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HD **China to Ban Coal With High Ash, Sulfur; China's Coal Ban Covers Highly Polluting Types, Is Effective Jan. 1, 2015**
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China will ban certain types of highly polluting **coal** starting next year, making good on a vow its cabinet issued late last year as part of an accelerating campaign to clean up its air.

The directive from **China's** top economic-planning agency is aimed at low-grade **coal** mainly coming from Indonesia and Australia. But analysts say exporters likely would be spared from a harsher brunt because Beijing lowered its targets from earlier, tougher limits.

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Effective Jan. 1, the government no longer will allow sales or import of **coal** with 40% or more of ash content and 3% or more of sulfur content, the National Development and Reform Commission said late Monday. Specifically, it will ban lignite—a low-grade **coal** burned by power plants—if it contains 30% or more of ash content and 1.5% or more of sulfur content, the agency said. Heavily populated areas will have even tougher standards.

China is the world's largest consumer of **coal**, using nearly as much as the rest of the world combined—about 3.5 **billion** tons a year, according to the **China Coal** Industry Association. The country imports about 300 **million** metric tons of **coal** a year, making it also the world's largest importer.

In cleaning up its **coal** resources, Beijing also would be delivering on a pledge to cut **coal's** portion of the country's **energy** mix to less than 65% by 2017, from around 70% currently. By 2020, the State Council wants **coal's** contribution to amount to 60% or less.

While **China** supplies most of its own **coal**, Australia and Indonesia account for much of its imports. However, analysts suggest producers in both countries might sidestep the impact of **China's** ban.

Indonesian **coal** exports won't be impacted because their sulfur content is generally less than 1% and ash content is 5% to 7%, said Bob Kamandanu, head of the Indonesian **Coal Mining** Association.

Coal-mining companies in Australia said they are still evaluating the impact of the ban. Australia exports at least 49 **million** tons of thermal **coal** to **China** each year, according to Macquarie.

Speculation that a ban was imminent had dragged prices down by 2% in the Australian thermal-**coal** market over the past two weeks.

"We expect markets to remain oversupplied in [2015], especially if **China** moves forward with potential import restrictions for sulfur and ash, which would impact almost 50% of all Australian thermal exports," Nomura analysts said in a note.

Producers may look at ways to blend their **coal** to ensure they meet **China's** cutoff grade. Miners in Australia and Indonesia also argue that India's rising consumption will offset any decline in **Chinese** volumes.

"It's worth remembering that, according to the International **Energy** Agency, by 2035, 76% of world **energy** demands will continue to be met by fossil fuels, including high-quality thermal **coal**," Whitehaven **Coal** Chief Executive Paul Flynn said. Whitehaven said it didn't expect its shipments of the fuel to be curbed.

China's National **Energy** Administration last year set tougher limits of 25% ash content and 1% sulfur content on the banned **coal** types, but state producers successfully lobbied to raise those targets, said Miao Tian, an **energy** analyst for investment bank North Square Blue Oak. The administration didn't immediately respond to a call for comment Tuesday.

An earlier **Chinese** proposal to prohibit **coal** imports with more than 15% ash and 0.6% sulfur would have hit almost all Australian imports into **China**, analysts said.

China is trying to consolidate and clean up its **coal** sector. Late last year, the State Council said it would explore using "differentiated tariffs" to encourage the import of high-quality **coal** and ban imports of high-ash, high-sulfur **coal**. **China** also is pushing its state-owned **coal** giants to **merge**, which would increase Beijing's ability to control small, far-flung producers.

In the latest directive, the commission also imposed more-stringent conditions on **coal** standards for populated areas such as Beijing, Shanghai and Guangzhou, setting ash content limits at 16% and sulfur content at 1%.

--Deden Sudrajat contributed to this article.

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