The Rise and Fall of the Asian Coal Bubble

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Photo courtesy Paul Anderson
Pacific Rim coal prices spiked...  
...and collapsed

Newcastle, Australia benchmark thermal coal price  
(inflation-adjusted)

- January 2011: $145
- June 2016: $53
Western Pacific seaborne coal markets
When prices were low, US coal exports to Asia didn’t pencil out.
China’s coal imports skyrocketed in 2009
The US coal industry made HUGE bets on exports

• June 2011 - Alpha Natural Resources bought Massey Energy for $7.1 billion

• June 2011 - Arch Coal bought International Coal Group for $3.4 Billion

• December 2011 - Peabody Energy bought Macarthur Coal (Australia) for $5.1 Billion
Massive coal terminal plans in Oregon and Washington
As prices rose, major exporters ramped up
Importers
Exporters

Image source: Google Maps
China: “From saving grace to ‘Market from Hell’”

- “De-bottlenecking” in rail and electricity transmission
- Coal industry modernization: cutbacks at high-cost mines, consolidation of production in lower-cost mines
- Curtailment of overproduction in cement, glass, steel
- Slowdown in economic growth
- Economic shifts towards services
- Increasing deployment of renewables, especially hydro
- Air pollution policies in coastal provinces
- Shift away from coal use in homes
- Industry, power shifts towards coal-producing regions
- Import tariffs
- Coal quality restrictions
- Etc., etc.
Chinese coal imports started to fall in mid-2014.
Could A Coal Bubble Re-inflate?
Thank you!

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