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Thermal Coal Remains King

As we have been highlighting in our weekly reports, hydropower production in China has now contracted on a year-on-year basis during each of the last two months due to lower than normal rainfall. The contraction in hydropower output has remained a positive element for China's thermal coal demand prospects and has been one reason why Commodore has remained bullish for near-term coal import prospects. Also of note is that despite gains continuing to be made in Chinese nuclear, wind, and solar power production, these electricity generation types continue to contribute to only a fraction of China's total electricity production and they are still not making any real dent in demand for thermal coal and thermal coal-derived electricity production. Our analysis of this year's National Bureau of Statistics monthly electricity data shows that thermal coal-derived electricity generation has accounted for 76.6% of China's total electricity production. During all of last year, it accounted for 73.5% of total electricity production.

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