Launch of the *Medium-Term Coal Market Report 2014*

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*Ladies and gentlemen, it is a pleasure for me to present the IEA’s Medium-Term Coal Market Report 2014.*

It is not news that the centre of gravity of the planet is shifting to Asia. This is true when talking of the economy in general, and particularly true of energy. But this tendency is most obvious for coal.

Asia represents almost three-quarters of coal consumption and virtually all of the growth during the outlook period to 2019. Then there is of course China, which currently represents half of global coal demand and 60% of the growth expected during the outlook period.

But this does not mean that coal does not play a role in Europe or America. In United States coal still generates more than one-third of the electricity in the country and in Europe it is close to 30%. Despite the important role that coal will continue to play – we should not forget this – the report I am presenting to you today projects coal demand decline, in both Europe and the US, though this decline is not dramatic.

Our projections this year for coal demand in Europe are pretty much the same as they were last year. Poor economic growth, coal plant retirement (especially in the UK) and increasing renewable energy do not leave room for coal growth despite a favourable spread compared with gas, nuclear retirements and the new high efficient plants coming online, mainly in Germany – a country that remains the fourth-largest global consumer of coal by tonnage. Strong demand in Asia can direct coal flows to that region and leave some room in Europe and the Mediterranean region for US exports, but we do not see US coal exports growing much in the period.

So the million-dollar question is when coal demand will peak in China. We believe that the Chinese government is making serious efforts to improve air quality in the cities and to diversify from coal. Developments in PV, hydro, wind and nuclear have been staggering.

**However, under normal macroeconomic conditions, we do not expect coal demand to peak in China during the outlook period.**

Despite this, it is important to emphasise that coal demand has entered a new phase, where growth is moderate. Our projections of 2.5% growth on average per year do not compare with 8.5% on average since 2000 – or 9.2% from 2000 to 2010. Actually, last year we forecast 2.6% per year on average to 2018, so this slowdown is not new. But even at a moderate pace, we need to consider that in a large growing economy like China, the scale is different from elsewhere. For example, electricity generation in 2013 grew 340 TWh compared with 2012. This number is higher than electricity generated in countries like Italy or Spain. In accordance with our projections, the growth during the outlook period, 471 Mtce, will be larger than current European consumption.

At the global level, our projections show a demand growth of 2.1% per year on average until 2019. Though that figure will not impress many of you, it means an additional 1 billion tonnes of coal in 2019 compared with today, crossing the 9-billion-tonne threshold.
We have heard many pledges and policies aimed at mitigating climate change, but over the next five years they will mostly fail to arrest the growth in coal demand.

The low price of coal, combined with the existence of large reserves in some Asian countries, compounded by the non-existence of a carbon price, makes coal more attractive than other options.

Although the contribution that coal makes to energy security and access to energy is undeniable, I must emphasise once again that coal use in its current form is simply unsustainable. For this change, we need to radically accelerate deployment of carbon capture and sequestration and high-efficiency coal-fired power plants.

This year we received good news from Canada, where the Boundary Dam project started operation on 1 October. It is the first large-scale coal generation project using carbon capture, use and storage in the world. This is a reason to be optimistic, but also a reason to remark that we are not on track. We need to progress faster on developing carbon capture technology.

We are also not on track in terms of high-efficiency coal-fired power plants. New plants are being built, in an arc running from South Africa to Southeast Asia, but too many of these are based on decades-old technology.

We must see more investment in high-efficiency plants in emerging economies. Any new plants built today will be burning coal inefficiently for many years to come, and uptake of this technology – available today – has been staggeringly low.

So with that, let me now turn to Keisuke Sadamori, the IEA Director for Energy Markets and Security, who will elaborate further on some of the main findings of the report.