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India lifts metallurgical coke imports

04 Mar 16, 02:31 - Coking coal, Fundamentals

Goa, 3 March (Argus) — Indian traders and steelmakers are seeking to buy more metallurgical coke rather than spot cargoes of coking coal as falling prices for Chinese metallurgical coke squeeze out domestic production.

India became the largest importer of Australian coking coal last year, receiving 31.5mn t. But India is unlikely to overtake China as the top global spot buying and clearing market anytime soon, an Indian trader said on the sidelines of the Coaltrans India conference today. "Those mills in India that are buying more met coke now will not be buying more coking coal on the spot market because they are running their own coke ovens at minimum output, maybe 30-40pc of capacity because they cannot stop production," the trader said.

India imported 3.1mn t of metallurgical coke in 2015, up by 12pc on the year. But last year's levels well below imports of about 10mn t in 2005, before Indian steelmakers built many of their own metallurgical coke ovens that have now become largely unviable, the trader said.

"Those mills are importing met coke again instead of making their own from coking coal. If they do go looking for a coking coal cargo on the spot market now, it will be for something small like 30,000t instead of a Panamax," the trader said.

Prices for premium hard low-volatile coking coal rose by 20¢/t to $79.30/t fob Australia today as rains in Australia and a pick-up in sales to Europe tightened supply, while prices for 65 CSR metallurgical coke fell by $1.62/t from last week to $110.88/t fob north China.

"It is very distressing to see coking coal prices rise over the last two weeks while our own profit margins are very low," an Indian steelmaker said at Coaltrans India. "At these levels we might as well buy more met coke from China, which is what more and more mills have been doing."

Indian traders also complain about the switch from spot coking coal buying to metallurgical coke, a market that comes with greater risks and fewer money-making opportunities.

"If you manage to sell a met coke cargo you are not going to get much more than you paid, maybe just a dollar or so because there is not much liquidity or volatility," the trader said. "There is also the issue of questionable quality of met coke from China. You might not get the specifications you thought you were selling, and if a mill gets burned with on poor quality cargo they will never forget."

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Indian demand to support coking coal price rebound

04 Mar 16, 17:03 - Coking coal

Goa, 4 March (Argus) — The recent uptrend in coking coal prices is forecast to be sustained by stronger demand from steelmakers in India, even as a proper rebalancing to the industry still remains in the future.

Coking coal spot prices appear to have hit a floor late last year when premium hard low-volatile coking coal fell to about $74/t fob Australia and now will be supported by supply concerns going forward, a Indian steelmaker said on the sidelines of the Coaltrans India conference.

"We can see from here that the price floor was already reached, so barring any catastrophe we should no longer wonder about how far it can fall," the steelmaker said. "Buyers are taking their positions much faster now. With the Anglo American mine sale and the supply issues we have seen, we can no longer take cheap prices for granted."

The spot price for tier-one coking coal was last assessed by Argus at $79.30/t fob Australia.

But coking coal producers will also struggle to sustainably lift tier-one spot prices above $80/t fob Australia unless the prospects for steelmakers in Asia strongly improve, the steelmaker said.

"It looks like we will have another tough year in 2016 and any big rebound is at least another year away," he said. "But the situation has also changed. Steelmakers in India are joining together to try to keep supply at sustainable levels, so we think we've gotten through the worst of it."

India is also at a watershed for steel consumption with demand expected to rise to 190mn t by 2025, which could pull coking coal pricing further in the direction of the subcontinent, Tata Steel procurement director Rajiv Mukerji said at the conference.

"There is an interesting trend we are seeing where China was always the clearing market for coking coal, but that is beginning to change," Mukerji said. "The government focus on infrastructure projects is set to increase, but we also need enhancements like enabling our ports to handle Capesize cargoes of coking coal."

The Indian government's budget released at the end of last month outlines few allocations for steel-intensive development plans, but protectionist measures such as the minimum import price for steel will keep Indian mills from posting deeper losses, another major Indian coking coal buyer said.

"We saw this week that the US imposed at 266pc tax on some Chinese steel imports. We might take longer to impose those measures, but we know now that we have the full support of the Indian government and China will be forced to reduce their capacity," the buyer said.

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India's coal imports to stabilise in coming years

03 Mar 16, 19:37 - Coal

Goa, 3 March (Argus) — Indian coal imports are likely to stabilise at around 165mn-175mn t/yr over the next 2-3 years, with rising demand from power generation companies offsetting an increase in domestic production.

Doubts remain over the viability of plans by state-controlled producer Coal India (CIL) to almost double its production to around 1bn t/yr by 2020, but Indian mining firms are expected to ramp up their output significantly in the coming years, delegates at the 15th Coaltrans India conference said.

Projections vary on how much CIL will be able to increase its production by 2020, although it is likely to face problems meeting its 1bn t/yr target because of factors such as transportation constraints and delays in licencing and land acquisition. CIL has managed to increase its production by around 9pc/yr over the last two years, but it is unclear whether this rate of growth can be sustained.

CIL still regularly misses its government-set monthly output targets, although the firm has boosted production as part of efforts to end India's reliance on imports. CIL produced 426.32mn t of coal in April-January, the first 10 months of India's financial year, representing growth of over 9pc year on year.

The increase in domestic output has contributed to a fall in coal imports since the middle of last year. And the decline is accelerating, with India's imports down by 29pc in January compared with a year earlier to 22.2mn t. Total receipts in April-January fell by 16pc from a year earlier to 148.9mn t.

Imports are likely to stabilise at around 165mn-175mn t/yr as rising domestic production is offset by an increase in demand from new coal-fired power capacity, industry officials at the conference said.

India has so far added 12.13GW of new thermal generation capacity in the 2015-16 fiscal year. The majority of this is coal-fired, with some gas-fired plants also brought on line. India added 4.5GW of coal-fired power capacity in December-January, boosting its total coal-fired generation capacity to 175.24GW.

And CIL is now grappling with a supply overhang, in contrast to the supply shortfall experienced by Indian power plants in recent years. Coal-fired generation has started to fall short of target just as coal production has risen, resulting in CIL stocks increasing to around 50mn t.

Slower demand growth at coal-consuming industries has left much of CIL's additional supply in storage, leading to questions over whether India needs to increase its coal production as quickly as previously thought. Coal inventories at key power plants monitored by government agency the Central Electricity Authority were at 36.21mn t at the end of February, up by 17pc since the start of this year.

CIL's production plans in the coming years will ultimately be determined by international prices, participants at the conference said.

"If international prices come down further this will make imports more competitive," said Rajib Maitra, associate director at financial advisory firm KPMG. "The big question now is whether or not India will actually need as much coal, particularly with manufacturing and industry accounting for a smaller percentage of GDP growth as the country moves further towards services-based economic growth."

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Anglo American lays out coal asset sales plans

03 Mar 16, 18:07 • Coal, Coking coal, Corporate

Goa, 3 March (Argus) — UK-South African mining company Anglo American will focus on selling its coking coal mines this year before switching attention to its thermal coal assets in 2017, as it reacts to the sharp fall in commodities prices.

Anglo American last month said it would sell its iron ore and coking coal assets as part of plans to dispose of its non-core assets and instead focus on its De Beers diamond business, platinum operations and copper unit.

"Disposal of the metallurgical coal assets is already under way. Our aim is to have the disposal completed in 2016, although it could go on into the first quarter of 2017," the firm's India chief executive Bala Parthasarathy said at the Coaltrans India conference today.

The company expects to start focusing on its thermal coal assets from next year. "It is further down the line. We will start to look at it at the end of this year and into 2017, but it will take time and customers will continue to be served," Parthasarathy said.

Anglo American made a pretax loss of $5.5bn last year and reported $3.8bn of asset impairments in the second half of the year alone. Group debt was $12.9bn at the end of 2015. It aims to cut debt to $10bn by the end of 2016 and to $6bn in the medium term.

"We bought assets at the top of the supercycle, which coincided with China's boom and bust," said Parthasarathy.

Anglo American's thermal coal production fell in the fourth quarter following strikes in South Africa and weather-related production shut-ins in Colombia. Fourth quarter output fell by 21pc or 3.84mn t year on year to 15.02mn t, and was down by 13pc or 2.26mn t on the previous quarter.

The company produced 66.62mn t of thermal coal in 2015, a fall of almost 8pc or 5.57mn t on a year earlier. Coal output for consumption by South African state-owned utility Eskom, which it supplies, dropped by an even steeper 16pc or 4.97mn t from the previous year to 26.02mn t in 2015.

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Indian coal users eye cheaper petroleum coke

07 Mar 16, 17:40 • Petroleum coke, Coal, Steam coal

Singapore, 7 March (Argus) — Indian petroleum coke imports are forecast to increase to around 12mn t during the country's 2016-17 fiscal year starting 1 April, as lower global prices encourage industrial users like cement producers to move away from more costly seaborne thermal coal. An increase in petroleum coke consumption could put even more pressure on demand for thermal coal at a time when imports are already falling.

Indian coke imports have risen sharply during the past year as global prices have plunged. The country's receipts reached 7.9mn t during April-January, the first 10 months of 2015-16. Shipments reached 1.07mn t in January, the highest monthly volume during the period. The country imported around 4.5mn t of petroleum coke during 2014-15, with the majority coming from the US and Saudi Arabia.

The main factor driving the increase in petroleum coke imports has been a plunge in global prices, which in part has been brought about by rising supplies after Saudi Arabia emerged as a supplier of high-sulphur petroleum coke to India since last year. Prices of US petroleum coke with 6.5pc sulphur content and 40 HGI, the grade which is most commonly used by Indian cement manufacturers, are currently at $40.50/t on a cfr India basis, which is 48pc or $37/t lower than a year earlier.

But the decline in the cost of NAR 6,000 kcal/kg South African thermal coal, which is often used by Indian cement producers that can switch between thermal coal and petroleum coke, has been far less pronounced. Fob Richards Bay prices of NAR 6,000 kcal/kg coal are currently at $51.98/t, just $9.06/t lower than a year earlier, while Capesize freight from Richards Bay to east coast India is at $4.20/t that is around $1.80/t lower than a year ago.

India's petroleum coke imports are also poised for a boost this year as buyers previously dependent on supplies from Indian private-sector refiner Reliance Industries (RIL) turn to new sources. RIL is preparing to ramp up a petroleum coke gasification project and consume more of its own supplies.

Lower petroleum coke prices are encouraging Indian manufacturing companies that operate their own captive power plants to switch away from thermal coal in favour of cheaper coke. A large-scale Indian cement producer last year modified at least one of its captive coal-fired plants with a capacity of around 2.5MW and previously ran on thermal coal to run solely on imported petroleum coke, said an India-based supplier. At least two other cement firms are also making similar modifications to small captive power plants that they operate, he said.

While the increase in petroleum coke consumption by small-scale power plants may displace thermal coal, it is difficult to project by how much. Operators are able to blend thermal coal with coke to varying degrees, as well as switch between petroleum coke and coal depending on pricing dynamics, according to participants at a coal industry conference in Goa last week. But if coke prices stay depressed, more manufacturing firms that have the ability to switch away from more costly thermal coal are likely to do so, they said.

The aluminium smelting arm of India's private-sector firm Vedanta Resources last week said it is seeking 100,000t of fuel grade petroleum coke with a calorific value of up to 8,500 kcal/kg for power plants it operates in Orissa and Chattisgarh. Vedanta is seeking two 50,000t shipments for arrival in April and May in a tender closing on 20 March, having previously run successful trials at the plants. The company did not specify which origin of petroleum coke it is seeking, but a maximum sulphur content stipulation of 8pc suggests that either US or Saudi material could be offered into the tender.

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