

## Coking coal and the European steel industry • THE FACTS

More than 80 per cent of global coking coal production is used by the steel industry. It takes about 0.6 tonnes of coking coal to produce one tonne of steel via the blast furnace route. Coke is indispensable in the steelmaking process, both as a heat source and as a reducing agent necessary to extract the iron from the iron ore. The European steel industry is highly dependent on well-functioning and open markets for coking coal.

### Global production of coking coal amounted to 891 million tonnes in 2010.

China accounted for more than half of the global output. The second largest producer is Australia. There are no noteworthy producers of coking coal in the EU.

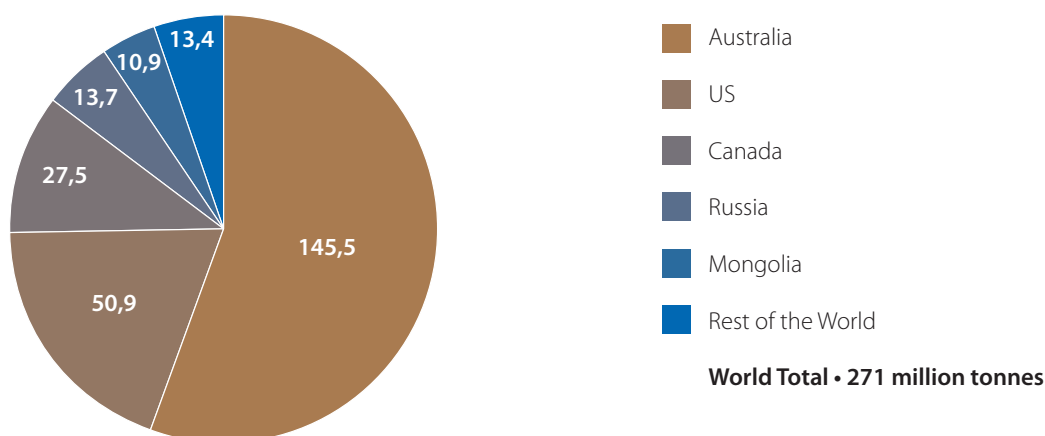
### The five largest producing countries are China, Australia, Russia, the United States and India.

Together, these states account for 88 per cent of global coking coal production. They also account for 77 per cent of global coking coal reserves.

### Only 30 per cent of global coking coal production is traded internationally.

Australia is the largest exporter, with 57 per cent of the world's total exports in 2010. The second largest supplier is the US with a share of 19 per cent.

### Coking Coal exports, 2010 (million metric tonnes)



### The EU27 imported almost 40 million tonnes of coking coal in 2010.

Main suppliers to the EU are Australia and the USA.

### Cost for coking coal accounts for around 20 per cent of the hot-rolled coil steel price.

The price for coking coal directly affects the cost structure of numerous European key industries using steel as a basic material.

## Coking coal and the European steel industry • THE RISKS

### Limited number of suppliers.

The market for coking coal exports, especially high grade seaborne supplies, is dominated by a few Australian companies. There is a risk of unjustified pricing and artificial supply shortages.

### Regional concentration of main suppliers.

Floods in the Australian mining region of Queensland in the beginning of 2011 had a worldwide impact on costs for coking coal. The price increased by 100 US\$ from 210 US\$ to 310 US\$ within the month of January alone. It took until the end of the year until the price was back at 214 US\$.

### China's strategic raw material policy.

With its strategic raw material policy, China exerts a structural influence on the international markets for coke and coking coal. The People's Republic is not only the world's largest producer, it is also the world's second largest importer of the raw material. China is continuously reducing its exports and ceases to supply regions lacking domestically produced coke. Instead, the country uses its coking coal reserves to increase domestic steel production. At the same time, the Chinese government applies export duties and export quotas on coke as well as further trade restrictions on coking coal.

### Global trade barriers.

In addition to China, also other countries have erected trade barriers on coke and coking coal: Vietnam as well as Indonesia apply export tariffs on coking coal. Duties on coke are raised by Vietnam and the Russian Federation. Malaysia prohibits the exports of coke.

### Structural changes in coking coal pricing.

Mainly caused by China's enormous demand, suppliers have terminated the annual benchmark pricing system in favour of spot market-based pricing. Rather than improving price stability and transparency, the new pricing systems resulted in high volatility with the risk of significant price increases.

**The European steel industry is extremely dependent on coking coal imports from third countries. Global markets have undergone significant changes, mainly under the influence of Chinese demand. Consolidation in the coking coal supply industry as well as trade barriers in China are threatening the competitiveness of the European steel producers - and their customers.**