



Recession hits Russian coal industry

Despite optimistic forecasts of the Russian government on expected growth of Russian coal production and exports in 2020, the data for H1 2020 so far indicate a reverse trend.

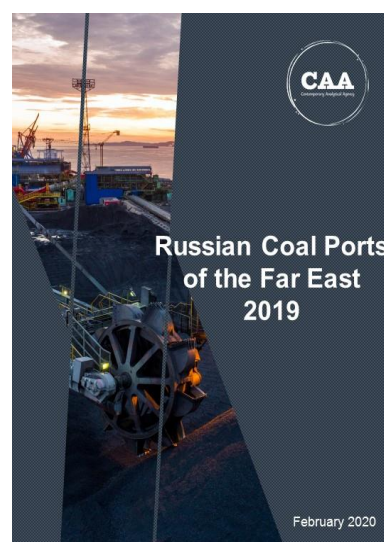
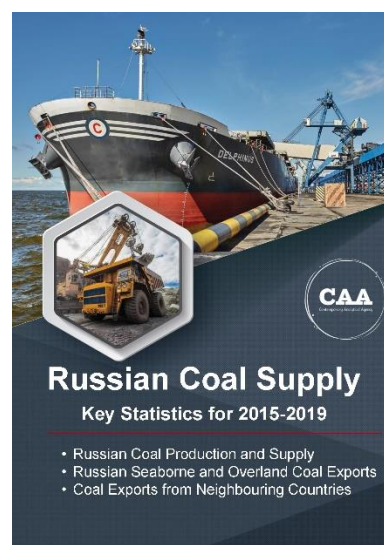
Russian coal production plummeted to 194.2 mio t (-20.7 mio t or -9.6% y-o-y) in H1 2020. Meanwhile, according to preliminary estimates, in January-June 2020 Russian coal exports plunged to 93.6 mio t (-10.5 mio t or -10.1% y-o-y), including seaborne supplies 80.3 mio t (-5.9 mio t or -6.8% y-o-y) and overland exports deliveries 13.3 mio t (-4.6 mio t or -25.7% y-o-y).

Coal prices have been steadily sliding down across global markets since mid-2018. The downturn in global indices was significantly aggravated by Covid-19 pandemic, which severely hit coal consumption both in Europe and in Asia. Quarantine measures and lockdowns around the globe essentially reduced coal burning. Coal-to-gas switching across Europe and competition with renewables, supported by European policy makers, continue to put pressure on Russian coal producers, while cheap natural gas and oversupplied stocks limit the prospects for coal prices recovery in the short- and medium term.

Negative fundamentals led to tangible output cutbacks in January-June 2020 among most of major Russian mining companies, including KRU, Evraz, SDS, Russian Coal and Siberian Anthracite. Downward dynamics of Russian coal exports in H1 2020 reflects the current trend towards a decrease in coal extraction by domestic coal mining companies amid negative global market fundamentals and record low indices throughout global coal trading outlets. Market participants see narrowing margins for Russian coal suppliers, some of which are forced to stop production and exports, since their costs exceed current quotes on the world market. While many producers trade at a loss, some companies prefer to reimburse take-or-pay at seaports without exporting their material in order not to increase losses.

Analysts do not expect any significant reversal in the production and exports of Russian coal in the remainder of 2020, even taking into account the onset of the heating season in Europe and in some countries of Asia-Pacific in late autumn, as low gas prices and high reserves at ARA terminals do not add any optimism across coal markets amid consequences of Covid-19 and expectations of the second wave of the pandemic in the world.

For more detailed information on the Russian coal exports please subscribe to CAA statistical reports:



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