

# IEA forecasts strong demand for thermal coal until 2016

## COMMODITIES

By Javier Blas in London

The International Energy Agency has painted a positive outlook for thermal coal demand and prices over the next five years, forecasting strong demand in China and India until 2016 in its first report about the commodity.

The Paris-based watchdog said in its "Coal Medium-Term Market Report 2011" that consumption would continue to expand over the next five years despite public calls for cutting reliance on the high-carbon fuel as a primary energy source.

The IEA anticipated, however, that consumption growth would slow from the rapid pace of 2000-10, when coal usage rose by 720,000 tonnes per day.

"For all of the talk about removing carbon from the energy system, the IEA projects average coal demand to grow by 600,000 tonnes every day over the next five years," Maria van der Hoeven, IEA executive director, said in a statement.

The outlook for the com-

modity is, however, uncertain as the IEA said that Chinese coal net imports could either jump to 180m tonnes by 2016 from 92m tonnes in 2010, or fall to 39m tonnes, depending on the path of local production. Whatever the scenario, the IEA, nonetheless, expected strong prices for the commodity.

Thermal coal is used to fire power stations to produce electricity and remains the world's second most important source of energy, only behind crude

oil. The IEA's outlook bodes well for mining companies such as Xstrata, the world's largest coal exporter, PT Bumi Resources of Indonesia, Anglo American or US-based Peabody Energy. Commodities traders such as Glencore and Hong Kong-based Noble are particularly well positioned to cash in, executives said.

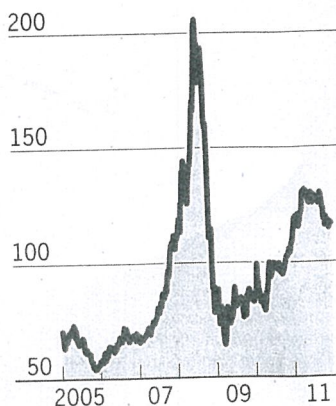
The watchdog assumed that thermal coal prices in Asia would rise from \$127 a tonne in 2011 to \$138 a tonne by 2016, and significantly above the \$40-\$80 a tonne level of most of the early 2000s. Coal prices hit a record high of more than \$200 in 2008.

The IEA said that the general upward trend for thermal coal prices over the next five years would be supported by miners struggling to expand quickly enough to meet rising demand.

Thermal coal prices could drop over the short-term, however. Analysts said that the economic slowdown in Europe was already curtailing consumption.

### Thermal coal price

Asian benchmark (\$ per tonne)



Source: Thomson Reuters

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