

# The story this year is domestic thermal, how far behind are the seaborne markets?

Presentation to: The Coal Institute's 2025 Summer Trade Seminar  
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Understand the outlook for thermal coal and steel raw materials in the world's largest market.

- Coverage of thermal coal, energy, mining and natural gas
- Unbiased reporting of daily breaking news
- Insightful commentary on market drivers
- Transparent price assessments
- Comprehensive industry and company analysis
- North American market outlooks

## Markets

- **North America Daily Commentary:** Single-topic coverage, including news and views from leading industry sources.
- **North America Week Ahead:** An overview of expected events, data releases and emerging trends that have the potential to affect the market.
- **North America Daily Wrap:** A timely summary of industry news, including global coal indexes
- **North America Coal & Energy Review:** A recap of the prior week's news and data

## Research & Fundamental Data

- **US Coal & Energy Market Briefing:** Monthly report covering US regional thermal and metallurgical coal
- **US Natural Gas Outlook:** History and outlook of US natural gas supply, demand and price.
- **Company Earnings:** Comprehensive coverage of North American publicly traded coal producer earnings reports. Financial data in combination with analyst call comments
- **North America Coal Exports:** Monthly overview of US Census Bureau coal export data broken out by coal type, port of departure, and destination country.
- **North America Inventory & Generation**
- **North America Coal Production**

## Research Outlooks

- **US Thermal Coal**
- **North America Metallurgical Coal**

# Domestic update

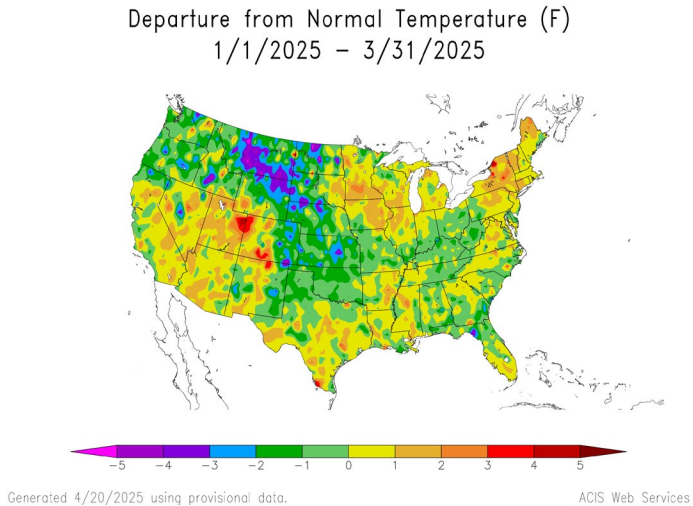
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Weather, Natural Gas, Power Generation Trends, Inventories

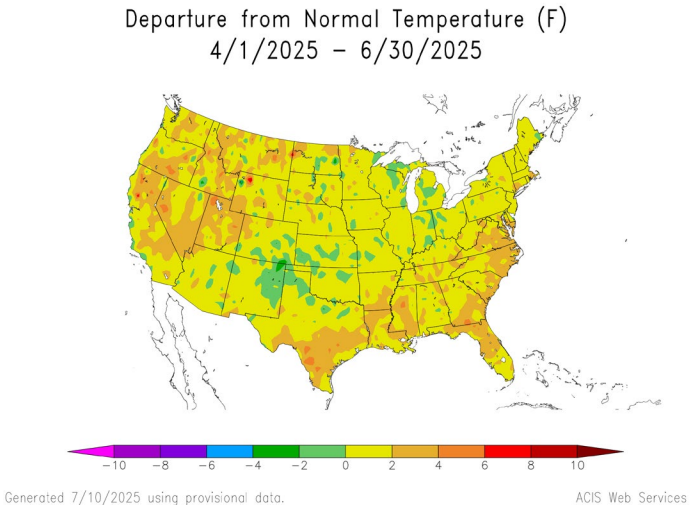
- Domestic coal burn for power generation is way up in H1 compared to last year: weather, natural gas, power demand, Trump
  - Coal generation up over 15% in the US compared to H1 2024
    - Coal burn in MISO and PJM up about 18%
  - Natural gas (prompt month) averaged \$3.68/mmBtu in H1 2025 versus \$2.20/mmBtu a year ago
  - Demand for power in the commercial sector is running almost 4% ahead of last year through April
  - Energy Emergency and Executive Orders are having an impact
- Coal production is running ahead of last year, but demand is exceeding supply which means inventories are coming down– prices drifting higher but inventories and coal redirected from export is muting the effect so far
- Emphasis on reliable, dispatchable power is now **the headline**
- Environmental regulations are being rewritten, and the onerous compliance deadlines are fading away
- Metallurgical coal markets are dreary
  - Exports are being pinched by both ample supply and uncertain trade policies (tariffs/counter-tariffs)
  - Oversupply of steel on the global market
  - Domestic RFPs for 2026 just beginning

# Normal winter compared to a warm winter in 2024

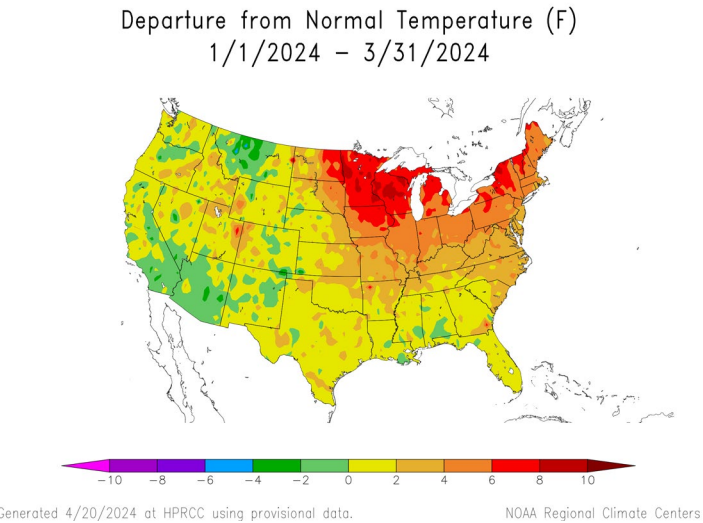
Q1 2025



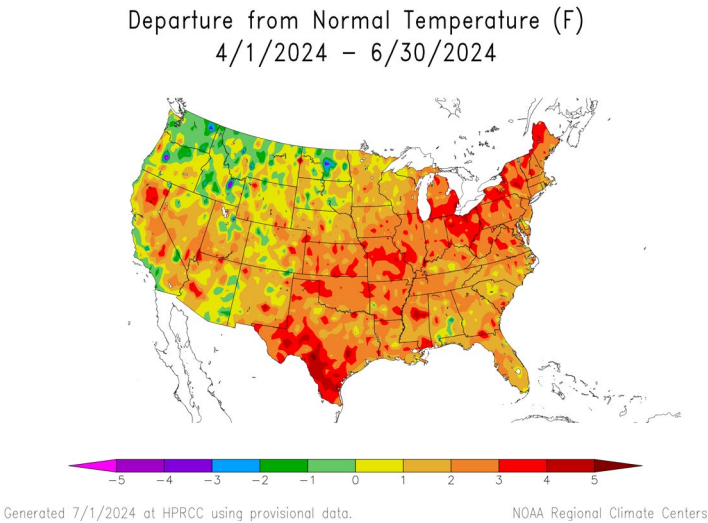
Q2 2025



Q1 2024



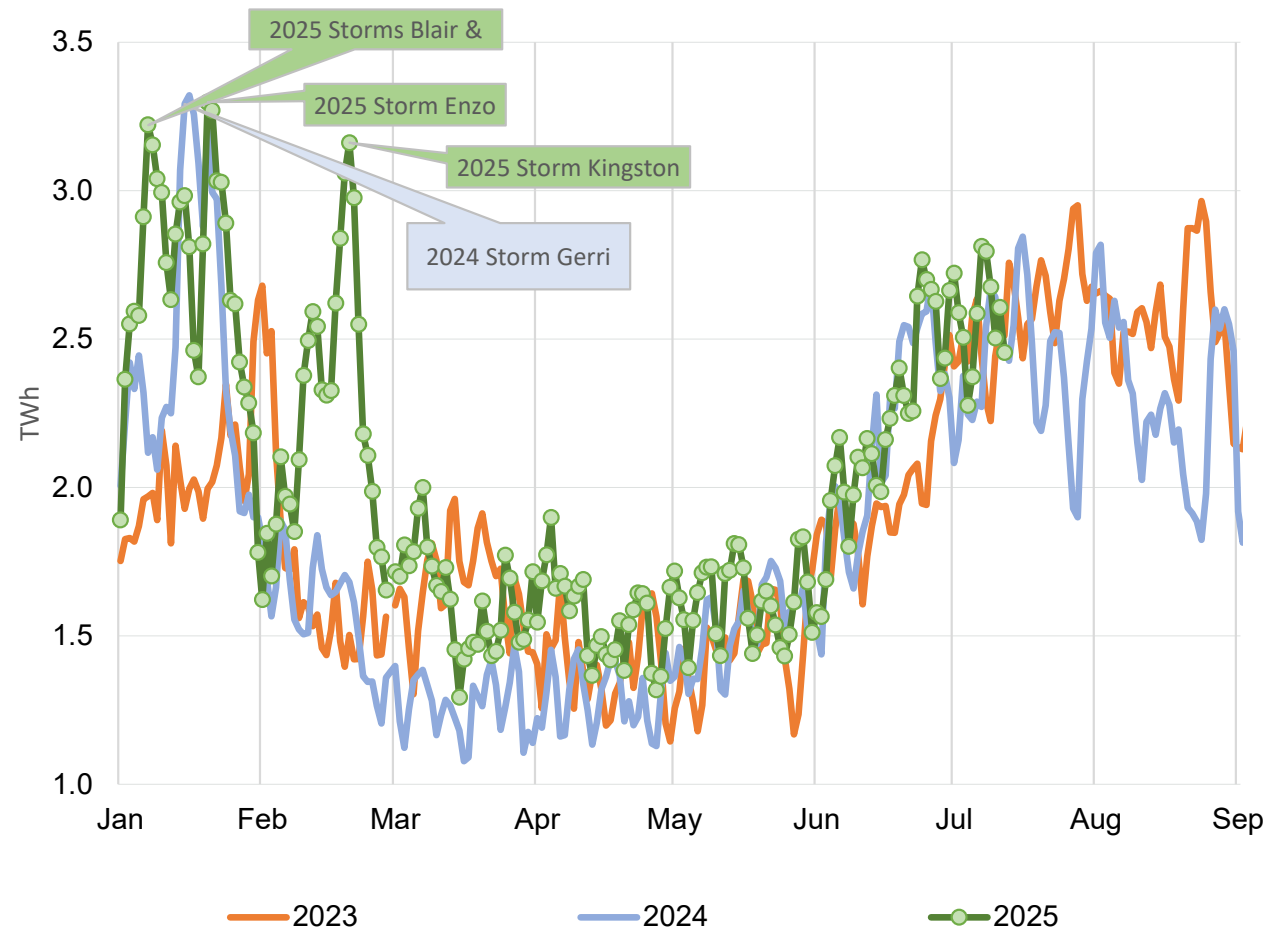
Q2 2024



# US electric power demand growing

- Compared to H1 2024, H1 2025:
  - Power generation up about 2.7%
  - Coal power generation up 15.1%
  - *Natural gas power generation down 3.0%*
  - Nuclear power generation is down 0.8%
  - Hydro power generation is down 1.0%
  - Wind/Solar power generation are up 11.9%
- McCloskey forecasts US power generation will be over 3% higher in 2025 versus 2024
  - Favorable weather
  - Data center (commercial sector) running 4% higher
  - Some is growing economy: Industrial sales up 2.0%
    - Residential power sales are up 6.8% because of the cold winter

## US Coal Power Generation



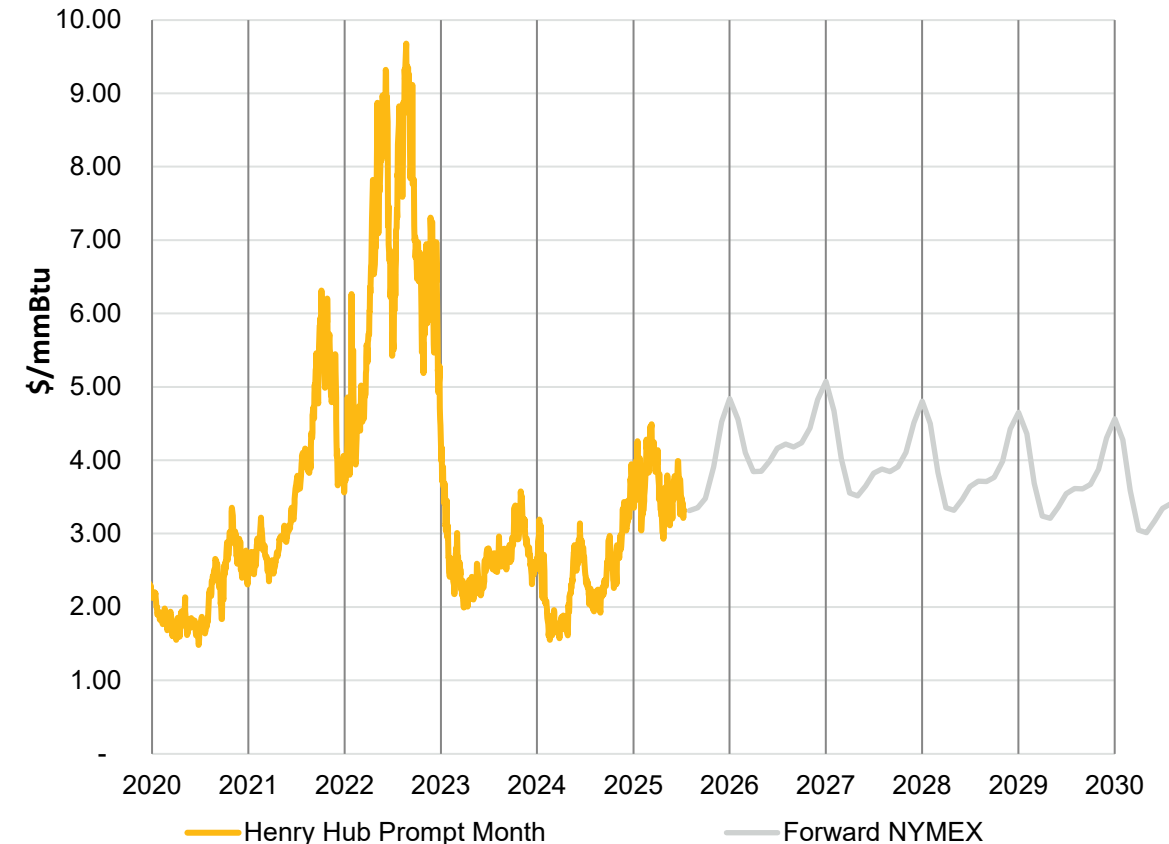
Note: The gap in the time series for 2023 and 2025 represents a non-leap year  
Source: McCloskey by OPIS and EIA

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# Natural gas bouncing around \$3.50

- The biggest difference between 2024 and 2025 has been higher natural gas prices
- LNG growth is a big factor amid weaker domestic demand
  - Natural gas for power generation is down almost 3% YTD
- Production holding at 106 bcfd
- Oil prices have been all over the map with Mideast wars, trade negotiations adding uncertainty
- Natgas forwards averaging close to \$4.00/mmBtu through 2029
  - Pricing next winter averaging above \$4.40/mmBtu currently but there are concerns about growing storage volumes

Henry Hub natural gas price



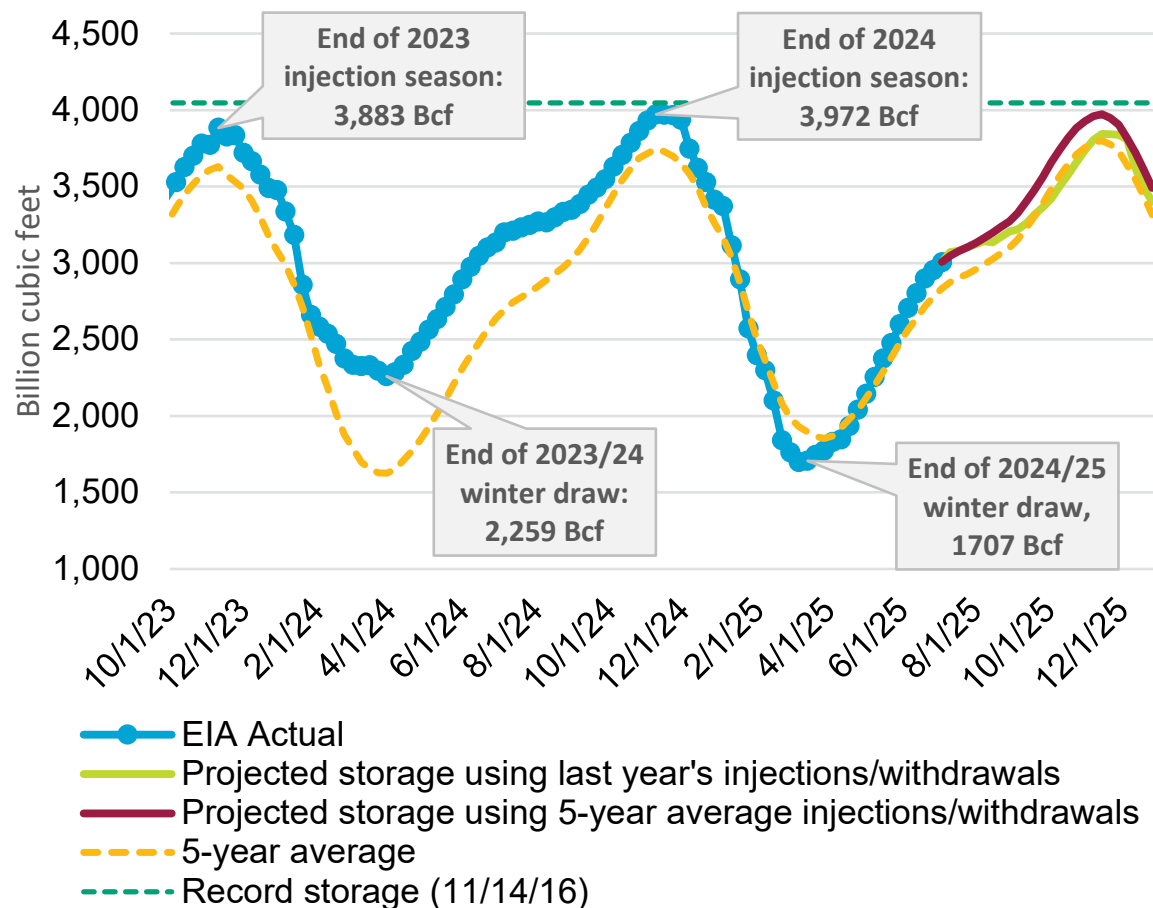
Source: McCloskey, EIA, NYMEX and Baker Hughes

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# Natural gas inventories are ahead of the 5-year average

- Natural gas in storage is currently 6.1% above the 5-year average but
  - While Injection rates have been generally robust; inventories are currently 5.8% below where they were a year ago (natgas was trading low \$2s in July and August last year)
- Gas-directed rigs are currently 108 versus 100 a year ago
  - Oil rigs are at 424 versus 478 a year ago – signals hesitancy to invest in new production given price uncertainty
- All eyes on the summer weather – general view is natural gas supply is more than adequate – no fears about next winter yet
- Exports of natural gas are running higher: LNG exports running close to 16 bcfd compared to 12.4 bcfd a year ago
  - Mexican pipeline exports running slightly behind last year

## Natural gas inventories



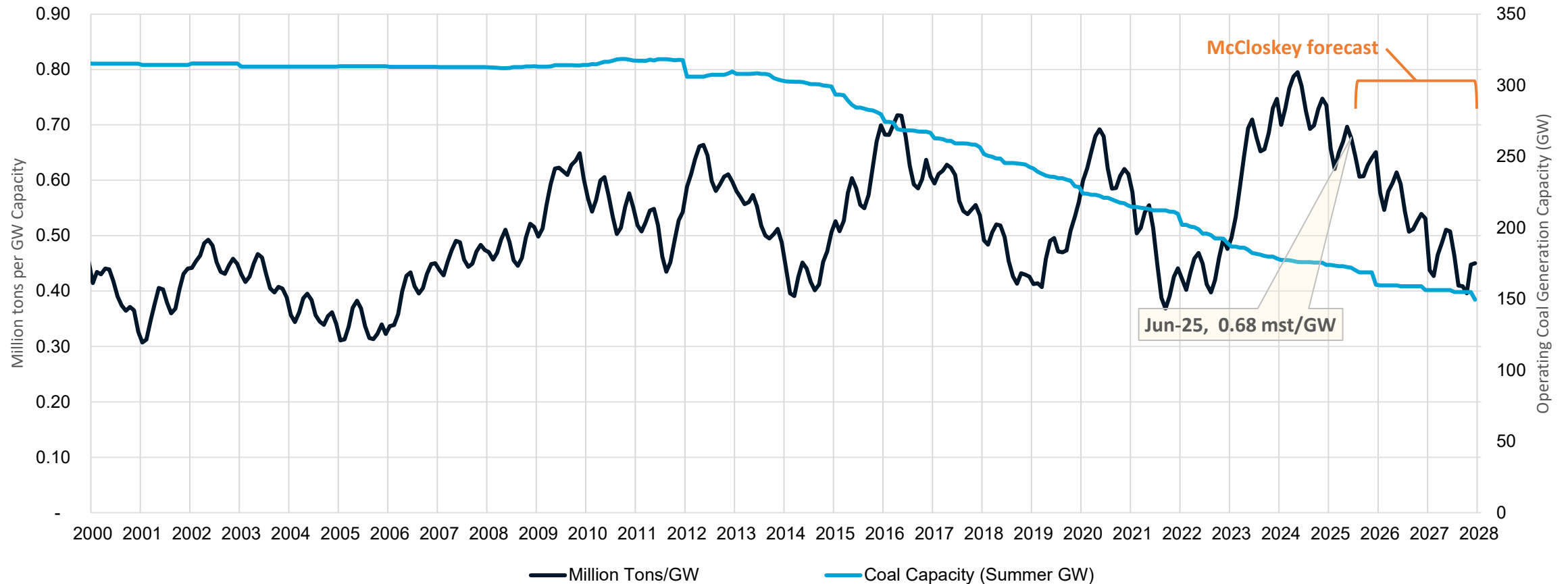
Source: McCloskey by OPIS and EIA

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# US utility stockpiles still high-ish, but coming down

Expecting accelerated inventory “correction” in 2024 and spilling into 2025

Million tons of coal in utility inventories per GW operating coal generating capacity



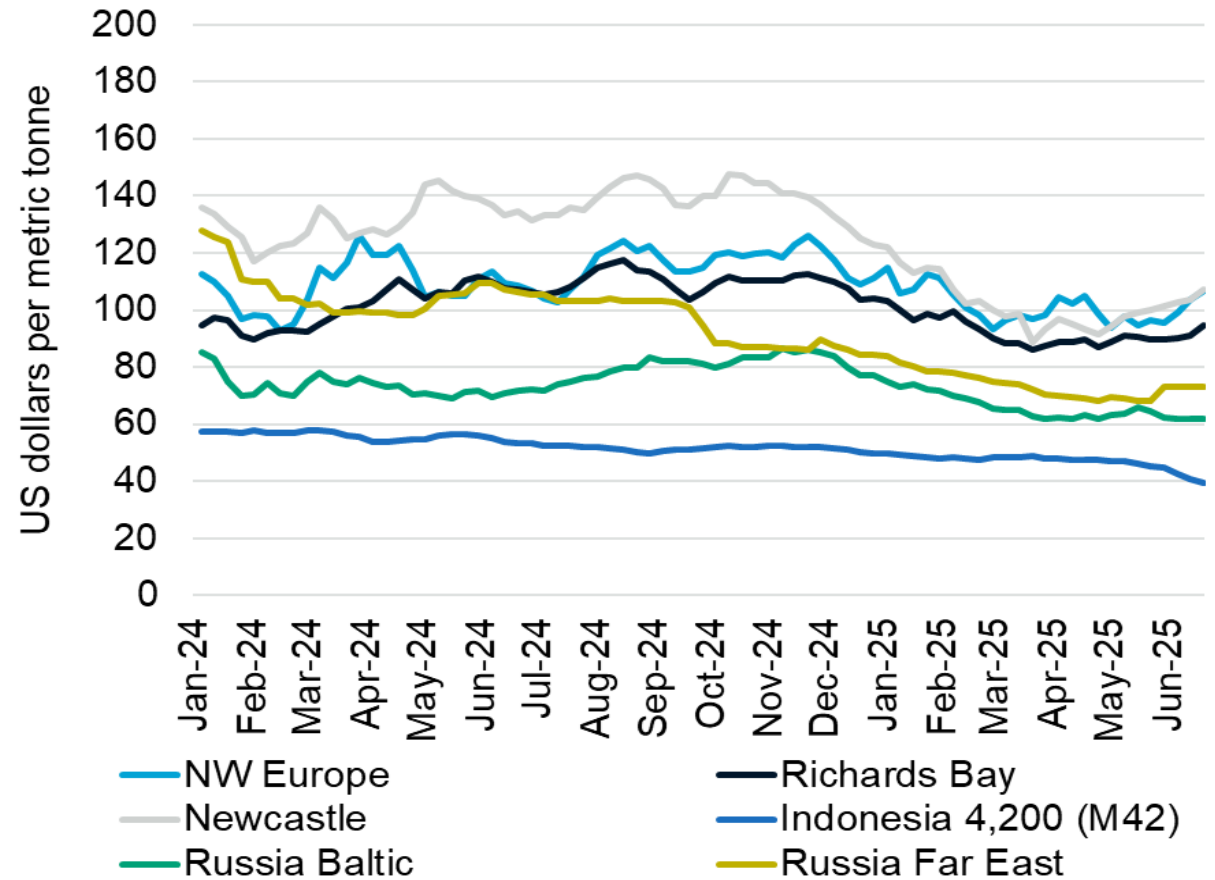
Source: McCloskey by OPIS, FERC, EIA, Velocity Suite

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## A word about seaborne thermal

- Bearish sentiment in the spot market has strengthened as the year has progressed.
- After two years of record high trade in the seaborne market, imports are set to fall in 2025—growing risk that imports could fall below 1bnt this year.
- All major high CV thermal coal prices have tested key thresholds for suppliers at the margin. Indonesian prices had been more stable but dropped more sharply in recent weeks.
- Producers are increasingly feeling the pressure on costs.
- Limited upside to prices in the near term, though the summer is approaching, and hot weather cures many ills.
- Trump's tariffs/ geopolitical developments continue to create uncertainty.
- What if thermal prices started to move upward?
  - US coal prices could see immediate upward shock

### Thermal coal prices



Source: McCloskey by OPIS, A Dow Jones Company

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## Regulatory – will the Trump initiatives be enough?

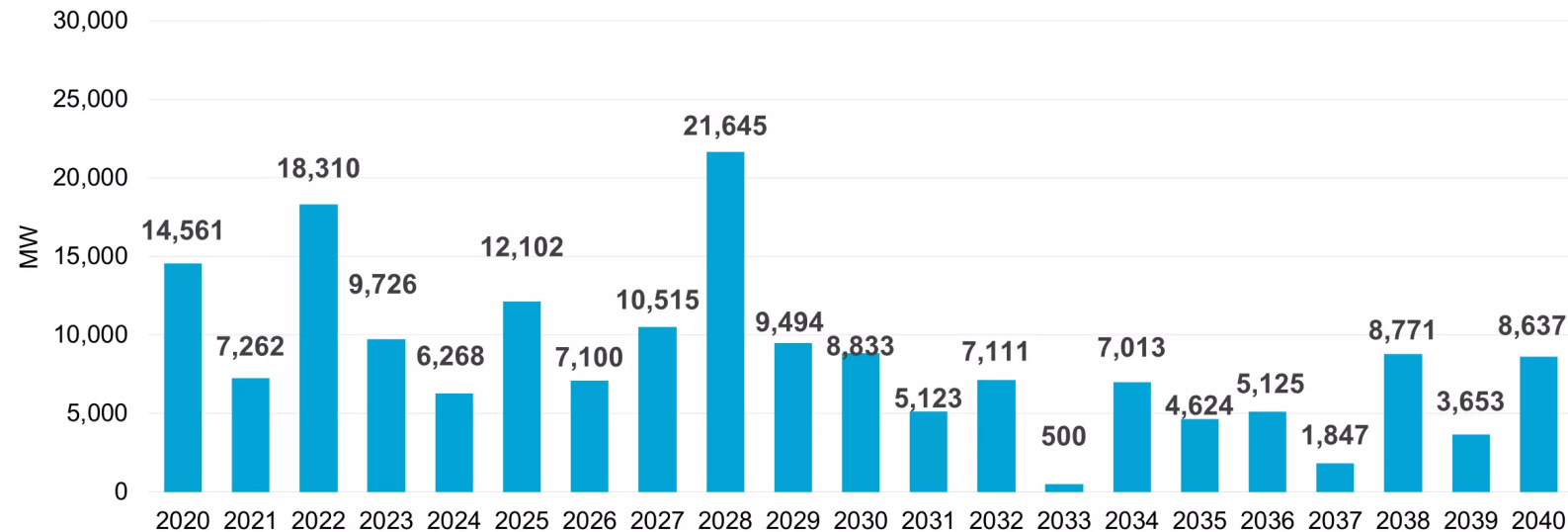
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The EPA, DOE, DOI, DOJ are all pro-coal. The courts are also in line for the most part. States and local regulations remain roadblocks.

- Commenced restating all environmental rules put in place in the last year of the Biden administration including:
  - Expansion of Coal Combustion Residuals Rule (coal ash)
  - Revision of the 2024 Effluent Limitations Guidelines affecting discharge from scrubbers and bottom ash
  - Reverses the Carbon Emission Standards for Coal and New Natural Gas Plants (informally known as the Clean Power Plan II)
  - Eliminates the updated National Ambient Air Quality Standards, will keep the PM 2.5 standard at 12 micrograms per cubic meter
  - Restating the 2024 Mercury and Air Toxics Standards (MATS) – especially the inclusion of lignite and coal-waste plants
- Order to restart permitting of federal coal, including the Lease by Application process in the PRB
- Fast-tracking permitting Warrior Metallurgical's mines, permit for Signal Peak's Bull Mountains mine
- Big Beautiful Bill: Lowers the federal royalty rate for coal from 12.5% to max 7%
- Big Beautiful Bill: Production tax credit (45X) of 2.5% for metallurgical coal production (critical material)
- Big Beautiful Bill accelerates the sunseting of tax incentives for renewable energy, also eliminated many grants for renewable energy research and development

# Coal unit retirements – we’ve cut too much muscle

Actual and announced retiring or refueling coal nameplate capacity

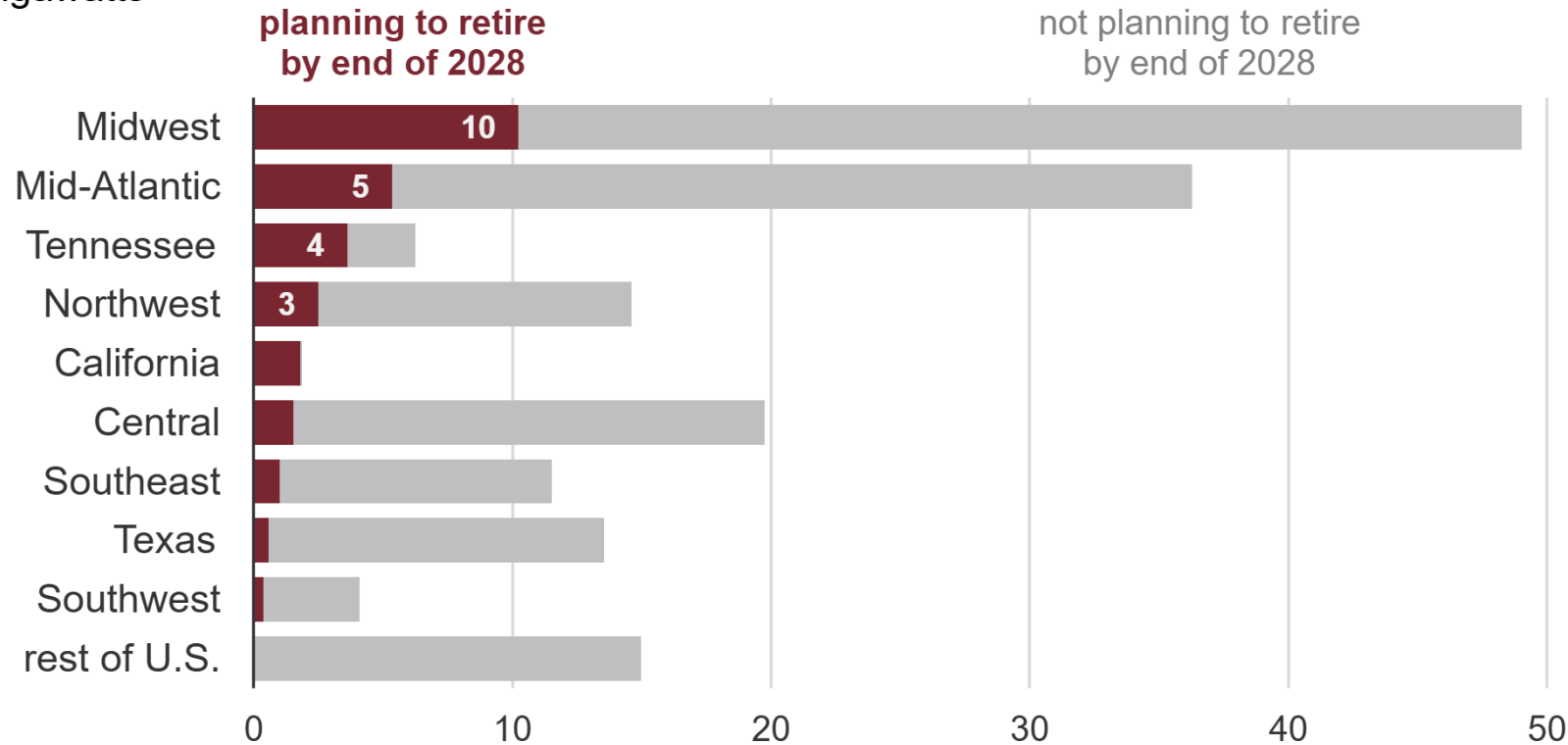


Source: McCloskey by OPIS

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- Consumer Energy’s JH Campbell receives 90 emergency order to remain in operation, expires August 21
- Salt River Project advances the coal to natgas conversion at Coronado station Units #1 & #2 from 2032 to 2029
- Wisconsin Electric delays the retirement of South Oak Creek Units #7 and #8 from May 2025 to the end of 2026
- TVA extends the operating lives of Shawnee and Gallatin but implodes the chimneys at Bull Run
- December 2025: DTE’s Belle River (698 MW), Xcel’s Commanche (396 MW), Tri State’s Craig (446 MW, IPA’s Intermountain (1,640 MW), Sierra Pacific’s North Valmy (567 MW), NIPSCO’s Schahfer (847 MW), Orlando’s Stanton (465 MW), TransAlta’s Centralia (730 MW)

### U.S. operating coal capacity by region (May 2025) gigawatts



**“Based on what power plant owners and operators have reported to EIA, the total operating capacity of U.S. coal-fired power plants is scheduled to fall from 172 gigawatts (GW) in May 2025 to 145 GW by the end of 2028 . . .”**

# DOE: “Nation’s power grid will be unable to meet projected demand”

## Primary conclusions

- Status Quo is unsustainable
- Grid growth must match pace of AI innovation
- Retirements plus load growth increase risk of power outages by 100x in 2030
- Planned supply falls short, reliability at risk
- Old tools won’t solve new problems

Table 1. Summary Metrics Across Cases

Reliability Metric	2030 Projection			
	Current System	Plant Closures	No Plant Closures	Required Build
AVERAGE OVER 12 WEATHER YEARS				
Average Loss of Load Hours	8.1	817.7	269.9	13.3
Normalized Unserved Energy (%)	0.0005	0.0465	0.0164	0.00048
WORST WEATHER YEAR				
Annual Loss of Load Hours	50	1316	658	53
Normalized Unserved Load (%)	0.0033	0.1119	0.0552	0.002

Source: US Department of Energy, [Resource Adequacy Report, Evaluating the Reliability and Security of the United States Electric Grid](#), July 2025

Report on Evaluating U.S. Grid Reliability and Security

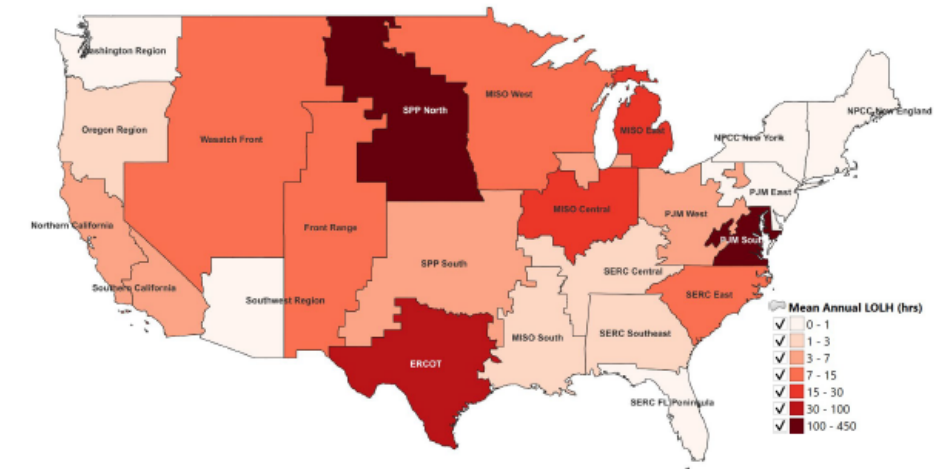
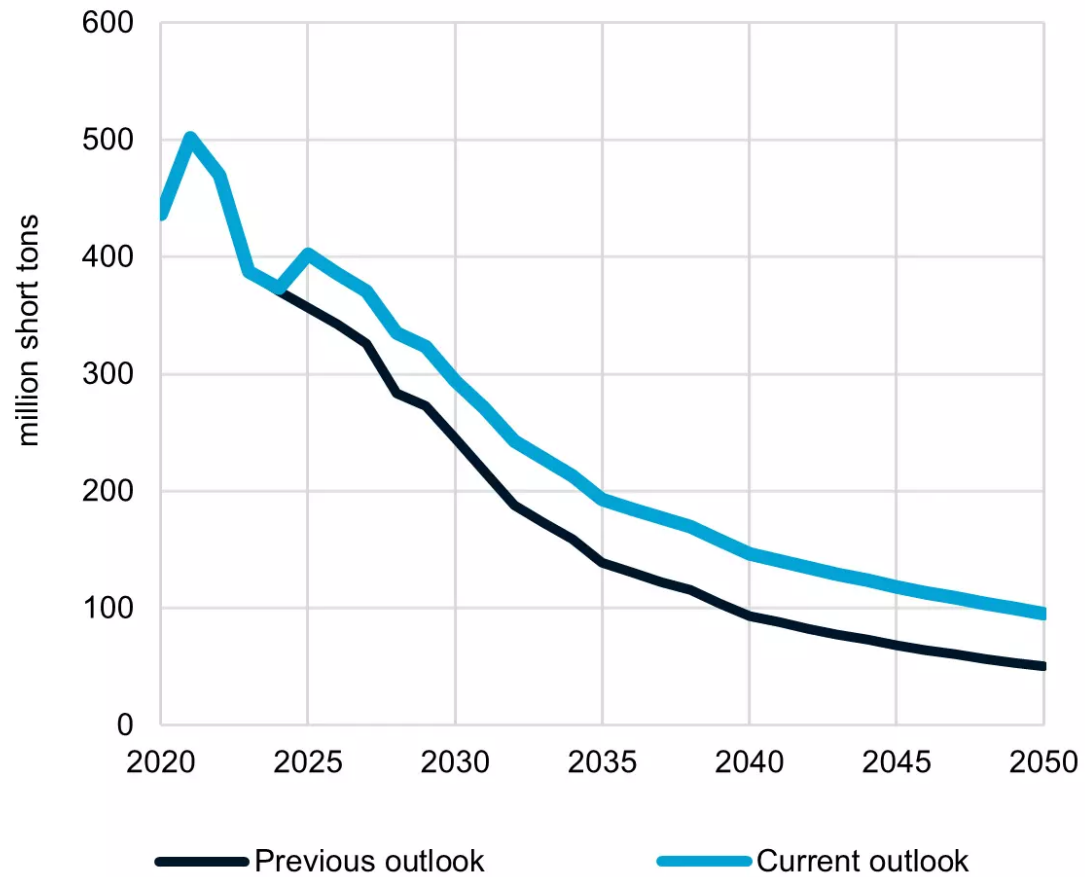


Figure 1. Mean Annual LOLH by Region (2030) – Plant Closures



Figure 2. Mean Annual LOLH by Region (2030) – No Plant Closures

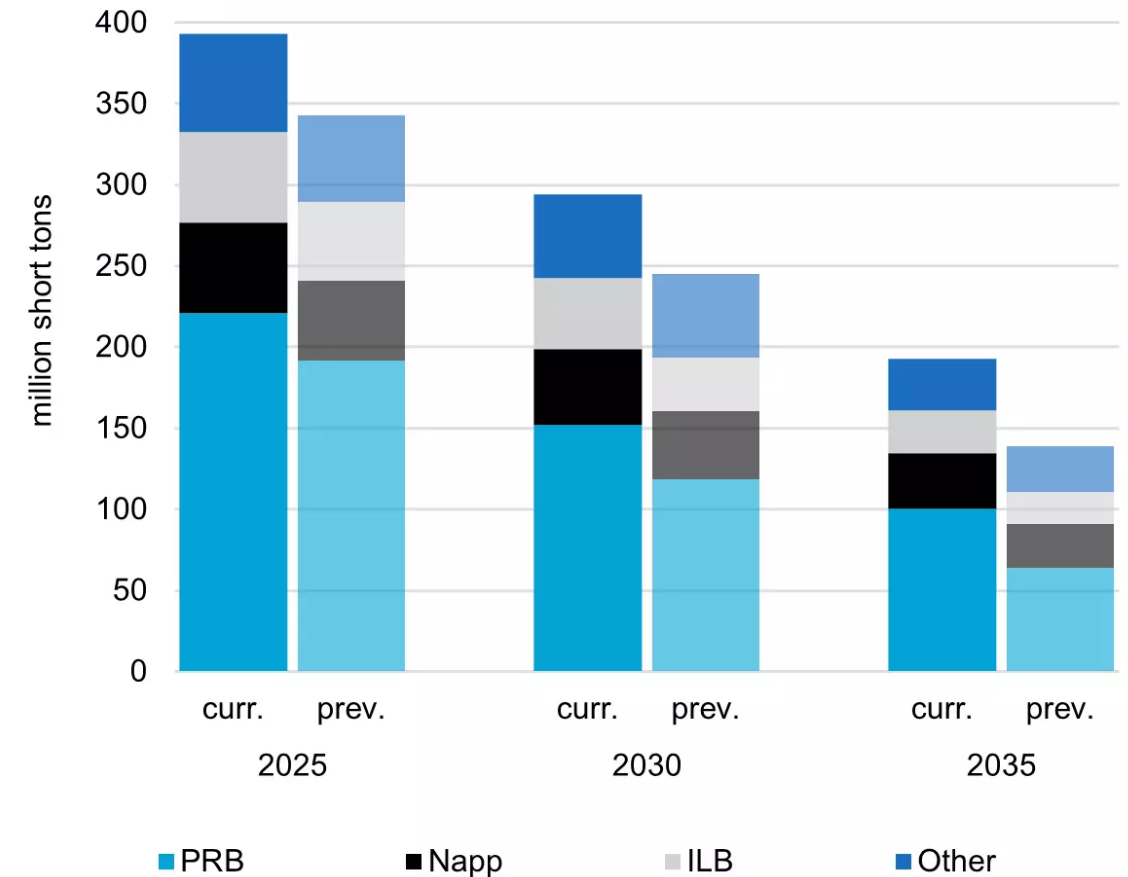
## US long term utility coal demand outlook



Source: McCloskey by OPIS

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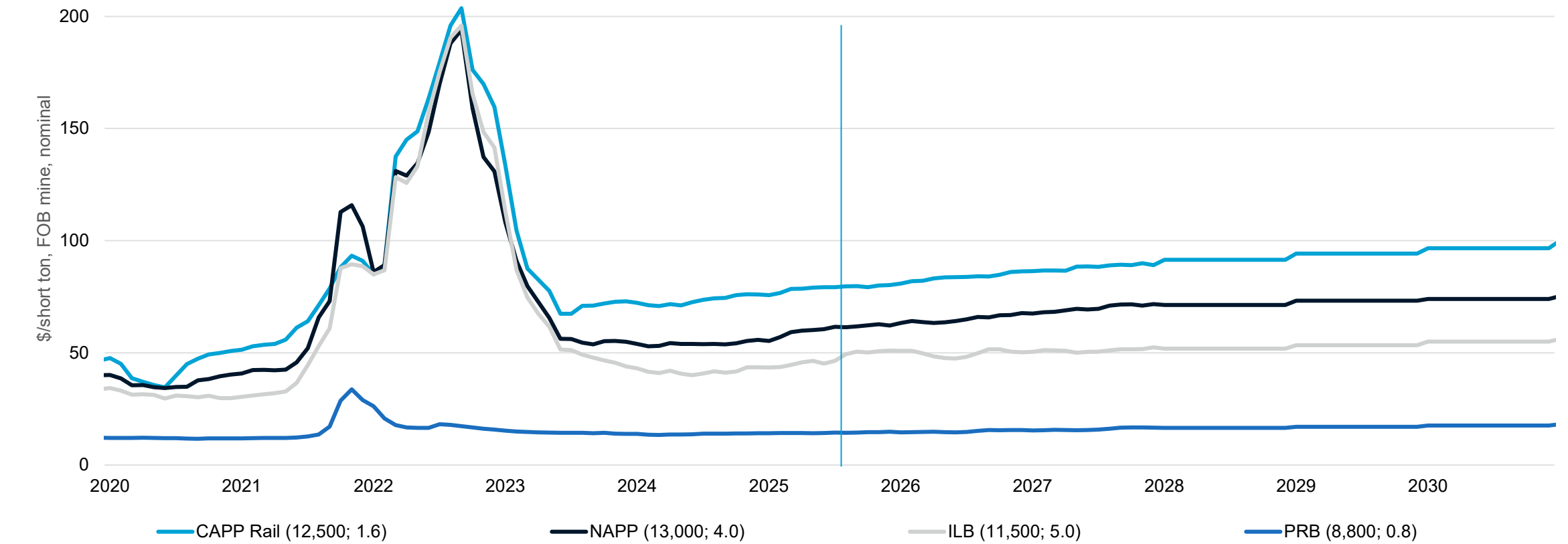
## US long term utility coal demand by basin



Source: McCloskey by OPIS

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US thermal coal price history and forecast



Source: McCloskey by OPIS

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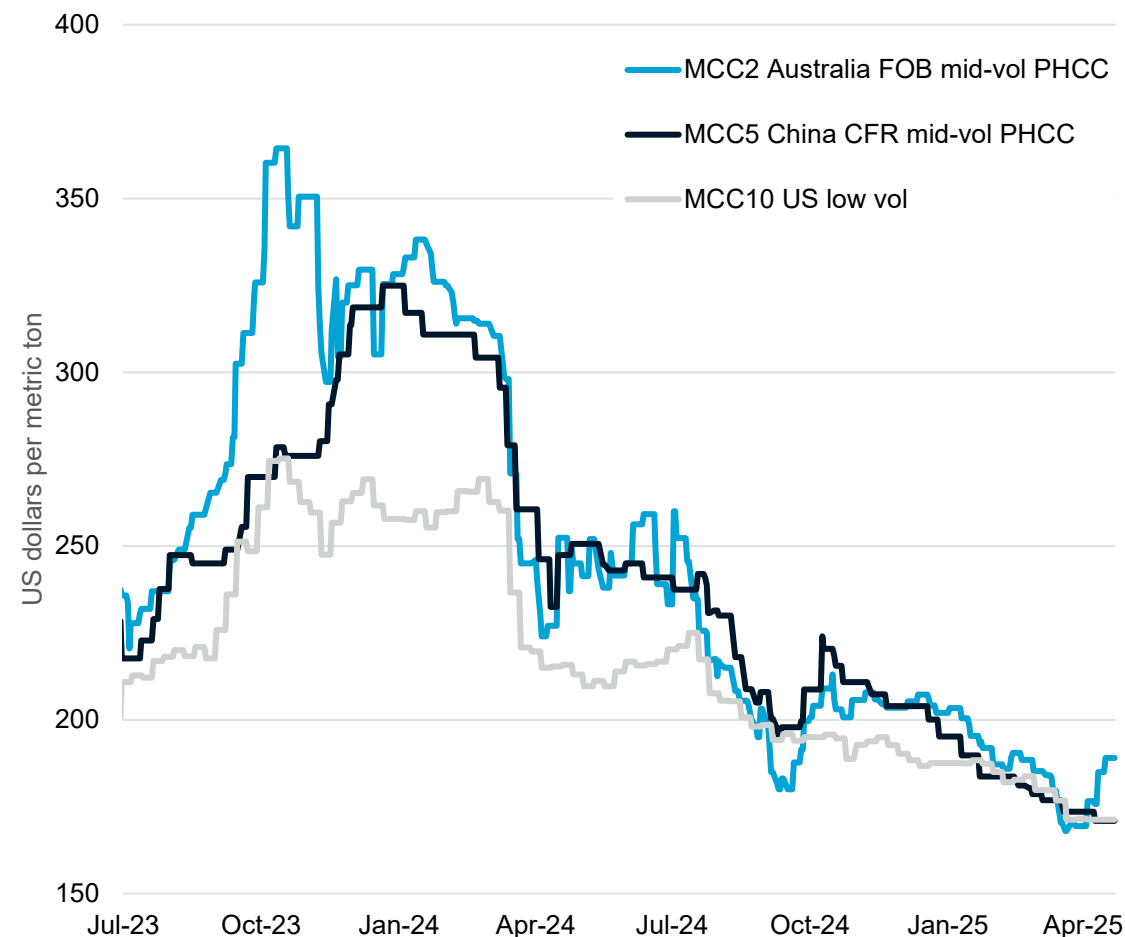
# Metallurgical

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# Global metallurgical coal market overview

- **Met coal market also a record in 2024.** Seaborne demand almost 400mt in 2024.
- **Inventories high and steel demand continues to be challenged.** However, demand is slowly strengthening, upside potential from Chinese stimulus, but concerns about tariffs, etc.
- **Prices sitting below LRMC levels**
  - Bankruptcies in the US, plus some high cost Australian mines struggling.
- **Supply having significant issues.** Four major global longwall mines are offline for extended periods. Despite this, supply looks set to grow faster than demand this year – meaning weak prices into 2026.
- **Long term:** Coking coal will be structurally tight from around 2030. Every tonne that can be produced will find a home, with the possible exception of semi-soft.
- **Domestic 2026 contract negotiations** underway where rollover would be the absolute best-case scenario.

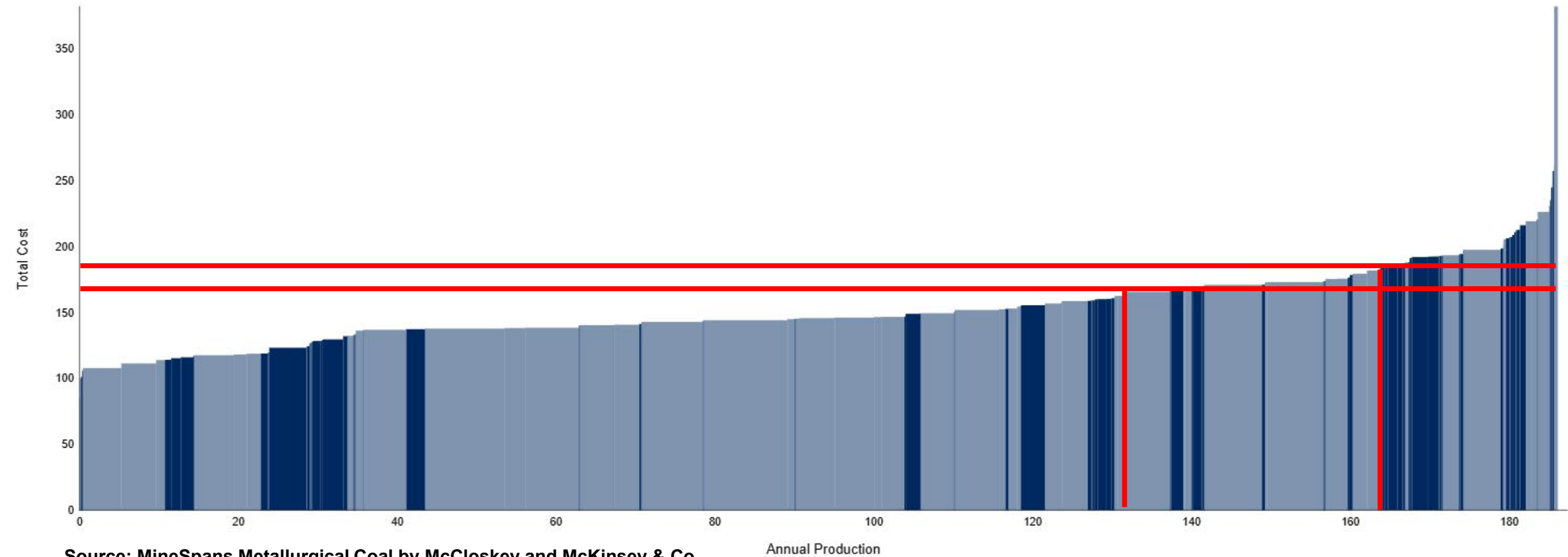
## Metallurgical coal prices



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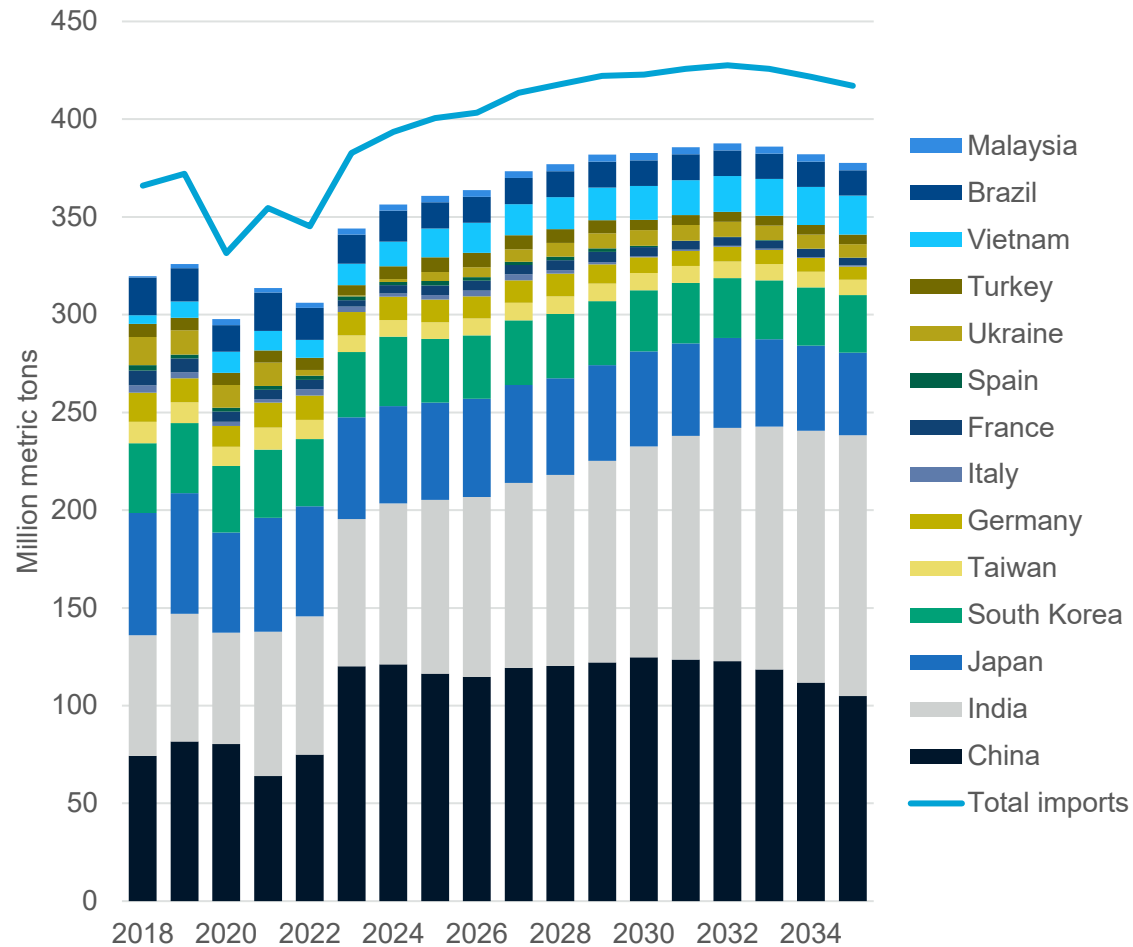
Globally, at \$190/t, 12% of HCC is loss-making , at \$170 it's ~30%



Source: MineSpans Metallurgical Coal by McCloskey and McKinsey & Co

# Long term coking coal demand outlook

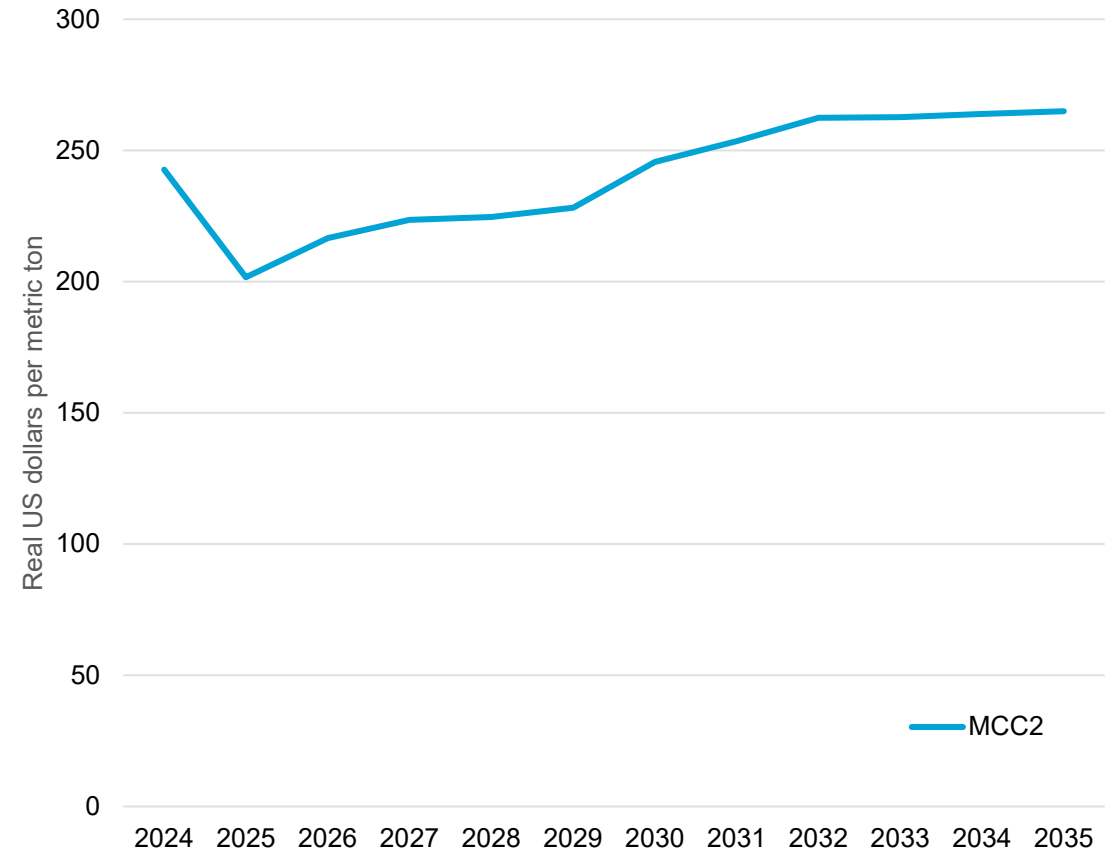
## Total coking coal demand outlook



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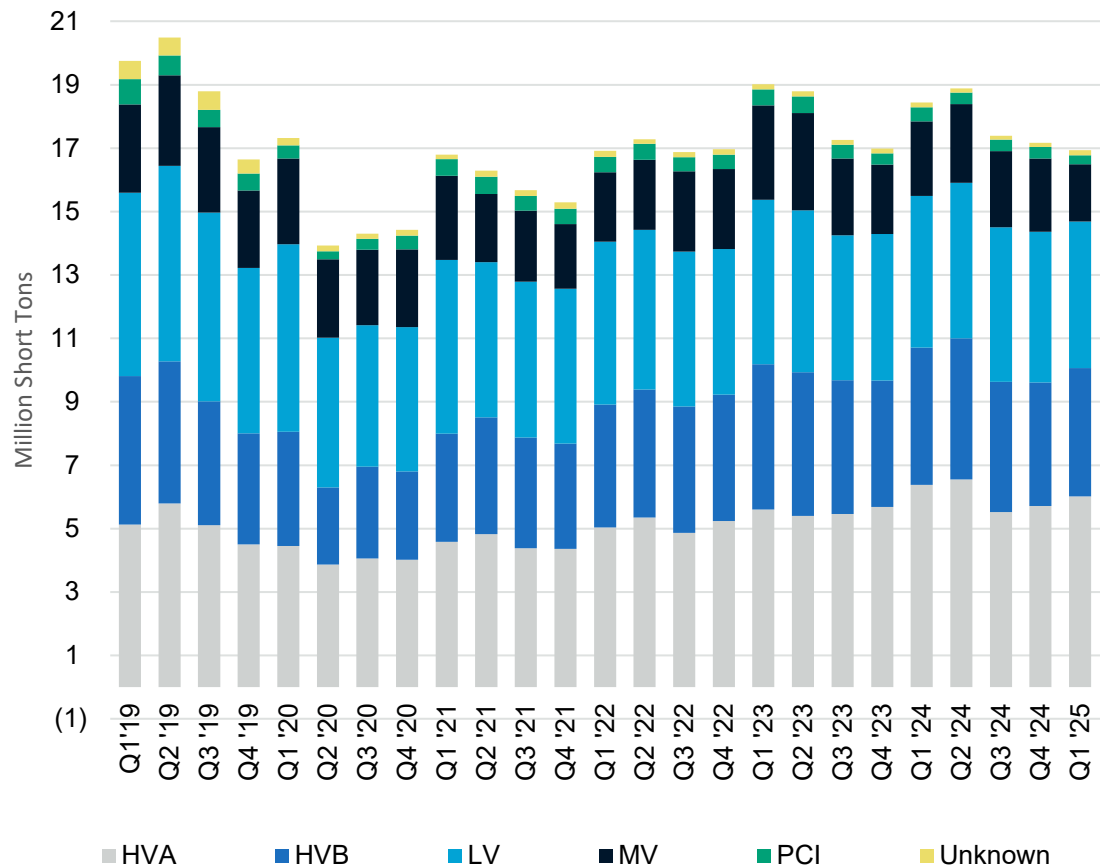
## PMV FOB Australia outlook



Source: McCloskey by OPIS, a Dow Jones Company

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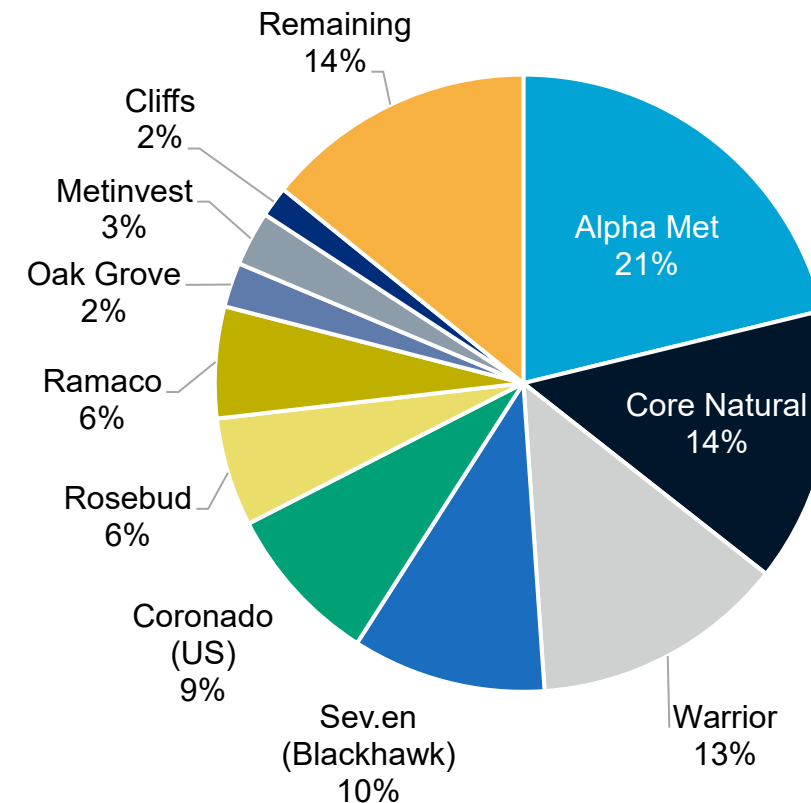
US met coal production by volatile rank



Source: McCloskey by OPIS, MSHA

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Top 10 US met coal production share



Q1 2025

Source: McCloskey by OPIS, MSHA, EIA

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