



PRESS RELEASE

ASSOCARBONI DISCLOSES 2019-2020 COAL DATA SECTOR

- Coal confirmed its leadership as leading fuel for electricity generation also in 2019, accounting for 38% of overall production and closing 2019 with a 2% increase in seaborne coal trade (1.290 million tons)
- Confirmed the growth trend that in the last ten years has led to a 50% increase in the coal marketed volumes
- For 2020, forecasts have gone from a 12 million tons pre-Covid deficit to a 56 million tons post-Covid surplus in international steam coal supply, mainly due to lower imports in China and India.
- For 2021 expected an increase in seaborne coal trade, driven by imports of new emerging Asian economies including Pakistan, Bangladesh, Philippines, Malaysia and Vietnam.
- Vietnam, India, China and Philippines are the countries that contributed the most to the growth in coal volumes during 2019, achieving record results in terms of import.
- While Europe generates electricity mainly from coal (18,2%) and from nuclear (25,5%), cutting the costs of electricity bills by an average 30%, 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 0,04% 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 China, Germany, Japan, India, South 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, August 12, 2020 – Some days ago, during its Annual Members Meeting, Assocarboni, the Italian Association of coal operators chaired by Andrea Clavarino, disclosed 2019 data sector and some 2020 forecasts. **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 2019 positively with a **2% annual growth** (1.290 million tons compared to 1.263 million tons in 2018) and confirming a growing trend leading to a 50% increase in volumes in 10 years.

Steam coal volumes amounted to 1.019 million tons (+ 2.3% compared to 996 million in 2018).

Seaborne coking coal in 2019 totalled 271 million tons (+ 1,5% compared to the 267 million in 2018).

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COAL IMPORT | 2019

The latest Assocarboni data for 2019 also provide a detailed picture on the trend of the global coal import.

China, Vietnam, India and Philippines are the countries that contributed the most to the growth in coal volumes during 2019, achieving record results in terms of import.

China's total coal imports increased of 6,3% in 2019 to 299,67 million tons (281,23 million tons in 2018). China's crude steel production also increased by 8,3% in 2019, reaching a record high of 996,3 million tons (920 million tons in 2018). The global share held by China in the production of crude steel thus rises to 53,3% compared to 50,9% in the previous year.

Vietnam was the protagonist of a significant increase in coal imports in 2019, driven by the strong rise of thermal coal imports. In particular, total coal imports reached a volume of 39,3 million tons (+32% compared to the 22,7 million tons of 2018): coking coal imports reached 6,8 million tons (5,5 million tons in 2018) and thermal coal imports recorded an increase of 89%, reaching 32,5 million tons (17,2 million tons in 2018).

India also grew by 12% in 2019 with coal thermal imports reaching 187,33 million tons (167,17 million tons in 2018). Coking coal and PCI imports increased of 3% reaching 61,85 million tons (52.59 million tons in 2018). Total coal imports reached 263,54 million tons, with a 10% increase compared to the 239,51 million tons of 2018 and a 22% increase compared to the 216,05 million tons of 2017.

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 28,3 million tons expected for 2020. In 2019 thermal coal imports have reached 26,3 million tons, with a 4% increase year on year (25,2 million tons in 2018).

Also **Taiwan** shows rising volumes for 2019, with a 3% increase that brought the country to 70,8 million tons (69 million in 2018). In particular, coking coal imports reached 12,7 million tons (compared to the 12 million tons in 2018), while thermal coal imports increased from 57 million tons in 2018 to 58,1 million in 2019.

Among the major Asian economies, **Japan** instead showed a slight drop in total coal imports, which in 2019 stood at 186,09 million tons compared to the 186,09 million in 2018 (-3%). In particular, thermal coal imports stood at 125,8 million tons (128,8 million in 2018), while coking coal imports showed a slight increase, reaching 54,5 million tons (54,1 million in 2018).

COAL EXPORT | 2019

As far as concern **exports**, according to the last Assocarboni data for 2019, **Indonesia** remains the largest exporter in the world. Thermal coal exports have in fact reached 456,7 million tons, with an 8% increase compared to the 422,3 million tons of 2018. Coal production for 2019 has even reached a record volume of 616 million tons, with a 10% increase compared to the 557 million tons of 2018. For 2020, government plans a containment of coal production to 550 million tons.

Australia exported about 384 million tons of thermal and metallurgical coal in 2019, up 1% compared to 379,8 million tons in 2018. Thermal coal exports stood at 228,6 million tons (227,6 million tons in 2018).

In 2019, coal production in **Russia** maintained the high levels of 2018, actually recording a 3% increase and reaching a volume of 445 million tons. In particular, exports amounted to 215 million tons, with an even greater increase compared to the 191 million tons of 2017.

A decline in coal exports instead affected the **US** which, compared to the record quota of 100,8 million tons reached in 2018, recorded a volume of 79,5 million tons (-20%) for 2019. In particular, exports of thermal coal have reached 33,3 million tons (48 million tons in 2018), while exports of coking coal have reached 46,2 million tons (52 million tons in 2018).

COAL IMPORT | 2020

Regarding 2020 thermal coal imports forecasts, **Vietnam's** coal imports showed a very strong growth in the first half of 2020 and it is believed that this trend will be consolidated throughout the year. In fact, an increase of more than 50% is expected, with total coal imports going from 39,3 million tons in 2019 to 60 million tons in 2020. The country's economic development and population growth are driving the electricity demand and coal-fired generation plays a primary role in meeting the increasing energy consumption.

Substantial stability is expected for **China**: at the end of the year, imports volume should be around 230 million tons, in accordance with governmental choices (never formalized) to limit total coal imports to 271-281 million tons in 2020.

India should record a slight decrease in thermal coal imports, reaching a volume of 167 million tons by the end of 2020: according to the forecasts, imports should gradually increase over the next two years and then reach 185 million tons in 2022, following the recovery of industrial activities.

In the Northeastern Asia, **Japan** is expected to substantially stabilize thermal coal imports in 2020: despite the lower energy demand, imports should reach a volume of about 131 million tons. Japan relies on coal as the main source for electricity production and has already planned to replace older plants with more modern and efficient ones, so that in 2029 coal will still represent 26% of the Japanese electricity production mix.

Similarly, in **South Korea** and **Taiwan** imports will remain broadly in line with last year and are expected to reach volumes of 93 million and 55 million tons respectively by 2022.

COAL EXPORT | 2020

The growing demand for coal coming from Pakistan, Bangladesh and Vietnam could keep export volumes high throughout 2020: this will certainly benefit Australia and the countries that supply the markets in South and Southeast Asia.

The coal market in Italy

Particular attention deserves our country, **Italy**, which in 2019 reported a decrease in thermal coal imports, with a volume of 7,5 million tons (-32% compared to 11 million tons in 2018), while metallurgical coal and PCI imports were stable at 3 million tons.

Coal phase-out 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.

Moreover, from an environmental point of view, in a world which will continue to produce electricity from coal, the mentioned Italian phase out by 2025 will not benefit the climate change reduction, as **CO₂ emissions due to Italian coal-fired plants account for 0.04% 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.

India and **China**, but also other Asian economies such as **Japan**, **South Korea** and **Taiwan** have based their national energy plans on coal and continue to plan coal-fired expansions using the best technologies available today.

In Europe, a country like **Germany**, that has always used very high percentages of coal to cover national energy needs, 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.

The goal of the energy transition towards a zero-emission world by 2050 brings with it very high costs: it is estimated that the climate mitigation agreed in Paris in 2015 is worth 4.500 trillion dollars globally: the most expensive international agreement in history. In the European Union alone, it could carry an average annual cost of 1.4 trillion dollars.

In conclusion, we believe that the Italian electricity system should increase the share of renewables and we hope that the Country will be able to correctly deal with the gradual procedures for plants closure, as has already done in other European countries, which although aware of the need to face an energy transition still recognize as valid the reasons that led to the construction of coal power plants: security of supply, safety and cost effectiveness, guidelines that together with the environment constitute the foundations of energy policy.

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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