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El Nino to add fuel to Coal rally

The Star, Malaysia



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MOST of the talks surrounding the El Nino weather phenomenon have been centred on its impact on Malaysia's agricultural sector, particularly palm oil production and food supply.

However, the anticipated dry spell associated with El Nino could have much broader economic and social implications.

Meteorological models suggest that if the climate event develops into a super El Nino, agricultural yields could come under significant pressure.

The power sector, in particular, could face rising cost pressures. Coal prices have already risen following the outbreak of the Iran war, while concerns over energy security and supply chain disruptions have boosted demand for thermal coal.

Countries such as Japan have relied more heavily on coal-fired power generation to keep the lights on, contributing to a tightening of the Asian coal market.

Adding to the pressure,

■ **El Nino-driven heat could lift power demand and tighten coal supply**

■ **Energy security concerns are supporting coal demand and prices**

Indonesia's new export regulations covering commodities such as coal, palm oil and ferroalloys have reportedly caused shipment delays and tightened supply conditions just as seasonal demand is picking up.

While supply gaps could be filled by other producers such as Australia, prices have nevertheless moved higher.

Australian Newcastle coal futures rose to US\$152.25 per tonne, their highest level since late 2023.

Demand for coal is anticipated to rise further over the next few months as hotter weather linked to El Nino drives greater air-conditioning usage across Northeast Asia.

Malaysia is already experiencing higher electricity consumption as households and businesses rely more heavily on cooling systems.

Domestic electricity demand grew 7% in the first quarter, fuelled by commercial consumption from data centres, shopping malls and accommodation-related services.

The surge pushed the national power system's peak load to record levels thrice in April, reaching a historic high of 21,469MW on April 23, about 2% above the peak recorded in 2025.

In its latest quarterly results, Tenaga Nasional Bhd noted that unscheduled outages at coal-fired power plants resulted in higher dispatch from gas-fired generation units, maximising output across its generation fleet during the quarter.

With electricity demand set to rise further due to El Nino conditions and growing investment in artificial intelligence-related infrastructure, coal looks set to remain a major source of power generation fuel in the near term.

Even after energy supplies from the Middle East normalise, the lessons from recent geopolitical disruptions may encourage many countries to maintain coal's role in their energy mix as a safeguard for energy security.

At the very least, this could continue to provide support for coal prices.



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