INSTITUTE FOR ENERGY ECONOMICS & FINANCIAL ANALYSIS

Pain for Australian coal export industry as second biggest customer acts on climate

SYDNEY// June 4, 2014: There is more pain to come for Australian thermal coal exporters as their second biggest customer, South Korea, announces a tax on coal power generation from July, and tough caps on carbon emissions from utilities and industry from 2015 as part of the world's second biggest carbon trading scheme, according to a Reuters report.

Finance analyst Tim Buckley from the Institute for Energy Economics and Financial Analysis said:

"South Korea's coal tax is a major initiative that follows similar coal tax moves by China and India, plus Chile earlier this year.

"It is noteworthy that China has doubled its coal electricity tax twice over the last three years, and that the proceeds are being used to assist the cost of deployment of renewables," Mr Buckley said.

South Korea's coal tax will be imposed at a rate of 19 Korean won ($0.02) per kilogram (kg) of coal with a minimum 5,000 kcal of net calorific value (NCV). For coal below 5,000 kcal/kg NCV, the rate will be 17 won per kg.

The tax is expected to push up electricity costs for Asia's fourth-largest economy and prompt consumers to curb power use.

"There is no doubt that this is another set back for Australian thermal coal exports," Mr Buckley said.

"Both the coal tax and carbon trading scheme will increase the cost of coal fired generation in South Korea and drive a greater penetration of renewables and energy efficiency. A higher price for fossil fuels is inevitable as renewables continue on their deflationary trajectory," Mr Buckley said.

Tim Buckley is the Director of Energy Finance Studies, Australasia for the Institute for Energy Economics and Financial Analysis. He has 25 years of financial markets experience, including 17 years with Citigroup culminating in his role as Managing Director and Head of Australasian Equity Research.

Mr Buckley is available for interview:
Tim Buckley: P: +61 (0)408 102 127 E: mailto:tbuckley@ieefa.org