



Coking Coal year-end outlook

Getting past the ban

China's informal ban on Australian coals

China's informal bans on Australian since mid-Oct has changed the trade flows for the two nations.

Rationales for the ban



The informal ban stemmed from the strained political ties between the two countries.

Plus, China's protection of its own coal sectors with many SOEs operating in it.

Diversification by the Chinese coal buyers

US and Canadian coals



Chinese coal buyers had since been seeking Canadian coking coal brands like Elkview and Raven.

US coking coal was been sought out as well.

Mongolian coals via trucks



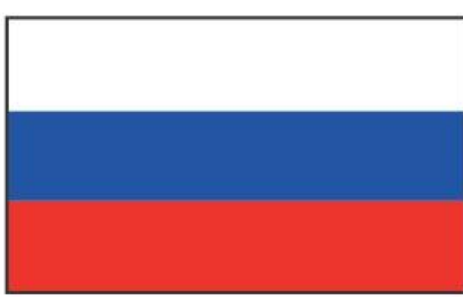
In turn, China looks over its landlocked neighbour, Mongolia to supply coals via trucks.

Good blast furnace mix



Russian and Indonesian coals

Chinese end-users also seek for Russian coals due to their lower sulfur content during blending.

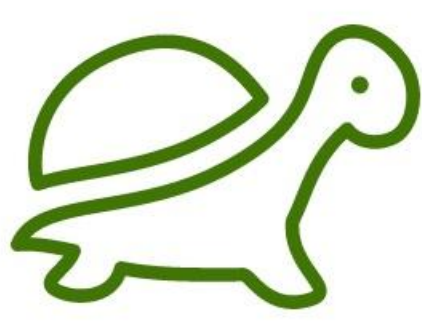


Indonesian semisoft cargoes were wanted by Chinese mills especially for semisoft cargoes with December laycan.

Both Russian and Indonesian coking coals were sought due to their compatible for blending with Mongolian and domestic Chinese coals in the blast furnace mix.

Problems with alternative coking coal sources

New sets of logistic problem



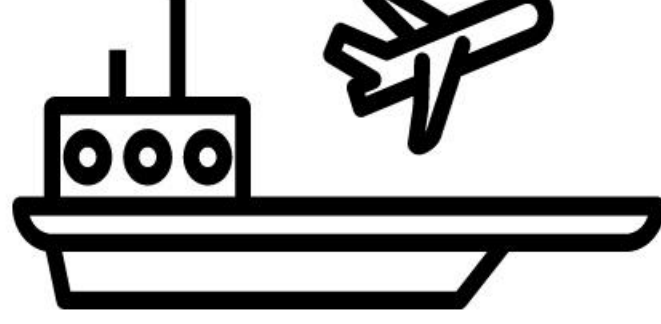
Chinese end-users may seem to get pass the ban, but new challenges await for them.



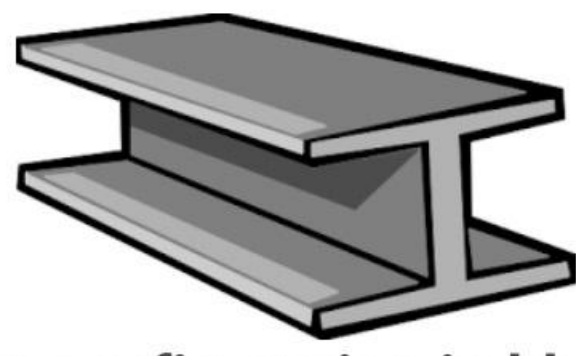
Limited supply in spot market

These alternative sources of coking coals came in limited supply as most of time, Australian coking coals are the mainstay.

New routes to be establish



The availability of Russian coals were hindered by logistics and transportation issues.



New configuration in blast furnace

Due to new specification of non-Australian coking coal, Chinese mills needed more adjustment in blast furnaces for steelmaking.

New markets for Australian coking coals

Ex-China players on the move

With the absence of the Chinese buyers on Australian coals, other players try to fill in the demand gap.



South Korea fixes coal shipments

South Korean end-users secured some coal shipments but were mostly believed to be thermal coals for winter heating season ahead.

Fresh enquiries from Japan



There were some fresh enquiries from Japanese participants, probably, due to steel making needs as they resumed their blast furnace operations in Nov-Dec.



Slow demand from India

India did not live up to market expectation in filling the role left by China.

This was due to the Diwali celebration in mid-Nov and most mills had already secured Dec laycan cargoes.

RCEP: A better relationship with Australia?



01 The long-negotiated Regional Comprehensive Economic Partnership (RCEP) agreement was signed on Nov 15, with 15 countries including China and Australia.

02 RCEP combines almost \$25 trillion in real gross domestic product (GDP), or about 30 percent of the world's total GDP.

03 The RCEP agreement allows imports of each member's goods with minimum or no tariffs.

However, there was no mentions by China to lift imports restriction on Australian products such as coal, barley, and wine.

Moving ahead...

Stick to Dec laycan cargoes



Due to the uncertainty, most Chinese buyers chose to secure Dec laycan non-Australian coals and avoided Jan laycan coals in anticipation of any update on import ban for Australian coals.

Balancing act for Chinese mills

More correction for Australian coals



The oversupply of Australian cargoes is expected to depress prices in the market.

Meanwhile, there are more competitive bids for non-Australian coals, due to their limited availability.



Chinese mills are likely to diversify their coking coals sources for a while.