



PRESS RELEASE

ASSOCARBONI DISCLOSES 2018 COAL DATA SECTOR

ON THE OCCASION OF THE ANNUAL CONGRESS TITLED "ITALIAN POWER SYSTEM:
CHOICES FOR A SUSTAINABLE FUTURE"

- Coal confirmed its leadership as leading fuel for electricity generation also in 2018, accounting for 40% of overall production and closing 2018 with a 3% increase in seaborne coal trade (1.239 million tons)
- Confirmed the growth trend that in the last ten years has led to a 50% increase in the coal marketed volumes
- For the coming years expected an increase in seaborne coal trade, driven by imports of new emerging Asian economies including India, Pakistan, Malaysia and Philippines
- South Korea, China, Vietnam, Philippines, India, Thailand and Poland in Europe are the countries that contributed the most to the growth in coal volumes during 2018, achieving record results in terms of import
- While Europe generates electricity mainly from coal (20%) and from nuclear (26%), cutting the costs of electricity bills by an average 50%, Italy is lagging behind being the only Country in the world without nuclear power and with the lowest share of coal use (10%)
- Decarbonisation is a global issue that will always be more related to the emissions of non-OECD countries. Italian coal power plants account for 0.0004% of the global CO₂ emissions, a value unable to produce positive effects on the climate, but with a strong negative impact on the safety and competitiveness of the Italian Power System
- Our benchmarks (manufacturing Countries like Denmark, Germany, Japan, Korea and Taiwan) will continue to use a mix of coal and nuclear to produce electricity even beyond 2025, year in which the phase-out of coal in Italy will be concluded

Rome, March 22, 2019 – Today it will be held at the Hassler Hotel in Rome the annual congress organized by Assocarboni, the Italian Association of coal operators chaired by Andrea Clavarino, dedicated this year to the theme “*Italian Power System: choices for a sustainable future*”.

2018 coal data sector have been disclosed during the meeting: **coal** confirmed its **leadership in generating electricity**, in particular, demand for coal is shifting towards South-East Asia, where emerging economies are in need of a safe and competitive energy source that they have found in coal, as the fuel of choice for economic and industrial development.

SEABORNE COAL TRADE

Seaborne world coal trade closed 2018 positively with a 3% annual growth (1.239 million tons compared to 1.200 million tons in 2017) and confirming a growing trend leading to a 50% increase in volumes in 10 years, with optimistic forecasts for 2020.

Steam coal volumes amounted to 976 million tons (+ 3.3% compared to 944 million in 2017), exceeding the record-breaking figures of 960 million tons marketed in 2014. For the coming years, an increase is still expected, driven by imports of new emerging Asian economies including India, Pakistan, Malaysia and Philippines, as a result of the rapid economic growth and investments undertaken in recent years in new coal capacity.

Seaborne coking coal in 2018 totalled 263 million tons (+ 2.7% compared to the 256 million in 2017), mainly due to imports from India, Taiwan, Vietnam and Indonesia.

COAL IMPORT | 2018

The latest Assocarboni data for 2018 also provide a detailed picture on the trend of the global coal import.

South Korea, China, Vietnam, Philippines, India, Thailand and Poland in Europe are the countries that contributed the most to the growth in coal volumes during 2018, achieving record results in terms of import.

China's total coal imports increased of 4% in 2018 to 281.23 million tons (270.74 million tons in 2017). In particular, steam coal imports grew by 10% to 207.16 million tons (187.8 million tons in 2017), taking advantage for most of the year of very competitive prices (in particular Indonesian coal resulted low-priced compared to domestic Chinese coal).

Vietnam was the protagonist of a significant increase in coal imports in 2018. Thermal coal imports recorded an increase of 54%, reaching 22.72 million tons, with an increase of more than 8 million tons compared to the 15.7 million tons of 2017 and more than 9 million tons compared to the 13.42 million tons of 2016).

Also outstanding are the results recorded by the **Philippines**, Country that in less than ten years has nearly tripled its thermal coal imports, growing from 11 million tons imported in 2011 to 29.4 million tons expected for 2019. In 2018 thermal coal imports have reached 25.4 million tons, with a 18% increase year on year (21.5 million tons in 2017).

India also grew by 15% in 2018, with coal thermal imports reaching 167.63 million tons (146.04 million tons in 2017), mainly because of the low availability of domestic coal. Coking coal imports increased of 13% reaching 59.5 million tons (52.59 million tons in 2017).

In **Thailand**, where coal accounts for about 17-18% of the electricity generation mix, coal imports increased by 12% in 2018, reaching 24.7 million tons compared to 22.1 million of the previous year. Indonesia was by far the largest supplier of the Country, followed at a distance by Australia and Russia.

With regard to other significant areas of the world, **Japan** thermal coal imports in 2018 were substantially stable compared to 2017, reaching 113.7 million tons, mainly supplied from Australia (71%), Indonesia (12%) and Russia (11%).

South Korea, in turn, made choices very similar to Japan in its electric mix, investing on coal with consumptions that in 2018 amounted to 111 million tons.

COAL EXPORT | 2018

As far as concern **exports**, according to the last Assocarboni data for 2018, **Indonesia** remains the largest exporter in the world. Coal production has in fact reached 548.5 million tons, with a growth of 13% compared to 485 million tons in 2017. In particular, the volumes of coal destined for the domestic market amounted to 115 million tons (97 million tons in 2017), while 430 million tons were exported (388 million tons in 2017).

Australia exported about 388 million tons of thermal and metallurgical coal in 2018, up 4% compared to 372.52 million tons in 2017. The increase in thermal coal exports is mainly due to the growth in demand coming from China (+ 20% compared to 2017), while it was mainly India that contributed to the growth of Australian metallurgical coal demand (+ 12% compared to 2017).

In 2018, coal production in **Russia** has reached the highest level in the last 30 years. In particular, the production of all types of coal reached 433.4 million tons, almost a 6% more than in 2017. Exports amounted to 191 million tons, up almost 3% on annual basis.

A record share in 2018 for **US** coal exports that recorded 100.8 million tons, up 21% compared to the 83.1 million tons in 2017. In particular, exports of steam coal have reached 48.4 million tons, up 32% compared to 36.7 million tons in 2017. Exports of metallurgical coal for 2018 amounted to 52.4 million tons, up 13% compared to 46.4 million tons in 2017.

The coal market in Italy

Particular attention deserves our country, **Italy**, which in 2018 reported a decrease in thermal coal imports, with 11 million tons (-12% compared to 12,6 million tons in 2017) and in metallurgical coal and PCI imports, which were at 2,7 million tons (-18% compared to 3,3 million tons in 2017).

Coal phase-out by 2025, as required by the Integrated National Plan for Energy and Climate (PNIEC), **should be progressive over time** and closely connected to structural operations in the replacement production capacities and in the transmission, distribution and energy storage systems, in order to not compromise the competitiveness and safety of the Italian Electric System.

Some critical issues already present in some areas could become worse in the event of the plants being shut down within 2025 in the absence of appropriate actions. For example, the closure of the two coal-fired power plants in Sardinia region by 2025 - which cover 70% of the island's production - seems technically unachievable. The same situation affects the central-northern system, which already presents problems of safety and adequacy of the electricity grid.

Moreover, from an environmental point of view, in a world which will continue to produce electricity from coal, the mentioned Italian phase out will not benefit the climate change reduction, as CO₂ emissions due to Italian coal-fired plants account for **0.0004%** of the global CO₂ emissions. Although Italian plants have a minimal impact on the level of global pollution, their closing will represent a further unnecessary burden on the Italian industrial system, which will exclusively benefit foreign gas producers, such as Gazprom, the largest Russian company, or Sonatrach, the Algerian state energy company, operating on the market under oligopoly conditions. In absence of a real competition between fuels, we expect less diversification of energy sources, with possible repercussions on the security of supply in our country; as a consequence, a sharp rise in the price of gas is expected, such as a significant reduction of the economic advantages determined by the entry of renewable sources, with a lower competitiveness of our companies on international markets.

Furthermore, the rest of Europe will continue to use nuclear and coal beyond 2025, particularly Germany, our European largest manufacturing competitor.

Germany, in particular, with its **109 coal-fired power plants** currently producing about 38% of the national energy demand, is preparing for **coal phase out over a longer time than in Italy**: in the next twenty years, only the older plants will gradually be closed, while the most efficient power plants will remain in operation and will be dismissed by 2038. However, this program will have a considerable cost, estimated in a **40 billion euros' compensation** for the loss of about 20 thousand jobs and promote the conversion of the plants.

In the last few years, Italian electricity operators have already carried out a voluntary phase-out of coal, with the closing of five coal-fired plants and the expected closure of another four by 2022. The remaining four plants, excellent from an environmental and efficiency standpoint will close in 2025, much in advance of their possible use in total safety and functionality.

Without nuclear and coal, Italy will have to deal with a non-competitive electricity mix that will contribute to weak industrial activity and **which does not reflect the one of the main global benchmarks**, or those countries with few natural resources and with a manufacturing vocation (such as, for example, China, Denmark, Germany, Japan, Korea and Taiwan). There will be additional charges in the electricity bill, which already has atypical costs, not only for the industry, but also for individual citizens.

Based on data collected for the year 2018 and in view of future energy programs, Assocarboni believes that the Italian Electricity System should increase the share of renewables and expects the opening of a working table, involving both institutions and electric operators, dealing on the plants' closing methods and the related compensation, as already done in Germany.

ASSOCARBONI is a non-profit organisation founded in 1897, which represents national and international companies engaged in solid fuels. Its head office is in Rome and it has representative offices in London and Brussels.

On a national level, Assocarboni is member of *Confindustria Energia*, the Federation of Energy Industry Associations of *Confindustria*.

On an international level, Assocarboni is member of *CIAB* (Coal Industry Advisory Board) – a section of the International Energy Agency (IEA), which brings together more than 40 companies (both energy producing

and electric generation companies) from 14 different countries - of WCA (World Coal Association) in London and of the "Working Party on Coal" of the UNECE Energy Committee in Geneva.

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