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## China seeking spot Indonesian coal to overcome shortages

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It is reported that Chinese coal buyers, faced with a shortage of domestic coal and rising local prices, are making active spot enquiries for Indonesian coal supply this month.

China is increasingly looking to Indonesia for coal supply, a trend seen since early last year. Chinese firms joined Japanese and South Korean buyers turning to alternative supply sources such as Indonesia, Australia and South Africa to compensate for reduced shipments from China, which has turned into a net importer. A cut in China's coal import tax from 3% to 1% is also encouraging buying interest from Chinese importers.

Indonesian producers and traders said they have received a surge of buying interest from China this week, seeking to procure mostly 5,000 to 5,500 kcal/kg coal. One key Indonesian producer said it may even consider signing long term supply contracts with Chinese buyers.

Some Japanese utilities recently bought Indonesian coal cargoes for delivery in the first quarter of 2008 at about USD 84 per tonne while Hokuriku Electric Power and Chubu Electric Power each bought a Panamax of Australian coal for December-loading at about USD 80 per tonne FOB. In addition, Japanese utilities have agreed to pay international mining conglomerate Xstrata USD 78 per tonne for Australian thermal coal a 40% increase from last year.

Indonesia aims to increase coal production to 234 million tonnes this year as a result of strong demand from China and India.

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