

China Loans \$6Bln to Secure Coal

By [The Moscow Times](#)

September 07, 2010



China became a net coal importer for the first time, in 2009, on demand from steel producers and power plants. **Doug Kanter**

China agreed last month to lend Russia about \$6 billion in exchange for increased coal supplies over the next quarter century, the Russian Energy Ministry said in a statement Tuesday.

The government will use the loan to finance investments by domestic coal producers in return for a guarantee to increase supplies to China, ministry spokeswoman Irina Yesipova said.

Russia will raise shipments to China to at least 15 metric million tons annually in the next five years and more than 20 million tons in the following 20 years, the statement said. Deliveries surged 15-fold to 11.8 million tons last year, accounting for about 10 percent of China's total imports.

China, which uses coal to make steel and to fuel 80 percent of its power plants, is seeking to boost imports from countries including Mongolia and Australia to meet demand.

“This agreement is beneficial for all coal producers in Russia,” said VTB Capital analyst Alexander Pukhayev. “It could act as a key factor driving forward the development of this sector.”

Mechel, Russia’s biggest producer of coal for steelmaking, may benefit from the Chinese loan because it needs funds for its Elga mining project in East Siberia, Pukhayev said.

Steelmakers Severstal, Evraz Group and Novolipetsk Steel might also be interested as they seek to develop coking-coal deposits in the Siberian republic of Tuva, he said. Siberian Coal Energy Company, or SUEK, Russia’s largest coal producer, said last September that it increased exports to China tenfold in the first nine months of 2009.

Yesipova said it was too early to say which Russian coal miners would participate in the deal.

Last month’s agreement was part of a package including gas pipeline deals and electricity supplies that will be discussed further at the next round of the bilateral energy dialogue, scheduled for Sept. 21 in Beijing.

“The entire spectrum of issues will be discussed,” Yesipova said.

“It is strategically important for China to boost coal imports from neighboring countries, including Russia, to secure energy supply,” Wu Jie, a coal analyst at Orient Securities, said by telephone. “The purchase won’t have too big an impact on the domestic market and prices, given the moderate increase.”

China became a net coal importer for the first time in 2009 after overseas deliveries more than tripled to a record 125.8 million tons from a year earlier. Its coal purchases from Russia cost an average of \$87 a ton last year, compared with \$111 a ton for cargoes from Australia, according to customs data.

Russia was the fourth-largest supplier after Australia, Indonesia and Vietnam, the data show.

Russia and China signed the coal-supply and loan agreements at the end of August, according to the Russian statement. The \$6 billion loan will help Russia fund new mining equipment, develop resources in the nation’s Far East and build coal-transportation links including railways, the China Coal Transportation and Distribution Association said Tuesday in a report on its web site.

The countries will also set up joint ventures to develop coal resources in Russia and conduct research into coal-to-liquids technology, the Chinese report said. Russia will cooperate on exploration with Shenhua Group, China’s largest coal company, the association said. ❏

(Bloomberg, Reuters)

Original url: <https://www.themoscowtimes.com/2010/09/07/china-loans-6bln-to-secure-coal-a1229>