

Coke and Coking Coal Prices Strengthening, Watching Downstream Stock Building

1. Weekly Overview

1.1 Coke: The Price Growth May Realize This Week Owing to Cost Support and Low Stocks at Coking Plants.

(1) Coke prices were stable or picked up last week as demand from steel mills was released.

The confrontation between steel mills and coke producers intensified last week. Coke stocks at steel mills reached medium or high levels after restocking, but stocks fell to extremely low or even zero at coking plants. Along with rising cost support, coke market ran strong. As of Dec 24, Hebei Tangshan Quasi Grade I coke recorded 2,660 yuan/t, stable w/w. The price of Shanxi Lvliang Quasi Grade I coke registered 2,460 yuan/t, unchanged w/w. In terms of portside market, traders were unwilling to destock and the transactions momentum was tepid. Considering coking plants planned to raise the price, some traders stocked goods for price growth. The quasi grade I coke at Tianjin Port was stable w/w at 2,830 yuan/t.

Steel demand weakened seasonally in the end of the last month of 2021. Shanghai rebar price fell 30 yuan/t w/w to 4,870 yuan/t by Dec 24. Social rebar inventories ticked down 0.34Mt or -6.1% w/w to 5.20Mt as of Dec 24, -11.4% YoY. Some steel mills are expected to resume production at the end of the year, and the Ministry of Ecology and Environment announced that it is untrue that large-scale shutdown will happen during the Winter Olympics, so steel supply is estimated to rise this week. Steel demand will weaken at the year end and also be constrained by the resurging epidemic in some areas. In the context, steel prices are forecast to continue volatile this week.

As some steel mills prepared to resume production, and the Ministry of Ecology and Environment announced no large-scale shutdown would happen during the Winter Olympics, capacity utilization of blast furnaces picked up. Capacity utilization of blast furnaces ticked up 0.05pp w/w to 74.33% as of Dec 24, and capacity utilization of coke ovens lifted 0.05pp w/w to 69.72%. As downstream stock replenishment and speculative procurement increased, coke inventory dropped to low or even zero at coking plants. Stocks at sample coke plants reduced 0.17Mt or 17.7% w/w to 0.79Mt on Dec 24, +73.7% YoY. Steel mills slowed down procurement as their coke inventory had reached medium-to-high level. As speculative goods and inventories of coking plants transferred to ports, stocks at ports continued climbing up. Coke stocks at sample steel mills dropped 0.07Mt or -1.0% w/w to 6.84Mt, -16.4% YoY. Stocks at ports accumulated 0.23Mt or +13.7% w/w to 1.87Mt as of Dec 24, -23.4% YoY. Profit of sample coke plants narrowed to 46 yuan/t by Dec 24, as coking coal price rose to increase coke production cost.

(2) Under cost support and low stocks, the price markup may be materialized this week.

Coke supply is stabilized, and inventory falls to low at coking plants: As environmental production restrictions end in some areas near the end of the year, the operating rate of coking plants lifted slightly, and coke supply was gradually stabilized. In addition, as coking coal prices picked up due to tightened supply after mine incident, cost support for coke prices gradually strengthened. With the increase of downstream replenishment demand and speculative purchasing, coke inventory has dropped to low or even zero at

Price changes

Unit: yuan/t

	Spot	Up/ down	Manifest cost	Main futures close price	Up/ down	Basis	Up/ down
Thermal coal							
QHD Q5500	902	-40					
CCI5500	907	-40	907	708	-33	199	+455
Coking coal							
in low-sulfur	2300	100.0					
n high-sulfur	1976	+96.0	2284	2327	+159	-116	+50
tile primary*	341.5	-3.0					
mid-volatile*	310.5	-7.5					
Mongolia 5#	1760.0	60.0	2420				
Coke							
Grade I met.	2830	+0	2830	3169	+118	-339	-118

*The price (US\$/t) is CFR China Port.

Macro and industry data

Unit: Mt, TWh, %

	10/21	11/22	YTD	YoY	YTD YoY
Macro Economy Data					
FAI growth			5.2%		2.6pct
Infrastructure investment			0.5%		-0.5pct
Real estate investment			6.0%		-0.8pct
PPI	13.5%	12.9%		14.4pct	
PMI	49.2%	50.1%		-2.0pct	
Steel PMI	38.3%	36.6%		-12.7pct	
Coal Industry Downstream					
Data					
Power generation	639.3	654.0	6717.6	0.2%	9.2%
Of that: thermal	426.4	464.5	4755.6	-2.5%	9.9%
Hydro	119.4	90.1	1022.2	-1.9%	-2.2%
Cement output	201.4	199.6	2172.6	-18.6%	-0.2%
Crude steel output	71.6	69.3	946.4	-22.0%	-2.6%
Pig iron output	63.0	61.7	796.2	-16.6%	-4.2%
Coke output	36.0	33.9	394.1	-17.4%	-1.6%
Raw coal output	357.1	370.8	3674.3	4.6%	4.2%
Coal Imports & Exports					
Coal imports	26.9	35.1	292.3	200.3%	10.4%
Coal exports	0.2	0.3	2.4	52.9%	-22.9%
Coal net imports	26.8	34.8	289.9	202.5%	10.8%
Thermal coal imports	22.6	27.3	245.1	243.5%	25.2%
Thermal coal exports	0.2	0.3	2.3	120.3%	2.2%
Thermal coal net imports	22.4	27.1	242.8	245.4%	25.4%
Coking coal imports	4.4	7.7	47.2	108.1%	-31.6%
Coking coal exports	0.0	0.0	0.1	-100.0%	-89.4%
Coking coal net imports	4.4	7.7	47.1	111.0%	-30.9%

coking plants, and coke supply becomes tight.

Downstream users are expected to step up restocking: Due to the control of energy consumption and the cap of crude steel output, the operation of blast furnaces and the output of pig iron continue low, so it is difficult for coke demand to pick up significantly. Yet, some steel mills are expected to resume production after the New Year's Day. Considering the holding of Winter Olympics and the impact on logistics from possible extreme weather, some steel mills plan to increase coke purchase. Besides, as coking plants intend to raise price, some traders hoard goods waiting for price markup.

Overall, as some steel mills are expected to resume production after the New Year's Day, and the logistics may be affected during the Winter Olympics and the extreme weather, there is rigid demand for steel mills to replenish stocks. Owing to low inventory at coking plants and cost support, coke price growth is expected to be materialized this week.

1.2 Coking Coal: Prices Go Up as Fundamentals Turn Better.

(1) Coking coal prices ran strong but the growing momentum dampened last week.

As inspections of safety and over-capacity production became stricter in main producing areas, coking coal supply tightened. Coking plants were active in coal purchase amid rising demand for coke and considering coal mines may start to take holidays at the year end. As coal stocks continued rising at coking plants, coking coal price ran strong but price growth slowed down. As of Dec 24, CCI Shanxi high-sulfur coking coal index posted 1,976 yuan/t, +96 yuan/t w/w. CCI Liulin low-sulfur index assessed 2,300 yuan/t, +100 yuan/t w/w. Shanxi 1/3 coking coal price at Jingtang port reported 2,010 yuan/t, stable w/w. Shanxi Linfen Anze primary coking coal price rose 150 yuan/t w/w to 2,500 yuan/t.

Supply: As many mines stopped production for maintenance due to strict safety inspections in Shanxi, the completion of annual production tasks and safe concern at the year end, the operating rate of coal mines declined. Capacity utilization of sample coking coal mines fell 1.8pps w/w to 101% by Dec 24, and combined output amounted to 6.03Mt, -0.11Mt or -1.8% w/w, +2.2% YoY. **Stocks:** As downstream consumers replenished inventory and more mines stopped production and conducted maintenance, washed coking coal stocks at sample coking coal mines ticked down 0.20Mt or -12.6% w/w to 1.39Mt, +9.0% YoY. As end users stepped up procurement, coking coal stocks increased 0.42Mt or +4.1% w/w, -39.2% YoY to 10.73Mt at independent coking plants and built up 0.05Mt or +0.5% w/w and -18.0% YoY to 9.75Mt at steel mills. These stocks were able to sustain 16 days of use respectively. As coal inflow to port rose last week, coking coal stocks in the four ports increased 0.24Mt or +5.6% w/w to 4.54Mt as of Dec 24, +54.4% YoY.

Imported coals: Owing to sluggish demand and low purchase interest, downstream buyers held a wait-and-see attitude on imported coal. The forward prices continued ticking down, narrowing the price difference with domestic coal. Low-volatile hard coking coal FOB price climbed up US\$9.5/t w/w to US\$351.0/t by Dec 24. Low-volatile hard coking coal CFR China price slid US\$3.0/t w/w to US\$341.5/t. In terms of Mongolian coal, customs clearance of Ganqimaodu border remained low and stood at 95 trucks on Dec 25. As customs clearance was low and supply was limited, Mongolia coal prices continued picking up. Mongolia #5 coking coal reported 1,760 yuan/t at Ganqimaodu border, +60 yuan/t w/w. As Ceke border was closed,

Coking coal prices:

Unit: yuan/t

	RMB*	W/W	W/W	YoY
Price at producing areas				
Liulin 4# JM	2330	100	4.5%	+55.3%
Liulin 9# JM	2058	+100	+5.1%	+80.8%
Kailuan washed JM	2395	0	0.0%	+53.0%
Baotou washed JM	2235	126	6.0%	+122.2%
CCI coking coal price index				
CCI Liulin low-sulfur	2300	100	4.5%	+56.5%
CCI Liulin high-sulfur	1976	+96	+5.1%	+82.8%
CCI Lingshi fat coal	1900	100	5.6%	+93.9%
CCI Jining gas coal	1600	0	0.0%	+61.6%
CCI Changzhi PCI coal	1650	140	9.3%	+75.5%
CCI Fenwei estimation				
Gujiao 2# JM	2300	0	0.0%	+56.5%
Linfen Anze JM	2500	150	6.4%	+65.6%
Linfen Puxian 1/3 JM	1900	0	0.0%	58.3%
Liulin low-sulfur (raw coal)	1100	0	0.0%	+17.0%
Changzhi meager lean coal	1650	110	7.1%	+65.0%
Jincheng PCI coal	1634	139	9.3%	+82.0%
Yangquan PCI coal	1650	140	9.3%	+75.5%
Coking coal price at Jingtang Port				
Shanxi JM	2450	100	4.3%	+51.2%
Shanxi 1/3 JM	2010	0	0.0%	53.4%
Hebei JM	2700	0	0.0%	75.3%
Inner Mongolia fat coal	1950	100	5.4%	+87.5%
Inner Mongolia 1/3 JM	1890	100	5.6%	+92.9%
International coking coal price (China CFR)				
Australian premium(\$/t)	369.75	11.00	3.1%	+225.8%
Low-volatile primary(\$/t)	341.50	-3.00	-0.9%	+69.9%
Medium-volatile HCC(\$/t)	310.50	-7.50	-2.4%	+70.6%
Low-volatile PCI coal(\$/t)	198.00	-0.75	-0.4%	+58.4%
Medium-volatile PCI(\$/t)	1407.95	-0.75	-0.1%	+56.8%
SSCC(\$/t)	151.75	+0.25	0.2%	+32.5%
Ganqimaodu Mongolia 5#	1760	60	3.5%	+79.6%
Ceke 1/3 CC	1550	0	0%	+146.0%

resources available reduced and quotations were limited. 1/3 coking coal at Ceko border quoted 1,550 yuan/t, flat w/w.

(2) As coking coal fundamentals continue improving, coking coal prices are expected to climb up.

As inspections escalate at the year end, coking coal supply may keep tight: Safety and environmental inspections are frequent at main producing areas near the end of the year, causing some coal mines to start maintenance after completing annual production guidance and for safe concern. Coking coal supply continues tight. Low-sulfur primary coking coal prices in Shanxi were revised up by 80-150 yuan/t, and price of fat coal in Lingshi rose 100 yuan/t. PCI coal price gained 30-100 yuan/t in Changzhi. Washed gas coal prices in Shaanxi's Zichang area went up 150 yuan/t over the weekend. Price of medium-sulfur fat coal in Inner Mongolia picked up 100 yuan/t.

Coke producers are active in coal procurement: As coke demand is picking up and considering coal mines will start to take holidays near the end of the year, coking plants are active in replenishing storage, driving up raw material coal inventory.

To sum up, coking coal supply is expected to tighten this week due to strict inspections at major producing areas at the end of the year and increasing maintenance of coal mines after completing annual production tasks, while coal demand is estimated to keep growing. As fundamentals continue improving, coking coal prices are projected to rise next week.

2. Key News & Events in Coal and Downstream Industries

2.1 Domestic New

(1) Shanxi's Xiaoyi launched a one-month special action to crack down on illegal mining activities.

Xiaoyi city, Shanxi province decided to launch a one-month campaign to crack down on illegal coal mining from December 19, and five supervision teams were set up in the meantime, after a water inrush incident happened in a local coal mine on December 15, trapping 22 people, of which 20 were rescued and two died.

(2) The railway link connecting Haoji Railway with China Coal Group's Wangjialing Station was officially opened.

On December 20, 2021, the railway link connecting Haoji Railway with China Coal's Wangjialing Station was open to traffic, announced by the Taiyuan and Xi'an railway bureaus. The link has total length of 2.366 km and designed transport volume of 2Mt per year in the near term and 3Mt per year in the future. The opening of the line marks the outbound railing transport of Huajin Group under China Coal will expand to 7.2Mtpa.

(3) International coal producers signed the first batch of 25.82Mt medium- and long-term coal supply agreements with Chinese buyers.

Many coal producing countries have signed medium- and long-term coal supply agreements with Chinese importers, aiming to increase coal trade and strengthen cooperation with China, the CPPCC Online reported.

On December 21, the China Coal Import Summit 2021 was held in Beijing, at which coal exporters from Russia, Indonesia and Mongolia signed long-term thermal coal supply contracts with Chinese companies for 2022. The initial contract volume reached 25.82Mt with a value of US\$2.49 billion.

Coking coal stocks:

Unit: Kt

	Quantity	W/W	W/W	YoY
Merchant coking plants				
Coking coal stocks	10733	+424.6	+4.1%	-39.2%
Steel mills				
Coking coal stocks	9754	+46.5	+0.5%	-18.0%
Available days	16	+0.1	+0.4%	-13.3%
At ports				
Jingtang	3200	+100	+3.2%	+196.3%
Rizhao	230	90	64.3%	-58.9%
Lianyungang	250	0	0.0%	-37.5%
Qingdao	790	30	3.9%	-12.2%
Total	4540	+240	+5.6%	+54.4%

Coke prices:

Unit: yuan/t

	Coke	W/W	W/W	YoY
Coke price at producing areas				
Changzhi grade I met coke	2676	0	0.0%	+61.8%
Jinzhong grade II	2140	0	0.0%	+0.9%
Lvliang quasi grade I	2460	0	0.0%	+14.4%
Rizhao grade II	2500	0	0.0%	+47.1%
Tangshan quasi grade I	2660	0	0.0%	+54.7%
Tangshan grade II	2240	0	0.0%	+34.9%
Wuhai grade II	2140	0	0.0%	+47.6%
Coke price at ports				
Rizhao quasi grade I (domestic trade)	2830	+0	+0.0%	+61.7%
Tianjin Port quasi grade I (domestic trade)	2830	+0	+0.0%	+61.7%
Tianjin Port quasi grade I (export)(\$/t)	320	0	0.0%	+6.7%

Coke stocks:

Unit: Kt

	Quantity	W/W	W/W	YoY
Merchant coking plants				
Coke stocks	785	-168.4	-17.7%	+73.7%
Steel mills				
Coke stocks	6842	-72.4	-1.0%	-16.4%
Available days	15	-0.1	-0.5%	+16.2%
At ports				
Tianjin	161	+31.0	+23.8%	-19.5%
Lianyungang	32	+4.0	+14.3%	-20.0%
Rizhao	640	+120.0	+23.1%	-25.1%
Qingdao	1040	+70.0	+7.2%	-23.0%
Subtotal	1873	+225	+13.7%	-23.4%

(4) China's coal imports were higher than expected in November, with Australian coal imports ranking second.

Indonesia remained China's top source country of imported coal in the January-November period, and its coal exports to China continued surging YoY. China also increased imports from Russia, the United States and Canada.

In November, Australia overtook Russia and Mongolia to become China's second largest source of imported coal, after China released 2.78Mt of Australian coal in October and another 5.25Mt in November. Customs clearance of Australian coal stopped from December 2020 to September 2021.

(5) Coal consumption in electric power, steel, cement and coal chemical industries is expected to peak in 2025.

Coal consumption in the four key industries of power, steel, cement and coal chemical is expected to peak in 2025, according to the Executive Summary of Coal Consumption Control Roadmap for Key Industries under Carbon Peak and Carbon Neutrality published by the Natural Resources Defense Council (NRDC).

According to the report, the policy scenario is adopted as the recommended scenario considering the accessibility of objectives, feasibility of measures and economy of inputs. Under the recommended scenario, the total coal consumption of the four key industries will peak at 2.49 billion tonnes of standard coal in 2025, and there will be a plateau period of 5-6 years before and after the peak. Carbon emissions will peak at 8.01 billion tonnes in the same year.

2.2 International News

(1) Indonesia's coal production is expected to increase to 664Mt in 2022.

Indonesia's coal production is expected to rise to 637-664Mt in 2022, up 6.24% from the target in 2021, the Ministry of Energy and Mineral Resources (ESDM) said in a recent press conference.

Indonesia's coal consumption is projected to reach 190Mt next year, said the ministry's director in mineral and coal development project. However, the production and consumption forecasts have not yet been finalized.

(2) Global thermal coal trade is expected to increase 7% YoY in 2021

Global thermal coal demand has recovered rapidly as the economic recovery gathers pace and power demand climbs up in the winter season of the northern hemisphere, but coal supply has not restored to the pre-pandemic level.

According to the Resources and Energy Quarterly Report released by the Department of Industry, Science, Energy and Resources of Australia, the global seaborne thermal coal trade is estimated to rise 7% YoY to 1.06 billion tonnes in 2021, while the growth pace is expected to slow down in the next two years. The trade volume is estimated to reach 1.08 billion tonnes in 2023, slightly below the peak in 2019.

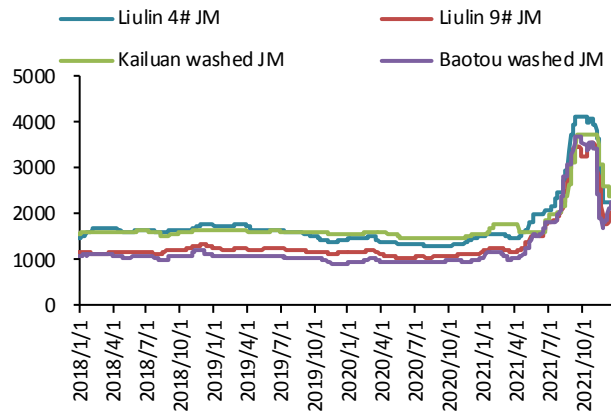
(3) IEA: Global coal production is expected to rise 2.8% YoY in 2022.

Global coal production is expected to hit a record of 8.11 billion tonnes in 2022, up 2.8% from the projected 7.89 billion tonnes in 2021, the International Energy Agency (IEA) said.

In its Coal 2021, the IEA expected India to see the largest YoY growth in coal production in 2022, at 163Mt, followed by China's 57Mt, Russia's 16Mt and Pakistan's 12Mt. However, the report predicted a drop of 44Mt and 82Mt of coal production in the U.S. and the European Union respectively in 2022.

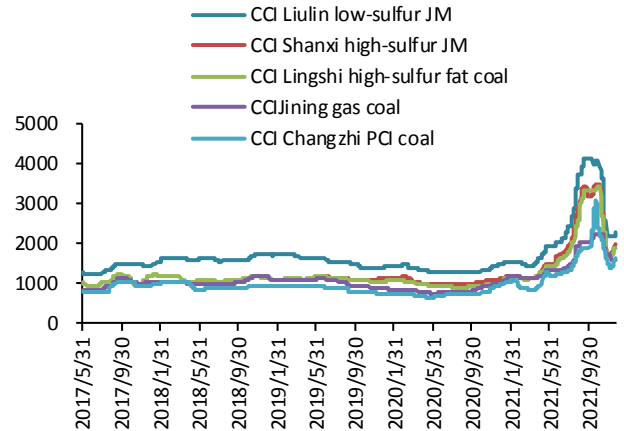
Coking Coal Price

Figure 1: Coking coal price at producing areas Unit: yuan/t



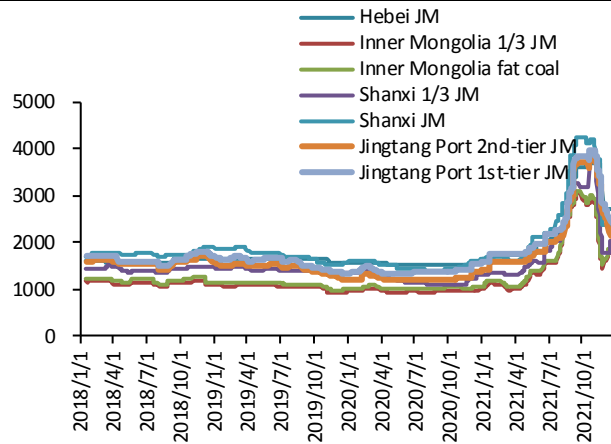
Source: Fenwei

Figure 2: CCI coking coal price indexes Unit: yuan/t



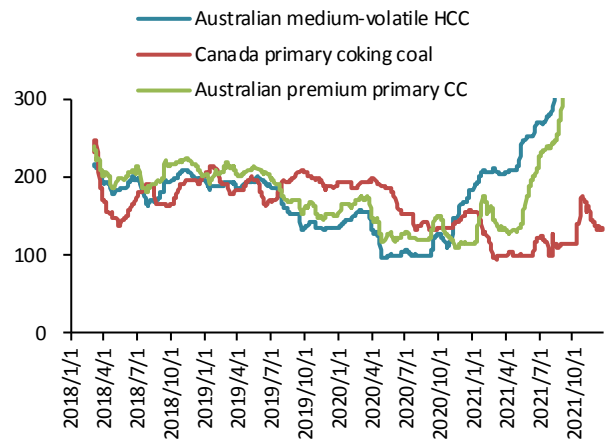
Source: Fenwei

Figure 3: Coking coal price at Jingtang Port Unit: yuan/t



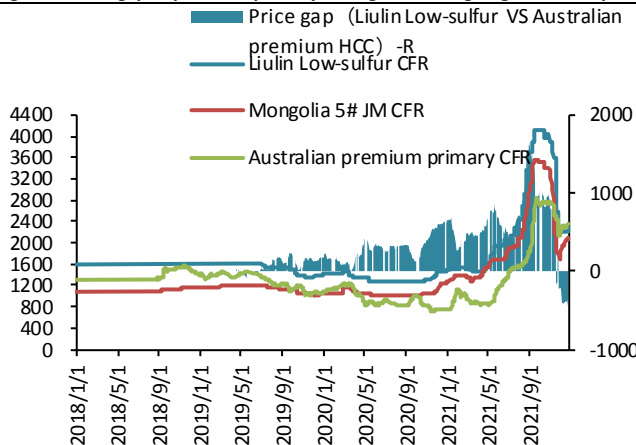
Source: Fenwei

Figure 4: Imported coking coal price Unit: US\$/t



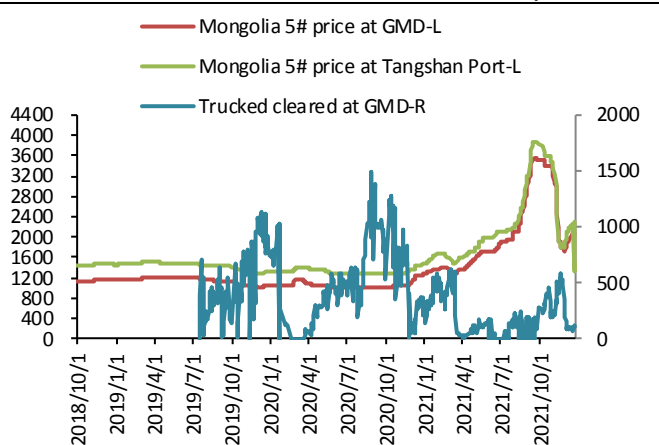
Source: Fenwei

Figure 5: Price gap of premium primary coking coal at Jingtang Port Unit: yuan/t



Source: Fenwei

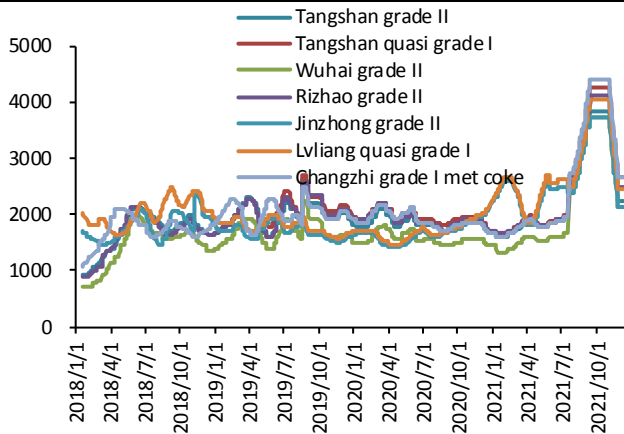
Figure 6: Trucks cleared at GMD; Mongolia 5# price at GMD and port Unit: trucks, yuan/t



Source: Fenwei

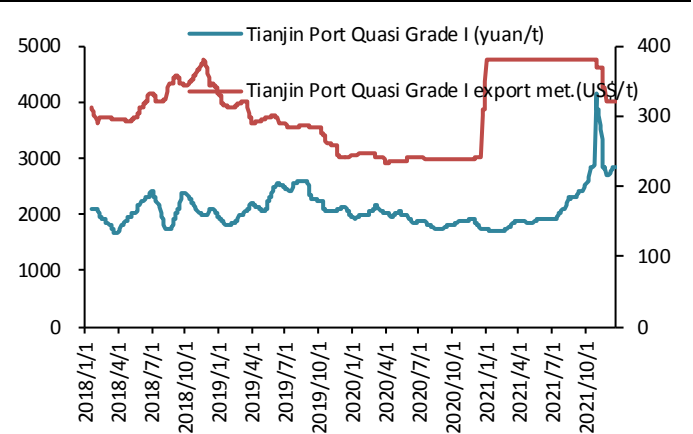
Coking Coal and Coke

Figure 7: Coke prices at producing provinces Unit: yuan/t



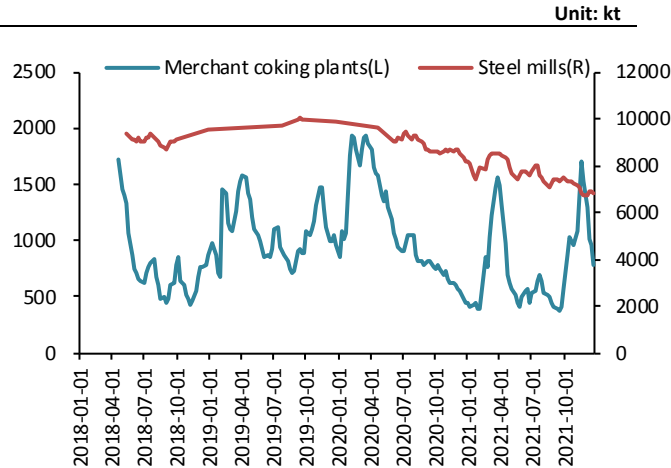
Source: Fenwei

Figure 8: Coke prices at ports Unit: yuan/t, US\$/t



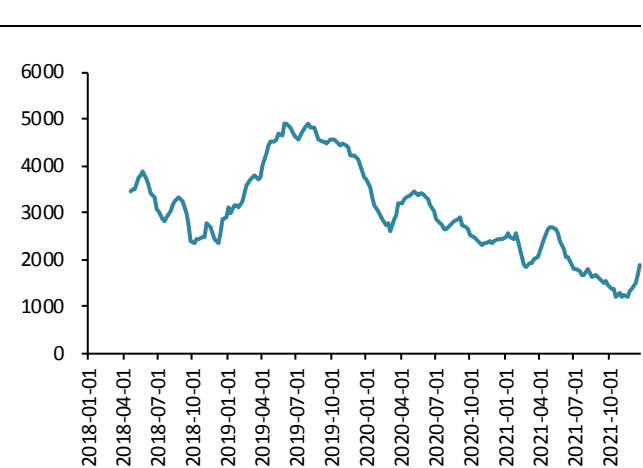
Source: Fenwei

Figure 9: Coke stocks at steel mills and merchant coking plants Unit: kt



Sources: Wind, Fenwei

Figure 10: Coke stocks at ports Unit: kt



Sources: Wind, Fenwei

Figure 11: Coking coal stocks at steel mills and merchant coking plants Unit: kt

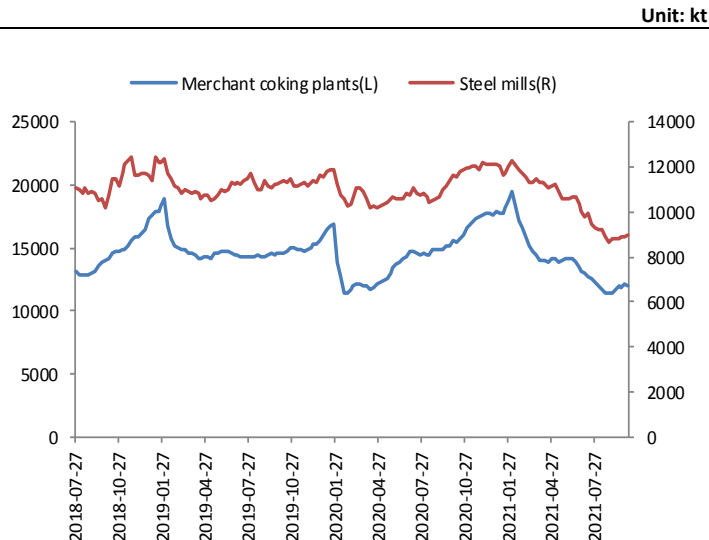
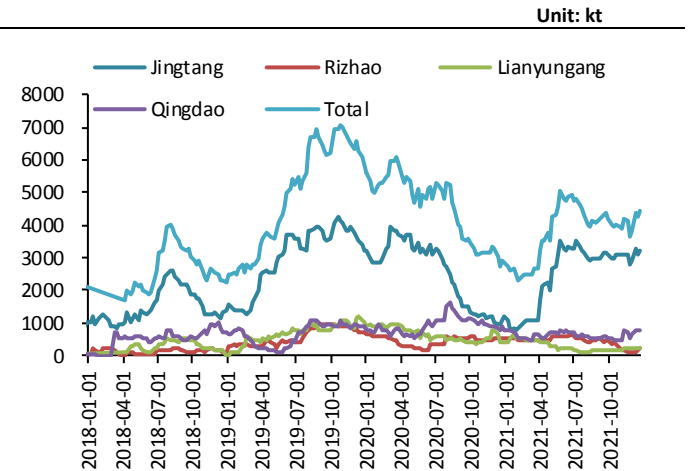


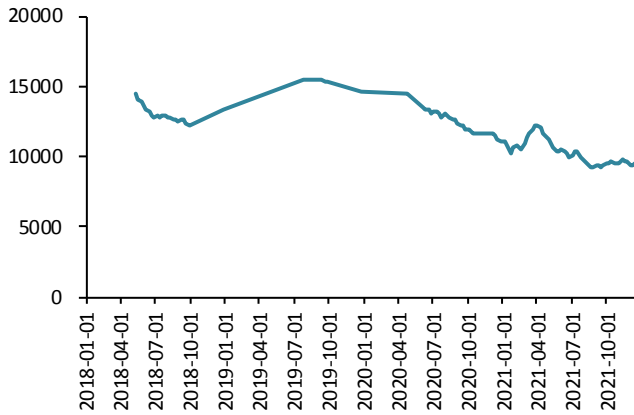
Figure 12: Coking coal stocks at ports Unit: kt



Coking Coal & Coke

Figure 13: Total coke stocks

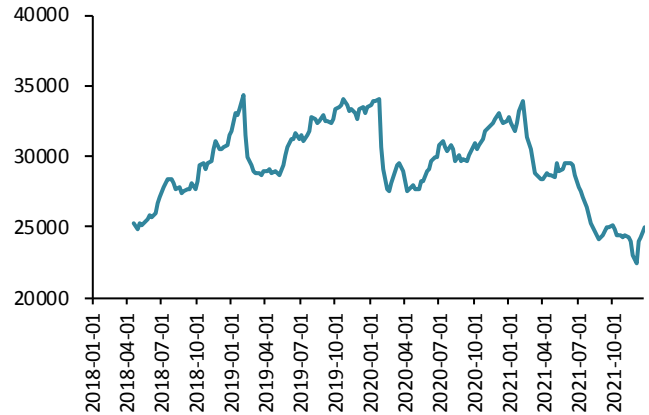
Unit: kt



Source: Fenwei

Figure 14: Total coking coal stocks

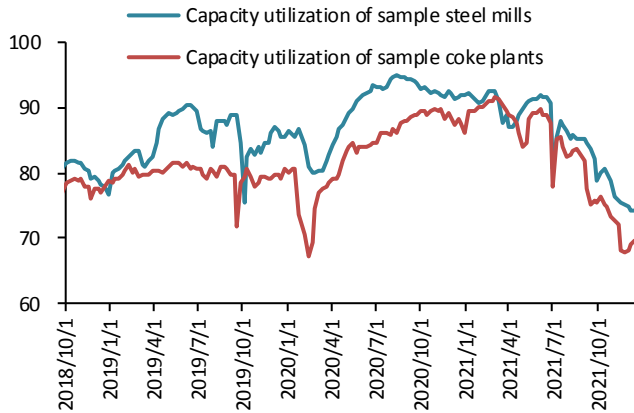
Unit: kt



Source: Fenwei

Figure 15: Capacity utilizations of coke ovens and blast furnaces

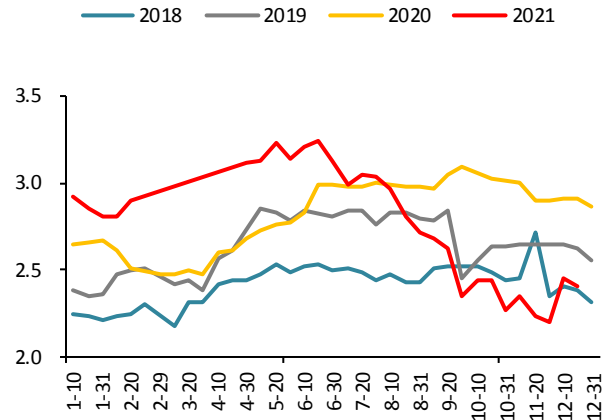
Unit: %



Sources: Wind, Fenwei

Figure 16: Estimated crude steel daily output

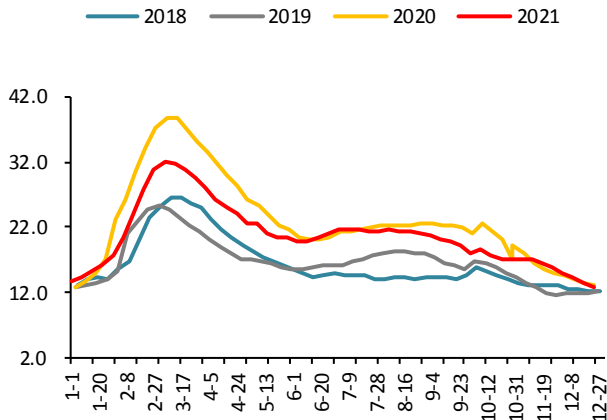
Unit: Mt



Source: China Iron and Steel Industry Association (CISA)

Figure 17: Total social steel stocks

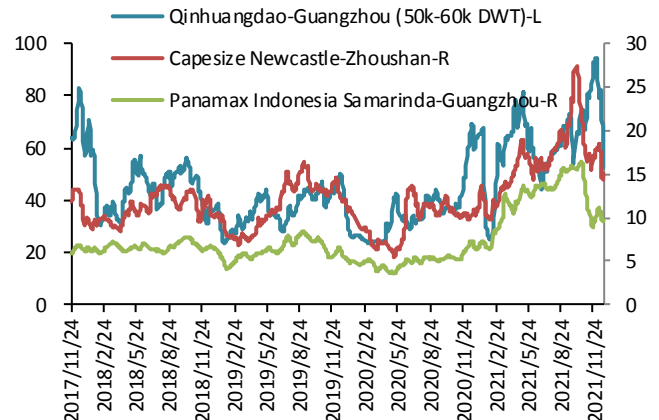
Unit: Mt



Sources: Wind, Fenwei

Figure 18: Domestic and international ocean freight

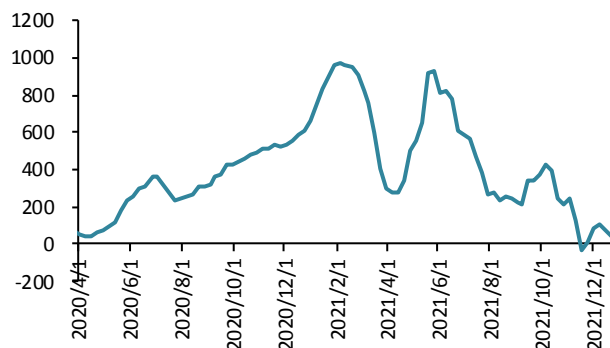
Unit: yuan/t, US\$/t



Source: Fenwei

Figure 19: Unit coking profits

Unit: yuan/t



Source: Fenwei

Figure 20: Unit rebar profits

Unit: yuan/t



Source: Fenwei

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