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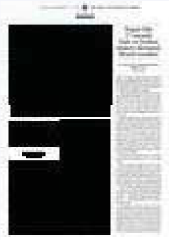

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Global coal demand set to hit record with soaring gas prices

The Edge CEO Morning Brief, Malaysia

Sprinklers spray water over piles of coal at the Neptune export terminal at Port of Vancouver in Vancouver, British Columbia, Canada. The International Energy Agency expects global coal demand to rise 1.2% this year to a record 8.94 billion tonnes on a strong El Nino effects and higher demand for natural gas to power air-conditioners.

Global coal demand set to hit record with soaring gas prices

BY WILLIAM MATHIS
Bloomberg

(Sept 10): Coal consumption is set to hit a record this year as demand is bolstered by higher natural gas prices and a strong El Nino that's increasing air-conditioning requirements, according to the International Energy Agency (IEA).

The figures deal a fresh blow to efforts to rein in one of the key drivers of climate change. And with the outlook for liquefied natural gas (LNG) flows through the Strait of Hormuz still uncertain, demand for coal could rise even further next year, the IEA said in a report on Thursday.

The stronger demand for coal comes even as the world rolls out wind turbines and solar panels to generate electricity from renewable resources. Those green sources are enough to blunt the rise of fossil fuels, but not sufficient to send them into decline because of the growth in global power demand. Without a sharp drop in fossil fuel consumption, climate change impacts will grow more severe as the planet gets hotter.

The IEA has been forced to revise its long projected decline in coal consumption as demand for the fuel remains resilient. At the end of last year, the agency forecast that coal demand would fall slightly in 2026 and keep dropping through 2030. Now the agency expects global coal demand to rise 1.2% this year to a record 8.94 billion tonnes.

"Although virtually no coal shipments pass through the Strait of Hormuz — as the Middle East is neither a major producer nor consumer of coal — the disruption has nonetheless affected coal markets by pushing up natural gas prices due to the plunge in LNG shipments through the strait," the IEA said. "This has in turn encouraged more coal-fired generation in countries with gas-fired power fleets and spare coal capacity."

The phenomenon of gas to coal switching in the power mix has been seen in places including China, South Korea, Japan and Europe.

A strong El Nino this year has also driven demand for cooling, while cutting output from hydropower plants in countries such as India and Vietnam.

If the Strait of Hormuz opens and LNG flows resume to levels similar to before the US and Israeli attacks on Iran, then global coal demand could fall next year. If not, then 2027 could be another record year for the fuel, the IEA said.