

BREAKING NEWS

Coal supplies to Murmansk port halted until 2021 due to rail bridge collapse

On June 01, the port of Murmansk, located in Kola Bay of the Barents Sea, was cut off from the railway network as a result of railway bridge over the Kola river collapse, which threatens losses both to port operators and suppliers.

The head of Russian Railways, Oleg Belozеров, who arrived to Murmansk, instructed the services to restore the rail link as soon as possible. However, according to expert estimates, the construction can last until the end of the year. Some experts believe that due to the complicated topography, restoration works can take up to 1 year in the worst case scenario. Moreover, the capacity will still be severely restricted, as Russian Railways sets a priority task to ensure the transportation of passengers and oil cargos after the recovery of railway route to Murmansk.

Coal handling at Murmansk amounted to 16.0 mio t in 2019. In January-May 2020, the port handled 6.1 mio t (-9% y-o-y). Thus, about 40 kt/d or roughly 8.5-9.0 mio t of coal can be lost for the export market in case the bridge over the Kola River is repaired until the end of 2020.

SUEK is the owner and the main exporter of Murmansk coal terminal. Minor batches of coal are handled by Sibanthracite, Russian Coal and Kuznetsinveststroy. Murmansk stocks are minimized due to stricter environmental requirements as the terminal is located closely to the city. So, current reserves in the port are estimated at low level of about 0.25 mio t.

The most probable scenario of coal diversion

from Murmansk is the switching of cargo flows to Ust-Luga and the Eastern range. This is the subject of negotiations with Russian Railways. The representative of SUEK confirmed that work to redirect coal supplies to other ports is currently underway.

At the same time, Ust-Luga works at maximum load (almost 3 mio t/month) and additional tonnages can create congestion on the railway network, while the Eastern range is permanently overloaded, as coal suppliers have been trying to move their shipments from Northwest ports to the Far East since last year due to extremely low prices in the Atlantic. June-August is traditionally difficult season for coal deliveries to the Far East, due to the annual railway maintenance, that falls on these three months. At the recent meeting with Vladimir Putin, Belozеров promised to speed up the scheduled construction of Eastern range facilities. This measure will additionally affect summer restrictions on shipments from Kuzbass to the Far Eastern terminals as even more maintenance activities are going underway. Consequently, Russian Railways cannot provide additional tonnage for one supplier without cutting off the volumes of others. Therefore, experts assess the possibility of redirecting SUEK tonnages to the Asia-Pacific market as minimal, primarily due to restrictions on the railway network.

According to coal suppliers, not all coal deliveries are available for redirection: the logistic scheme through Murmansk is convenient due to significant savings on sea freight amid the depressed market. According to SUEK representatives, the logistics built through Murmansk is the most effective for coal supplies to China and India. Murmansk is the only Northwest port, which is capable to handle Capesize vessels with a capacity of over 150 kt.

For more detailed information on the Russian coal exports please subscribe to CAA statistical reports:

Russian Coal Export Quarterly Report



Russian Coal Export Quarterly (Detailed Report by Grade)



Russian and Kazakh Coal Export Quarterly Report



Copyright notice

All rights reserved.
CAA is an exclusive owner of all intellectual property rights in this publication and data published herein which may be used only with the consent of CAA.
Neither this publication nor any part of its contents may be reproduced, stored or transmitted in any form (electronic, mechanical, photocopying, recording) or for any purpose whatsoever without valid license from CAA. Citations in the public media space are only available with a reference to the authorship and the link to CAA.
CAA warns of its intention to take responsibility for copyright infringement, including in court.

Disclaimer

CAA and its licensors do not assume any guarantee for the topicality, correctness, adequacy, or completeness of the information provided. CAA and its licensors shall not be liable for any damage of any kind (direct or indirect damages or losses) arising from any party's use any information provided and disclaim all liability related to use of the information provided to the full extent under the law.

