



## Mechel signs deal with Baosteel



**M**echel announced signing of a MoU with China's steelmaking major Baosteel Resources Corporation, which provides for an increase of coal supplies to 1.4 million tonnes of coking coal a year.

According to the memorandum, Mechel will supply Baosteel Resources with up to 1.4 million tonnes of coking coal. The agreement will be valid from April 2015 through March 2016, with a possibility of further prolongation. Prices will be determined on a monthly basis.

The memorandum also provides for a possibility of supplying Baosteel with other Mechel products, such as PCI and steam coal, as well as cooperation in other areas, including the possibility of collaboration with the economic development institutes in Russia and China.

Mechel is fully meeting its obligations according to the earlier contract, which provides for supplies of 1.2 million tonnes of coking coal a year. Since April 2014 through December, over 1 million tonnes of coking coal was shipped to Baosteel enterprises in China's eastern and southern provinces, which accounts for 10% of Mechel's coal exports to Asia Pacific.

Mr. Oleg Korzhov CEO of Mechel OAO's, "Long-term export contracts are particularly important for us in the period of FX volatility as they provide Mechel with stable foreign currency revenue. We are currently exporting over 70% of our mining division's products."

Meanwhile, Mechel is an international mining and steel company which employs over 70,000 people. Its products are marketed in Europe, Asia, North and South America, Africa.

## Chinese company acquires Greenland iron ore mine project



It is reported that Greenland has transferred a large iron ore licence to a Chinese company after now bankrupt British London Mining was unable to fulfil its 30 year commitment to the multi billion dollar project.

London Mining had been awarded the contract in 2013 but went bust a year later, when its operations in Sierra Leone were hit by the Ebola epidemic and saw its assets acquired by Hong Kong based General Nice

Group.

The government of Greenland, an autonomous territory of Denmark, announced Thursday on its website that the Chinese company will also take over the iron ore contract.

The Government of Greenland believes that the company will raise the necessary funding for the development of the concession of Isukasia.

General Nice Development, a mining company that boasts an annual turnover of more than USD 18 billion, will continue preparing the site for exploitation. No start date for the operation has been specified.

The project is still awaiting building permits for some facilities, accommodation for workers and a 65 mile long road that will connect the site to new harbour facilities.

## China's annual steel output drops

**C**hina's apparent crude steel consumption fell for the first time in three decades in 2014, data from an industry association showed, a further indication of how the country's economic slowdown is hurting industrial demand as per reports.

A decline in the use of steel in China, which is both the top consumer and producer of the alloy, will dent iron ore prices that have already been roiled by a global oversupply.

China's apparent crude steel consumption fell 3.4 percent from a year ago to 738.3 million tonnes in 2014, according to calculations published by the China Iron and Steel Association (CISA) recently. Official data shows China's power output growth fell to a 16-year low last year, while coal output likely dropped for the first time in more than a decade.

Struggling with weak demand as economic growth slowed to 7.4 percent in 2014, the lowest since 1990, Chinese steel producers turned to exports, which according to CISA rose 64.5 percent to the equivalent of 84.4 million tonnes of crude

steel last year.

Overseas sales got a further boost last year as exporters took advantage of a loophole that allowed them to gain tax rebates by adding tiny quantities of boron to their products. That loophole has since been closed.

CISA said in a report published on its website that around 40 percent of exports in 2014 contained boron, and the decision to cancel the rebate this year will have "a certain impact" on the domestic market. ([www.chinaisa.org.cn](http://www.chinaisa.org.cn))

Amendments to China's Environmental Protection Law, which came into effect on Jan. 1, 2015 will raise production costs in an industry already trying to survive on profit margins of less than 1 percent in 2014, it added.

CISA does not foresee any major improvements in the domestic steel market going into 2015, with weak demand and excess supply still weighing on prices.

This section is a compilation from various company press releases, business dailies & trade publications.