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HD Yancoal will pay Chinese coal tariffs  
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Resources - No exceptions on global levy

Chinese-owned coal companies in Australia are adamant they will not get a sweetheart deal on their shipments to China, after Beijing slapped surprise tariffs on coal imports last week.

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Chinese-owned miner Yancoal, which has seven mines in Australia and a local listing, says it will not get a free pass on China's new global tariffs because of its ownership.

"Yancoal will pay tariffs, just like every other exporter. There is no special deal for us," Yancoal spokesman James Rickards said.

Yanzhou Coal, China's fourth-biggest coal company, holds a 78 per cent stake in Yancoal, which made its debut on the Australian Securities Exchange in mid-2012.

Australia's beleaguered coal industry is reeling after China's Ministry of Finance said last Thursday that thermal coal will attract a 6 per cent import tariff, while the rate for anthracite coal and coking coal will be set at 3 per cent.

The struggling Australian coal sector is immersed in a sea of red ink despite cutting costs for the past two years, and is poorly placed to wear any more cost pressure.

But some of the major Australian industry players said that the tariffs are "the lesser of two evils" that Beijing has been mulling to protect its local coal producers. The greater evil would have been a quota on coal import volumes.

A quota would be more damaging because miners are locked into minimum shipments by their "take-or-pay" contracts for rail and port capacity, which they have to pay regardless whether or not they ship.

Almost all Australian coalminers have take-or-pay commitments, after racing to secure capacity in the heady boom time of three years ago.

These contracts have created a cost trap, and for some miners it is cheaper to keep running at a loss because the contracts would impose much greater losses on the owners if the mines were closed.

For some producers, China's new tariffs could be the straw that breaks the camel's back, pushing losses to eclipse fixed port and rail costs, which range from about \$US14 (\$16.11) to \$US20 a tonne.

About 13,000 jobs have been lost in the Australian coal sector in the past two years, and coal executives have said job losses and mine closures have a few more years to run.

**Coal** junior Bandanna **Energy** collapsed late last month after coming unstuck over high costs attached to the development of its underground thermal **coal** project in Queensland.

Some of the larger Australian coalminers were not caught entirely off-guard by the new tariff, with their market intelligence suggesting it was in the offing.

Local producers are hopeful that the 11th-hour tariffs are simply a tactic being used by Beijing in the final weeks of Free Trade Agreement negotiations with Australia.

It is not known exactly how **China** hopes to leverage the tariff in negotiations, which have about another month to run.

Minerals Council of Australia **coal** boss Greg Evans also hopes the tariffs are a temporary measure and "are dealt with in the context of the FTA negotiations in coming months".

He noted that tariffs would have to apply to all **Chinese**-owned coalminers outside **China** to comply with the World Trade Organisation.

The federal government has said it will use the close of the free trade negotiations to push Beijing to drop the import tariffs. The **coal** industry will lobby the government to push **China** hard on the issue.

However, much of the impact on Australian producers will not be felt for another three to four months, when the next round of quarterly contracts, for March, are negotiated.

About a quarter of Australia's **coal** exports go to **China**, which stacks up to about 100 **million** tonnes worth \$9.3 **billion** each year, according to the Bureau of Resources and **Energy** Economics.

**CO** cnfina : China Ministry of Finance | yaptyl : Yancoal Australia Limited | yankua : Yankuang (Group) Corp | ynzmn : Yanzhou Coal Mining Co Ltd

**IN** i112 : Coal Mining Support Activities | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

**NS** gtrade : Tariffs/Trade Barriers | e512 : Physical Trade | e51 : Trade/External Payments | ecat : Economic News | gcat : Political/General News | gdip : International Relations | gpir : Politics/International Relations

**RE** china : China | austr : Australia | beijin : Beijing | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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