

ASIA PACIFIC ENERGY RESEARCH CENTRE
INSTITUTE OF ENERGY ECONOMICS, JAPAN

Tokyo, Japan 20 March 2015

Status and prospects of Russian coal export to the Asia-Pacific region

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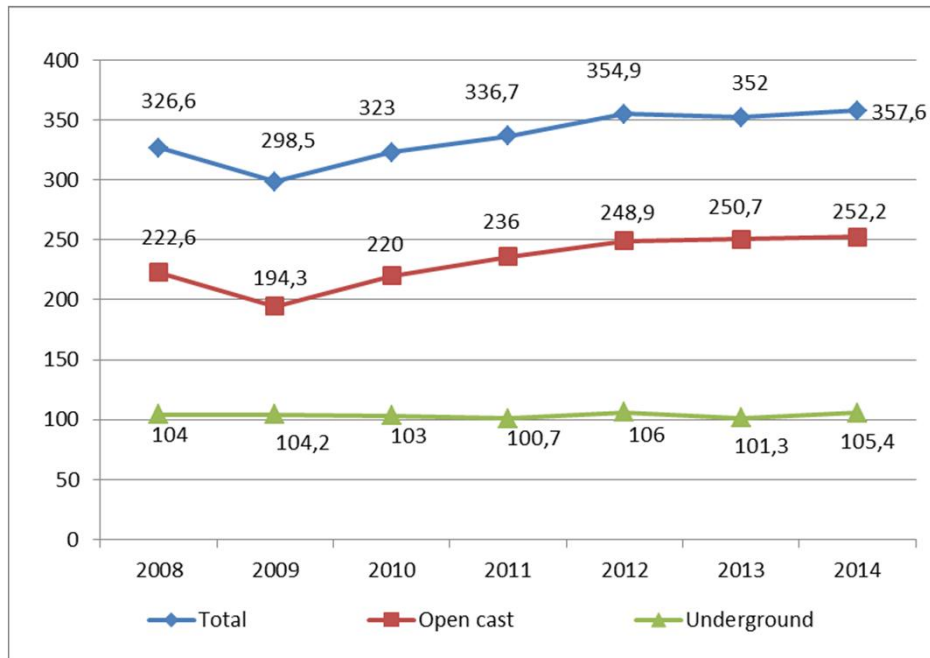
Coal resources (as 01.01.2013),bln.t

Inferred	P1	P2	P3
Total	462,7	382,6	672

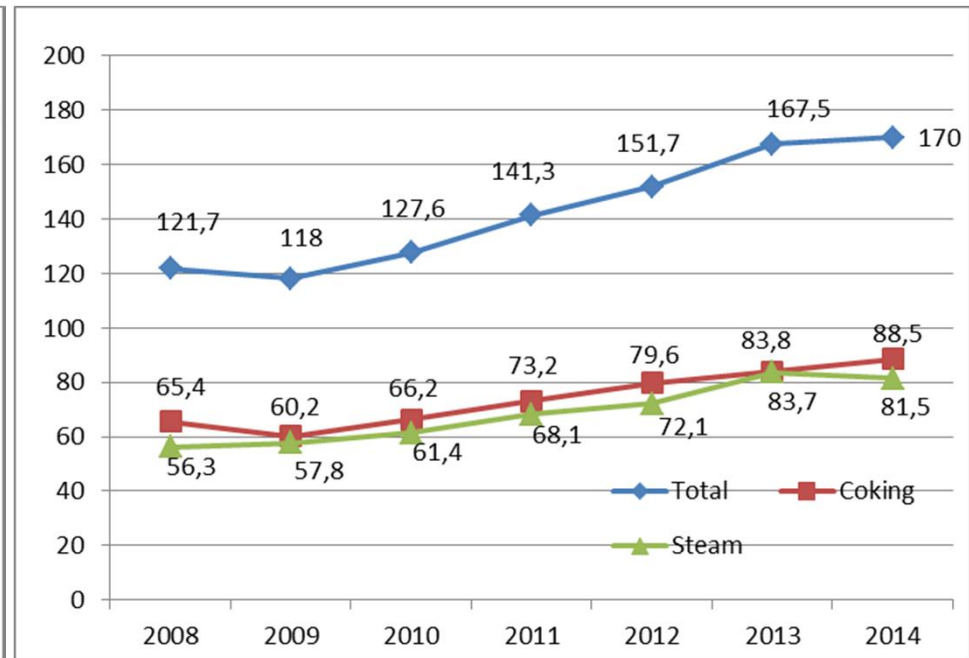
The structure of Russian coal reserves,mln.t.

Type of coal	Balance reserves, accounted by the State in Russia (as 01.01.2011)			Reserves at acting mines (as 01.01.2014)		Reserves at acting mines in Eastern Siberia (as 01.01.2014)	
	total	including by categories		Balance categories A+B+C ₁	including recoverable reserves	Balance categories A+B+C ₁	including recoverable reserves
		A+B+C ₁	C ₂				
Total	273 042	193 691	79 351	26 734	19 991	6 860,4	6 521,7
Lignite	146 403	100 891	45 512	7 935	7 583	6 229,8	6 088,1
Hard coal, including coking	117 559	85 951	31 608	18 110	11 868	630,6	433,6
	50 035	40 384	9 651	7 466	4 731	13,5	12,8
Anthracite	9 080	6 849	2 231	689	540	-	-

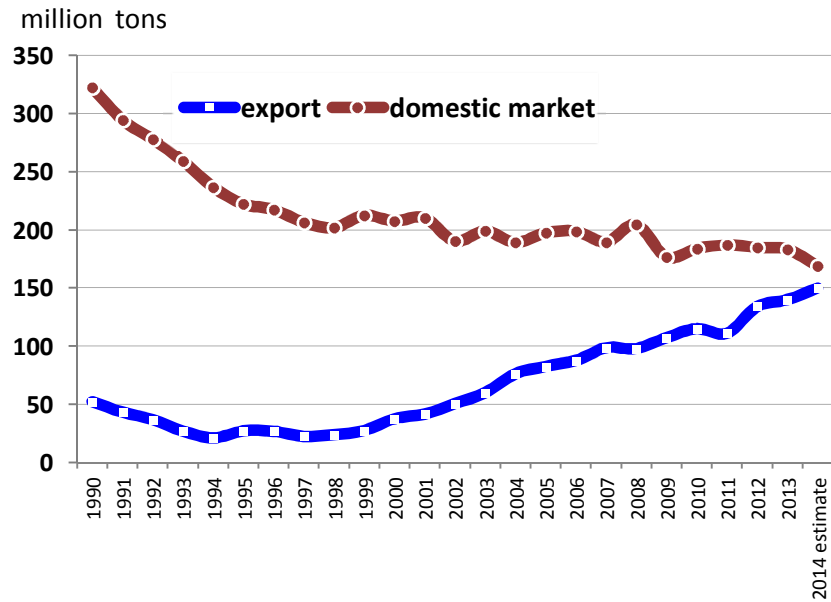
The dynamics of coal production , million tons



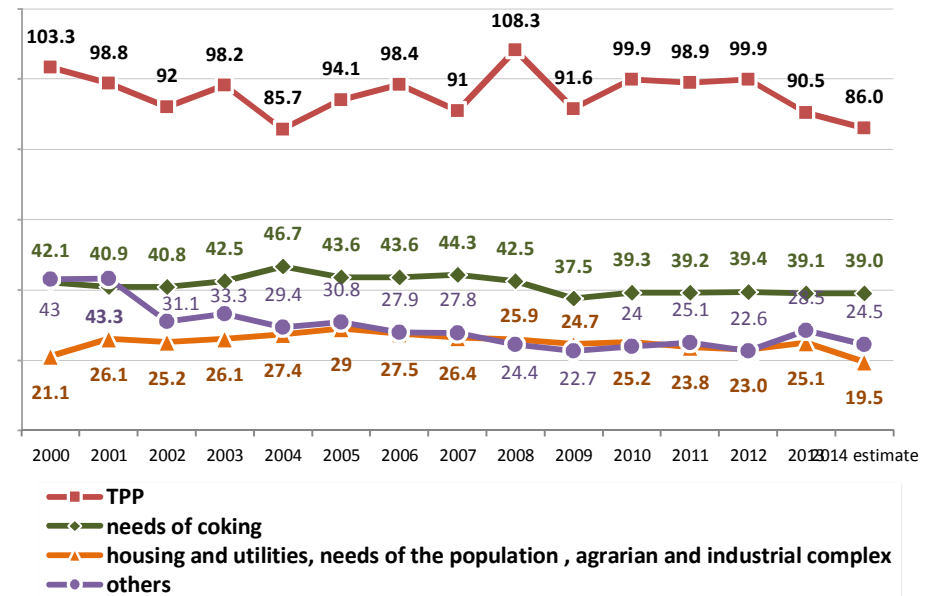
The dynamics of coal processing, million tons



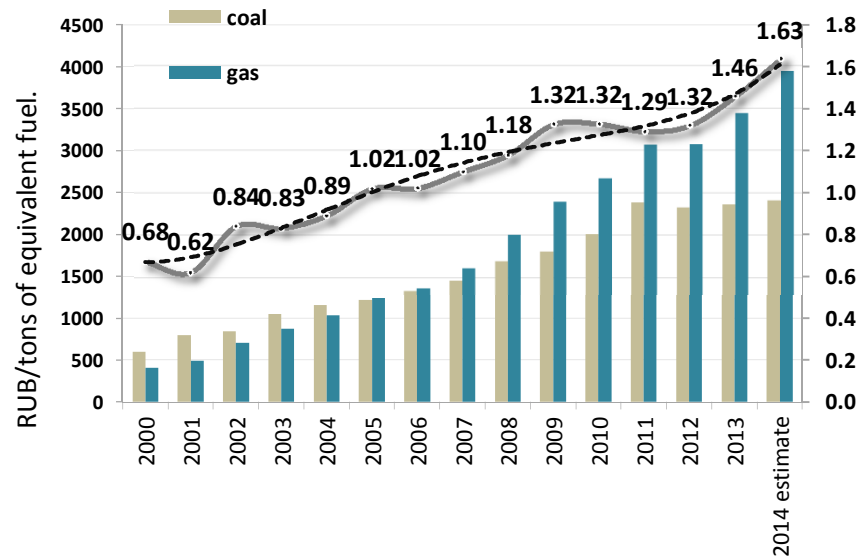
The dynamics of domestic and external markets of the Russian coal, million tons



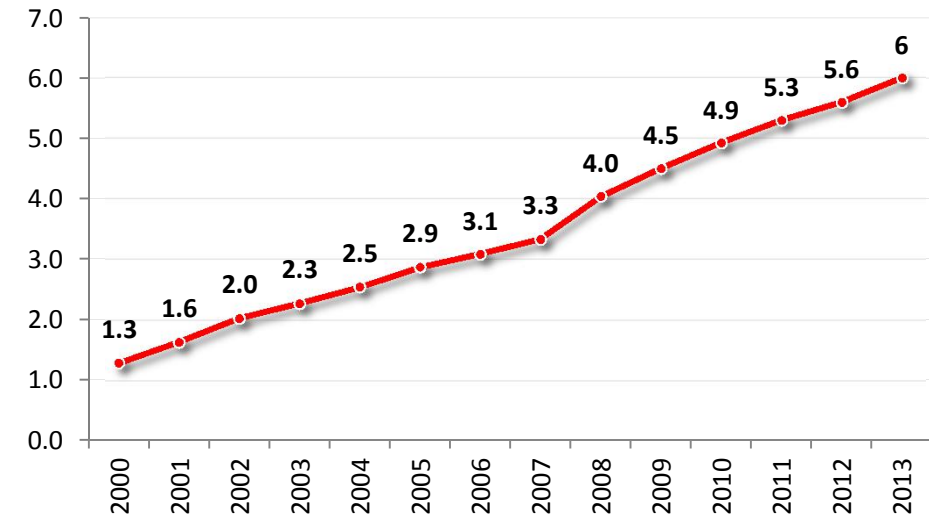
Coal consumption in Russia in the directions of use, million tons



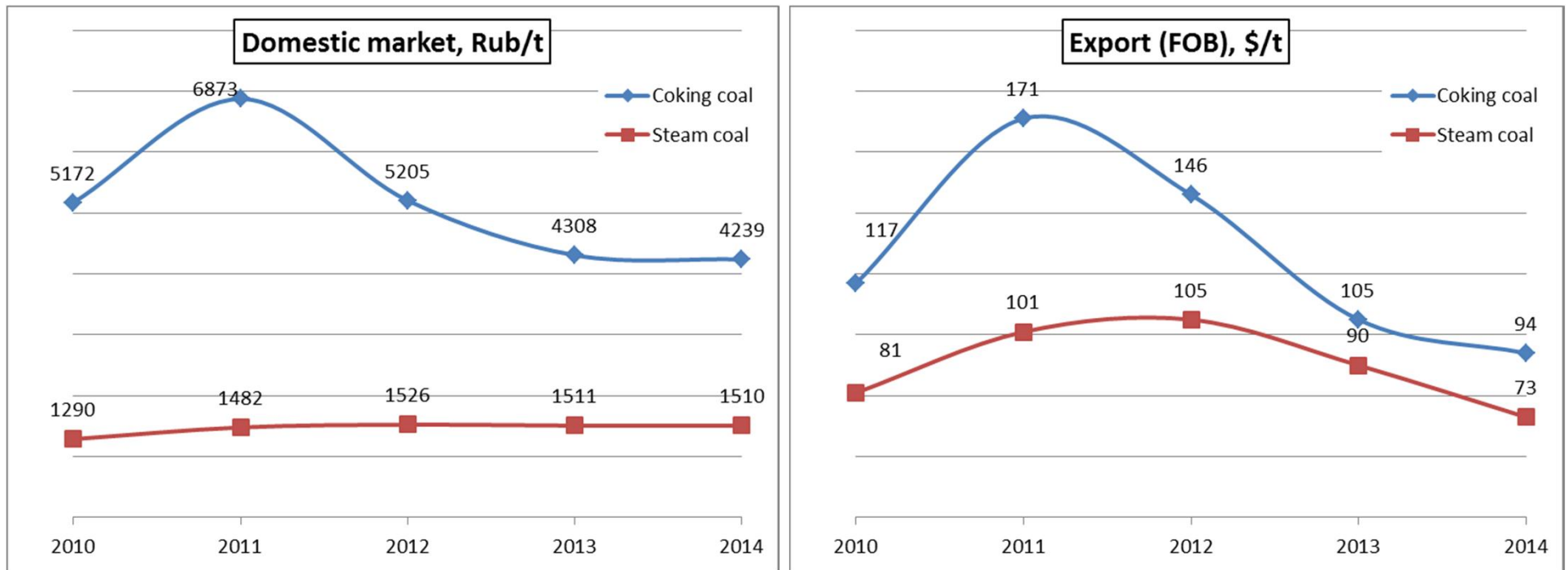
The ratio of prices (gas/coal) for domestic market



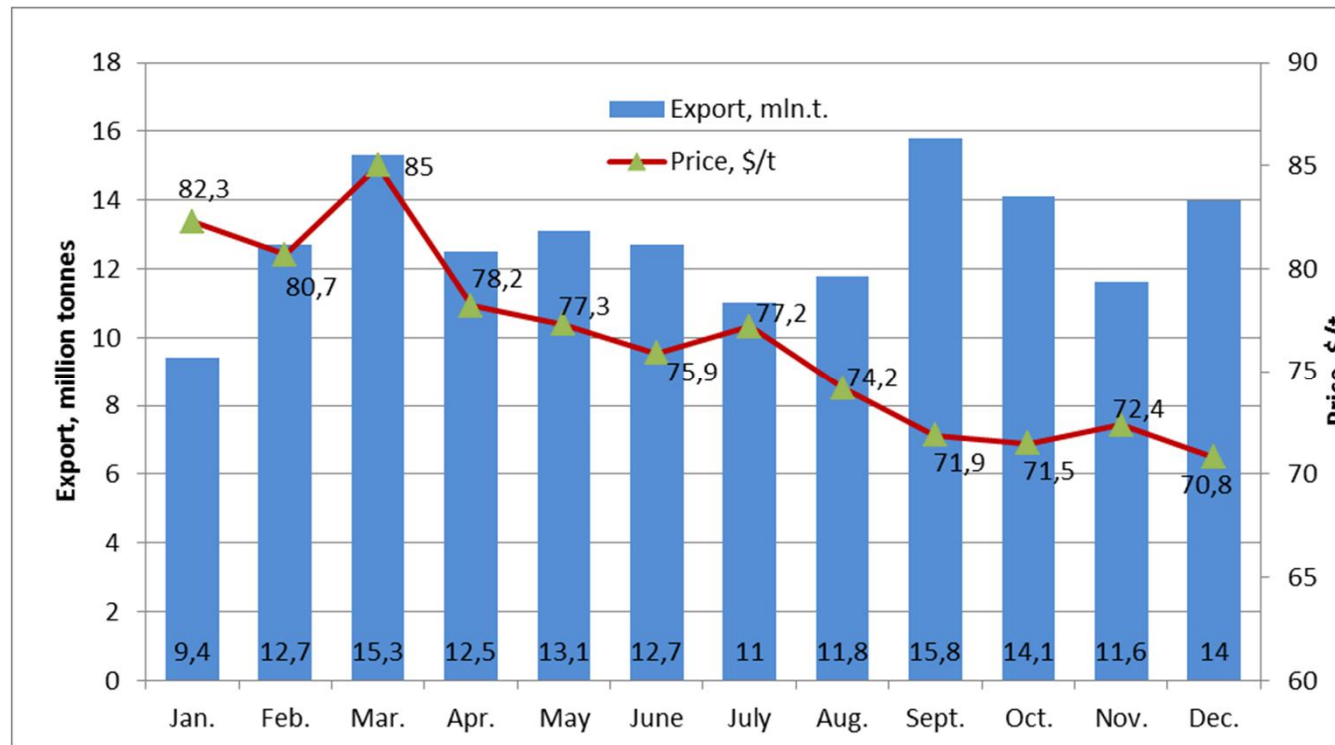
Growth of railway tariffs (cumulative to 2000) for coal delivery, times



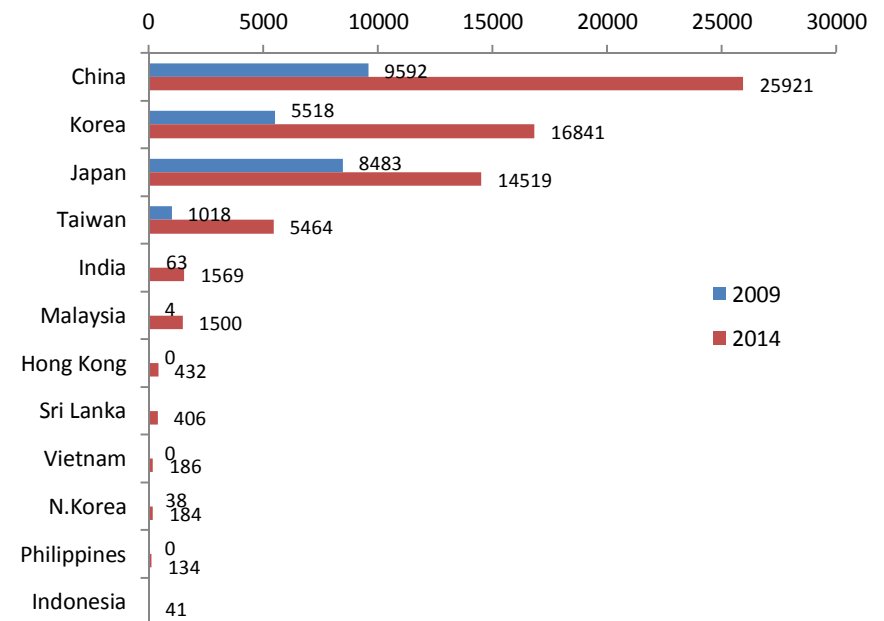
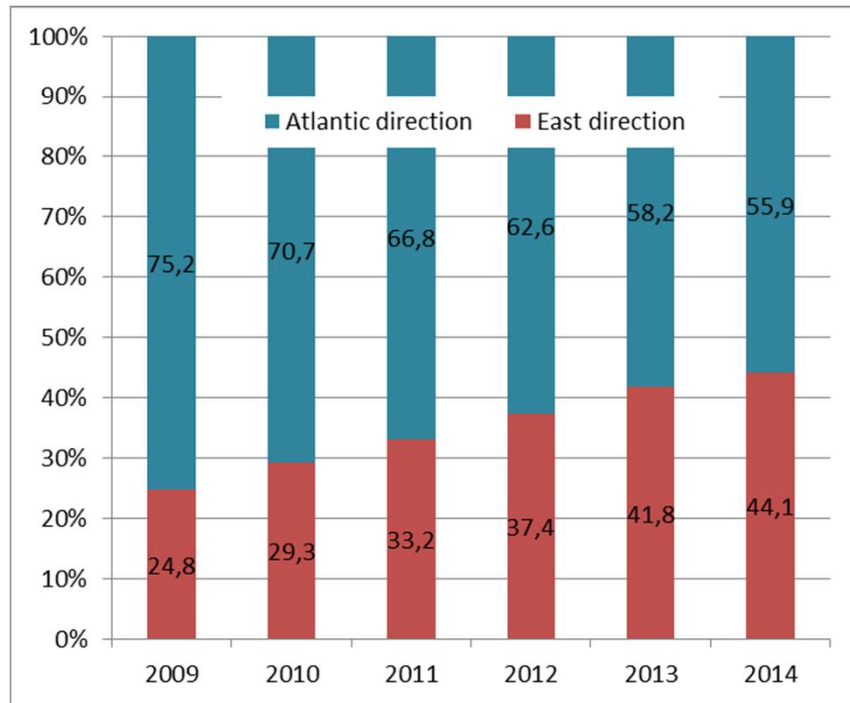
The prices of Russian coking and steam coal



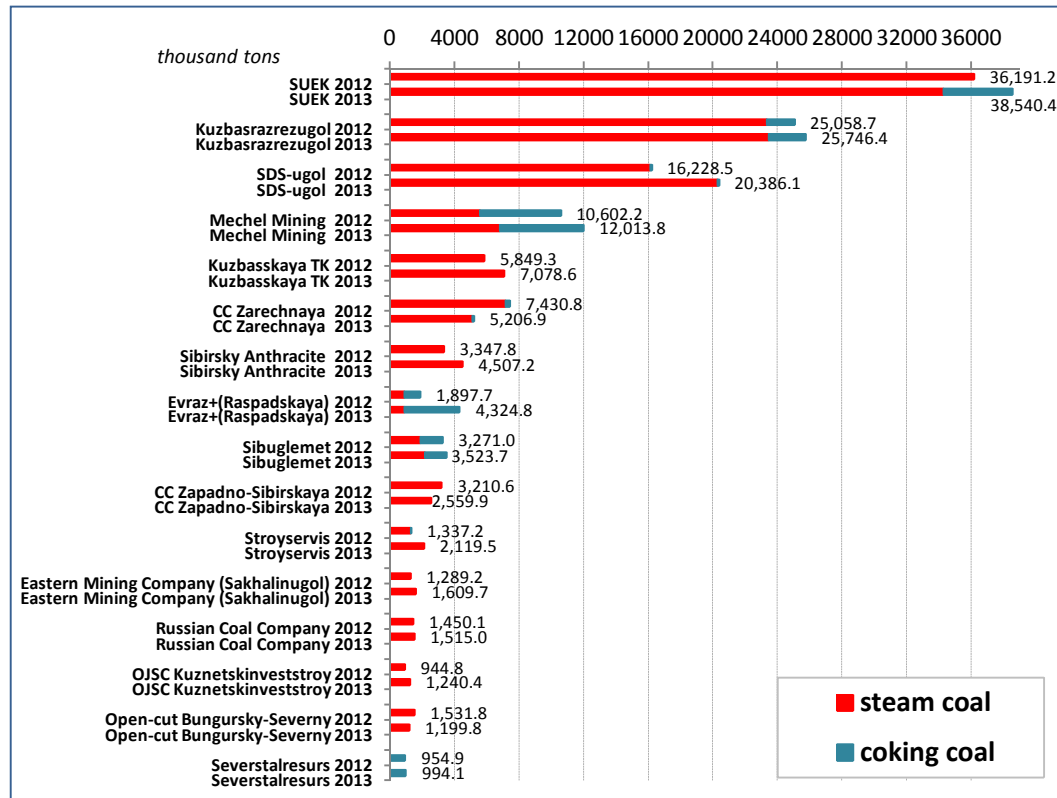
The dynamics of coal export on a monthly basis in 2014



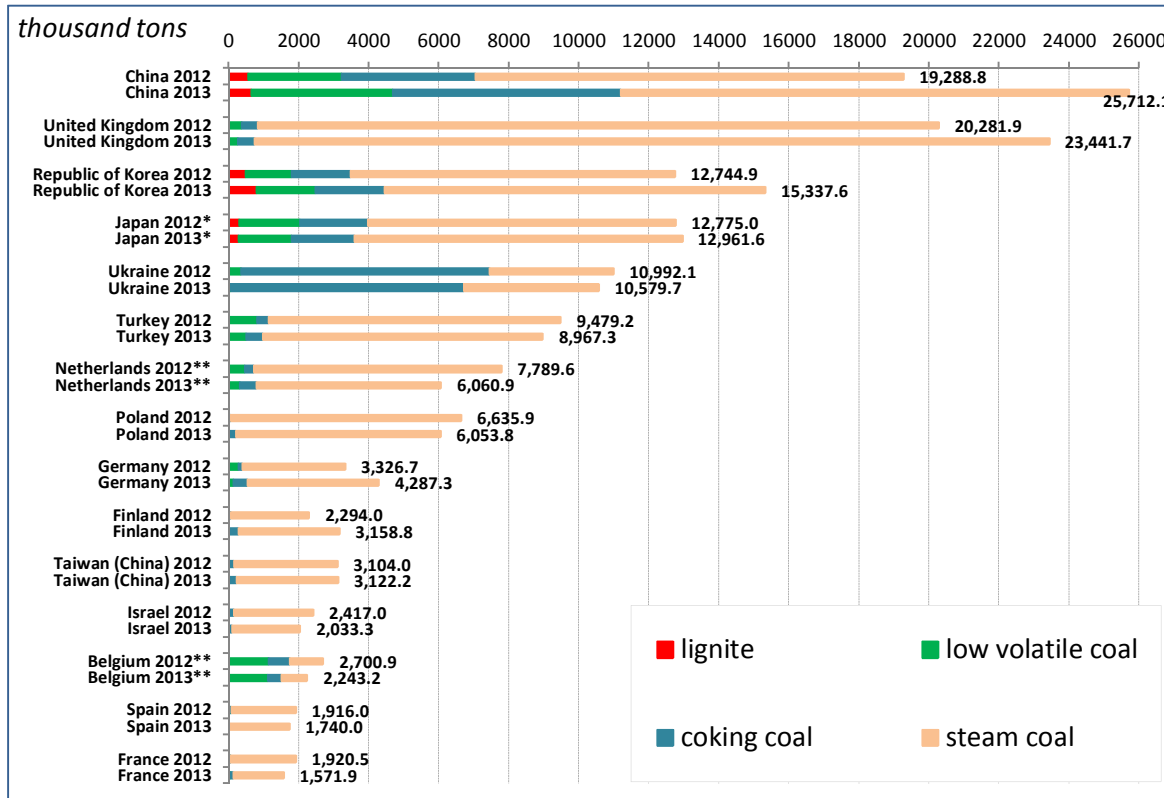
Geography of Russian coal export



List of 15 largest companies-exporters of Russian coal in 2013 (according to CDU TEK)



Top 15 largest countries importing Russian coal in 2013 (according to the Federal Customs Service of Russia)



New challenges and opportunities

- ✓ Stable trend continuing low global and domestic coal prices.
- ✓ Devaluation of the ruble and restrictions on borrowing from foreign banks.
- ✓ A sharp rise in interest rates of commercial banks up to 20-25 percent and as a consequence of increasing the key rate of the Central Bank.
- ✓ Reducing the volume of investment in fixed assets and new projects during the last year.
- ✓ Refusal to freeze railway tariffs for transportation of coal in 2015.
- ✓ Introduced the import duties and increase requirements of harmful substances in imported coal to China.
- ✓ Russian export a competitive advantage due to the weakening of the ruble.

Major decisions of risks reduction in 2015-2016

- ✓ Decline in key rate by Central Bank in the current year.
- ✓ Interest rate subsidies on loans for the purchase of domestic equipment and lease payments for the use of rolling stocks.
- ✓ Extension of current year freeze railway tariffs for coal transportation.
- ✓ Simplification of procedures for granting state guarantees for coal companies.
- ✓ Revision of license obligations subsoil exploration and coal mining.
- ✓ Inclusion of 7 top coal companies in the list of companies applying for government support in terms of economic sanctions.

The main activities of the coal sector program development in 2015-2016

Resources and production:

- ✓ Updating software licensing for new coal deposits by Ministry of Natural Resources
- ✓ Application of tax incentives for the development of new coal deposits (Krasnoyarsk Territory and Republic of Khakasia)
- ✓ Continued development of new coal mining areas in Eastern Siberia and the Far East
- ✓ Start up the implementation of the roadmap on the Russian-Chinese cooperation in the coal sector

Development of the internal market:

- ✓ Increased use of coal trade exchange mechanisms, including the creation of a system price indicators
- ✓ The use of long-term contracts for the supply of coal for state and municipal needs with corresponding changes in the Law on Coal
- ✓ Tax incentives and the abolition of the introductory duties on equipment for coal to liquid technologies

Development of coal export:

- ✓ Implementation of the investment program to increase capacity of BAM and Transsib railways to deliver coal for sea ports in the Far East.
- ✓ Continued construction of new and expansion of existing coal terminals and sea ports.
- ✓ Continued implementation of investment projects for the construction mines are focused on delivery of coal to the Asia-Pacific region (Elga, Elegest, Apsat, Denisov).
- ✓ The creation of joint Russian- Chinese enterprises to finance and implement projects and long-term contracts for the supply of coal under the state guarantees.
- ✓ Reaching an agreement with the government of China to reduce import duties and the requirements on the content of harmful substances for imported coal from Russia.

Source: Rosinformugol

Summary

- ✓ **Fundamental factors that determine the stability of coal supply from Russia to global market are:**
 - **an objective limited domestic coal consumption providing priority export during the last two decades and a future too;**
 - **a high availability of quality coal reserves for operating mines and resources for construction of new mines;**
 - **willingness to increase production capacity of existing mines in depending on market conditions;**
 - **progressive displacement of coal production activity to the East of the country and reducing the transport costs of coal to export.**
- ✓ **Impermanent factor to maintain a stable the Russian coal supply is a competitive advantages due to weakening of the local currency.**
- ✓ **Analysis of the influencing factors testifies that high supply risks for Asia-Pacific coal market from the Russia are unlikely in the short-term.**
- ✓ **In the medium term the probability of risks in the security of coal supply to Asia-Pacific region may occur in the case of delays to implement the program to increase capacity of rail transport to seaports in the Far East.**

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Thank you for your attention

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