

COAL MINERS EXPECT GOOD YEAR ON HIGHER DEMAND, RISING PRICES

Coal mining enterprises are bullish about their business operations on high coal demand, after positive results in the first quarter of 2022 with many exceeding targets.

Data compiled by Vinacomin - Minerals Holding Corporation (UPCoM: KSV) showed that in the last quarter, raw coal output was 10.58 million tonnes, reaching 27.1% of the year plan and equaling 106% of last year's production. Meanwhile, its coal consumption reached 11.07 million tonnes, equal to 25.7% of the annual plan and up 12.4% year-on-year.

During the economic recovery post-COVID-19 pandemic, domestic demand for coal is at a high level, especially coal for power generation. Coal-fired power is accounting for more than 30% of the country's total power capacity and plays an important role in ensuring national energy security. It is also one of the main sources of power supply to meet the needs of economic development and maintain the stable operation of the system.

Rising coal prices

Moreover, domestic coal prices are expected to soon be adjusted, increasing profit margins for businesses. According to Viet Capital Securities Company (VCSC), the domestic coal price is currently at a modest level compared to the international coal price. At present, international prices were 2.5-3 times higher than domestic prices and may continue to increase.

Rystad Energy, an independent energy

research agency, said that if sanctions on coal with Russia eventuate or there is a physical disruption to Russian rail/port transportation, then there will not be a cap on coal prices.

Adding to the supply concerns, Australia recently declared a national emergency in response to devastating floods along the East coast, affecting coal-producing regions of this country. Rystad Energy predicts coal prices may surpass US\$500 per tonne this year.

Meanwhile, experts of VCSC forecast that TKV may ask to raise coal prices in 2022, as domestic coal prices have remained stable over the past two years despite rising production costs.

With the domestic coal production capacity of 100%, coal production is expected to reach 41 million tonnes this year, up 2% on-year. Therefore TKV has to import coal from other markets. And as international coal prices have continuously inched higher, it is not economical for TKV to maintain the coal prices since 2021.

Sacombank Securities Joint Stock Company (SBS) said that listed coal mining companies can also benefit from negotiating new selling prices for TKV this year.

To produce coal for power generation and benefit from the cost, businesses are concentrating their resources, preventing production disruptions. They also have to mobilise the workforce and equipment to organise coal mining, increase coal production, process and mix coal, ensuring coal output for consumption demand.

Bullish business results