



Coal World Market Overview

Coal is a vital global energy resource for the generation of electricity, as a fuel for steel and cement production and other industrial activities. It supplies almost 40% of electricity worldwide but individual country reliance changes across the globe. Poland uses coal for over 94% of its energy needs, South Africa-92%, China-77% and Australia-76% and these demands have made the industry become the world's fastest growing energy source over gas, oil, nuclear, hydro and renewables during recent years.

Depending on the carbon/energy content and moisture content of coal, we can divide coal into two categories:

- Low Rank Coal (47% of world reserves)
 - ◆ Sub-Bituminous (30% of world reserves)
 - ◆ Lignite/Brown (17% of world reserves)
- Hard Coal (53% of world reserves)
 - ◆ Bituminous (52% of world reserves)
 - ◆ Anthracite (1% of world reserves)

The higher ranking hard coal is used for manufacture of iron and steel whilst brown coal is used primarily for power generation.

The total global hard coal production was 4973Mt in 2005; with a 7.4% increase over the previous year (4631Mt in 2004) and 78% increase over the past 25 years (2796 Mt in 1981) with much of the increase occurring within the Asia-Pacific region. Low-rank brown coal production in 2005 was 905 Mt, up by 1.4%.

The top ten hard coal producers in 2005 were:

PR China	2226 Mt	Russia	222 Mt
USA	951 Mt	Indonesia	140 Mt
India	398 Mt	Poland	98 Mt
Austria	301 Mt	Kazakhstan	79 Mt
South Africa	240 Mt	Colombia	61 Mt

The top coal exporters in 2005 are:

	Total	Steam	Coking
Australia	231 Mt	106 Mt	125 Mt

Indonesia	108 Mt	89 Mt	19 Mt
Russia	76 Mt	67 Mt	12 Mt
South Africa	73 Mt	72 Mt	1 Mt
PR China	72 Mt	66 Mt	6 Mt

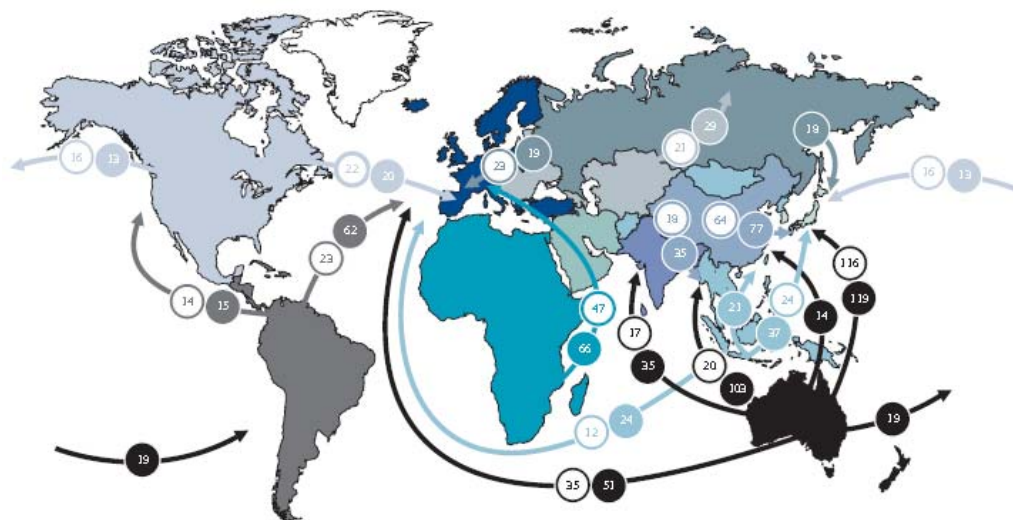
The top coal importers in 2005 are:

	Total	Steam	Coking
Japan	178 Mt	114 Mt	63 Mt
Rep of Korea	77 Mt	56 Mt	21 Mt
Chinese Taipei	61 Mt	57 Mt	5 Mt
UK	44 Mt	37 Mt	7 Mt
Germany	38 Mt	31 Mt	7 Mt

Increase in world and country imports

	1985	1995	2005
World	3196 Mt	3693 Mt	4973 Mt
Europe	18%	12%	7%
FSU	17%	8%	6%
North America	22%	22%	19%
Asia-Pacific	38%	53%	63%

Coal will continue to play a key role in the world's electricity energy, with demand in certain regions set to grow rapidly. Growth will be strongest in developing Asian countries, although the proportion of coal fueling electricity is expected to remain at similar levels over the next 30 years.



Source: IEA 2004

Figure 1: Major Inter-Regional Coal Trade Flows, 2002 – 2030 (Mt)

We know the biggest market for coal is Asia, which currently accounts for 54 % of global coal consumption mainly from China. However, with China currently producing much of its own coal quota it is not listed as one of the top coal importers. Other Asian countries such as Japan, Chinese Taipei and Korea, import significant quantities of both high and low ranking coal.

However, due to strategic changes in the Chinese governments approach to electricity generation the country will have to rely more heavily on foreign imports. These changes include:-

- Recent announcements that the government has banned the use of oil-fired power stations in China. With coal being relatively cheap and a readily available alternative this could potentially, have a profound effect on the market.
- Also, due to the increasing price of oil, the Chinese government plans to use liquid fuels from coal to provide a viable alternative to conventional products. Liquid fuels from coal provide ultra-clean transport fuels for use in the existing vehicle fleet and with China's dramatic increase in private car ownership (which is expected to reach around 250 million by 2025- equivalent to 150 cars per thousand people) this too, could have global financial implications. Fuels produced from coal also have potential outside the transportation sector where many developing countries have driven calls for the use of clean cooking fuels. Replacing traditional biomass or solid fuels with liquefied petroleum gas (LPG) has been the focus of international aid programmes. China signed an agreement with SASOL, South Africa energy and chemicals firm, to build two liquid fuel plants in China. These plants, costing \$3 billion each, are reported by the Financial Times to jointly produce 60 million tonnes of liquid fuel a year.

As the Chinese and Asian economies continue to grow, demands for an increased intake of their energy resources is set to respond accordingly. With a coal industry that has striven to provide a safer, cleaner alternative the prospect for coal investment and exploration looks healthier now than in previous slump years.