

Strategic Intelligence Report

INDIA

Eyes Mongolia for **COKING COAL IMPORTS**





Executive Summary

Indian steel companies consume around 70 million metric tons of coking coal annually, and imports constitute around 90% of the country's total requirements. Currently, India is heavily reliant on Australia to fulfill its coking coal requirement, which is increasing the overall cost of steel production. Hence, to avoid over-reliance on any single country for coking coal imports, the Indian government is exploring Mongolia to diversify its raw material sources and optimize steel production costs. Mongolia is a viable alternative, particularly owing to its geographical proximity to India.





Background

- **Historical Context:** India has historically been dependent on Australia for its coking coal. Bharat imports over 70% of its coal from Australia. The island nation is located far away, so it takes months for cargo ships to transport the raw materials, which increases the overall cost of production for steel manufacturers.
- **Current Developments:** According to Steel Secretary Sandeep Poundrik, a senior government official delegation is scheduled to visit Mongolia to discuss importing coking coal to avoid over-reliance on certain nations. Mongolia is an emerging key player and a major coal supplier to China. The alternative route that officials have planned for an initial trial includes tapping into the Vladivostok-Chennai route and the International North-South Transport Corridor to secure 3 lakh tonnes of coal. JSW Steel is expected to receive around 30,000 tonnes (t) of coking coal from Mongolia, and SAIL is likely to get 3,000-5,000 t as part of the trial run.



- Geopolitical Context: Mongolia is a landlocked nation neighboring both China and Russia. In 2023, Mongolia exported 38.27 million tonnes of coking coal, a 37% increase. For India, securing Mongolia as an alternative coal supplier would ensure a regular supply of coking coal and help diversify its import sources. However, logistical and geopolitical factors concerning China still prevail.

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Strategic Analysis

- **Geopolitical Implications:** Chinese exports of Mongolian coal have presented an alternative venue for India to diversify its sources and enhance cooperation with China's neighbor. However, the government of India will have to proceed cautiously when implementing its foreign policy and trade agreements.
- **Security Implications:** Reduced dependence on Australia will enhance India's energy sector by decreasing inconsistencies in the supply chain and simultaneously boosting steel production at comparatively lower costs.
- **Logistical Considerations:** The use of transport routes like the Vladivostok-Chennai route and the International North-South Transport Corridor offers a shorter and potentially more cost-effective supply chain compared to traditional Australia-India sea routes. The government of India will have to ensure that these routes are safe and optimized for the uninterrupted flow of coking coal.



Scenario Analysis

- **Best-Case Scenario:** India establishes a strong trade partnership with Mongolia, resulting in a consistent supply of coking coal at reduced costs. Additionally, Mongolian low-ash coal has less sulfur and phosphorus, making it an ideal choice for steel manufacturers. This diversification will ensure a stable supply of quality coking coal and lower steel production costs.
- **Most Likely Scenario:** India's initial agreement with Mongolia succeeds, but logistical challenges and potential geopolitical factors delay large-scale imports. The trial concludes successfully, but further imports depend on the development of transport routes and potential regional tensions.
- **Worst-Case Scenario:** The trial does not succeed due to geopolitical tensions with China and Russia, hindering India's ability to secure a consistent supply. Logistical challenges along the Vladivostok-Chennai route and the INSTC increase costs, leaving India reliant on Australia for the majority of its coking coal needs





Strategic Recommendations

Diplomatic Recommendations:

- Further strengthen diplomatic ties with Mongolia to ensure a long-term, consistent supply of coking coal for India.
- Engage in diplomatic talks with Russia and China to ensure the secure transportation of coal through their territories.

Economic Recommendations:

- Invest in infrastructure development along the INSTC and the Vladivostok-Chennai corridor to ensure the efficient transport of strategic imports.
- Encourage domestic companies to acquire mining concessions in Mongolia, especially for coking coal and copper.

Security Recommendations:

- Prioritize securing trade routes through diplomatic channels to avoid potential geopolitical disruptions.
- Monitor Mongolia's export developments with other nations, specifically China, to avoid supply issues.

Policy Recommendations:

- Encourage public-private partnerships between Indian and Mongolian steelmakers to boost bilateral trade.
- Explore other sources to avoid over-reliance on any single country.



Conclusion

India's coking coal imports have reached over 31 million tonnes in the first half of 2024 and are expected to surge to 110-120 mnt by 2030. India's pursuit of diversifying its coking coal sources is a strategic move. As the Chinese economy experiences a downturn, Mongolia, a major supplier of coal to China, will likely seek new buyers. India's pursuit of Mongolian coal is a strategic effort to acquire high-quality coal at reduced costs. While logistical and geopolitical challenges remain, the success of this trade will substantially benefit India. Economic growth and energy security in India depend on the effective execution of this strategic partnership and its transport routes.



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