

HD UPDATE 6-China seeks cleaner coal imports, some Australian miners hit

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China sets different requirement levels on **coal** grades

* **China** accounts for quarter of Australia **coal** exports

* Indonesia could be least affected, but impact uncertain

(Adds comment from Indonesian **Coal Mining** Association)

By Fayen Wong

SHANGHAI, Sept 16 (Reuters) - **China** will ban the import and local **sale** of **coal** with high ash and sulphur content starting from 2015 in a bid to tackle air pollution, with tough requirements in major coastal cities set to hit Australian miners.

The National Development and Reform Commission (NDRC) policy comes as prices on the GlobalCOAL Newcastle index slump to a five-year low amid a supply glut and slowing demand from **China**, the world's top importer.

China accounts for about a quarter of Australia's **coal** exports. It took 54 **million** tonnes of thermal **coal** and 30 **million** tonnes of metallurgical **coal** from Australia in 2013. All the thermal **coal** exceeded the new ash limit, while the metallurgical **coal** was below the limit, according to consultants Wood Mackenzie.

Under the new regulations, previously reported by Reuters and due to come into effect in January, the government has set different levels of requirements on **coal** grades for **mining**, local sales and imports.

The most stringent requirements are for cities in the southern Pearl River Delta, the eastern Yangtze River Delta and three northern cities including Beijing, Tianjin and Hebei. These will be banned from burning **coal** that has more than 16 percent ash and 1 percent sulphur, according to a statement on the NDRC website.

Since the coastal regions such as Guangdong and Zhejiang province are some of **China's** top **coal** importers, the regulations are set to block a sizeable amount of imports.

"**Coal** that does not meet these requirements must not be imported, sold, nor transported for long distances," the NDRC said, adding that the customs authority will check the quality of **coal** imports.

Much of the high ash **coal** from Australia was developed specifically for the **Chinese** market and could now be washed to meet the tighter limit on ash, said Rohan Kendall, Wood Mackenzie's metals and **mining** manager for eastern Asia.

"The uncertainty is whether the **Chinese** market will be willing to pay a bit extra for that lower ash product from Australia," he said.

AUSTRALIAN EXPORTERS

Among the larger mines that would not meet restrictions on ash content are BHP Billiton's Mount Arthur **operations**, which produce about 16 **million** tonnes a year, Glencore's Mangoola mine, Rio Tinto's Hunter Valley **operations** and Bengalla mine, but it was not clear how much of that goes to **China**.

The Minerals Council of Australia, which represents the **coal** industry, and Australia's official resources forecaster disputed the view of **Chinese** traders that the new restrictions would hit Australian exporters hardest.

"There is nothing in the information released to date to suggest that Australian **coal** exporters will be disadvantaged and we are confident that we can meet the proposed specifications," Minerals Council executive director Greg Evans said in an email to Reuters.

Glencore, the world's biggest thermal **coal** exporter, said it was reviewing the proposed restrictions. BHP, which gets about a fifth of its **coal** revenue from **China**, said it supports the effort to improve environmental standards.

"We expect to be capable of meeting the proposed NDRC regulations...and do not anticipate a material impact to our business," BHP **coal** president Dean Dalla Valle said in a statement emailed to Reuters.

Rio Tinto had no immediate comment on the policy.

China will also implement a blanket ban on domestic **mining, sale, transportation and imports of coal** with ash and sulphur content exceeding 40 percent and 3 percent respectively.

For **coal** that will be transported more than 600 kms (373 miles) from the production site or receiving ports, the minimum **energy** requirement was set at 3,940 kcal/kg, with a maximum ash and sulphur content of 20 percent and 1 percent respectively.

When the regulation is implemented, Australian and South African **coal** with a heating value of 5,500 kcal/kg will be worst hit, since their ash content hovers around 23-25 percent and they contain sulphur of 0.8-1.0 percent, traders have said.

Top steam **coal** exporter Indonesia, which largely ships fuel with low heating value, sulphur and ash content, could be the least affected.

"It looks unambiguously positive for Indonesia. Almost all of Indonesian **coal** can meet these limits," Kendall said.

However, further scrutiny may be needed to determine the impact of the restrictions on Indonesia, as even a chunk of the country's **coal** output could be affected by limits on calorific value, according to the country's main **coal** association.

"If they are talking about NAR of 3700 - 3800 being the threshold then we're OK, but if they say the minimum is 4,000 then we have a problem because most of the **coal** that we're exporting to **China** is 3700 NAR. So we'll see in detail," Indonesian **Coal Mining** Association chairman Bob Kamandanu told Reuters.

Indonesia's **coal** exports next year could decline by around 14 percent as a result of **China's** and Indonesia's own trade rules, Kamandanu said.

"A significant amount of **coal** will be coming out of the market, especially from Indonesia and Australia, and this should be the beginning of a price recovery," he said.

Below is a table summarising the latest regulation:

BAN ON OUTPUT, SALES, TRANSPORT AND IMPORTS OF ALL COALS		
SPECIFICATION	LIGNITE	OTHER COALS
Energy	NA	N. A
Ash	□ 30 pct	□ 40 pct
Sulphur	□ 1.5 pct	□ 3 pct

Moisture	N. A	N. A
RESTRICTIONS ON SPECIFICATION	COAL TRANSPORTED MORE THAN 600km	LIGNITE OTHER COALS
Energy (NAR)	3,941 kcal/kg	4,300 kcal/kg
Ash	<input type="checkbox"/> 20 pct	<input type="checkbox"/> 30 pct
Sulphur	<input type="checkbox"/> 1 pct	<input type="checkbox"/> 2 pct
RESTRICTIONS ON SPECIFICATION	COAL USE IN COASTAL AREAS, NORTHERN CITIES	
Energy (NAR)	N. A	

Ash	<input type="checkbox"/> 16 pct
Sulphur	<input type="checkbox"/> 1 pct

For more details, click on:

<http://www.sdpc.gov.cn/gzdt/201409/W020140915620478165053.pdf>

(Additional reporting by Sonali Paul in MELBOURNE and Fergus Jensen in JAKARTA; Editing by Michael Urquhart, Richard Pullin and Susan Thomas)

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CO bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC

IN i111 : Coal Mining | imet : Mining/Quarrying | i1 : Energy | ibasicm : Basic Materials/Resources | i211 : Metal Ore Mining

NS c312 : External Markets | c21 : Output/Production | gtrade : Tariffs/Trade Barriers | e512 : Physical Trade | ntab : Tables | c31 : Marketing | ccat : Corporate/Industrial News | e51 : Trade/External Payments | ecat : Economic News | gcat : Political/General News | gdip : International Relations | gpir : Politics/International Relations | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter | niwe : IWE Filter

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