
South Korea utilities seeking hefty discounts in coal talks in China

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Reuters reported that South Korean utilities have broken with tradition to jointly launch formal coal contract talks with Chinese miners in a bid to cut their contract tonnage by up to 40% as well as secure a steep price discount. An impasse over annual price talks, or a decision by South Korean power firms to walk away from the deal could open the door for traders to sell more spot cargoes to Asia's second-largest coal market.

All five power companies will jointly negotiate with Chinese producers this year, departing from the norm of fixing term contracts individually, three utility sources said on Friday, as they press for a price cut of around 60% to sell the fuel in the low USD 60 price ranges. The power firms have sent a letter to China's Shenhua Energy Co, Datong Coal Mine Group and Shanxi Coal Import and Export Group on Thursday to initiate negotiations.

One utility source said "We're looking to settle in the low USD 60s range. If they are not agreeable, we may decide not to buy any cargoes from them this year. If that was the case, we can resort to buying more coal from the spot market. But of course, we want to first negotiate contract prices with our term contract suppliers."

South Korea's five power companies Kosep, Komipo, Kowepo, Kospo and Kewespo will cut their contract tonnage with Chinese miners to about 2.5 million tonnes this year as compared with 4 million agreed last year at a price of USD 153.51 per tonne, based on coal with a calorific value of 6,080 kilocalories per kilogram and including China's export taxes.

(Source from Reuters)

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