

# **CORRECTED-China to slash H2 coal imports to back domestic miners, analysts say**

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Corrects to clarify 1.9 million tonnes coal consumption in paragraph 3 is thermal coal only, not including metallurgical coal)

- \* H2 coal imports may fall as much as a quarter -analysts
- \* China already imposed strict curbs on coal imports
- \* No sign of China to single out Australian coal imports -analysts

By Muyu Xu and Melanie Burton

BEIJING/MELBOURNE, May 20 (Reuters) - China is expected to tighten coal import rules in the second half of 2020 to shore up its struggling domestic industry, after record arrivals in the first four months, just as demand tanked because of the coronavirus outbreak.

Imports could drop as much as a quarter in the second half from the corresponding 2019 period, analysts estimate, which is likely to boost pressure on major coal exporters, such as Australia, Indonesia and Russia, which are already battling weak demand because of the virus.

China's total thermal coal consumption may reach 1.9 billion tonnes from July through December, said Yu Zhai, a senior consultant at Wood Mackenzie.

Imports would account for about 80 million tonnes of that, or a quarter less than the 107 million in the corresponding 2019 period, Yu expects.

James Stevenson, a senior director at IHS Markit, estimates China's full-year coal imports could fall to 275 million tonnes, with thermal coal plunging about 20% on the year, but seaborne metallurgical coal arrivals seeing a slight pick-up.

China's National Coal Association expects demand to decline in the second quarter on the year, after a fall of 6.8% in the first quarter as the virus shut industrial plants.

Chinese coal miners have cranked out record output in 2020 in response to Beijing's call to ensure energy supplies, but the flood of imports, coupled with lower consumption, slashed profit margins by 30% in the first quarter.

“Chinese coal miners are going through a difficult time,” said a coal association official who sought anonymity as he was not authorised to talk to media. “So coal-fired power plants have been encouraged to purchase more from domestic supplies.”

## IMPORTER FRICTION

Over the past month or so, at least three traders said, coal importers have already seen customs clearing processes extend to 40 days from around a week usually, with new conditions set for importers since March.

Still, the limits did little to slow imports during the first four months of 2020, which jumped 26.9% from the same period in 2019 to 126.73 million tonnes, customs data show.

Sources expect further steps to slow imports, though there is no sign that China plans to single out specific suppliers.

Some traders had speculated that recent trade tension between Beijing and Canberra over barley and meat shipments could spill into coal, for a repeat of last year’s delays of Australian shipments of the fuel.

But analysts said this year’s moves are targeted more broadly.

“If the aim is to control imports, the Chinese may utilize port restrictions, coupled with determining which parties are allowed to import coal,” said Pat Markey, managing director of Sierra Vista Resources in Singapore.

“Singling out Australian imports won’t completely accomplish the goal.”

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