

Issue: 35-23 | Date: 19 Sep 2023

聞 This week:

Coking coal markets could break in the near future

A looming global shortage of coking coal supply is being exacerbated by problems with investing in new mining capacity. If supply does not pick up, coking coal markets could "break", according to Mark Bolton, general manager for marketing and logistics at Jellinbah Group.

At the heart of the problem are barriers to investment. In Australia, investment is increasingly difficult and risky. Permitting applications are taking much longer and are more complicated. They can also be questioned even after they are issued, meaning investors must bear a greater risk to their investments, Bolton noted at the Eurocoke conference in Amsterdam on Wednesday.

Applications must now also come with solutions for Scope 1 carbon emissions. These include equipment, which can be electrified, or by using hydrogen, and also fugitive gases, which are difficult to control.

Sources of financing have meanwhile been reduced. Investors, especially from Europe, are less willing to involve themselves with any kind of coal. Even if projects secure permitting and investors, it is increasingly difficult to find labour. Local Australian governments do not want to approve new mining villages and workers do not want to work on a fly-in fly-out basis.

Coking coal buyers are responding to looming shortages by either paying a premium to secure regular supply, or by vertically integrating through investing into miners. However, this is only capturing existing supply, not expanding total supply, Bolton pointed out. As a result, there could come a breaking point for coking coal markets, Bolton warned. Steelmakers may be forced to accelerate the move to new technologies to reduce their use of coking coal, or else be forced out of the market altogether.

MARKET

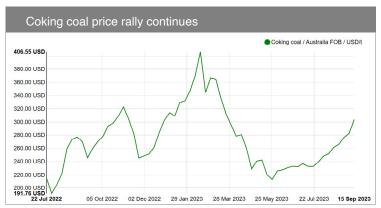
Meanwhile last week the price of coking coal continued its rapid increase. Australian fob coking coal prices surged again due to global miner BHP's coal mine closure. Kallanish assessed premium hard coking coal at \$303.77/tonne fob Australia, up \$21.11/t from \$282.66/t fob the previous week.

On the Singapore Exchange, Premium Coking Coal Futures for October settled at \$317/t fob on Friday, up from \$285.33/t a week earlier. A Singapore-based trader says that the BHP mine closure has really pushed up the coking coal prices. "However, so much so that coke prices are lower than coal prices. It does not seem the uptrend is sustainable," he says.

It was reported that Resources Safety and Health Queensland (RSHQ) has suspended operations at the BMA Peak Downs coal mine after two trucking incidents. According to Australian Mining, the two incidents saw trucks slide uncontrolled for more than 100m during a night shift on the weekend of 9 September.

In a statement obtained by the ABC, BMA said it is currently completing safety checks at the site. "We are working with RSHQ and truck operations will recommence once we have completed all safety checks. Other operations are continuing as normal," BMA said in the statement.

Meanwhile, another Singapore-based trader says that the market is very tight as the supply is weaker than normal. "BHP is not coming out with as many spot shipments as they usually do. Also demand in India and Indonesia is picking up with each passing month," he says.



Click here to view this graph online

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How long can raw material prices support finished steel prices in China?

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Will Indian mills continue to book scrap to restock ahead of winter?

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How deeply will the US auto strike suppress coil demand?

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Will firm scrap prices continue to support Black Sea billet?

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Are fundamentals strong enough to support further European scrap prices?

KORE INDEX

Index	58%	62%	65%
W-o-w % Change	4.19%	2.96%	2.10%
15 Sep	109.82	125.64	134.83
14 Sep	109.13	123.51	132.82
13 Sep	108.97	122.50	131.17
12 Sep	108.33	121.67	130.80
11 Sep	108.03	119.99	129.32
Average	108.86	122.66	131.79
08 Sep	105.85	118.60	128.06
07 Sep	105.92	119.13	128.63
06 Sep	105.97	119.80	129.25
05 Sep	106.91	119.45	129.50
04 Sep	97.73	118.69	129.96
Average	104.47	119.134	129.08

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Global Overview

Americas:

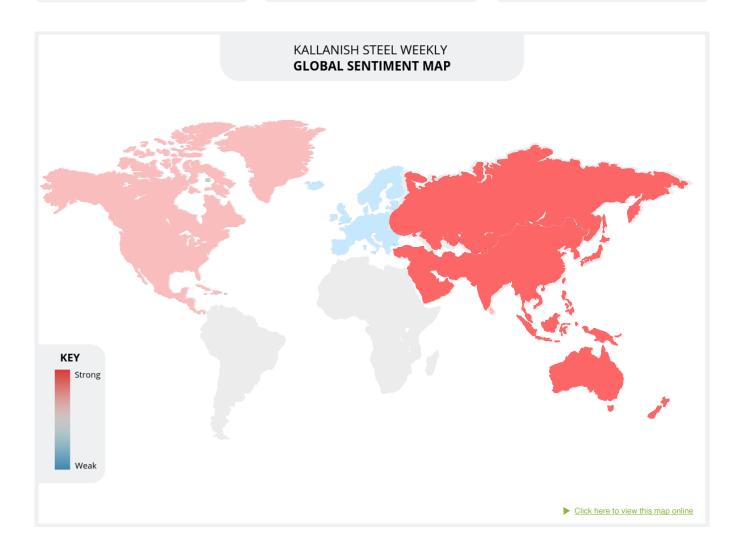
- Auto strike muddles flat-steel demand outlook
- Rebar market entering autumn
- No price bounce yet for energy

Europe:

- European coil prices trajectory uncertain
- Italian rebar prices fall
- German scrap up

Asia:

- Raw materials prices in China
- Chinese steel demand continues to worry market Billet offers in ASEAN up again



India:

- India imported scrap offers
- increase despite low bids Imported scrap offers tick up in Bangladesh
- Pakistan scrap intake drops amid fall in domestic demand

CIS:

- CIS billet market suffers slow demand
- Russia increases scrap exports to Belarus

Middle East:

- Turkish scrap prices stable
- Demand recovers somewhat for Turkish HRC exports
- Iranian mills suffer power restrictions

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Billet

Billet's are long, continuously cast semis. Similarly to blooms, they are cut-to-length after casting and are reheated for rolling. Billet is the starting point for rolling products like rebar, plain bar, merchant bar and light sections, narrow strip and wire rod.



□ Contact

If you found this issue of Kallanish Steel Weekly interesting please let us know, we would love to hear from you.

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