

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Treasury

Question: BET - 5-6

Topic: Thermal Coal Exports

Reference: Hansard page no. 37 - 01 June 2015

Senator: Waters, Larissa

Question:

5-6. Senator WATERS: Yes, \$US60. Thank you. I have some questions about that assumption. I am just interested particularly in 2-15 in budget statement 2. You have a chart for export volumes for iron ore and LNG but you have not tracked coal, particularly thermal coal, exports. I am interested in why you have two of the top three commodities but not coal included in that graph.

Ms Wilkinson: The purpose of that graph was just to illustrate that a significant proportion of the increased iron ore exports that we were expecting to flow from the investment that has taken place have already taken place. There is a bit more to go, but on LNG, which is the other area within the resources sector of the economy where there has been an enormous amount of investment, we are yet to see that flowing through into exports. We are expecting that to occur from 2015-16 onwards. So, the purpose of that chart was really to illustrate the transition that is taking place in the economy, particularly in those two sectors from a mining investment phase to an export phase.

Senator WATERS: If you were to plot thermal coal exports on that graph, where would they lie?

Ms Wilkinson: We will have to take that on notice; I do not have that off the top of my head.

Senator WATERS: Thank you.

Mr Goldsworthy: I imagine they would be reasonably steady, but we will take it on notice.

Ms Wilkinson: We would use the BREE's projections for thermal coal exports. We do not have additional information that we would usually add to the outlook for the coal section from what BREE have produced.

Senator WATERS: Thank you for taking that on notice and, if you could also take on notice to more fulsomely explain why there is not much mention of thermal coal in terms of projections. Why did you treat that differently to those other two top export commodities?

Ms Wilkinson: Yes.

Senator WHISH-WILSON: Could I just ask: are there some scattered forward markets for coal?

Mr Goldsworthy: There are certainly contracts for coal that extend over a reasonably long period. We certainly look more at iron ore for the futures and forward markets. To be honest, on the coal side, we would probably have to take that on notice.

Senator WATERS: Thank you for doing so.

Answer:

5-6. While metallurgical and thermal coal make up significant shares of Australia's total exports (8.2 per cent and 5.4 per cent respectively in 2013-14), they are not expected to grow as substantially as iron ore and liquefied natural gas (LNG) exports over the next five years.

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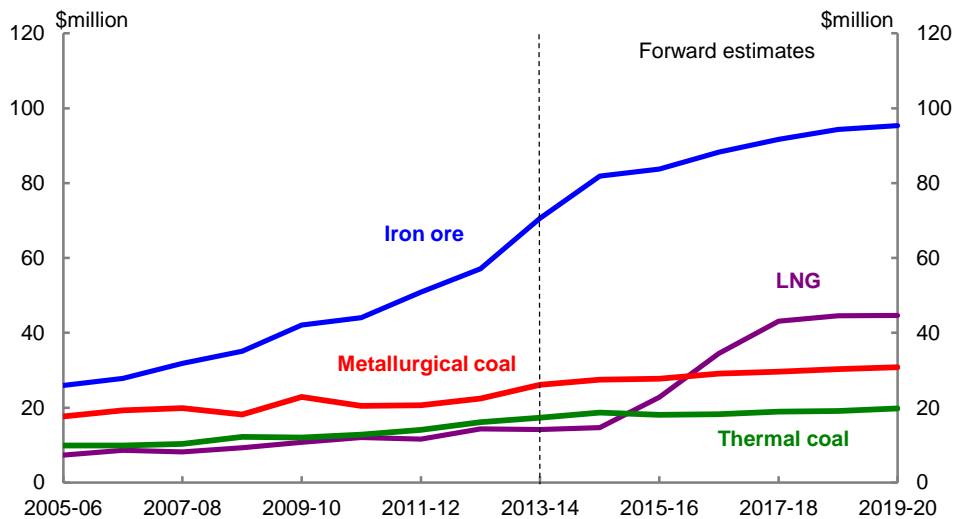
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This reflects the much larger investments in iron ore and LNG capacity in recent years, which is expected to result in export volumes growing by a 35.1 per cent and 214.9 per cent respectively through to 2019-20. While continuing to be positive, growth in metallurgical and thermal coal exports is expected to be relatively modest, at 17.7 per cent and 14.3 per cent respectively over this time (Chart 1).

Some exchanges offer coal futures contracts, such as the New York Mercantile Exchange (NYMEX) in North America. There are also several exchanges in Asia, such as the Dalian Commodities Exchange, which has a Coking Coal Futures Contract, and the Zhengzhou Commodity Exchange, which has a Thermal Coal Futures Contract.

Chart 1: Export volumes for iron ore, LNG, metallurgical coal and thermal coal



Note: 2012-13 prices.

Source: Department of Industry and Treasury.