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Asian power surge to see no let-up as thermal demand goes gangbusters

Japan's move away from nuclear adds to the impetus

EACH year, from now until 2016, there will be shortages of thermal coal in Asian markets.

What is more, the deficits in seaborne trade are widening: from a predicted 6.6 million tonnes of exports this year to 28.2 million tonnes in 2015, and then 18.9 million tonnes the following year.

In the meantime, more coal-fired power plants are being built. Sri Lanka has just announced it will build a second thermal power plant, while in Canada, Alberta is replacing its older coal-fired power stations with new, state-of-the-art plants.

In its latest commodities outlook, Citigroup Global Markets predicts base metals will be hammered, but the bulks will do fine. However, the latter will diverge from about 2014, when the iron ore market is expected to move into surplus due to the number of new mines coming into operation. By contrast, thermal coal will continue to be in short supply.

If Citigroup's forecasts are borne out, hefty rises in demand can be expected.

Japan, which is forsaking nuclear

and is expected to boost thermal capacity, should increase imports of thermal coal from 86.4 million tonnes this year to 132.8 million in 2016.

In the same period, South Korea's imports are forecast to go from 86.4 million tonnes to 122.9 million tonnes, India from 97.4 million tonnes to 122.1 million tonnes and China from 98.9 million tonnes to 147 million tonnes.

The second-biggest rise in thermal coal exports will be from Australia. It is estimated it will ship 152.9 million tonnes this year and 219 million tonnes in 2016.

Australia has been surpassed by Indonesia and will fall further behind, with the Indonesian mines shipping a forecast 341.9 million tonnes in 2016.

Citigroup sees several factors at play in the export trade: Japan depending more on thermal power, China still facing power shortages and its domestic coal prices on par with Newcastle, and Indian coal-mines struggling to meet demand from its power stations.

On Friday, Shikoku Electric Power said it would fire up an ageing mothballed 200 megawatt coal-fired plant to help meet winter demand.

China still produces 84 per cent of its electricity from coal-fired plants. Citigroup expects that market share to fall by 2020 to just

above 60 per cent, but because of the enormous projected growth of generating capacity across all sources (hydro and nuclear being next in ranking), total coal consumed will increase.

On the emerging producer scene, the Anhui Provincial Bureau of Coal & Geology has taken initial steps towards involvement with **Australian Minerals & Mining Group (AKA)**, which has 1334sq km of exploration ground prospective for thermal coal in the Canning Basin, inland from Derby.

As well, **Attila Resources (AYA)** has broadened its search for thermal coal in the northern Perth basin.

Intra Energy Corp (IEC) is focusing on power demand in east Africa, where countries are scrambling to find alternatives to expensive imported coal. It has the advanced Ngaka project in Tanzania and last week added ground north of Lake Nyasa containing a JORC resource of 100 million tonnes.

During the week Foster Stockbroking put a buy recommendation on **Guildford Coal (GUF)** because of its Hughenden thermal coal project in the Galilee Basin (and its coal in Mongolia).

The report said the advantage of Guildford's project over stranded deposits in the basin was that a



planned railway would run
through the tenements.