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### Reopening coal mines – a balancing act

Strong power demand coupled with a supply shortage of thermal coal have driven coal prices to surge by roughly 60% YoY in China. Currently, China's annual consumption of coal exceeds 4 billion tons, accounting for 56% of the country's total energy consumption. Despite China's commitment to pursue a clean energy transformation, admittedly coal still plays a pivotal role in the country's energy structure. As a result, a rising coal price could have a real impact on the Chinese economy. The reason why supply had been falling rapidly is China's prolonged strategy to close down coal mines across the country for both environmental and safety concerns.

Facing the current upward cycle of coal price price, the country's top regulator has decided to exert downside pressure by restarting operations at 15 coal mines across the five northern provinces of Inner Mongolia, Shanxi, Shaanxi, Ningxia, and Xinjiang for at least the next twelve months. The reopening is expected to deliver 44 million tons of coal over the next year under "safe working conditions", according to a statement<sup>1</sup> by the National Development and Reform Commission (NDRC).

This reopening decision is the result of a strategic balancing act between economic priorities and environmental and safety considerations. The sites that were chosen to be reopened are mostly open-pit mines that could operate with relatively low environmental impact and safety concerns. They are all located in areas with abundant reserves to ensure low production cost<sup>2</sup>. It also follows the Politburo's previous recommendation<sup>3</sup> for an easing of aggressive steps to curb emissions as the nation seeks to meet power demand and maintain growth. If anything, the decision made by the Chinese government to reopen coal mines highlights how difficult it is for a fast-growing economy facing a structural slowdown to marry economic growth with environmental sustainability while

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<sup>1</sup> [发改委：15 座联合试运转到期煤矿已办理延期手续 日可增产 15 万吨 | 发改委\\_新浪财经\\_新浪网 \(sina.com.cn\)](#)

<sup>2</sup> [破天荒！重启已关停煤炭产能 6650 万吨，两碳工作需量力而行 | 煤价 | 复产 | 煤矿 | 能源\\_网易订阅 \(163.com\)](#)

<sup>3</sup> [China Softens Tone on Climate Ambition Amid Power Shortages - Bloomberg](#)

maintaining a coordinated, orderly approach to achieve the leadership's objective of carbon neutrality by 2060.

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