
Shanxi urges coal firms to maintain supply demand balance

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It is reported that Shanxi Province has started control on coal supply in a bid to stabilize coal market and ward off large scale industry declines.

The province announced its M&As target in coal industry in this September 2008. It aims to halve current 2822 legal mines to some 1500.

Mr Hou Wenjin, Vice Inspector of Shanxi Coal Industry Bureau said that by the end of this year, more than 800 unqualified small coal mines will be closed, decreasing total capacity by 80 million tonnes to 90 million tonnes.

Total coal output in the province broke 800 million tonnes last year, with key mines and local mines contributing equally. The province has been ambitious to build super large size coal groups by M&As since this year beginning to raise industry concentration and resist market fluctuations.

Market analysts comment that both supply and demand sides are cutting outputs. All the production, transportation and distribution are shrinking at the same time. However, large coal groups can hardly control the market until they grasp an output share of 60% to 70%. The groups now only hold approximately half of the outputs hence future market is still up in the air.

Against such a backdrop Shanxi Coal Industry Bureau has urged coal enterprise to remain cautious towards coal sales, manage production and supply according to market demand and maintain balanced supply and demand relation consciously.

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