

Chinese coal terminals 'bursting at the seams'

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High rainfall, increased hydropower, and preparation for the hot summer months are all contributing to very full coal terminals up and down the Chinese coastline.

"Port storage is bursting at the seams, and it appears unlikely that seaborne arrivals will be absorbed, unless end-users begin directing coal inland," analysts at broker BRS noted in their most recent dry bulk market report.

During the first five months of this year, spurred by the continuous decline in coal prices, China imported 205m tonnes of coal, up 12.6% year-on-year, further exacerbating the operational pressure on ports. China accumulated inventories of 162m tons of coal over the first five months of the year.

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China's top 3 sources of coal this year

Indonesia		91.7m
Australia		34.4m
Russian Federation		28.8m

Source: Oceanbolt

The imports come at a time when Chinese coal production is actually contracting for the first time since 2021. For the first five months of the year China's mines produced 1.86bn tonnes of coal, down 3% over the same period in 2023.

The shortage of space to store incoming coal imports by sea has led to vessel delays and an uptick in waiting days at anchorage to discharge, according to BRS.

For instance, at Lianyungang, the port inventory is at full capacity, thereby requiring all vessels to pre-coordinate with the port authority before calling at the port. In South China, Guangzhou's ports are also full, with incoming vessels waiting an average of seven days at anchorage – and some up to two weeks.

According to AXSMarine data, the number of coal-laden vessels waiting at anchorage outside Chinese ports has reached another peak similar to the levels seen at the end of 2020 (see chart below), a period influenced by covid and the Chinese ban on Australian coal.

Coal traders in China have been waiting for coal prices to rise, something that often happens in the hot summer months where air conditioning kicks in.

After several years of coal shortages during peak demand season, this year may be the first year that China avoids one.

In the short term, BRS reckons the congestion, due to the significant number of vessels being forced to wait at ports for discharge, should in theory cause a vessel supply tightness in the Pacific and support freight levels.

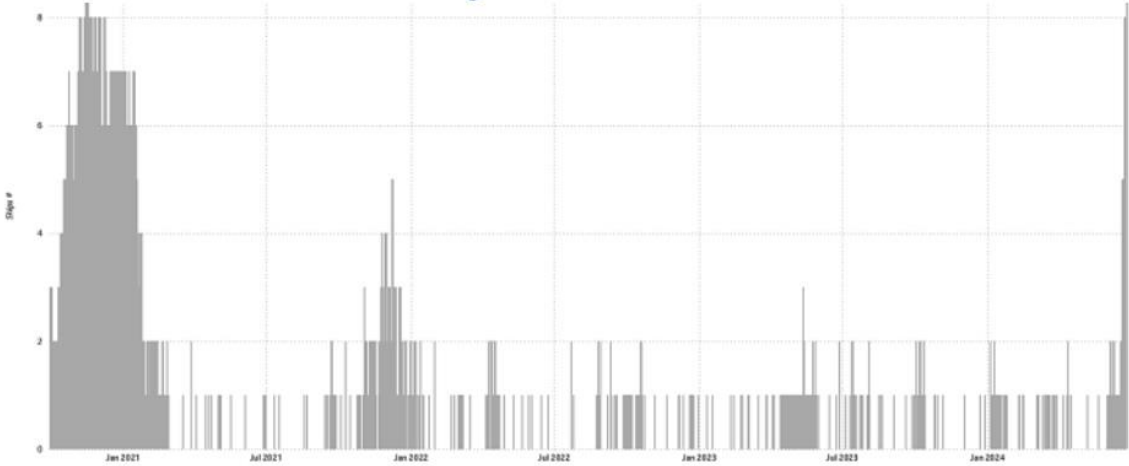
However, the current stockpile buildup could dent demand for the seaborne markets in the second half of the year.

Chinese coal consumption was discussed at length at last month’s Geneva Dry – the world’s premier commodities shipping conference organised by *Splash*.

Hamish Norton, president of Star Bulk Carriers Corp, said one of the drivers for coal was cars in China.

“China is pushing electric cars on its population at a tremendous rate,” he said, noting how taxes had been skewed to favour cars that do not rely on imported oil, albeit this, in turn, pushes up demand for coal-fire-powered electricity usage.

Congestion Monitor



Number of ships waiting at anchorage in China laden with coal, 2020-2024; Handy to Panamax (25,000-100,000 Dwt). Source: AXSMarine.

