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China Coal Weekly

Fenwei Energy Consulting Co., Ltd Issue 540 Monday Mar 14, 2016

Inside This Issue

Please kindly note that, to further optimize our products and provide quality services, we have stopped publishing the ***Extended Version*** of China Coal Weekly starting from January 2014. CCR members can go to the ***Analysis*** section for latest monthly analysis and forecast articles.

CCI Thermal Index

	Mar 8	Mar 9	Mar 10	Mar 11	Mar 14
CCI 5500*	380.50	380.50	382.00	382.00	382.00
CCI 5000*	341.50	341.50	342.50	342.50	342.50
CCI 5500 Import	45.50	45.70	45.70	45.90	46.00
CCI 4700 Import	41.20	41.20	41.20	41.20	41.30
CCI 3800 Import	30.50	30.50	30.50	30.50	30.70

** includes VAT at 17%.*

For details of methodology and premium/penalty standards, please visit http://en.sxcoal.com.

LEADING STORY

Market views divide on China thermal coal prospect

Market opinions seemed dividing on the prospect of China's thermal coal sector, as various factors were imposing an interweaving effect on the market trend.

Positive factors may include low demand from utilities against continued tight supply amid mine suspension during the two parliamentary sessions over March 2-16.

Small and medium sized mines were likely to resume operation after March 16, and also on the precondition that production and delivery of coal into northern ports could bring them profit.

Some utilities appeared to have accepted miners price hike request, and it was said one such utility had increased purchase price for thermal coal by 10 yuan/t compared to the beginning of this month, said an end user source.

Low-sulfur products of 5,500 Kcal/kg and 5,000 Kcal/kg NAR were heard offered at 385-388 yuan/t and 355 yuan/t FOB, respectively, said a trader.

Owing to reduced delivery, the northern port of Tianjin saw thermal coal prices creep up to levels similar to Qinhuangdao, said port traders.

One Qinhuangdao-based trader reported an offer of 349 yuan/t FOB for 0.8% sulfur shipment of 5,000 Kcal/kg NAR coal, and said there was further negotiating room for the traded price.

One Inner Mongolia-based trader said his company was doing business that directly delivery thermal coal by rail to users in Beijing, Shandong and Hubei.

"Mine-mouth prices in production bases showed uptrend, while utilities in eastern Shandong even made price cuts, making (us) traders in an embarrassment," he said.

But overall speaking, daily coal burn at utilities was still lower than the same period of last year, and the climb-up in temperature may further dent heating demand, said a Shanxi-based trader.

And southern China may expect an improvement in the performance of the hydropower sector, which will

(continued on page 5)

WEEKLY MARKET ANALYSIS & FORECAST

Weekly China thermal coal analysis and forecast

China's coastal thermal coal market continued to move up in the past week, as mines suspension for the ongoing parliamentary sessions reduced delivery to northern ports.

The Index

On March 14, the Fenwei CCI 5500 index was 382 yuan/t with VAT, FOB Qinhuangdao, rising 3.5 yuan/t on week, and the Fenwei CCI 5000 index edged up 2 yuan/t to 342.5 yuan/t.

On the same day, the Fenwei CCI 5500 Import index rose $0.8/t from the previous week to $46/t; the Fenwei CCI 4700 Import index rose $0.3/t to $41.3/t, and the Fenwei CCI 3800 Import index rose $0.5/t from the week ago to $30.7/t.

Lately in the market

Though downstream end users showed inactive buying interest, the market still saw 2-3 yuan/t uptick in spot thermal coal prices over the past week.

Offers were range-bound at 380-385 yuan/t FOB for 5,500 Kcal/kg NAR cargoes with 0.8% sulfur, and 340-345 yuan/t for the same sulfur 5,000 Kcal/kg NAR coal, both up 5 yuan/t on week.

The underlying boost was continued tight supply and shipment amid mines suspension during the two parliamentary sessions over March 2-16, as well as increased buying from utilities to meet electricity demand as factories returned to operation.

Miners in Inner Mongolia maintained low stocks and demand-based production, while producers in Shaanxi and Shanxi kept offer prices firm amid production halts.

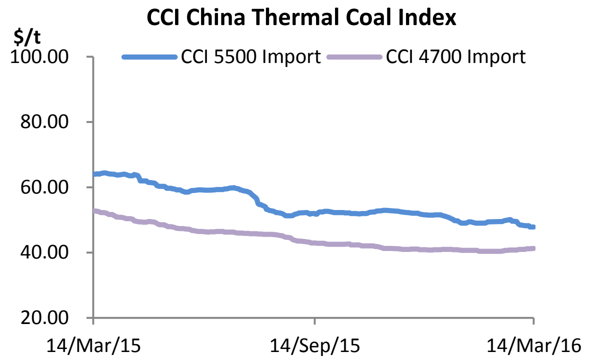
Coal stocks at power plants under the six coastal utilities edged down 9.5% from the previous week to 11.11 million tonnes on March 14, enough to cover 19 days of consumption, 5 days less than a week ago; daily coal use rose 13.7% on week to 0.59 million tonnes.

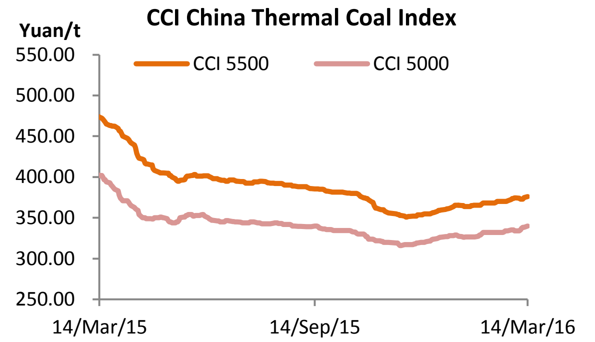
Australian 5,500 Kcal/kg NAR cargoes saw some uptick in offers, which hovered at $43-44/t FOB for April delivery, up $1-1.5/t on week. It translates to $47-48/t CFR South China ports when plus a freight rate of $4/t.

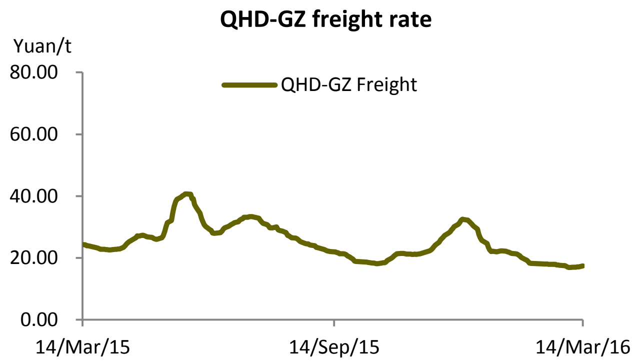
Production cuts by Indonesian miners underpinned offers for 3,800 Kcal/kg NAR material at $27.5/t FOB, while few inquiries were seen for the 4,700 Kcal/kg NAR coal, which was offered at $38-39/t.

Forecast

Slow resumption of coal mines in production bases and seasonal rise in coal burns at utilities are expected to lend some support to the domestic thermal coal market. Yet, the shrink in coal used for heating purpose and potential increase in hydropower in the south may create negative effects.







Source: Shanghai Shipping Exchange.

Fenwei replaced the previous Fenwei/Platts CCI index series with the new Fenwei CCI indexes for thermal and met. coal assessments on August 3, 2015, with historical data available at the *Weekly Supplement* and on our website (http://en.sxcoal.com) later, to maintain coverage of the Chinese domestic and import market.

Fenwei reserves all tights to the CCI indexes and cannot be held responsible for any losses committed by using or referencing the indexes. Though Fenwei strives to do so, it does not guarantee the accuracy or timing of the indexes under any conditions.

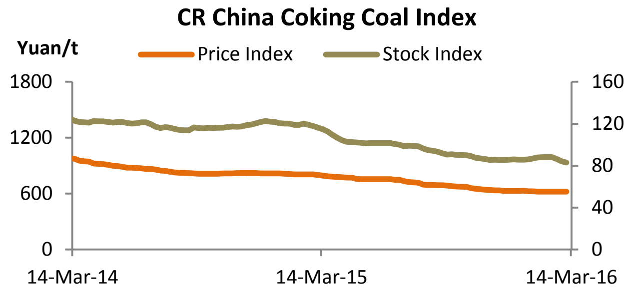
Any questions or feedbacks, please contact us by inquiry@fwenergy.com.

Weekly China coking coal analysis and forecast

China's coking coal market was roughly stable last week; prices saw a slight increase in Shanxi while further stabilized in Shandong and Hebei.

The Index

The CR China Coking coal price Index (CRCP) was 622 yuan/t on March 14, flat on week; while the CR China Coking Coal Socks Index (CRCS) was 83.1 points, down 2.8% on week.

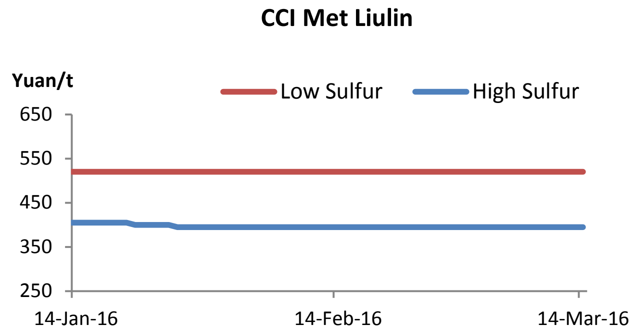


Lately in the market

Coking coal market was roughly stable in Shanxi during the past week. Only certain coal varieties saw price rises in some areas, with the largest increase less than 30 yuan/t.

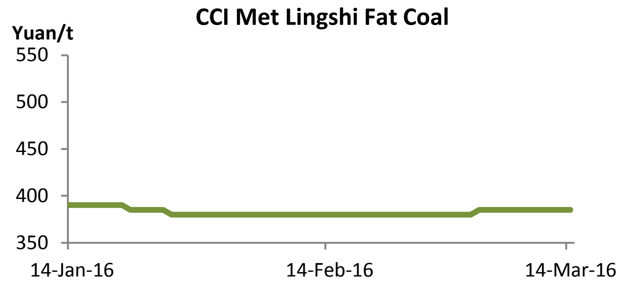
Market sources attributed the increase mainly to tight supply resulted from poor operation in small and medium mines after the Chinese Lunar New Year.

At present, only 30-40% of the coal mines in Luliang resumed production; operation rate in Jincheng also stayed low, as small mines generally resumed production after March 10 (the 2nd day of the 2nd lunar month this year).



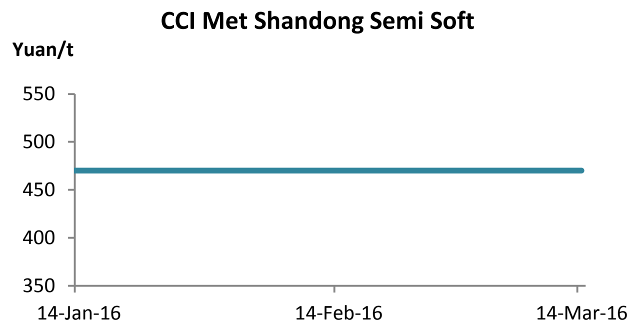
On March 14, the Fenwei CCI Liulin Premium index assessed ex-washplant price of Liulin low-sulphur primary coking coal at 520 yuan/t with VAT; while CCI Liulin High-sulpfur index was 395 yuan/t, both flat on week.

Coking coal prices remained stable in Hebei during the past week with stocks staying low in most coal enterprises. Demand for locally-produced coking coal has been good as buyers shunned Shanxi material after recent price rise.



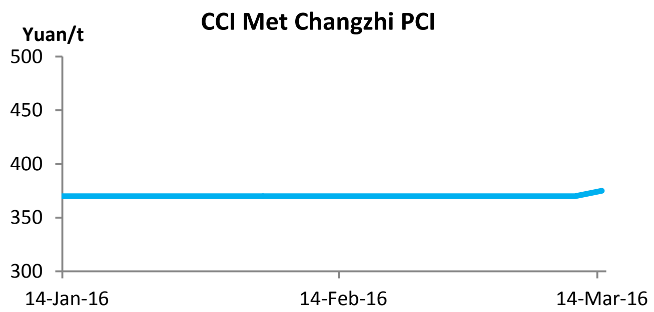
The CCI Lingshi Fat Coal index assessed the ex-washplant price of Lingshi high-fluidity, mid-volatile coking coal at 385 yuan/t with VAT on March 14, flat on week. That equates to 585 yuan/t on a delivered basis to Tangshan, with the truck freight at 200 yuan/t.

Coking coal prices from major miners in the province remained stable. Some small miners lifted washed coal price by 10-15 yuan/t on March 8 due to low stocks, but no deals were heard closed yet.



On March 14, the CCI Met Shandong Semi-soft index assessed the ex-washplant price of gas coal at 470 yuan/t with VAT, flat on week.

On March 10, the CFR price of premium low-vol Australia HCC was assessed at $84.25/t, rising $2.75/t from March 1; the CFR price of HCC Peak Downs Region was $85.25/t, up $2.75/t from the beginning of March.



Forecast

China's coking coal market was expected to remain stable in the next week, with little possibility of decrease in the short run backed by rising steel and coke prices.

Weekly China met. coke analysis and forecast

Met coke prices rise 10-30 yuan/t in China's main production bases ine past week, thanks to increased demand from steel mills for the steelmaking material amid the recent rise in steel billet prices in Tangshan.

The Index

On March 14, the CR China Met. coke price Index (CRMP) stood at 73.579 points, up 0.6% on week; while the CR Tianjin Met. Coke Price Index or the CR (TJ) index, which tracks the FOB prices of Grade II met. coke, stayed unchanged on week at 735 yuan/t.

Lately in the market

Shanxi saw coke prices rise 10-30 yuan/t of in most production areas (e.g. Luliang, Changzhi, Linfen) in the past week, thanks to plunge of stocks at coke firms and climbing demand from steel mills amid rising billet prices. Good coke sales were reported, while low inventories prompted coke plants to increase operation rates.

On March 11, Fenwei assessed the price of Luliang Grade I met coke (0.7% sulphur, 13% ash and CSR 60) at 515 yuan/t, up 5 yuan/t on week; while that of Luliang Grade II met coke (0.7% sulphur, 13% ash and CSR 55) at 505 yuan/t, unchanged on week.

A 10-30 yuan/t price rise was also observed in Hebei, driven by recent jump of steel billet prices in Tangshan.

Most steel makers agreed to increase purchase prices to similar extents upon requests from coke plants,. Further price hike however, seemed less likely to happen, as billet prices softened late last week and some steel makers remained strong in resisting any price rises.

On March 11, Fenwei assessed the price of Grade II met coke (0.7% sulphur, 13% ash and CSR 55) at 705 yuan/t with VAT, DDP Tangshan, up 10 yuan/t on week.

Shandong market also coke prices rise 10-30 yuan/t in main areas (e.g. Rizhao, Dezhou, Tengzhou, Jining).

Operation rate was kept at 70-80% or so in coke firms of the province, and coke inventories stayed low.

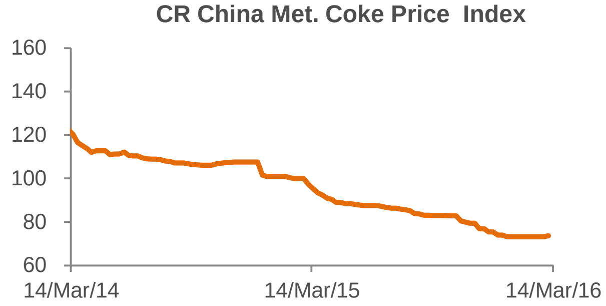
Rizhao Steel lifted the delivered price of Grade II met coke by 30 yuan/t to 700 yuan/t for suppliers in the province and 710 yuan/t for those outside the province.

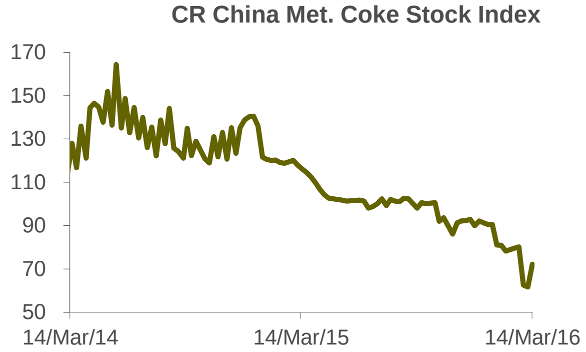
Fenwei assessed price of Grade II met coke (0.8% sulphur, 13.5% ash and CSR 52) at 710 yuan/t in Rizhao on March 11, delivered basis with VAT, up 27 yuan/t on week.

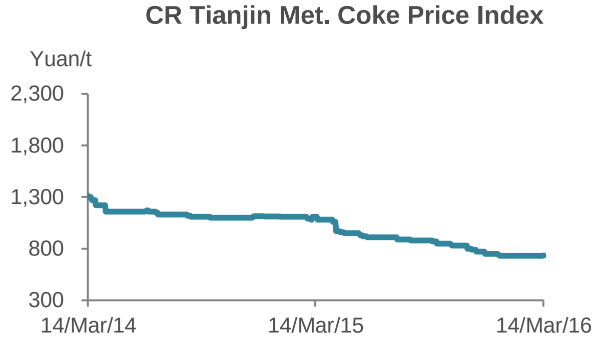
As of March 14, coke stocks at Tianjin port slid 2.32% from the week prior to 1.17 million tonnes. Fenwei assessed the price of Grade I met coke (0.7% sulphur, 13% ash and CSR 60) at 735 yuan/t with VAT, FOB basis at the port, stable on week.

Forecast

Coke prices may further rise slightly in China's main coke markets in the rest of March, though coke demand still lacks strength amid uncertainties in the steel market.







CR China Met. Coke Price Index

Index	Mar 7	Mar 14	Change
CRMP	73.142	73.579	0.438
CRMS	72.208	68.725	-3.483

CR China Met. Coke Spot Price Index

Index	Quality	Delivery	Mar 7	Mar 14
CR (TJ)	A≤12.5%;S<0.65%; M40≥82;M10≤7.5; CRI≤28; CSR≥62;	FOB (Yuan/t)	735	735

Source: China Coal Resource.
Note: prices inclusive of VAT

MARKET COMMENT

Market views divide on China thermal coal prospect...*from page 1*

pose a competition to thermal power business, said another Inner Mongolia-based trader.

The Fenwei CCI 5500 Index for domestic 5,500 Kcal/kg NAR coal traded at Qinhuangdao port was assessed at 382 yuan/t with VAT on March 14, FOB basis, flat from a day ago but up 3.5 yuan/t from the previous week.

The price of domestic 5,000 Kcal/kg NAR coal was assessed by Fenwei at 342.5 yuan/t, inclusive of VAT, FOB Qinhuangdao, on the same day, stable on day but up 2 yuan/t on week.

Higher offers

Overseas miners raised offer prices for their thermal coal products, betting on a recovery in demand from Chinese buyers in the wake of rising domestic prices.

Australian 5,500 Kcal/kg NAR cargoes saw continued firm offers, which hovered at $43-44/t FOB for April delivery.

"The level of $44/t FOB as the offer for Australian 5,500 Kcal/kg NAR coal seems appropriate, and I deem later there will be some buyers from China to be willing to accept," said a Beijing-based trader.

"You can clearly feel that activities in inquiring and issuing bids have been increasing, so our company, with low stocks, plan to wait for an ideal price to sell out," he said.

April-delivery cargoes of Australian 5,500 Kcal/kg NAR were said to have sold out of the market, said a Shandong-based trader.

With regard to May-delivery such materials, uncertainty may remain and Chinese traders dare not make active bookings on worries that domestic prices may slide down, he said.

Production cuts by Indonesian miners underpinned offers for 3,800 Kcal/kg NAR material at $27.5/t FOB, while few inquiries were seen for the 4,700 Kcal/kg NAR coal, which was offered at $38-39/t.

Supply of April-delivery Indonesian cargoes were in some sort of tightness, and if trading such materials on a CFR basis at southern China ports, there were slim chances for traders to earn margin, said a Fujian-based trader.

Sales pressure existed for low-CV Indonesian thermal coal at southern China ports, where high stocks seemed a headache, the trader said.

On March 14, the Fenwei CCI 5500 Import Index assessed imported 5,500 Kcal/kg NAR coal at $46/t, CFR south China ports, rising 0.1/t from the previous day and up $0.8/t from the week before.

On the same day, the Fenwei CCI 4700 Import Index for imported 4,700 Kcal/kg NAR coal traded at southern China ports was assessed at $41.3/t, CFR basis, up $0.1/t on day and up $0.3/t from the week before.

One the same day, the Fenwei CCI 3800 Import Index assessed imported 3,800 Kcal/kg NAR coal at $30.7/t, CFR south China ports, up $0.2/t on day and up $0.5/t from the previous week.

Shanxi Jan coal outbound sales down 18 pct

In January, northern China's Shanxi sold 31.42 million tonnes of coal to end users outside, falling 9.38% from a month ago and down 18.21% from the previous year, registering the 15th straight year of decline.

The decrease was mainly due to sluggish demand from downstream sectors amid an economic slowdown, analysts said.

During the same period, key state-owned mines -- owned by the central and provincial governments -- sold 28.96 million tonnes of coal to other provinces, up 0.65% on year; 80% of that or 23.24 million tonnes were sold by the province's top five coal groups, up 2.11% on year.

Local mines -- owned by governments at the prefecture and lower levels -- saw outbound coal sales fall 74.5% on year to 2.46 million tonnes in January.

In January, Shanxi Coking coal group Sales Branch sold 4.82 million tonnes of coal, fulfilling 102% of the target.

By Industry

Shanxi's coal sales to power industry in other provinces slumped 19.52% on year to 20.45 million tonnes in January.

Shanxi also sold 3.71 million tonnes of coal to the metallurgical industry of other provinces in January, down 10.44% on year.

By End User

The top ten thermal coal users out of Shanxi, including China Coal Energy, Zhejiang Zheneng Fuxing Fuel, etc., bought 10.63 million tonnes of coal from Shanxi in January, taking 52% of the province's total outbound sales to power industry.

The top ten coking coal users out of Shanxi, including Baosteel, Hebei Iron and Steel, etc., bought 1.68 million tonnes from Shanxi in January, taking 45.3% of the province's total outbound sales to metallurgical industry.

By Province

Shanxi mainly sells coal to Hebei, Tianjin, Shandong, Jiangsu and Henan, which combined bought 23.9 million tonnes of coal from Shanxi in January, falling 1.12% on year and accounting for 76.1% of the province's total outbound coal sales.

By transport means

Shanxi sold 28.42 million tonnes of coal by railways to other provinces in January, down 21.32% on year and down 7.62% on month.

Daqin rail line transported 31.17 million tonnes of coal in January, down 18.38% from the previous year.

Evaluation of industry policies

The China Railway Corporation, the country's rail operator, lowered the rail coal freight by 0.01 yuan/t.km starting February 4, which is expected to reduce transport cost by 10 billion yuan ($1.5 billion) a year for suffering miners.

In a national move to cut overcapacity this year, Shanxi will actively push forward with the cooperation mechanism for Three Production Bases (Shanxi, Inner Mongolia and Shaanxi) and Two Companies (Shenhua Group and China National Coal Group) initiated by China National Coal Association last April, said Xiang Erniu, head of the provincial coal industry administration, at a work conference on February 3.

The province will also continue to encourage local coal producers and end users to establish steady long-term cooperation relationship.

COAL/COKE NEWS

China can absorb laid-off labor, NDRC Minister

China will not have another layoff wave as it reduces overcapacity in such sectors as steel and coal mining, Xu Shaoshi, minister of the National Development and Reform Commission, said on March 6.

China's state-owned enterprise restructuring in the 1990s put tens of millions out of work.

The Chinese economy has become more resilient and is able to create more jobs to absorb laid-off workers, Xu said at a news conference on the sidelines of two sessions, the annual meetings of legislators and policy advisers.

"We will strengthen our efforts to reduce overcapacity," he said, citing Hebei and Heilongjiang provinces as areas that "have maintained social stability while pushing corporate restructuring".

The steel sector will reduce capacity by 100 to 150 million tonnes in five years, and the coal mining sector will cut capacity by 500 million tonnes, with another 500 million tonnes to be restructured in three to five years, he said.

Researchers estimate that about 3 million workers could be laid off in the coming two to three years if current capacity is reduced by 30% in targeted sectors such as steel, coal mining and cement.

Given the country's massive economic scale, it has become more capable of creating jobs, which will help absorb unemployed workers, he said. The improved economic structure will also help absorb redundant workers, he said, with tertiary industries having a larger share of the economy. Tertiary industries—the segment of the economy that provides services to consumers, such as financial institutions, schools and restaurants—generally accommodate more jobs.

Moreover, as new enterprises crop up thanks to China's favorable policies encouraging business startups, there will be more new jobs, and easier cross-regional labor flows and the use of online job fairs will help laid-off workers find work, he said.

The Ministry of Human Resources and Social Security said 100 billion yuan ($15.3 billion) will be allocated to cushion the effect of job losses on families and society.

Shanxi to stop adding new coal capacity in next 5 yrs

Shanxi province, one major coal production base in China, vowed to suspend adding new coal capacity in the next five years since 2016, in a bid to address the overcapacity, said Guo Zhiyong, deputy chairman of Jin Merchants Cultural Communication Association.

The year of 2015 saw the province's coal output up 0.6% on year to 944 million tonnes or 25.6% of China's total 3.68 billion tonnes.

Huge capacity of as much as 1 billion tonnes per year against pathetic demand made the coal industry in Shanxi suffer a loss of 9.43 billion yuan ($1.45 billion) in 2015, decreasing 10.83 billion yuan in profits from a year ago.

Actually, the coal industry across the province had been in the red for 18 consecutive months since July 2014 to December 2015.

In a national move to reduce overcapacity, China's coal mining sector will cut capacity by 500 million tonnes, with another 500 million tonnes to be restructured in three to five years.

Besides, the state has pledged to shut over 1,000 coal mines in 2016, with combined coal capacity to reach 60 million tonnes per annum.

The approval of new coal mines will be suspended in three years since 2016, according to the National Energy Administration (NEA).

Datong Coal Mine to close 12 mines in 2016-2020

Datong coal mine Group, one leading coal producer in Shanxi, planned to close 12 mines and eliminate 12.55 Mtpa capacity in 2016-2020, while reducing loss by 1.24 billion yuan ($190.8 million), said President Zhang Youxi .

This will involve rearrangement of some 15,000 employees, Zhang said on the sidelines of ongoing annual parliamentary sessions.

In 2016, the group will shut 5 mines and eliminate 6.6 Mtpa capacity, involving nearly 10,000 employees.

The reassignment of employees is the toughest task for the state-run old group, which has approximately 200,000 employees and 700,000 family members, Zhang pointed out.

"We need to consider seriously the living issues of miners of several generations," said Zhang, referring to the reducing of overcapacity in state-owned mines. "This essentially is different with that in small (private) mines."

The group has planned to reassign employees through early retirement at mines that will be shut, and through job transfer at newly-built mines and mines that replaces existing mines capacity and transformation to other industries.

Datong Coal Mine has get through the toughest time in 2015 by implementing coal-power integration and “entity + financial” mode, according to Zhang.

The government should further support the construction of mine-mouth power plants, said Zhang, adding that the development of coal chemical industry and low-carbon energy are important options for capacity reduction.

Shenhua to cut 30 Mtpa coal capacity in 2016

Shenhua Group, the largest coal producer and supplier in China, will take the initiative to cut coal capacity by nearly 30 million tonnes per annum (Mtpa) in 2016, through stopping construction and production of its 12 coal mines, said a senior official with the company.

The to-be-cut annual output will equal 11% of the company’s 2015 commercial coal output at 280.9 million tonnes, down 8.4% on year.

The move is a sign of Shenhua’s resolution in making contribution to the nationwide supply-side structural reform, which has been set as the work focus by the government this year, said Li Dong, vice general manager of the company on March 11.

Actually, Shenhua has been making efforts to cut capacity to help ease the oversupply in the country’s coal sector.

In recent two years, Shenhua successively closed 12 coal mines with problems of high energy consumptions, unfriendliness to environment, potential safety hazards or high operating costs. A total of 9.4 Mtpa of coal capacity was eliminated.

Meanwhile, about ten coal mines of the company’s four subsidiary firms reduced capacity by 95 Mtpa within the past two years.

While leaving no stone unturned to deal with labor issue amid overcapacity cut, Shenhua will also target the development of clean energy, in a bid to transform and upgrade its coal business.

China aims to cut 500 Mtpa coal capacity and regroup another 500 Mtpa in the next three to five years, according to a statement issued by the State Council on February 5.

Yankuang to cut 6,500 jobs in 2016

Yankuang Group, a state-owned coal producer in eastern China’s Shandong province, plans to cut 6,500 jobs in 2016, it said on March 9.

The company will further cut 20,000 jobs in three years – accounting for nearly 20% of its total employees -- to reduce labor cost through arranging retirement and job transfer.

Over 2011-2015, Yankuang reduced a total 19,000 jobs and transferred 6,000 employees from Shandong to branches in other provinces.

2015, Yankuang Group witnessed a net profit of 2.1 billion yuan, and profits from its listed subsidiary Yanzhou Coal Mining Co., Ltd was estimated at 2.3 billion yuan, ranking the second after Shenhua Group among listed coal enterprises in China.

Yankuang has been an activist in internal reform since 2013. The reform targeted on cutting cost and improving efficiency by introducing modern enterprise management system, which has made it one of the top coal producers in China.

By 2015, Yankuang successfully banned 6,500 middle buyers, and then resorted to centralized purchasing to cut cost.

It will also close four mines in 2016-2020 in response to central government’s call for overcapacity reduction.

That means nearly 20,000 employees need to be reassigned. “We will try our best to gain the financial aid to resolve staff resettlement,” said Li Wei, the company’s general manager.

In end-2015, central government decided to allocate 100 billion per year to help coal enterprises in the plight.

“The ‘Golden Period’ for China’s coal industry has past; the traditional operation pattern is no longer suits for the current energy structure and capacity requirements. Thus, transition to an integrated energy group or an industrial-financial group is a way out for Yankuang," said Li Xiyong, the group's president.

Its financial assets now stood at 15 billion yuan ($2.3 billion) and the revenue from its financial sector was above 2 billion yuan in 2015.

It aims to focus on the combination of industry management and capital operation in the near future.

Inner Mongolia Ordos Feb coal sales down 0.9pct on yr

Coal-rich Ordos in northern China's Inner Mongolia Autonomous Region sold 29.87 million tonnes of coal in February, edging down 0.9% from the year prior and down 35.4% from January, the latest official data showed.

Of this, sales from local mines – including mines owned by the prefecture and lower-level governments and private mines – stood at 18.81 million tonnes, dropping 6.3% on year and down 45.5% on month. Coal sales from Shenhua Group Ordos branch increased 9.9% on year but down 5.6% on month to 11.06 million tonnes.

In February, average coal price was 168 yuan/t ($25.79/t) in Ordos, dropping 18% on year while unchanged on month. Raw coal price averaged 172 yuan/t, down 18.9% on year and unchanged on month.

Coal sales in the first two months this year fell 3.6% on year to 76.11 million tonnes.

Of this, sales from local mines – including mines owned by the prefecture and lower-level governments and private mines – fell 3.9% on year to 53.33 million tonnes. Coal sales from Shenhua Group Ordos branch decreased 2.9% on year to 22.78 million tonnes.

The average coal price during the period fell 21.1% from a year ago to 168 yuan/t.

China Jan-Feb coal output down 6.4pct

China produced 513.46 million tonnes of coal in the first two months this year, falling 6.4% year on year, data from the National Bureau of Statistic (NBS) showed on March 12.

The decline was mainly due to mines' longer-than-expected suspension impacted by the Lunar New Year holidays in February.

In order to deal with price-sapping capacity glut in coal sector, the central government has promised to force through the elimination of excess capacity in coal industry, aiming to cut one billion tonnes capacity in three to five years.

China Feb coal imports down 11.3pct on yr

China imported 13.54 million tonnes of coal in February, dropping 11.27% from the same period last year and down 11.1% on month, showed the data from the General Administration of Customs (GAC) on March 8.

The slump in coal imports was mainly due to weak demand caused by large-scale suspension of southern plants during the Lunar New Year holidays. From February 7 to 13, average daily coal consumption at power plants under the six coastal utilities stood at only half of the normal level at 316,000 tonnes.

Total value of the imports in the same period stood at $658.53 million, slumping 36.07% year on year and down 8.92% month on month. That translated to an average price of $48.64/t, dropping 18.86% from the year prior but up $1.17/t on month.

The monthly increase of imported coal price was partly impacted by the price hikes at domestic transit ports, and many traders pointed out the tight supply of Indonesian and Australian cargos after the holidays also supported prices to some extent.

On February 29, the Fenwei CCI 5500 Import index rose $0.45/t from the previous month to $44/t; the Fenwei CCI 4700 Import index rose $0.4/t to $40.8/t, while the Fenwei CCI 3800 Import index rose $0.4/t from the month ago at $29. 9/t.

Over January- February, China imported a total 28.77 million tonnes of coal, falling 10.2% on year; total value of the imports stood at $1.38 billion, slumping 36.5% from the year before.

Exports soar

China exported a total 910,000 tonnes of coal in February, soaring 111.6% on year and up 49.2% on month, the third consecutive rise on both year-on-year and month-on month basis, thanks to weak demand and falling prices in domestic market. However, coal exports still stayed at a relatively low level.

The value of the February exports was $71.07 million, increasing 45.3% from a year ago and up 61.5% from January. That translated to an average price of $78.1/t, falling $35.6/t on year but rebounding $5.96/t on month.

In the first two months of the year, China's coal exports surged 129.2% on year to 1.52 million tonnes, with value up 54.4% to $115.08 million.

Ceke Feb coal imports up 8.7pct on yr

Ceke border crossing, a major international hub in northern China's Inner Mongolia autonomous region, imported 105,600 tonnes of raw coal from neighboring Mongolia in February, climbing 8.7% on year but down 85.3% on month, showed the latest data from the local government.

Total value of the imports in the month reached 16.75 million yuan ($2.57 million), rising 1.94% year on year but down 85% month on month.

That translated to an average import price of 158.62, up 2.29 yuan/t from January but down 10.59 yuan/t from a year ago.

In the first two months this year, coal imports through Ceke stood at 821,600 tonnes, up 14.75% from a year ago.

Total value of the imports during the same period amounted to 128.7 million yuan ($19.77 million), up 9.38% on year, with average price at 156.6 yuan/t, down 7.72 yuan/t on year.

In 2015, raw coal imports through Ceke border from Mongolia stood at 7.62 million tonnes, dropping 5.56% from the previous year, with total imports value sliding 9.27% on year to 1.2 billion yuan.

Daqin Feb coal transport down 27.4pct on yr

Daqin line, China's leading coal-dedicated rail line, transported 23.21 million tonnes of coal in February this year, sliding 25.5% on month and down 27.47% on year – the 18th consecutive year-on-year drop, said statement released by Daqin Railway Co., Ltd on March 10.

In February, Daqin's daily coal transport averaged 0.8 million tonnes, 20.8% lower than January's 1.01 million tonnes.

Daqin rail line realized coal transport of 54.39 million tonnes in the first two months this year, falling 22.5% year on year.

Over 2015, Daqin transported a total 396.99 million tonnes of coal, down 11.82% on year, accounting for 94.52% of its annual target of 420 million tonnes.

In addition, Zhunchi rail line (Waixigou, Inner Mongolia-South Shenchi, Shanxi) and Mengji rail line (Ordos, Inner Mongolia-Caofeidian port) were put into commercial operation in September last year and January 2016, respectively, which would effectively help divert coal transport by Daqin line.

Thus, 20 million tonnes of coal from Shenhua Group and 12 million tonnes of coal from Yitai Group are expected to be transported by Zhunchi and Shuohuang rail lines to Huanghua port this year, and 10 million tonnes of coal from Inner Mongolia is likely to be transported via Mengji line to Caofeidian port.

Inevitably, the overwhelming advantage of Daqin line may be dented to some degree, and its coal transport is forecast to reach 340-350 million tonnes this year, down 12.8% or so on year.

Shaanxi 2015 rail coal transport slides 4.7pct

Northwestern China's Shaanxi saw rail coal transport slide 4.7% year on year to 74.93 million tonnes in 2015, accounting for 68.4% of the total rail transport of the province, showed the latest data from the provincial Bureau of Statistics.

The rail transport volumes were mainly negatively impacted by the plunging coal demand amid the structural adjustment of macro economy last year.

Xi'an Railway Administration made great efforts to develop the market and spur the rail coal transport. In 2015, the administration sent local coal companies to visit Shandong and signed 15.5-million-tonne coal rail transport contract with 200 end users in the eastern province.

Meanwhile, the truck transport of cargoes in the province reached 1.31 million tonnes in 2015, up 9.7% from a year ago.

The rail coal transport across the country was also stricken by the sluggish coal market, falling 12.6% from the year prior to 2 billion tonnes in 2015.

The most important railway -- Daqin rail line -- realized coal transport of 400 million tonnes last year, down 11.8% on year; Houyue line realized coal transport of 170 million tonnes, down 11.7% on year.

It indicated that 70% of the decreased volume in China's cargo rail transport in 2015, which fell 10.5% on year to 3.4 billion tonnes, would be attributed to the decline in coal transport.

Xi'an Railway Administration announced to lower the rail freight for coal transport along Baotou-Xi'an rail line (Xinxian-Zhangqiao section), North Shenmu-Dabaodang line and Xi'an-Pingliang line (Changqingqiao-Maoling section) from 0.22 yuan/t.km to 0.184 yuan/t.km, effective from December 6 last year, in a bid to cut transport costs for coal companies.

China Feb coke exports surge 57.1 pct on yr

China's exports of coke and semi-coke surged 57.14% on year and up 18.92% from January to 0.88 million tonnes in February, showed data released by the General Administration of Customs (GAC) on March 8.

The value of the February exports stood at $95.59 million, down 5.73% year on year but up 10.36% from last month. This translated to an average export price of $108.63/t, falling $72.45/t on year and down $8.42/t from the month prior.

Over January-February, China exported a total 1.62 million tonnes of coke and simi-coke, edging down 0.8% year on year; total value of the exports stood at $182.21 million, slumping 35.8% from the year prior.

POWER/STEEL NEWS

China plans 30 nuclear power plants along Silk Route

China has set a target of building around 30 nuclear power units in countries along the Belt and Road Initiative routes by 2030, according to Sun Qin, president of China National Nuclear Corp (CNNC) -- one of China's three nuclear giants.

He said 70 countries in total are already planning or developing their own nuclear power projects, and it is estimated 130 more nuclear power units will have been built by 2020.

"But we also face very strong competition in selling its technology in the international nuclear market," he said.

"Countries like Russia, South Korea, Japan and the United States are all exploring the global nuclear market aggressively."

Belt and Road destinations are those along the Silk Road Economic Belt and the 21st Century Maritime Silk Road—the initiative proposed by President Xi Jinping to strengthen regional economic integration and infrastructure connectivity.

The country aims to raise total installed nuclear power to 58 GW by 2020, according to an energy development action plan released by the State Council in 2014.

It has been accelerating the building of its flagship nuclear project using Hualong One, a third-generation nuclear reactor design, in Fuqing, Fujian province, and hopes to leverage this domestic experience to boost its nuclear technology exports.

The operator has already reached bilateral agreements on nuclear energy cooperation with countries including Argentina, Brazil, Egypt, Britain, France and Jordan, Sun said.

But he emphasized there was no need to hit full self-sufficiency in nuclear, because many general components can be bought through international suppliers.

CNNC has already exported six nuclear reactors, five miniature neutron source reactors, two nuclear research facilities and one experimental reactor.

Sun said the company is looking ideally to cooperate with countries throughout the whole nuclear power industry chain.

It actively promotes localization of its technology and strives to establish integrated industrial systems for countries involved with the Belt and Road, Sun said.

China Jan-Feb thermal power output down 4.3pct on yr

Electricity output from China's thermal power plants – mainly coal-fired – stood at 678.6 TWh over January-February, down 4.3% year on year, showed data from the National Bureau of Statistics (NBS) on March 12.

The decrease in China's thermal power generation was mainly attributed to surplus power supply amid slowing domestic economy.

By contrast, China's hydropower output increased 22.6% on year to 128.9 TWh during the period, indicating a sound development of hydropower station across the country.

Total electricity output in China reached 870.2 TWh during the same period, edging up 0.3% from a year ago, the NBS data showed. That equated to daily output of 14.5 TWh on average, rising 0.3% on year.

Over January-February, the share of thermal power generation in the total power generation stood at 77.98%, while hydropower output accounted for 14.51%.

The year of 2015 saw installed capacity of power generation up 140 GWh or 10.5% on year to 1.51 TWh. The power output rose 0.6% on year to 5,600 TWh in 2015.

China's utilization hour of power units dropped 349 hours from a year ago to 3,969 hours in the year, the third consecutive yearly decline, and that of thermal power slid to 4,329 hours, which all showed the obvious imbalance between electricity supply and demand.

China Feb steel exports down 16.7pct on mth

China's exports of steel products dropped 16.74% on month but rose 4% on year to 8.11 million tonnes on February, showed the latest data from the General Administration of Customs (GAC) on March 8.

Total value of the exports slumped 33% year on year and down 19.7% month on month to $3.52 billion. That translated to an average export price at $433.9/t, slumping 35.6% on year and down 3.6% on month.

Over January-February, China exported a total 17.85 million tonnes of steel products, slipping 1.3% year on year.

In 2015, China's steel exports first broke 100 million tonnes, which was mainly due to expanding price gap between domestic and abroad steel products. But the price gap has been narrowing due to a rebound in domestic steel prices since December last year.

Additionally, the current weak demand from international market and anti-dumping investigations against China's steel products also negatively impacted China's steel exports.

Therefore, it may not be a wise choice to relieve domestic supply pressure by increasing exports volume on the back of a volatile environment, analysts said.

Meanwhile, China imported 0.93 million tonnes of steel products in February, rising 6.9% year on year and flat on month; the combined imports over January-February stood at 1.86 million tonnes, dropping 8.4% from the year prior.

China Jan-Feb crude steel output at 121.07 mln T

China's Crude Steel output reached 121.07 million tonnes in January-February this year, down 5.7% year on year, according to data released by the National Bureau of Statistics on March 12.

Steel products output during the same period dropped 2.1% year on year to 162.28 million tonnes; while pig iron output posted a 7.0% decline to 105.39 million tonnes, data showed.

China has planned to close 100-150 million tonnes of poorly performing steel capacity in the next five year, according to a statement issued in late January.

China's crude steel output witnessed the first yearly drop of 2.3% to 803.83 million tonnes in 2015, the NBS data showed.

We are pleased to present you our latest research report ***China State Council Opinions on Resolving Coal Industry Overcapacity and Its Market Impact Study***, an exclusive report just finished by our team of experts with focus on potential impacts that may arise from this game-changing policy.

This report elaborates on major aspects we believe require serious attention that include:

- Will the overcapacity cut impact China's effective coal supply and when;
- What issues and obstacles may exist in reassessment of mines capacity (based primarily on 276 working days from previous 330 days), and what impacts on actual production;
- How the market reacts to the financial support measures;
- What changes may happen to production cost as state-owned miners become increasingly dominant;
- China's coal import outlook in 2016 and beyond; and so on.

For more details of the report please visit HERE, and further inquiries please email gina.cao@fwenergy.com.

2016GCCS

The 6th Global Coking Coal Resource and Market Summit 2016

24-25 March 2016 China Taiyuan Coal Transaction Center Taiyuan - Shanxi

The summit will provide professional insights on market changes that will greatly impact industry players over the mid and long term and how they should cement their positions in the market.

Main Topics

- How the Belt and Road Initiative and the Five Tasks of cutting overcapacity, destocking, deleveraging, reducing costs and identifying growth areas would impact coal miners;
- China's 2016 coal supply forecast with ongoing newly-added capacity release and outdated capacity elimination;
- How much space of cost cut still exists in China's coking coal sector;
- Outlook of China's coking coal import in 2016;
- Reducing capacity vis-a-vis demand decline – when coking coal prices could bottom out;
- Will China's coal export regain strength in overseas market;
- How Big Data and Internet + could help the coal industry;

For more details, please contact Gina Cao at +86 351 7219322 / gina.cao@fwenergy.com or click HERE.