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Proposed Yzermyn underground coal mine: coal export market dynamics
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1. Earthjustice¹ submits this analysis to the Centre for Environmental Rights concerning the potential coal export markets for South African.
2. The Yzermyn underground coal mine environmental authorisation reflects in its reasons for decision that “international markets are highly dependent on South Africa being a main provider of coal. The identification and exploitation of new coal reserves in South Africa is therefore a prerequisite in meeting this demand.”²
3. On the contrary, international coal trade is projected to shrink over the coming years, as once-robust import markets in India and China satisfy their growing demands for coal with domestic supply.³ Indeed, imports to Asia, the largest thermal coal import market, are projected to decline by 183 MMst between 2013 and 2020.⁴ Even by 2040, global coal imports are expected to be less than in 2013.⁵
4. In 2015, South Africa exported 70% of its coal to markets that are now sharply reducing coal imports. For example, 40% of South Africa’s coal exports in recent years have gone to India,⁶ and exports to India were at record levels in February 2016.⁷ But in April 2016, India’s Power Minister Piyush Goyal announced that the country intends to completely phase out thermal coal imports in the next two to three years: “I have no hesitation in saying that Indian companies used to import a

¹ Founded in 1971, Earthjustice fights for the right of all people to a healthy environment. As the largest nonprofit environmental law organization in the United States, Earthjustice uses the power of the law and the strength of partnership to protect people’s health, preserve magnificent places and wildlife, advance clean energy, and combat climate change. We partner with thousands of groups and individuals to take on the critical environmental issues of our time. (www.earthjustice.org.)

² Environmental Authorisation, *Reasons for Decision*, at page 21

³ U.S. Energy Information Administration, *International Energy Outlook 2016, Chapter 4, Coal, World Coal Trade: Imports* (May 11, 2016) <http://www.eia.gov/forecasts/ieo/coal.cfm>

⁴ *Id.*

⁵ *Id.*

⁶ <http://www.eia.gov/beta/international/analysis.cfm?iso=ZAF>. (April 29, 2015)

⁷ CNBC Africa, *South Africa aims to lift coal exports to India* (February 2016), <http://www.cnbc.com/news/southern-africa/2016/02/05/south-africa-coal-exports-india/>



lot of thermal coal. We want to completely stop the import of thermal coal in the next two to three years. We have already reduced imports by Rs 28,000 crore. We will save Rs 40,000 crore," Goyal said."⁸ In addition, in July 2016, India's largest thermal coal importer, NTPC, completely eliminated coal imports for 2016.⁹

5. In April 2016, coal market analysts asked if South African coal exports were "headed off a cliff", as export levels were 7.2% lower for January, and 19.7% lower in February, compared to the previous year.¹⁰ Exports to India alone fell 12% in February.¹¹ Market analyst Dave Collins warned South African miners against relying on the Indian market: "Whoever is thinking that India is going to save them, needs to investigate that very carefully," he said citing the data from Bloomberg New Energy Finance, which deduces that Indian coal imports would only increase at a compound annual growth rate of 0.9% from 2020 to 2030 "in an excessively pessimistic" domestic production scenario.¹²
6. In 2015, South Africa exported 30% of its coal to Europe.¹³ But coal imports to Europe are projected to decline by 30Mt between 2015 and 2040, as renewable energy and natural gas permanently replace coal fired power, particularly in the United Kingdom, Germany, Spain, and France.¹⁴
7. Will South Africa be able to replace lost markets in India and Europe with other markets? In China, the largest coal consumer, coal imports dropped 30% in 2015, and no coal has been shipped to China from South Africa since 2014.¹⁵ China's National Energy Administration has ordered 13 provincial governments to suspend approvals for new coal-fired power plants until the end of 2017 in an effort to reduce overcapacity in the electricity generating sector, and the country intends to reduce coal production by 60 Mt in 2016, and by 500 Mt in the coming three to five

⁸ The Economic Times, *India to stop thermal coal imports; save Rs 40,000 crore* (April 15, 2016), <http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/india-to-stop-thermal-coal-imports-save-rs-40000-crore/articleshow/51839241.cms>

⁹ The Economic Times, *No Coal Imports for NTPC again*, July 5, 2016, <http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/no-coal-imports-for-ntpc-again/articleshow/53052630.cms>

¹⁰ Prinesha Naidoo, *SA coal exports heading off a cliff?* Mineweb (April 5, 2016), <http://www.mineweb.com/news/coal/sa-coal-exports-heading-off-a-cliff/>

¹¹ *Id.*

¹² *Id.*

¹³ U.S. Energy Information Administration, *South Africa* (April 29, 2015)

<http://www.eia.gov/beta/international/analysis.cfm?iso=ZAF>.

¹⁴ U.S. Energy Information Administration, *International Energy Outlook 2016, Chapter 4, Coal, World Coal Trade: Imports* (May 11, 2016) <http://www.eia.gov/forecasts/ieo/coal.cfm>

¹⁵ *Id.*



years.¹⁶ As of May 2016, China's coal production was down 8.4% year on year, suggesting the decline in coal consumption is accelerating.¹⁷ Platt's reports year to April 2016 net thermal coal imports down 17% year on year, and down 18.8% year on year in the month of April 2016.¹⁸

8. The collapse in commodity export country currencies like Columbia and Russia over 2015/16 has also raised the relative export competitiveness of these countries. Likewise the development of new greenfield projects in Mozambique give rise to the threat of significant new coal export supply to challenge existing countries current market share.
9. In May 2016, the US Energy Information Administration (EIA) projected that Southern Africa will increase coal exports by 23 million tons between 2013 and 2040.¹⁹ (But note its 2013 projection for nearly the same period was nearly triple that, at 64 million tons.²⁰)
10. The EIA's 2016 projected increase in coal exports is still low compared to historic growth in coal exports,²¹ which saw South African coal export grow roughly that much in the previous 15 years.²² The EIA's forecast of 2016 noted that "the lack of growth in total world coal imports represents a substantial change to the long-term historical trend of continuous annual growth, which led to substantial increases in coal exports for a number of regions."²³
11. The projected growth to 2040 is also based on the assumption that beyond 2020 global import coal demand will reverse its declining trend evident this decade. Financial analysts are increasingly skeptical that this will occur given the rate technology change evident in global electricity markets and the rapid rise in competitiveness in newer technologies that are increasingly replacing historic

¹⁶ *Id.*

¹⁷ http://www.stats.gov.cn/tjsj/zxfb/201606/t20160613_1366538.html

¹⁸ <http://www.platts.com/latest-news/coal/london/chinese-april-thermal-coal-imports-down-188-on-26449386>

¹⁹ U.S. Energy Information Administration, *International Energy Outlook 2016, Chapter 4, Coal, World Coal Trade: Imports* (May 11, 2016) <http://www.eia.gov/forecasts/ieo/coal.cfm>

²⁰ U.S. Energy Information Administration, *International Energy Outlook 2013, Coal, Coal Exports* (July 25, 2013), <http://www.eia.gov/forecasts/archive/ieo13/coal.cfm> "In the *IEO2013* Reference case, coal exports from Southern Africa grow from 77 million tons in 2011 to 109 million tons in 2020 and 141 million tons in 2040."

²¹ *Id.*

²² See International Energy Agency, *Excerpt from Coal Information (2015 edition), Figure II.5, page 8* (2015),

<http://www.iea.org/publications/freepublications/publication/KeyCoalTrends.pdf>.

²³ *Id.*



sources of demand for thermal coal. For example, in India the Energy Minister has recently stated that solar power is now lower cost than new imported coal fired power generation.²⁴

Sincerely,

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²⁴ <http://cleantechnica.com/2016/01/22/solar-power-now-cheaper-than-coal-in-india-says-energy-minister/>