

# SUEK Says Repairs Cause Coal Export Drop

By [The Moscow Times](#)

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Coal being excavated at the Yakutugol mine. Rail repairs and safety inspections are blamed for reduced exports. **Denis Grishkin**

AMSTERDAM — Russia's seaborne steam coal exports are likely to fall because of the impact of rail maintenance and continuous safety inspections in the summer, said Siberian Coal Energy Company, or SUEK, Russia's biggest coal miner and exporter.

Total seaborne thermal coal exports are set to fall to 64 million metric tons in 2010 from 2009's exceptional 75 million tons, Igor Griбанovsky, SUEK's director responsible for sales marketing and logistics, said in an interview.

Russia is one of the world's top five coal exporting countries, the biggest supplier of imported coal to Britain and a growing source of coal for the booming Asian market.

"Total seaborne steam coal exports last year were unusually high at 75 million tons,"

Gribanovsky said.

"Last year, the situation was easier because exporters ended 2008 with high stocks which they could keep easily shipping since, due to budget reasons, state operator RZD [Russian Railways] cut its planned maintenance by about 50 percent in 2009, but this year they are doing really massive repairs and trying to catch up," he said.

"For 2010, total Russia seaborne steam coal exports on an annualized basis look likely at 64 million tons, of which 20 million is for Asia."

The flow of coal on the international market has become much more fluid since the emergence of China and India as major importers during the past one to two years.

This has meant an increased interest in tracking changes to the tonnage and direction of exports, particularly in countries such as Russia where official statistics are scarce.

The rail problem in Russia has often been misunderstood to be because of a lack of wagons — the number of wagons has not been decreasing in Russia, but maintenance has added several days to the normal length of a return journey, requiring more wagons to move the same tonnage of coal, Gribanovsky said.

RZD's maintenance should be finished within the next couple of weeks so the coal flow in November and December should normalize a little, he added.

The combined effect of lower-than-expected summer mine production and maintenance had shrunk stockpiles of coal at mines in Kuzbass to about five or six days' worth for most exporters, Gribanovsky said.

The in-depth safety inspections this summer at all Kuzbass mines following the explosion at Rospadskaya's coking coal mine, in which more than 60 miners died, cut output everywhere and helped shrink stocks and exports, he said.

"There was pressure on producers because of the safety checks in the summer; they could not produce as much as they wanted," Gribanovsky added.

SUEK lost output at its Kotinskaya underground mine last summer, which was shut for safety inspections.

SUEK's own steam coal exports will be about 2.7 million tons below last year's level because of a combination of factors — inspections, low stocks, maintenance — forecasting exports of 25.5 million metric tons on an annualized basis down from 28.2 million in 2009, Gribanovsky said.

China is an important market for SUEK's coal because it is a market that can take low-quality coal with 25 percent ash content that would otherwise be blended or sold domestically.

"SUEK has sold around 4 million tons to China for each of the past two years, but this year the figure is lower at about 3.5 million tons, not because the demand from China was not there but because it was possible to achieve higher prices from other Asian buyers in Taiwan, South Korea and Japan," he said.

Depending on how exports go for November and December, the final figure for sales to China could be 3.7 million to 3.8 million tons.

SUEK signed a memorandum of understanding to supply one million tons a year of thermal coal by rail to Chinese utility Datang Power, close to Russia's border, but final terms have not been agreed on yet.

India, the second-largest growth market for coal after China, is not a logical market for Russian coal, Gribanovsky said. SUEK has sold Indonesian but not Russian coal to India.

SUEK will ship more this year from its wholly owned terminal at Vanino on the Pacific coast.

Vanino ought to export 8 million tons in 2010 and has already built capacity to do 12 million tons a year. The constraint is the rail capacity to the port.

RZD has already begun work on the railway tunnel through the mountain needed for a new line that would allow enough capacity for SUEK to move 12 million tons of exports a year through Vanino, Gribanovsky said.

"The start of the tunnel is scheduled for 2013 but could be technically sped up upon rescheduling of the financing plan," he said.

"RZD has already begun the actual tunneling work, only lack of funding stopped the tunnel being completed," he said, adding that the mountain tunnel should be complete by 2013.

However, Gribanovsky emphasized that despite the logistical issues, 2010 has been largely business as usual for SUEK, with exports back to a more usual level after 2009's peak and steady sales into Europe and Asia.

He was bullish on API2 European delivered coal prices, currently trading at just over \$100 a ton. "The API2 price has more upside than any other index," he said.

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