

Coal Prices Should Fall If EU Weakens Russia Sanctions, DBX Says
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By Todd Gillespie and Vanessa Dezem

(Bloomberg) -- Global coal prices could fall if the European Union executive's new guidance weakens sanctions and allows countries to transport Russian supplies. The move by the European Commission, which is being opposed by nations including Poland and Latvia, may alleviate the current shortage of suitable high-grade coal for Europe's power stations, which are now sourcing cargoes from as far away as Australia, according to dry bulk tracking firm DBX Commodities.

"Rolling back these sanctions would have a very strong negative impact on prices globally," said Alexandre Claude, chief executive officer of DBX in London. "The biggest impact will be felt in Europe by allowing more coal from the Baltic and Black Sea to be exported to Europe. This will alleviate the current shortage of suitable coal for the European power stations."

The new guidance from the commission says that the transport of certain goods, including coal, "should be allowed to combat food and energy insecurity around the world." Previously, the commission said that its sanctions prohibit EU operators from transferring coal and providing services like financing and insurance to all shipments of those products that come from Russia. More coal plants in European countries including the UK and Germany have been reopened or had their lives extended ahead of the winter crunch period to try to save gas during the energy crisis by burning other fuels instead. Though that could ease coal prices, it may come at a short-term cost to the climate amid European efforts to step up investment in cleaner technologies like renewables and hydrogen. UK Coal Mine Dilemma Pits Energy Crisis Against Green Goals If the EU rolls back its sanctions on Russia -- which had long been Europe's largest source of coal -- it will make the global supply chain more cost-efficient and could see Australian coal return to its usual destinations in Asia, Claude said. European yearly coal futures have slipped from a record set earlier this month, closing on Wednesday at the lowest since early August.

Strong Demand

Coal demand in Europe should remain strong until at least 2025 as the region relies on the fuel to keep power stations running, said Diana Bacila, senior coal analyst at Swiss electricity supplier Alpiq. Consumption of the fuel in northwest Europe climbed 40% this year through August to levels last seen in 2018, she said. Europe's coal plants will likely run at maximum levels in the coming years, with competition for the fuel set to increase between Europe and Northeast Asia, according to Bacila. "Coal import levels in Europe will be sustained at strong levels," she said on the sideline of a conference in Dusseldorf, Germany. "You have to find a replacement for Russian coal supplies and this will come at a higher cost."

To contact the reporters on this story:

Todd Gillespie in London at tgillespie30@bloomberg.net;

Vanessa Dezem in Frankfurt at vdezem@bloomberg.net

