
Chinese demand rejuvenates Russian coal industry

Saturday, 20 Mar, 2010

Coal trading volume between Russia and China has been boosting swiftly. Last year Russia exported to China 11.8 million tonnes of coal, 13 times higher than in 2008, making Russia the fourth largest coal exporter to China. Thanks to its increasing investment in infrastructure construction, Russia had managed to export goods to far east ports amid the financial crisis and the weakening energy demand in Europe.

OAO Mechel one of the leading Russian mining and metals companies, said on Mar 15th that it had set up an office in China Beijing, underscoring that it had laid so much emphasis on its Chinese business. However, experts warn that Russia's exports to China bear much fluctuation, thus it faces challenges in sustaining its market position.

As calculated, the FOB price of Russia coal remains higher than that of Indonesia and Australia, for the reason that coal exports have to cover the transportation fare for the 4,000 kilometers between Kemerovo and its ports. Most of its coal is mined in Kemerovo which locates in central Russia. However, the CIF price remains lower compared with that from other countries, owing to its vicinity of China.

As demand stagnates in Europe, mining companies in Russia will be refocusing on the still-growing Asian-pacific region. The depreciation of its ruble in last February had also helped revitalize its coal exports.

(Sourced from MySteel.net)

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