

## **Will the Coal Industry Remain a Driver of Economic Growth in Developing Countries?**

### **KEY CONCLUSIONS**

#### **APR countries are becoming the top coal consumers**

“Global coal consumption has shifted from Europe to countries of the Asia-Pacific region [...] The consumption centres are also located in the East”, Russian Deputy Minister of Energy Anatoly Yanovsky said.

“Sustained growth in demand for coal, primarily on the Asia-Pacific market, will continue for the period up to 2025–2030. It’s in Russia’s interests to maximize this potential for additional demand as well as maintain and strengthen its position in the supply of high-quality coal for export. India will be the main consumer of coal in the coming decades. Other countries include China, Japan, and South Korea”, Academic Advisor at the Russian Academy of Sciences’ Institute of Coal Chemistry and Material Science Alexey Kontorovich said.

“Coal production is an important factor for developing countries first and foremost”, Head of Coal Markets at S&P Global Platts Gareth Carpenter said.

#### **Coal production is on the rise in Russia**

“Russian coal production increased by 15.5 percent to 410 million tonnes from 2012 to 2017. This year, we will surpass the milestone of 420 million tonnes and exceed the maximum level of Soviet-era production that was reached in 1988”, Director of the Coal and Peat Industry Department of the Russian Ministry of Energy Sergey Mochalnikov said.

#### **Coal exports from Russia are growing at a rapid pace**

“Last year, domestic companies exported more than 190 million tonnes of coal. Russia ranks third in the world in terms of this indicator. The current situation presents an opportunity to expand Russia’s presence on the global coal market, strengthen its position, and increase this share”, Mochalnikov said.

“Over the past 20 years, the coal market has grown at an average annual rate of about 4% [...] while exports grew at a faster pace [...] In particular, from 1997 to 2017, our market share increased by 4 times throughout the whole world – from 4 to 16% - and by 5 times in Asia [...] Russia ranks third in the world in coal

exports [...] The main growth is taking place in the Asia-Pacific Region,” SUEK Chief Strategy Officer Vladimir Tuzov said.

### **Russia has few competitors on the global coal market**

“The only coal that can compete with [Russian] coal is Australian coal, which has a number of advantages. The Russian Federation has one of the best sets of features for coal consumption”, Yanovsky said.

## **PROBLEMS**

### **Difficulty of forecasting the energy market**

“We will keep an eye on how the energy sector of ASEAN group countries develops [...] There has been a decrease [in coal generation capacity] and a lot [of projects are being] frozen due to a lack of funding due to green [requirements]”, General Director at the Coal Marketing Research Institute and Advisor to the General Director of Russian Coal Alexander Kovalchuk said.

### **Environmental problems**

“In coal-producing areas, improving the environmental situation is no less important a problem as reducing CO<sub>2</sub>”, Kontorovich said.

### **Limited capabilities of Russian transport infrastructure**

“The main thing that could limit our exports is transport infrastructure,” Deputy General Director at the Institute of Natural Monopolies Research (IPEM) Alexander Grigoryev said.

“We need to get to the East. Jointly with Russian Railways, we are building the Sukhodol port for the transshipment of 20 million tonnes, and I think this is only the start”, Siberian Business Union President Mikhail Fedyaev said.

## **SOLUTIONS**

### **The search for new consumers**

“In this region [ASEAN countries], our traditional major coal consumers — South Korea, Taiwan, and Japan — are of the greatest interest to the Russian coal industry. Of the new countries, I would seriously consider Vietnam”, Kovalchuk said.

## **Increased investment in mining and infrastructure**

"In order to ensure the next breakthrough in the APR [...], we need an increase in investment by 2025 of almost RUB 2 trillion, half of which will be provided by coal producers [...] Part of it will be provided by ports and growth in the railway car fleet [...] and a third will be provided by investment in the development of [...] the Baikal-Amur Mainline and an increase in the cross-country capacity of the Trans-Siberian Railway", Tuzov said.

"Increasing coal production in the Kemerovo Region and the Republic of Sakha (Yakutia), and I would also single out Tyva [...] is the only way to improve people's living standards there", Kontorovich said.

## **A strategic approach to the industry's development**

"In recent years, a number of fundamental decisions and strategic documents have been adopted on the development of the coal industry. Chief among these is the long-term programme for the development of the coal industry in Russia for the period until 2030", Mochalnikov said.

## **Introduction of efficient, eco-friendly technologies**

"Serious efforts should be focused on [...] maintaining our cost base [...] in order to stay competitive on the global market", Kovalchuk said.

"Power plants today have achieved efficiency of 99.9. The only problem is carbon emissions. If this issue is resolved, there will be no problems with the coal sales [...] in the world", Fedyaev said.

"There are special technologies that can significantly reduce the negative environmental impact. And these technologies aren't just expenses, but an opportunity to generate a certain economic effect", Grigoryev said.

"We need to continue work to introduce efficient and safe coal mining technologies and develop coal enrichment technologies [...] This will require investments [...] We need to develop [...] coal and coal-chemical science [...] It simply doesn't exist today", Kontorovich said.

## **Development of a public-private partnership**

"State support and a public-private partnership in terms of logistics development and increasing speed to expand shipments to the East is what [...] we need",

Founder and Chairman of the Board of Directors of coal mining company KARAKAN INVEST Georgy Krasnyansky said.

### **Development of coal engineering**

“We need to attach great importance to the development of domestic coal engineering. We have completely lost it over the past 30 years [...] This will require serious investments”, Kontorovich said.

### **Development of competition on the energy market**

“Industry related to the creation of other types of fuel [...] also needs to be addressed”, Aide to the Chief of Staff of the Presidential Executive Office Kirill Molodtsov said.