COAL AND ITS IMPORTANCE IN CHINA'S ENERGY MIX

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Executive Summary

1. The People's Republic of China greatly shapes global coal prices as well as supply and demand through its immense use of the resource to produce coke oven coke, crude steel, pig iron and cement.

2. To mitigate pollution, China is following a regional trend of shutting down small-scale coal powered generators in favour of larger and more efficient power generation plants.

3. Besides corruption issues, infrastructure evaluations and political campaigns in the Chinese coal industry, the socioeconomic effects and environment impact of coal use have also become significant topic in political discussions.

4. When Chinese coal supply was reduced in the fall of 2016 through various means such as the restricting of trucking venues, prices of coal went up but, when the restrictions have been lifted to cope with demand, the increase in prices causes coal prices to drop. There is hence a need to mitigate price fluctuations.

5. China's energy demand is met by its own coal resources and growing imports. Three provinces stand out in domestic coal supply: Shanxi, Shaanxi and Inner Mongolia.

6. The "Made in China 2025 blueprint" inked by the State Council in May 2015 aims to modernise/upgrade China's manufacturing sector through focusing on coal utilisation in big-scale power and heat generation facilities.

7. The "Energy Development Strategy Action Plan (2014-2020)" published by the State Council prescribes restrictions on annual primary energy and coal consumption until 2020.

8. Measures designed to cope with excess overcapacity in steel and coal production have generated images and concerns of a declining coal belt, raising concerns about the local economies of the affected coal mining towns.

9. Coal however remains responsible for approximately 75% of China’s electricity power in spite of large hydroelectric dam constructions and initiatives to implement solar panels and wind turbines.

10. Chinese coal investments overseas have increased to procure more resources to generate greater electricity volume. The United Nations lists China as the world’s biggest investor in renewable energy projects since at least 2011.

11. North Korea is an important supplier of coking coal for steelmaking in China. The cheap North Korean coal however comes with political repercussions for China from the international community.