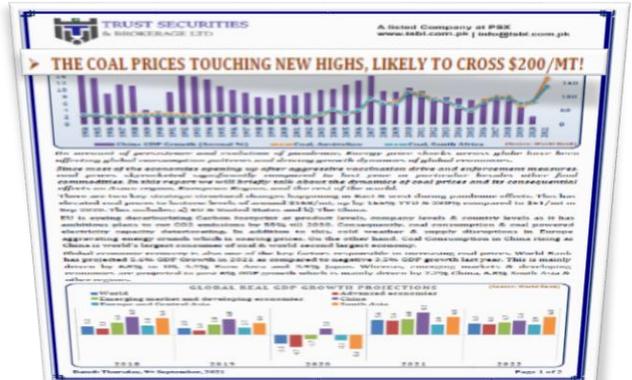


THE COAL PRICE CROSSES \$200/MT, FUELING VOLATILITY & VULNERABILITY IN GLOBAL ECONOMIES

With reference to our report title; ***“THE COAL PRICE TOUCHING NEW HIGHS, LIKELY TO CROSS \$200/MT”*** shared on 9th September 2021. ***We anticipated that with the growing demand primarily in the East & Energy crunch in the West (despite pandemic), upward spiral of the Coal prices seems unstoppable.*** Consequently, within no time Coal prices crosses psychological barrier of \$200/mt today.

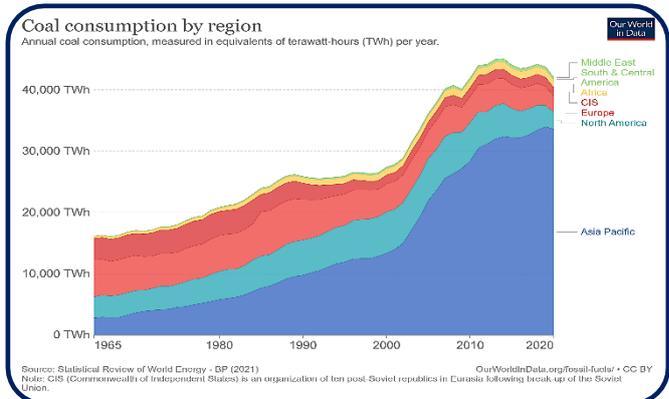


Three are four key driving factors, which are fueling the international coal prices. This includes the following;

- a) *Supply-Side Disruptions,*
- b) *Structural Shifts, Coal Capacities,*
- c) *Unpredictable Weather/ Climate Challenges, and*
- d) *Pandemic.*

In addition to this, due to the structural shift from the Coal to the renewables, the energy crunch in Europe & United States resurfacing coal prices.

With the evolving Covid-19 pandemic, recovery in global economies, stimulating demand to boost consumption levels. ***This has changed global consumption patterns. China - world's largest producer & consumer of coal, not only has been strongly influencing global consumption, but also regenerating global demands of the coal.*** (China's Industrial production accounts 66% in China's overall energy consumption). As coal consumption in Asia is higher than the rest of the world.



The coal future prices appreciated by more than 265%, hits to \$210/mt compared to \$ 57.2/mt in 28 Sept 2020. Whereas, it has appreciated by 73% compared to 2010, when coal was at \$121/mt in Dec 2010. This price hike is more pronounced during last one year.

The economic recovery in various developing & developed countries pushing Demand Euphoria in coal. According to World Bank Report, ***“global GDP growth is projected at 5.6% GDP in 2021 vs. negative 3.5% GDP growth last year”.*** This drop in growth last year was primarily due to deep-rooted effects of

the pandemic. This global growth forecast in 2021 includes; a) 6.8% GDP growth in United States b) 4.2% GDP growth in Euro Area c) 2.9% GDP growth in Japan and d) 6% GDP growth in Emerging markets & Developing Economies. This includes 7.7% in China and 6.8% South Asia.

The European Union is eyeing decarbonizing Carbon footprint & incorporated ambitious agenda to phase-out carbon emission at product levels, company levels & country levels. EU plans to cut CO2 emissions by massive 55% by end of 2030. Therefore, EU is not allowing further coal mining & permits to produce coal. Consequently, **coal consumption & coal powered electricity capacity has been phasing out**. In addition to this, energy crunch in Europe has aggravated already fragile situation. This has increased gas prices & inflationary pressures emanating out of this structural shift in Coal.

After European Union, China has also revealed its ambitious plans to achieve global carbon emissions standards & carbon neutrality by 2060. This announcement by the Chinese President is now viewed as key step in fighting against the climate change. Energy prices increasing in China due to environmental concerns. This has been affecting Chinese manufacturing activities, if it persists, will likely affect China's growth outlook going forward. **Now, it will be interesting to see how the recent emerging challenges including Evergrande default concerns & soaring energy prices, will affect China's future demand & coal consumption patterns going forward.**

Therefore, it is projected that vulnerability & volatility to remain higher in 2021. It seems overall rebound in demand side factors, outpacing supply side dynamics. However, we also believe coal prices are likely to stabilize by mid of 2022 with subject to the global economic growth, demand outlook in China, timely commissioning of renewable projects in Europe & US, climatic issues, and pandemic.

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