

# Now, steel industry looks to Mozambique for coal supply

Hopes to tackle price volatility in South African coal, uncertainly in domestic linkage

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In a novel initiative, Indian steel and sponge-iron mills are considering bringing in thermal coal from Mozambique as an alternative to South African imports - which is witnessing high price volatility - and to get around the uncertainty in domestic supplies.

Market sources say, a trading company is already in touch with mills for getting the coal.

While one steel mill has successfully experimented with the new offerings, at least two other sponge iron mills in Chhattisgarh have placed orders for supplies.

"We are in touch with more sponge iron mills in Chattisgarh and Odisha. Its a cheaper

alternative to South African coal," an official of the trading company told *BusinessLine*.

### Price volatility

Coal from Mozambique will be at a lower cost to that from South African sources while being mostly of the same grade.

Price volatility in South African coal - the RB 2 variant - has been high, up by 12 per cent since July 1 at around \$224 - \$250 per tonne versus \$200 per tonne. Demand from European nations have been high as they look to increase sourcing for their power sector requirement.

Australian thermal coal, though cheaper, is generally not used by Indian mills because of grading and quality issues.

Indian sponge iron mills have expressed apprehensions over non-renewal of mine linkages by Coal India. Linkages from some are expected to expire in the July - August period. The miner (Coal India) has also

not announced renewal of linkage auctions.

### 'New source suitable'

Interestingly, one of the India's top steel-maker successfully experimented with VT 1 grade coal from its captive mines in Mozambique, sources said.

Reports shared with industry users, and accessed by *BusinessLine*, show "usage of VT 1 grade coal or Mozambique steam coal to have positive in sponge iron kilns" that have capacities to the tune of 500 tonnes per day (TPD), 350 TPD and 100 TPD.

Across these kilns, no mixing or blending of Mozambican coal is required. With 57 per cent carbon content, it has low carbon emissions and lower wastage.

The average consumption is 700-800 kg / tonne of sponge iron. Against this, Indian coking coal, sourced from Coal India is 1,500 kg / tonne (of Sponge iron); while South African coking coal consumption is 700-800 kg / tonne of sponge iron.