PRESS RELEASE

Staying nimble as the South African coal market pivots eastwards

Traditionally, Europe was the natural destination for high quality South African coal exported via Richards Bay; European power plants preferred the high calorific value coal and were prepared to pay a premium for it. In 2005, 65.3 million metric tonnes (Mt) of South African coal was shipped to the Atlantic basin, while just 8.6Mt went to the Pacific market[1].

Fast-forward to today and the global market for seaborne thermal coal has changed dramatically. With lower volumes of the high quality 'RB1' spec coal available and an increasing amount of lower grade RB2 5700, RB3 and even 'off-spec' non-standardised coal being exported, the market has turned eastwards in general – and to India in particular. In 2016, of the ~70Mt of Richards Bay coal exported, approximately 36Mt (50%) went to the Indian market[2].

However, in 2017, while India is still the number 1 destination for South African coal, YTD exports to India have dropped by an estimated 10-15%, for the following reasons:

a. The ongoing impact of the Indian demonitisation, introduced in Q4 2016, continues to cause a lag on the economy; as a result, Indian GDP contracted by 2% in Q2 2017, stifling demand for imported coal
b. The ongoing roll-out of a new Goods and Service tax, which commentators suggest has introduced an additional air of caution to the market
c. Coal India has increased domestic production y/y and is encouraging the use of domestic coal by Indian utilities

Global factors shape new opportunities for South African coal

As the Indian market has stalled, demand has increased from other, less traditional markets for RB coal. When a price differential opens up between high-grade coal from Newcastle, Australia and similar grades of South African coal, as it has on occasion throughout 2017, Richards Bay coal can become an attractive alternative for power plants in Asia.

Indeed, so far this year, we've seen YTD RB exports to South Korea and Taiwan jump to 4Mt and 2Mt[3] respectively, from almost nothing in the same period in 2016.

Tried and tested market tools for seaborne coal trade

As global market participants look to diversify their coal supplies, globalCOAL's Standard Coal Trading Agreement (SCoTA), can be a useful tool. A standard contract, widely used by more than 2,400 companies around the world, SCoTA facilitates the trade of a range of coal qualities and origins, using a robust set of contractual terms and conditions.

Asian utilities are accustomed to trading Newcastle coal on SCoTA terms and the option to purchase Richards Bay coal with the same underlying terms and conditions can significantly simplify their logistics and back-office operations.

SCoTA has a range of standard specifications for South African coal, or you can tailor it to your own needs.

Learn how to use SCoTA and gain a competitive advantage

Norton Rose Fulbright is collaborating with globalCOAL to deliver a 1-day SCoTA Crash Course to help equip South African market participants with the knowledge and legal understanding required to confidently trade globally on SCoTA terms.

Date: Wednesday 11th October

Where: Norton Rose Fulbright office in Johannesburg

[**Learn more and book your place here**](#).

[1] **Source:** globalCOAL, IHS McCloskey

[2] **Source**: Platts International Coal Report

[3] YTD July 2017. **Source**: Platts International Coal Report

About globalCOAL®

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globalCOAL was founded by leading members of the world coal industry to promote screen trading of standardised coal products. The company has developed the world's leading electronic marketplace for thermal coal, as well as a range of standardised coal quality specifications, a Standard Coal Trading Agreement (SCoTA®), and robust methodology for coal price index calculation. globalCOAL is also cooperating with leading energy exchange ICE Futures Europe to develop the coal Futures market. For more information, please visit www.globalcoal.com

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