China power & coal

Coal price up despite easing coal volume restriction

Power demand +8.3% y-y on weather, industrial power recovery and low base August power demand increased 8.3% y-y (highest growth since end-13) or +1.9% m-m, driven by demand from primary industry -0.5%, secondary industry +4.8%, tertiary industry +15.5% and residential +19.9% y-y on record high temperatures and last year’s low base. 8M16 power demand saw y-y growth of 4.2%, with demand from primary, secondary and tertiary industry up 5.1%, 2.0% and 11.0%, and residential users +9.7%. Overall UH fell 2.2% y-y in August, with thermal UH -0.5%, nuclear UH -4.4%, hydro UH +3.6%, and wind UH +7.1% y-y. 8M16 overall UH declined by 5.7% y-y, with thermal, nuclear and wind UH down 6.8%, 4.7% and 5.1% while hydro UH up 8.0% y-y.

Coal price continued to rise The CCI1 (5500kcal) index increased RMB11/t w-w to RMB590/t and CCI2 (5000 kcal) rose RMB13/t to RMB536/t. Qinhuangdao (QHD) 5800kcal and 5500kcal prices were up RMB11/t w-w to RMB616/t and RMB590/t, with cumulative increase of RMB208/t (+54.5%) since end-May. Both mine-mouth coal price at Shanxi Datong (6000kcal) and the price at Inner Mongolia Ordos (4500 kcal) stayed flat at RMB415/t and RMB190/t. The Bohai Bay index surged another RMB7/t w-w to RMB561/t, after level I response mechanism was triggered. August China Coal index (5000 kcal) rose RMB29.0/t or 8.5% m-m to RMB370/t, the highest monthly price since Apr-2015. 8M16 China coal index fell 13.2% y-y, improving from 7M16’s -15.9% y-y.

Daily coal consumption declined at coastal IPPs, inventory increased at port Coastal IPP inventory days went up to 23.3 days (last week: 20.4 days), with inventory down 0.4% and daily coal consumption falling 12.7% w-w. Inventory was up 10.1% w-w to 3.7mt at QHD and up 16.5% w-w at Huanghua port. QHD port output declined 7.7% and railway inflow slightly slipped 0.2% w-w. The queue increased to 33 vessels from last week’s 24, with another 12 vessels scheduled to arrive next week.

Freight rebounded; imported coal price discount narrowed to 6.6% The dry bulk freight rate from QHD to Guangzhou Port grew 1.9% w-w to RMB26.8/t. Imported coal was at a 6.6% discount to domestic coal price, compared with last week’s 7.2% discount.

Domestic coal production fell further while coal import rebounded in August Coal import rebounded in August, with monthly volume up 52.0% y-y and 25.4% m-m (July: -0.2% y-y and -2.5% m-m). 8M16 imported coal volume grew by 12.4% y-y, up from 7M16’s 6.6% y-y. Domestic coal production in 8M16 fell further by 10.2% y-y compared with 7M16’s -10.1% y-y. Imported coal accounted for 6.7% of total China coal consumption in 8M16, increasing from 2015’s 5.3%.

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EXHIBIT 1: Monthly power demand in China

Sources: China Electricity Council; BNP Paribas

EXHIBIT 2: Power demand breakdown

Sources: China Electricity Council; BNP Paribas

EXHIBIT 3: Power demand growth rate in local areas

Sources: China Electricity Council; BNP Paribas
EXHIBIT 4: Power generation growth

(y-y %)

Thermal  Hydroelectric power  Total

Sources: China Electricity Council; BNP Paribas

EXHIBIT 5: Power generation breakdown

(b kWh)

Thermal  Hydroelectric power  Nuclear and others

Sources: China Electricity Council; BNP Paribas

EXHIBIT 6: FAI in power categories

(RMB b)


Total  Thermal Power  Hydro Power  Nuclear Power  Wind Power

Source: China Electricity Council
EXHIBIT 7: CCI1 and CCI2

Sources: Sxcoal; BNP Paribas

EXHIBIT 8: Bohai Bay coal index price

Sources: Sxcoal; BNP Paribas

EXHIBIT 9: Datong mine-mouth price

Sources: Sxcoal; BNP Paribas

EXHIBIT 10: Inner Mongolia Ordos mine-mouth price

Sources: Sxcoal; BNP Paribas

EXHIBIT 11: Coal inventory at QHD Port

Sources: Sxcoal; BNP Paribas

EXHIBIT 12: Coal inventory at Huanghua port

Sources: Sxcoal; BNP Paribas
EXHIBIT 19: China Coal Index

Sources: NDRC; BNP Paribas

EXHIBIT 20: Domestic coal freight

Sources: Sxcoal; BNP Paribas

EXHIBIT 21: Imported coal volume

Sources: Sxcoal; BNP Paribas

EXHIBIT 22: Imported coal as a % of domestic coal demand

Sources: Sxcoal; BNP Paribas
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APPENDIX

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<th>Ticker</th>
<th>Disclosure (as applicable)</th>
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<td><strong>Hold</strong></td>
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