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## Chinese domestic coal price may increase further

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It is reported that on March 20th 2008 many coal companies were willing to raise coal prices and Shanxi Lu'an Group, Yangquan Coal Industry Group, Datong Coal Mine Group and Shanxi Coking Coal Group and some coal mines have already requested coal price to rise up by CNY 30 per tonne to CNY 50 per tonne.

Experts believed that it is because of tight supply of coal in early 2008. Additionally, international coal price has been increasing by almost 50% since 2008, but the growth rate of domestic coal price is lower.

Mr Gong Yunhua the energy analyst from Guojin Securities said that the tight supply of coal in early 2008 was not caused by short coal resources, but caused by occasional factors instead, such as blocked transportation by heavy snow, the peak of demand for coal in winter, and so on.

An official from a coal company noted that, however, the cost in coal industry has been soaring in recent years. The rise environmental cost, mineral resources compensation expenses and increasing personnel cost since 2006 have boosted the cost in coal mines increased by around CNY 70 per tonne than in early 2006. The allowance from the government is not enough and they hope to raise coal price suitably.

Ms Yuan Xiaomei coal industrial analyst from Oriental Securities believes that although domestic coal price is pressed down, it would be boosted to a new record by the hike of international price and strong demand from domestic market. She points out that the reconstruction after heavy snow has already been completed gradually. Along with the resumption of production and living, the electricity burthen will climb up further, as well as the demand for coal.

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