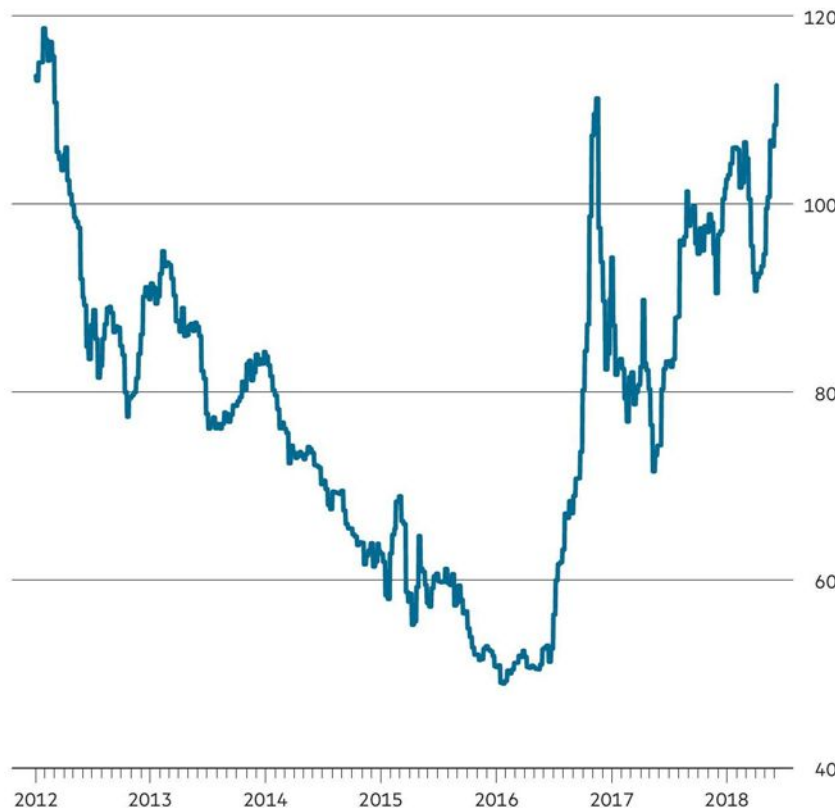
Demand from India, Japan and South Korea has been robust in the first five months of 2018, while an early-summer heatwave has lifted imports into China despite Beijing's efforts to keep a lid on domestic coal prices.

"A lack of investment in new mines, depletion of existing mines and under-investment in infrastructure have been key factors in coal's resurgence," said analysts at Jefferies.

This has helped to tighten the balance between supply and demand. There are few new coal mines under development as banks and investors try to burnish their environmental credentials by shunning fossil fuels. *Neil Hume*

Thermal coal price

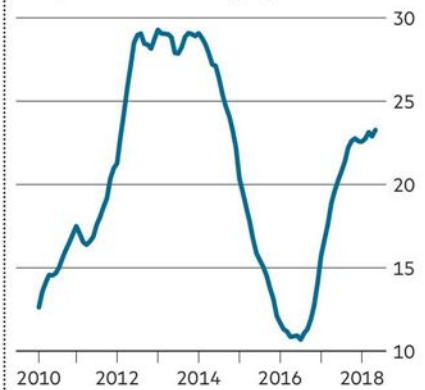
Newcastle 6000kcal
(\$ per tonne)



FT graphic Sources: Argus Media Group; Thomson Reuters Datastream

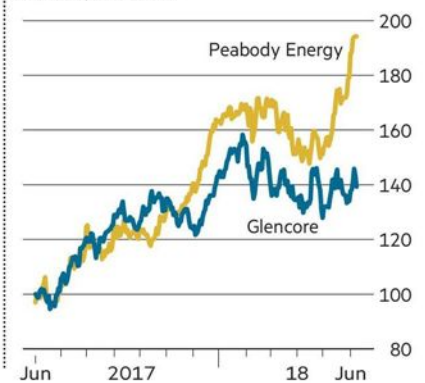
Chinese coal imports

Over previous 12 months (\$bn)



Coal companies' share prices

Rebased, in \$ terms



Peso: 24%