
Supply disruptions to push coal prices to record levels

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Coal prices in Asia jumped to a record high on Monday as the region suffered acute shortages because of disrupted supply in Australia, South Africa and China. The impact is spilling into other regions, with coal costs rising sharply in the US, Latin America and Europe.

According to the GlobalCoal trading platform weekly prices for the regional benchmark, Australia's Newcastle coal rose to USD 93.35 per tonne up by almost 75% in 2007. As per reports, the European benchmark Rotterdam spot coal prices jumped to USD 130 a tonne up from USD 68.5 per tonne in 2007.

Australia

Mining companies in Australia, the world's largest producer, announced force majeure at several mines last week after flooding in the state of Queensland. Among those was one owned by BHP Billiton and Mitsubishi which produce nearly half of Australia's coal exports.

South Africa

Coal mines here, which produce about 10% of the world's coal exports, were evacuated last week after the country had extensive electricity blackouts. Some mines have restored production since then, but others are still halted.

China

Miners and port authorities were told last week to stop coal exports for two months to ensure the local market remains well supplied and to help end a severe power crisis.

Mr Emmanuel Fages a coal analyst at Société Générale in Paris said that the coal market was already tight before the recent supply disruptions. It would take weeks rather than days, before supply and demand balanced and prices eased. He said that "We will not see a downturn in prices, but we will see an easing after some weeks, starting in March or April. On top of rising demand in China, the coal market is facing a short term increase in consumption in Japan as the country's power utility, Tepco, relies more heavily on its coal thermal power plants to offset the impact of the closure of the Kashiwazaki Kariwa nuclear plant after an earthquake in July."

The coal market's tightness and the supply disruptions suggest that the outcome of the current annual secretive price negotiations between the mining companies and the Japanese steelmaking industry will result in much higher prices.

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