



THE CURRENT COAL CRISIS IN CHINA AND PERSPECTIVES FOR THE EURASIAN REGION

Almost about a year after the impressive climate target pledge expressed by the Chinese President Xi Jinping at the 75th Session of The United Nations General Assembly in September 2020, where in pursuit of “a green recovery of the world economy in the post-COVID era” the country aimed at carbon neutrality by 2060, China found itself in the middle of an energy crisis that led to coal shortages, rampant fuel prices, and rationing of power supply and consumption. 17 out of 30 regions of mainland China enforced rationing, causing, among other things, suspension of industrial production and logistics, and despite the measures to contain the rise of coal prices, the coal futures rose more than 200 percent to a record \$259.42 per tonne. The unexpectedly colder average temperature and strong winds, which forced some northern provinces to launch winter heating earlier, flooding in the coal producing Shanxi province, and the overall power consumption boom due to recovering post-pandemic industrial demand, caused the melting of coal stocks in power plants, triggering the 10.7 percent increase in energy prices, the highest in the last 25 years at least, and, subsequently, stirring up prices for consumption goods.

Despite the ambitious pledges to achieve carbon neutrality by 2060 and being the largest producer of solar panels and wind turbines, China still remains the world's largest consumer of coal. Not only is China the host of the world's largest coal-fired power station (Tuoketuo power plant) and about 60 percent of the country's power production relies exclusively on coal, but it is currently the largest financier of global coal plants currently being built or planned, covering the construction of more than 70 percent of coal plants.

Along with its climatic and seasonal context, the current energy crisis in China, which turned out to become the worst in

years, has undeniable political causes, as in 2020 the Chinese government pursued an informal ban on series of Australian imports to China, following the country's support for international inquiry over China's handling of the coronavirus pandemic. By October 2020, all state-owned power plants and steel mills received urgent notice to stop importing Australian coal with immediate effect, which soon turned into a major market disruption, as Australia supplied 38 percent of all Chinese thermal coal imports in 2019. However, the total closure of the Chinese market did not seem to drastically affect the Australian coal exports, as they are currently on rise, thanks to rising coal prices and increasing demand in Asia.

As part of the measures to cope with the impending coal shortages and power cuts, the Chinese government ordered the expansion of both the coal-powered electricity production and the capacity of coal mines, so that 153 coal mines had to expand capacity and produce additional 55 million tonnes of coal in the fourth quarter of 2021. The issue seems vital in resolving the current energy crisis, as over the last five years the Chinese government already closed primarily privately owned 5,500 coal mines, almost half of the country's functioning coal mines at that time, mainly due to environmental and safety concerns. The full capacity operation of the coal mines were expected to ensure the output of at least 12 million tons per day, which is 1.6 million tons more than in September, however, the actual output would still not be enough to meet the demand of the approaching winter season.

Therefore, in order to meet the soaring local demand and to cover for the share of the Australian coal imports, China had to extend coal imports, primarily focusing on Russia, Indonesia, Mongolia and Kazakhstan. Russian coal exports to China in the first six months of 2021 already

reached 24.15 million tons, compared to 16.2 million tons for the same period of 2020, while Zhejiang Provincial Energy Group announced the import of 136,000 tons of coal from Kazakhstan, the first time in the history of the province. However, despite obvious benefits for Kazakhstan and in line with the ambitious governmental endeavors to move away from coal power plants to more environmentally-friendly alternatives, the coal export to China are impeded with bureaucratic and logistical limitations, as the above-mentioned shipment, for instance, was carried out via a Black Sea port and took a whole month and 15,000 km route.

Mongolia, another northern neighbor of China, has increased its coal exports to China since the launch of the ban on Australian coal, which amounted to 11.3 million tons for the nine months of 2021, moreover, since September Mongolian coal exports to China rose by an impressive 60 percent. According to official Chinese customs data for the first eight months of 2021, Indonesia became the largest importer of coal, who succeeded in increasing imports by 19 percent compared to last year, although several other countries increased their coal imports to China, including the US, South Africa, Canada and Philippines.

Thus, despite ambitious pledges and encouraging expectations, China enters the COP26 climate summit in Glasgow with plans to build more coal-powered plants and revision, at least for the time being, of its stance on traditional energy sources due to economic problems and power shortages. On the other hand, the matter retains its urgency and ambiguity, as the approaching winter with its heating season, increasing power demands and logistical difficulties might hinder the production and transportation of coal both in China and coal exporting countries, making the current crisis linger for the months to come.

Politics, Foreign Affairs, and Security

- The deputy Prime Minister and the Minister of Finance of Hungary Mihály Varga participated in the fifth meeting of Kazakh-Hungarian Strategic Council and the Business forum in Nur-Sultan. During his visit Mihály Varga is received by President of Kazakhstan Kassym-Jomart Tokayev. The parties discussed the prospects for the development of bilateral relations in trade, economic, financial, investment, cultural and humanitarian spheres. The politicians also considered issues related to measures of tackling the pandemic, climate change and the regional agenda (Kazinform, 26.10.2021).
- The Central Election Commission of Uzbekistan unveiled preliminary results of the presidential election. According to data, 80.4% of registered voters took part in the elections. The country's incumbent leader Shavkat Mirziyoyev won the election and was re-elected for the second term. Mirziyoyev received support of 80.1% of voters. Maksuda Vorisova from People's Democratic Party was placed second with 6.6% of the votes. Alisher Kadyrov from Milliy Tiklanish gained 5.5%. Other candidates received less than 5% of the votes (UzReport, 25.10.2021).
- The Minister of Foreign Affairs, Foreign Trade and Investments of Kyrgyzstan Ruslan Kazakbaev had a meeting with the Iranian Ambassador Said Kharrazi. The parties discussed priority areas of bilateral cooperation, including the opening of an Iranian trading house in Bishkek, the opening of a new railway corridor Iran-Turkmenistan-Uzbekistan-Kyrgyzstan and participation of the Iranian side in the implementation of hydropower projects in Kyrgyzstan. Kazakbaev invited Iranian companies to invest in priority sectors of the Kyrgyz economy (Kabar, 28.10.2021).
- The President of Kazakhstan Kassym-Jomart Tokayev met with the President of Turkmenistan Gurbanguly Berdimuhamedov during his state visit to Ashgabat. The heads of states discussed a wide range of issues related to the Kazakh-Turkmen strategic partnership paying special attention to expanding the political, trade and economic, transport, cultural and humanitarian cooperation. President Tokayev noted that Kazakhstan was ready to increase the entire range of products in 60 commodity items to the tune of over \$130 million exported to Turkmenistan (Kazinform, 25.10.2021).
- The Foreign Minister of Russia Sergey Lavrov met with the Foreign Minister of Turkey Mevlut Cavusoglu on the sidelines of the G20 summit in Rome. The Ministers discussed the coordination of the efforts of the two countries to further stabilize the situation in the Balkans and the South Caucasus. The sides also exchanged views on the prospects of launching the regional mechanism "3 + 3" in order to unblock economic and transport ties and promote mutually beneficial infrastructure projects in the South Caucasus (Azernews.az, 31.10.2021).
- Kazakhstan and Pakistan signed the Plan for bilateral military cooperation for 2022. The document was signed in Nur-Sultan during the protocol meeting of the Deputy Minister of Defense of the Republic of Kazakhstan, major general Mukhamedzhan Talassov with the Pakistani defense delegation. The new plan includes military training, military education and other spheres of military activity of mutual interest (Kazinform, 28.10.2021).

Economy, Finance, and Energy

- Since the beginning of 2021, Kazakhstan has exported products worth \$37 billion, returning to its pre-crisis export rates. The share of exports in external trade amounted to 60%. The country's exports mainly comprises raw materials, a share of which equaled 68%. In the first eight months of the year, Kazakhstan's oil exports reached \$19 billion. European countries remain key markets for Kazakhstan's oil and the country's supply to the EU amounted to \$15 billion. Kazakhstan's exports to China reached \$6.5 billion (Qazaq TV, 27.10.2021).
- Uzbekistan is changing regulation on the gas market. Recently, the country's President Shavkat Mirziyoyev signed a decree "On measures for the stable provision of natural and liquefied gas to the population and sectors of the economy", which aims to prevent a sharp rise in prices. Uzbekistan will reset the excise tax rate for selling imported gas from October 1, 2021. Moreover, from January 1, 2022, liquefied gas sold by manufacturing enterprises is not subject to excise tax (UzReport, 27.10.2021).
- The Chairman of the Cabinet Ministers of Kyrgyzstan, Akylbek Zhaparov, signed the decree on the Asian Development Bank's (ADB) assistance with \$80 million to support the Kyrgyzstan budget. The ADB will provide a \$69.3 million policy-based loan and a \$10.7 million grant to help the economy transition from a heavy reliance on gold extraction and remittances to broad-based, sustainable, and inclusive growth. Using the funds, Kyrgyzstan will implement a number of economic reforms to strengthen the competitiveness of the country (Kabar, 25.10.2021).
- Turkmenistan's capital Ashgabat recently hosted the 26th International Conference "Oil and Gas of Turkmenistan", dedicated to the 30th anniversary of Independence of the country in online format. Representatives of over 150 international companies, senior management of energy organizations and delegates from major international financial institutions participated in the conference. Participants, the total number of which exceeded 400, discussed the future of energy. For the first time the Secretary General of the OPEC participated in the conference (Orient, 27.10.2021).
- According to Russian experts, obtaining a license for the construction of the fourth power unit of the Akkuyu Nuclear Power Plant increases Rosatom's chances of receiving its next "nuclear" order in Turkey and confirms the high quality and efficiency of Russian nuclear technologies. The issuance of the license allows carrying out all construction and assembly works in the unit. The Akkuyu power plant will consist of four power units with a capacity of 1200 MW each (TASS, 29.10.2021).
- The Prime Minister of Uzbekistan Sardor Umurzakov held talks with the Deputy Prime Minister of the Republic of Korea Hong Nam Ki. The sides discussed potential opportunities for the development of investment partnership. An exchange of views also took place on the possibilities for establishing interaction with the Economic Development Fund for the implementation of developing projects in Uzbekistan without providing unconditional guarantees. The sides committed themselves to activate the forces to coordinate the existing topics and to prepare the document for signing in the near future (Centralasia.news, 27.10.2021).

Society and Culture

- The International Turkic Academy inaugurated the new building in Kazakhstan's capital Nur-Sultan. The opening ceremony was attended by the head of the International Turkic Academy Darkhan Kydryali, State Secretary of Kazakhstan Krymbek Kosherbayev, representatives of different ministries and diplomats of Azerbaijan, Kyrgyzstan, Uzbekistan, Turkmenistan and Turkey. The building houses a museum and library with valuable literature relating to the Turkic world (Kazinform, 29.10.2021).
- TURKSOY and the Hungarian Heritage House signed a cooperation protocol in Budapest. The signing ceremony was attended by representatives of embassies of TURKSOY member countries in Hungary and officials of the Office of the Representation of the Turkic Council in Hungary. This became the second protocol signed between TURKSOY and Hungary. The signature ceremony was followed by an artistic performance of the National Folk Dance Ensemble of Hungary introducing the colorful Hungarian Folklore (Turksoy.org, 27.10.2021).
- The Government of Japan made a decision to extend the Emergency Grant Aid of \$65 million to Afghanistan and neighboring countries necessitating humanitarian assistance. The aid will be provided to Afghanistan and neighboring countries, such as Pakistan, Iran, Tajikistan and Uzbekistan through seven international organizations. The funds will be spent to provide shelter, water, sanitation, food, agriculture and education (ASIA-Plus, 27.10.2021).
- The President of Religious Affairs of the Republic of Turkey Ali Erbas visited Azerbaijan as a member of the Turkish delegation led by President Recep Tayyip Erdogan. During the visit, Ali Erbas was received by the Azerbaijani President Ilham Aliyev who congratulated him on the occasion of the national day of the Republic of Turkey - the Republic Day and wished the people of Turkey happiness and prosperity. The sides pointed out the destruction of all historical and religious monuments by Armenians during the occupation and discussed the ways of restoration (Azernews.az, 29.10.2021).
- The traditional AMEN International Animation film festival was held in Turkistan. The event was attended by the best animation artists from Turkey, Azerbaijan, Bashkortostan, Kyrgyzstan, Uzbekistan, Tatarstan and Tajikistan. The event facilitates networking among animators of Turkic countries. The festival was organized by the OzgeEpic Contemporary Art Space and the Association of Animation Film Studios of Kazakhstan with the help of the Ministry of Information and Public Development (Kazinform, 26.10.2021).
- Some of the best Tatar films have been screened in Baku as part of the Tatar Cinema Days. The film screening was attended by representatives of the Tatar community in Azerbaijan, cultural and art workers, representatives of creative organizations and youth. The festival is aimed to stimulate exchange of the workers in culture and arts between Russia and Muslims of the neighboring and far-abroad countries (Azernews.az, 27.10.2021).