

Press Release 2/2017 for the Press Conference in Düsseldorf on 27/07/2017

Hard coal imports on the decline – although indispensable for sector coupling

- **Existing generation capacity for imported hard coal is still best backup for the energy turnaround**
- **Imported coal continues to be a competitive, safe and reliable energy source**
- **Think tank: use of hard coal capacity more flexible than generally known**
- **Focus on hard coal in Germany unjust? CO₂ emissions in transport and heating sectors rise**

Worldwide hard coal production in 2016 declined by 3.8% to 6.7 billion tonnes. The decrease was caused primarily by developments in China (-185 million tonnes) and the USA (-147 million tonnes). The shale gas boom was not the only factor playing a role in the USA. From the world market perspective, the USA is a supplier with relatively high costs, putting pressure on the industry. In China, the central government has begun shutting down unsafe and expensive mines. China's imports rose to 124 million tonnes, however, especially as compensation for the production cutbacks resulting from limitations on working hours.

If these two effects were excluded, world hard coal production would have risen by 64 million tonnes and not dropped by 268 million tonnes. Hard coal production rose in Colombia (+5.8%), Russia (+2.9%), Australia (+2.9%), India (+2.1%) and Indonesia (+1.2%). The rise in production in these countries is evidence that there are still countries with a growing demand for coal. While India produces a substantial part of its own demand, although nevertheless importing significant quantities from the world coal market, there are a number of ASEAN countries that are triggering a demand on the world coal market because of the demand for supplies to newly constructed hard coal-fired power plants.

This is also why seaborne trade with steam coal dipped by only 0.7%. Seaborne trade with coking coal, on the other hand, shrank by 5.2%. The bottom line is that seaborne world trade declined by 1.8% from 1,135 million tonnes to 1,115 million tonnes. There was a significant slowdown in the drop in comparison with the previous year (-8.5%).

This also put an end to the slump in coal prices. Compared to the lowest points, the price for steam coal had at one point doubled, and the price for coking coal had even trebled. This temporarily led to a shift in the competitive position of hard coal versus natural gas for power generation. In the meantime, prices have again dropped. Both of these temporary price movements were overreactions that resulted from the production cutbacks being implemented in China.

Imported coal continues to be a competitive, safe and reliable energy source. Since renewable energy sources alone cannot guarantee a secure supply, thermal power plant output will continue to be a critical pillar for a longer period of time. Hard coal is an ideal partner – the countries of origin are distributed all around the globe so that supplies are safe from crises. Nor can zero emissions be achieved using natural gas. If the German energy turnaround is to continue its success, it must be implemented in other sectors as well. In 2016, CO₂ emissions rose in road traffic and for heating. The strongest growth in CO₂ emissions came from the use of natural gas (9.5%).

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Sector coupling will lead to a growing need for backup capacities to an even higher level than today so that the fluctuating supply from renewable energy sources can be compensated. It is economically efficient to use existing power plant capacities for this purpose, whether they are fired by coal or natural gas. The think tank *Agora Energiewende* recently determined that coal is much more flexible than is generally known. And coal is a bargain. European emissions trading will be a dependable method for reaching the CO₂ reduction targets. A CO₂ minimum price only makes the energy costs for German industry higher.

The conclusion: hard coal will be needed for a much longer time than many believe. Supplies are secure, the fuel can be used flexibly and is a bargain because it is subject to constant competition – to the benefit of consumers.

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