

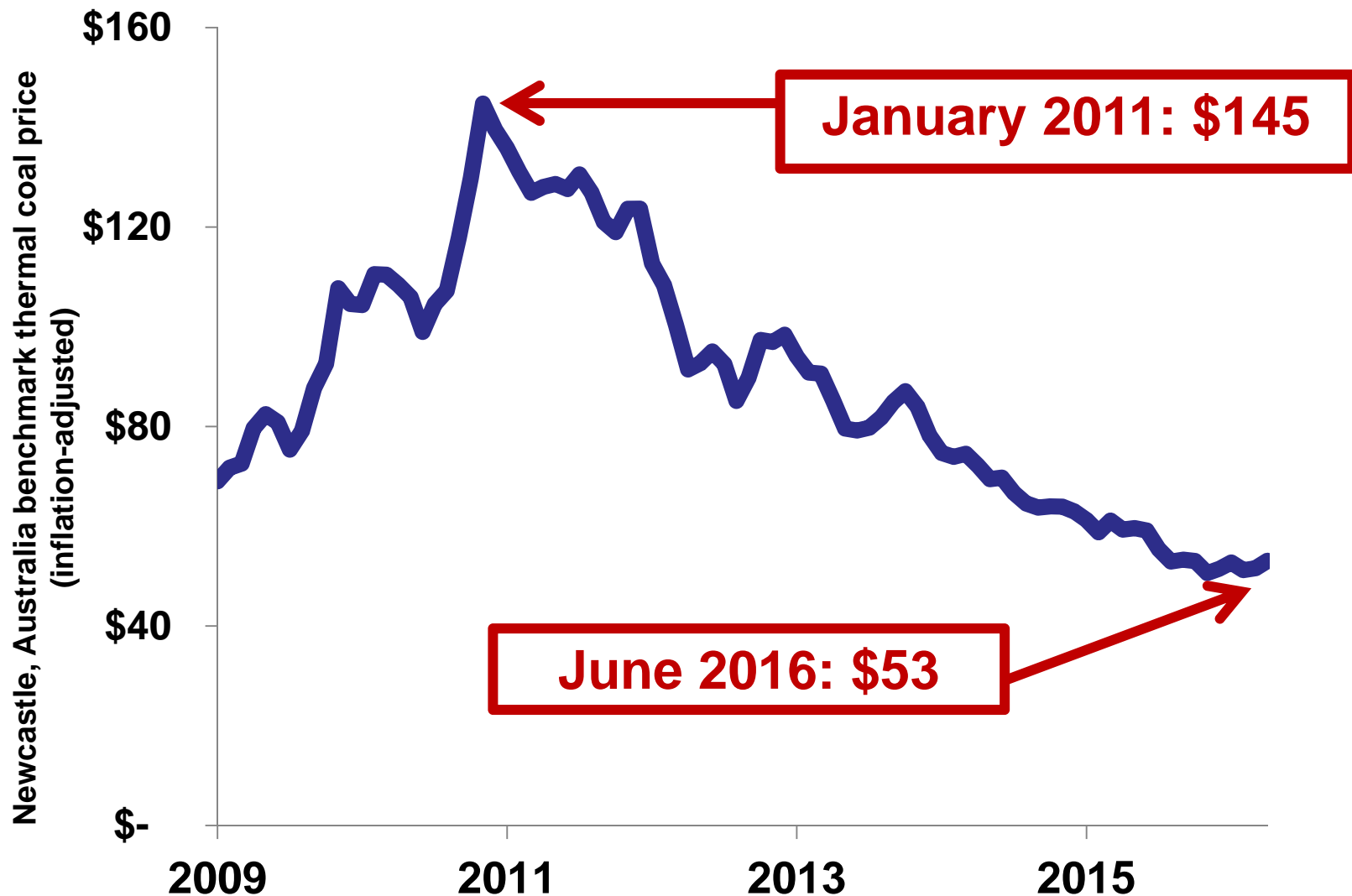
The Rise and Fall of the Asian Coal Bubble

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Photo courtesy Paul Anderson



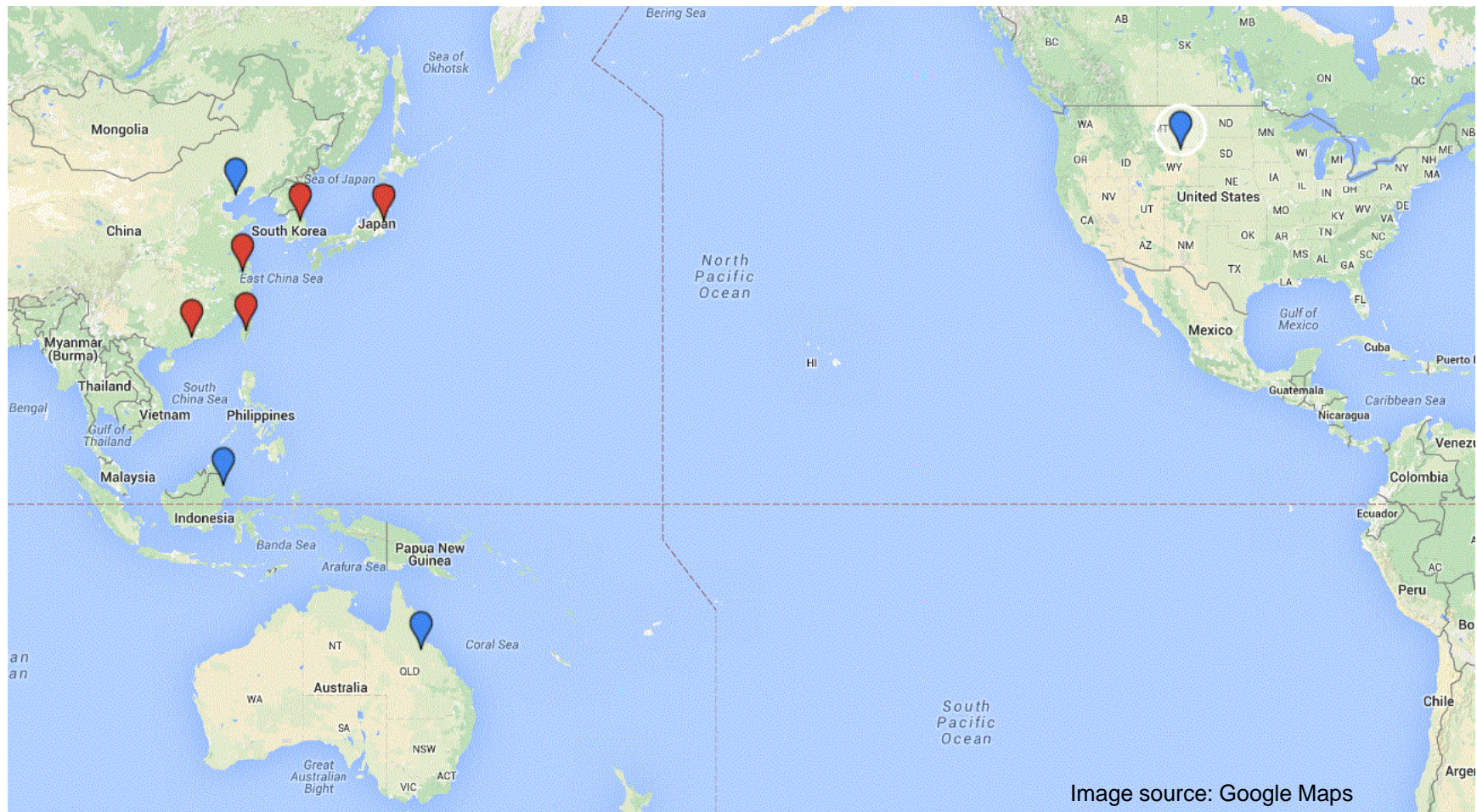
Pacific Rim coal prices spiked... ...and collapsed



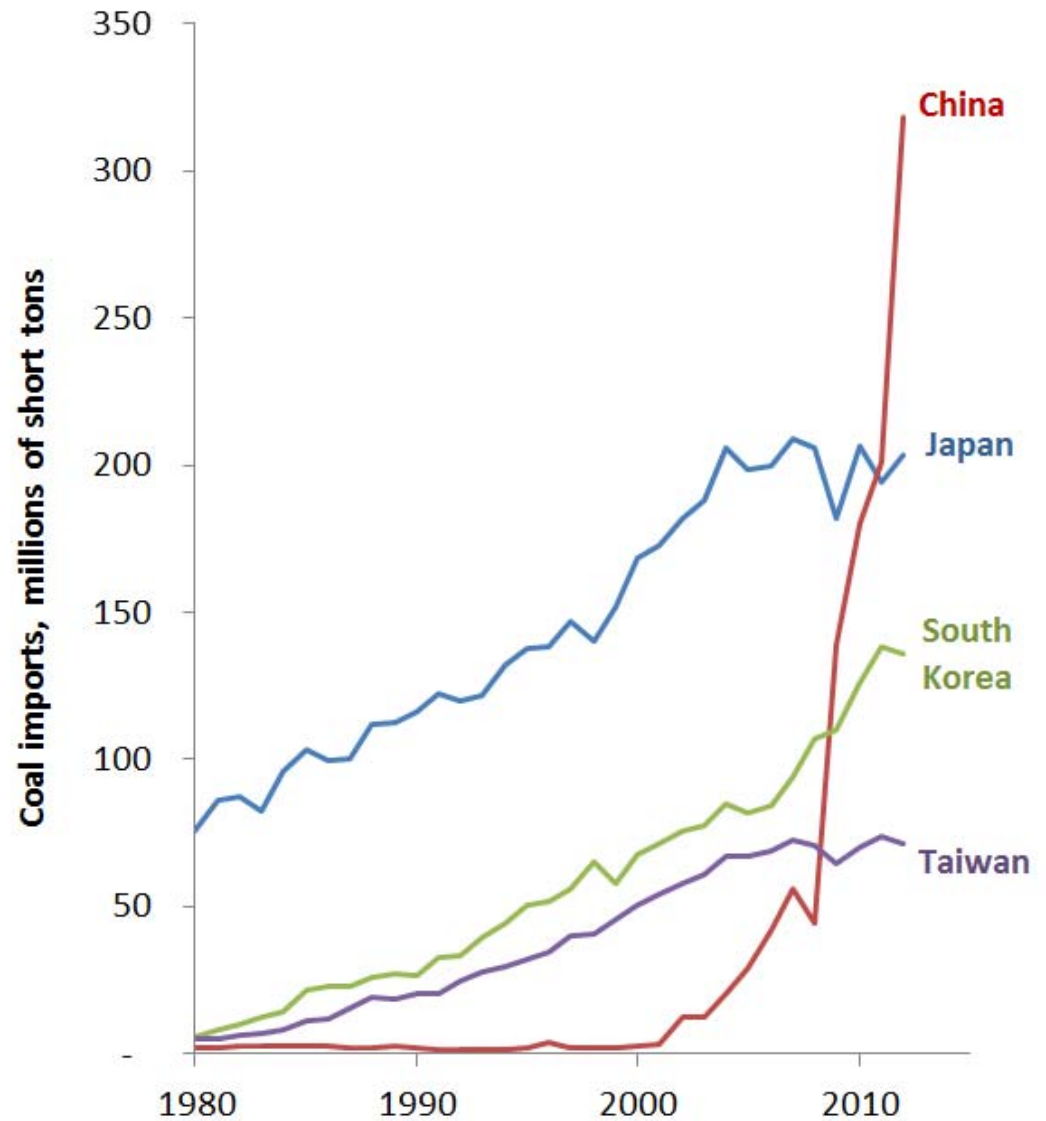
Western Pacific seaborne coal markets



When prices were low, US coal exports to Asia didn't pencil out



China's coal imports skyrocketed in 2009



Source: US Energy Information Administration

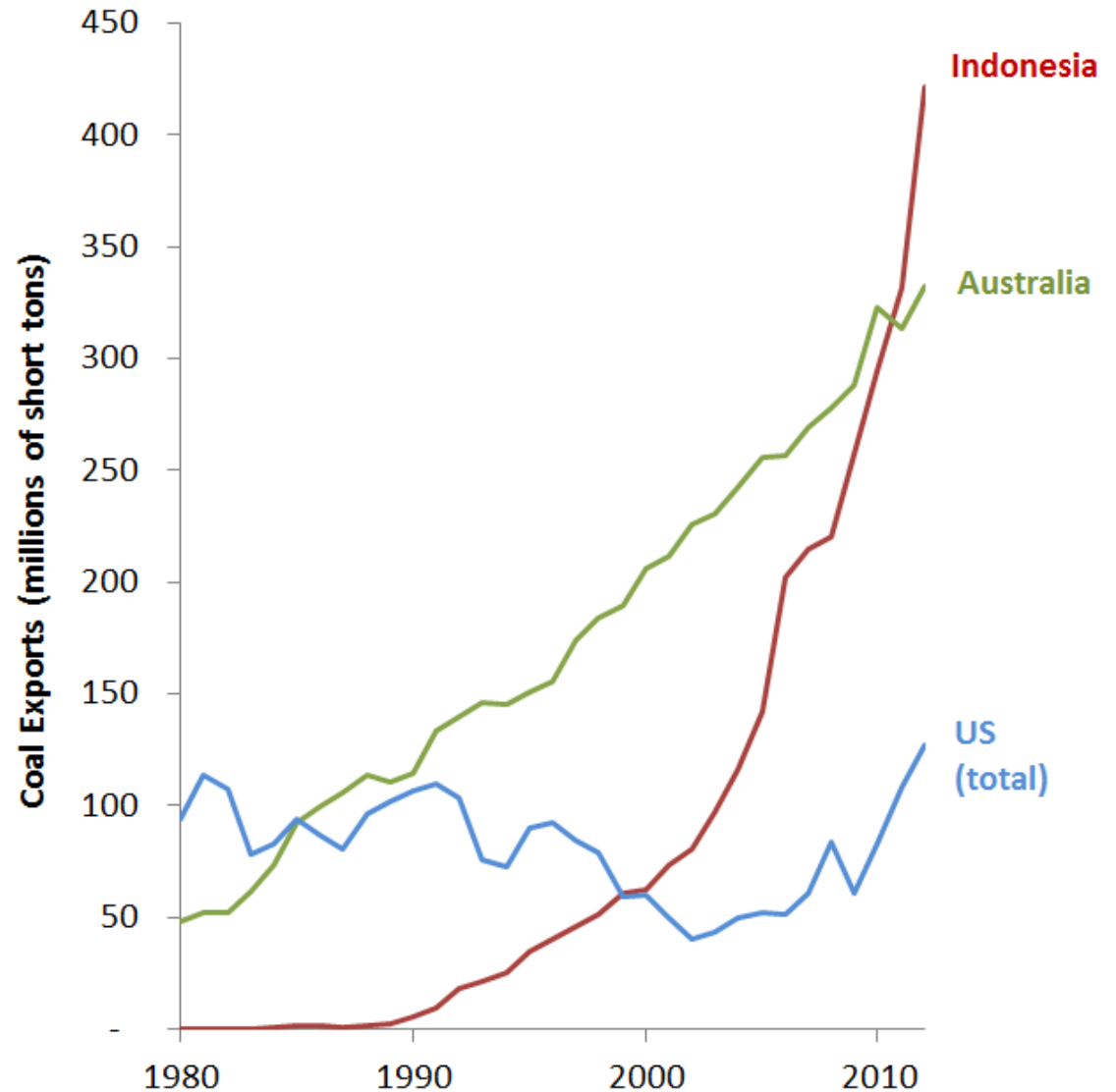
The US coal industry made HUGE bets on exports

- ***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



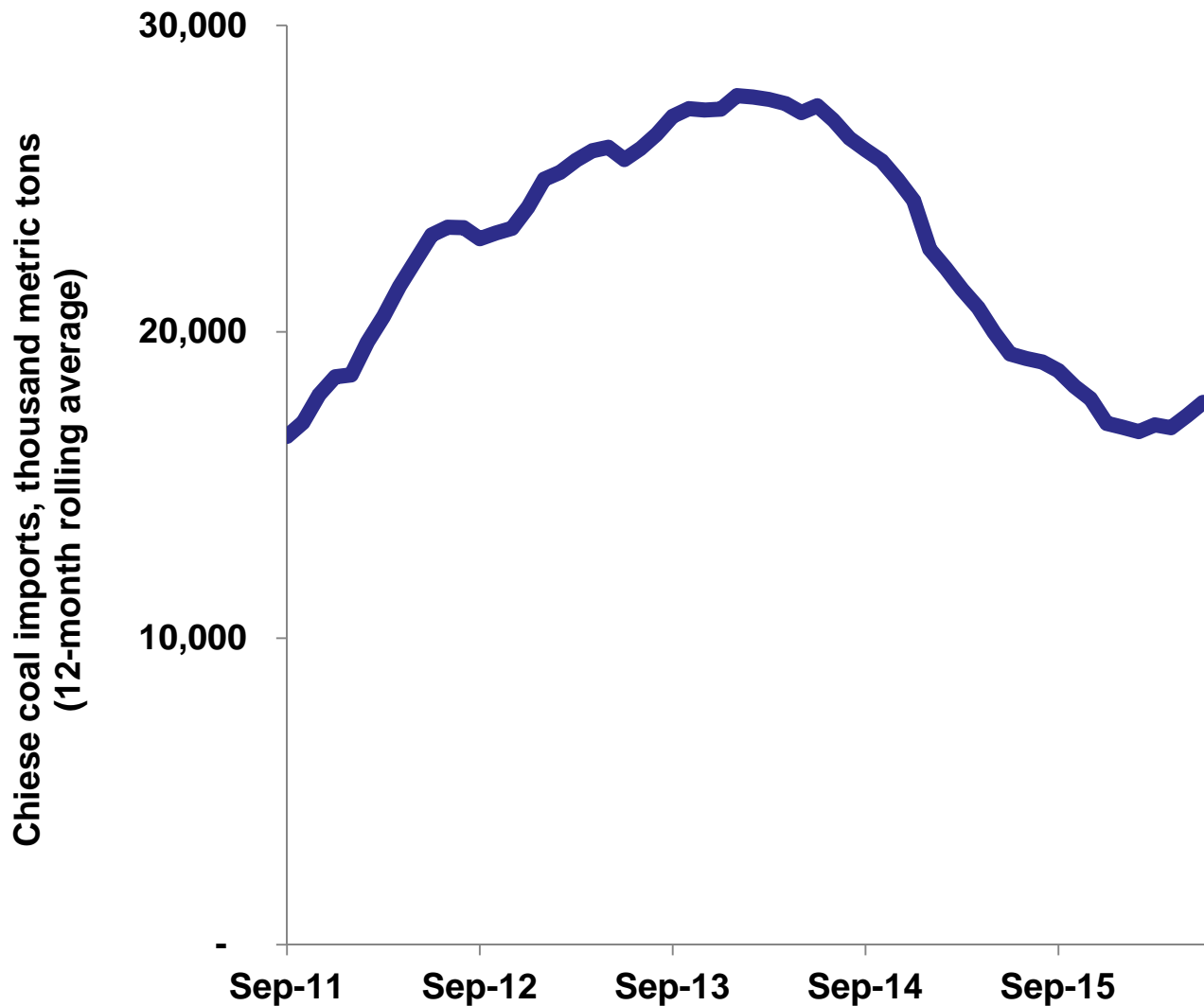
Source: US Energy Information Administration



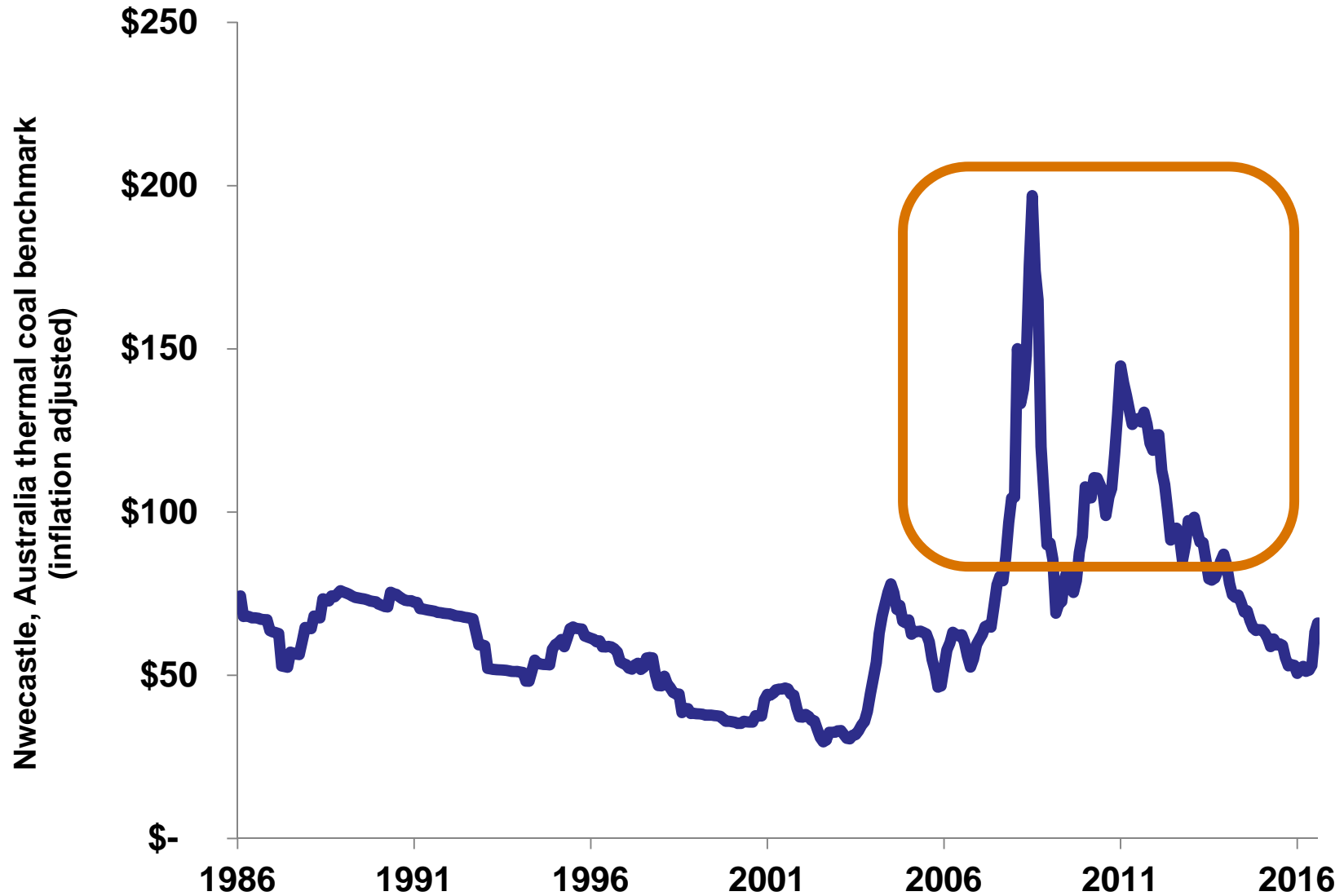
China: “From saving grace to ‘Market from Hell’”

- “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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