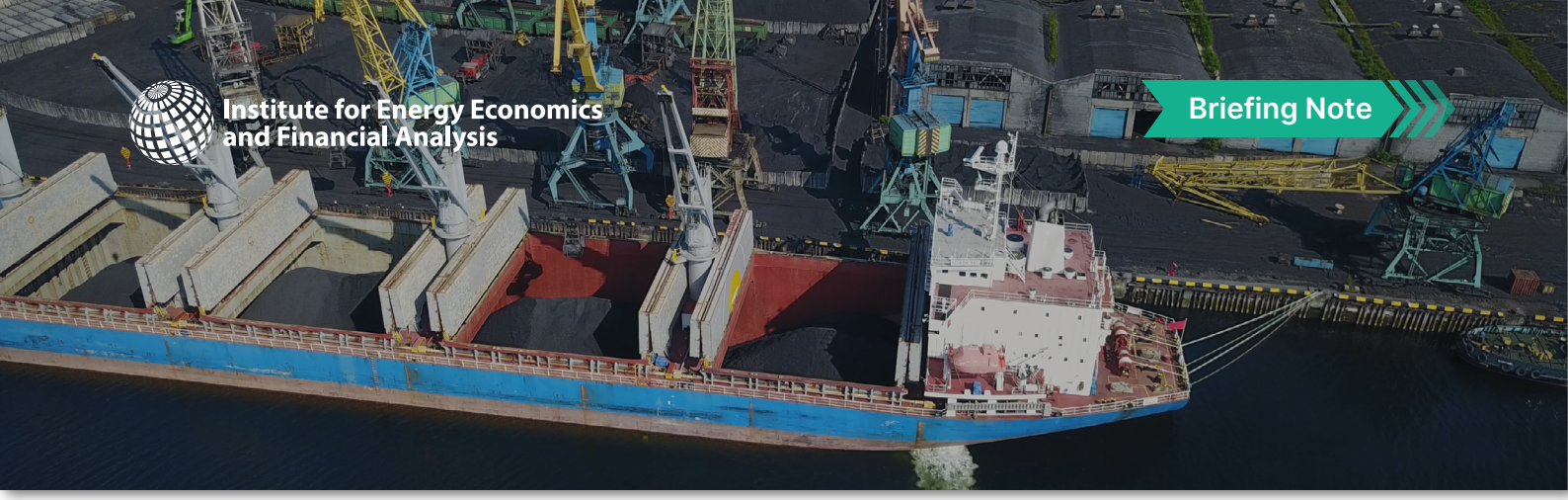

Institute for Energy Economics and Financial Analysis

Briefing Note

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Simon Nicholas || Lead Steel Analyst
Saumya Nautiyal || Energy Finance Analyst, Steel Sector, South Asia

India's met coal demand will disappoint Australian miners

- *Australian metallurgical (met) coalminers such as BHP and Whitehaven suggest India will prop up long-term demand. However, growing Indian demand will not be enough to stop the overall decline in the seaborne met coal market.*
- *Australia's exports to India have been falling since 2021. China's total met coal imports are forecast to decline by 100 million tonnes by 2035, giving Indian steelmakers an opportunity to continue to reduce reliance on Australian met coal.*
- *India's growing energy security concerns prompted it to target increased domestic met coal production to reduce reliance on imports.*
- *Longer-term, India will be incentivised to shift away from coal-based steelmaking.*

Introduction

With China beyond peak steel production and its metallurgical (met) coal imports forecast to decline, Australia's met coalminers are depending on India to prop up demand.

As BHP stated in its fiscal year (FY) 2025 results, "India has a strong pipeline of blast furnaces expected online in the near-term, with a government target to install 300 Mtpa [million tonnes a year] of steel capacity by 2030," and that, "robust hard coking coal imports from developing countries such as India, will lead to growing and resilient demand for decades to come".

More than 40% of BHP's met coal exports go to India.

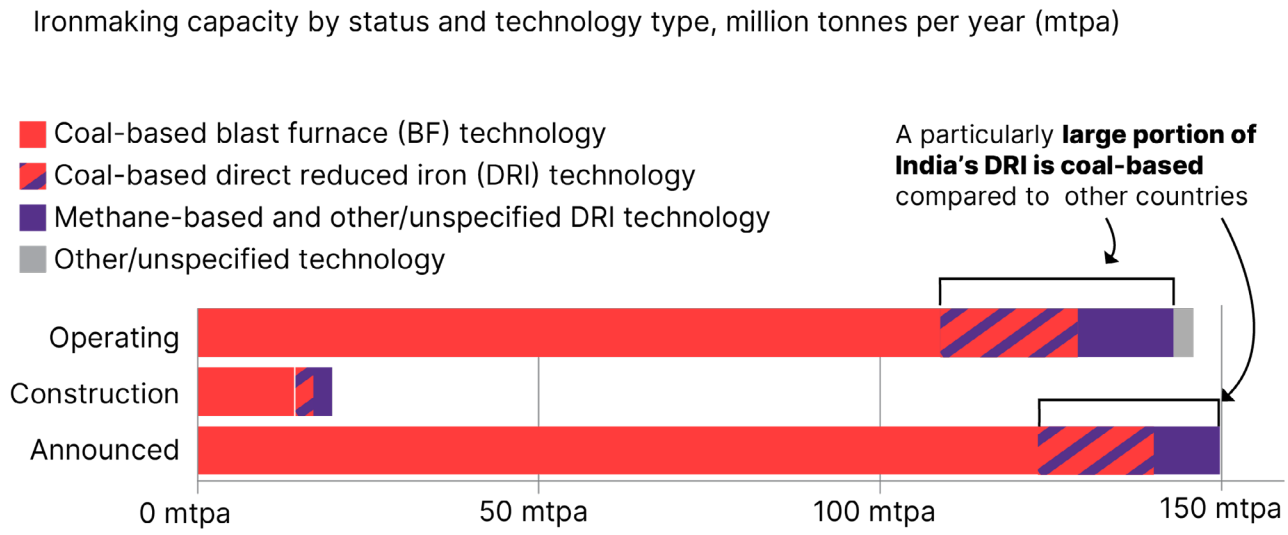
The sentiment was echoed in Whitehaven Coal's FY2025 results: "India is expected to represent ~48% of total metallurgical coal seaborne demand by 2050 as its blast-furnace capacity increases," adding, "confidence in India's longer term growth remains strong".

However, significant doubts about Indian demand pose downside risks for Australian met coal producers, which face growing competition in India from other producers. Rising energy security concerns about long-term supply in India are incentivising increased domestic met coal production to reduce reliance on imports.

India's 300Mtpa target is for capacity, not production

Australia's met coal miners often cite India's target to double its steelmaking capacity to 300Mtpa by 2030. India has more than 150Mtpa of new ironmaking capacity under development although only 142Mtpa is for new blast furnaces that consume met coal, according to Global Energy Monitor. However, only 14Mtpa of that is under construction, raising some doubt as to whether the 300Mtpa target will be reached by 2030 (Figure 1).

Figure 1: Few of India's planned new blast furnaces have started construction



Source: Global Iron and Steel Tracker, Global Energy Monitor

Moreover, steel capacity is not the same as steel production (and hence consumption of met coal). The Australian government's Department of Industry, Science and Resources (DISR) forecasts Indian crude steel production will reach 212Mt in 2030. S&P Global's forecast is lower, at 182Mt in 2030, and still only at 220Mt in 2035.

Even if India does reach its target of 300Mtpa of steelmaking capacity by 2030, it will likely be significantly underutilised.

India's met coal demand growth will not offset declines elsewhere

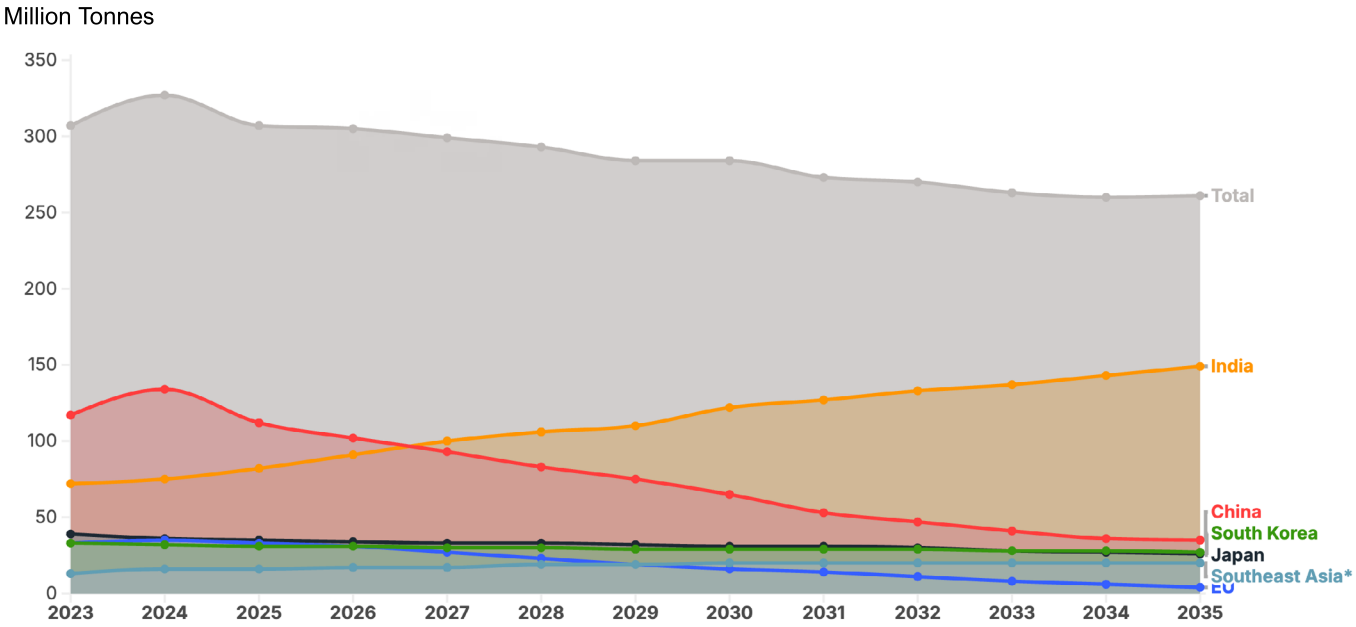
Growth in India's blast furnace capacity will clearly result in increased met coal demand.

A September 2025 report from EY Parthenon and the Indian Steel Association forecasts India's coking (or met) coal demand will increase from 87Mt in FY2025 to 135Mt in FY2030. Imports are forecast to reach 115Mt in FY2030, up from 81Mt in FY2025, an increase of just 34Mt.

Growth slows significantly after FY2030, according to the forecast, with total coking coal demand to reach just 150Mt in FY2050 as low-carbon steelmaking technologies are taken up.

S&P Global forecasts that India's met coal imports will grow from 75Mt in 2024 to 122Mt in 2030 and 149Mt in 2035. However, this growth will not be enough to offset declining imports by Japan, Europe, South Korea and particularly China (Figure 2).

Figure 2: Global met coal imports forecast (Mt)



Source: S&P Global

Australia does not export much met coal to China these days. As China's imports fall, its suppliers will have volumes available to compete with Australian coal, giving India the opportunity to further diversify its imports away from Australia.

India is incentivised to continue to diversify away from Australian met coal

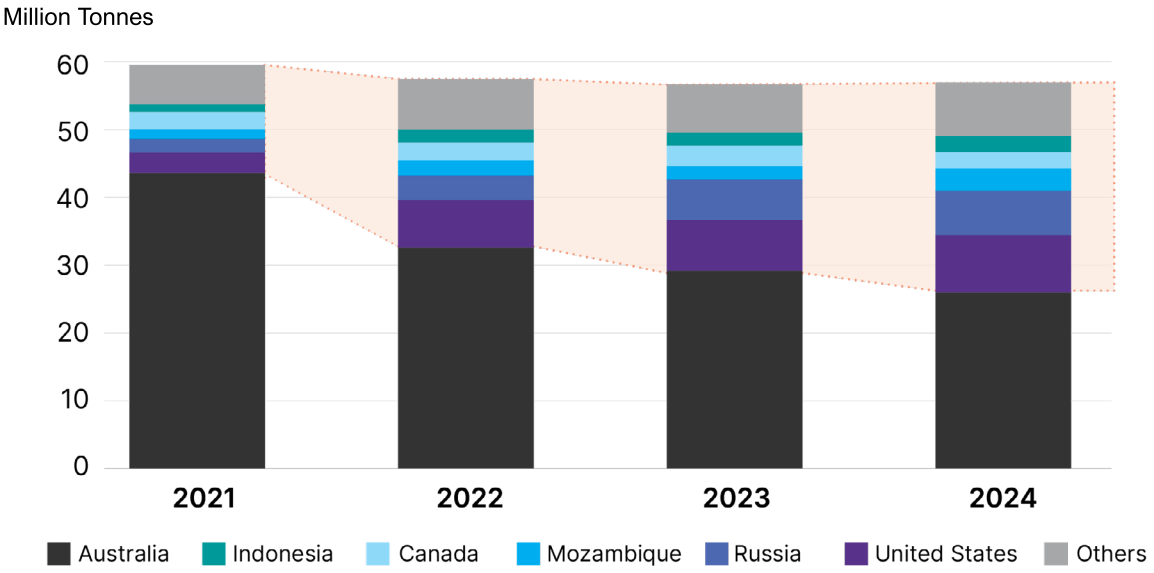
For years, India's steelmakers have been raising concerns about the reliance on met coal imports from Australia. In 2022, Tata Steel CEO T.V. Narendran stated, "if India does not see the coking coal supply from Australia increasing over the years then obviously India will have to start looking at other sources".

Alive to the energy security risk of overreliance on Australia, India has been successfully diversifying its import sources, at the Indian Ministry of Steel's behest. European embargoes have allowed India to increase imports of Russian met coal. Cheaper Russian pulverised coal injection (PCI) has been replacing Australian PCI volumes, making up more than half of all PCI imports into India in 2024, according to the DISR.

Wood Mackenzie notes that Indian steel mills have been preferencing cheaper Russian met coal over Australian coal, and Indian steel mills have been adjusting their coking coal blends to use more semi-hard (SHCC) and semi-soft coking coals (SSCC), and less premium hard coking coal (PHCC), to suit Russian volumes. India has also been importing more from the US and Mozambique in recent years, replacing more Australian coal.

Australia's exports to India have been falling since 2021. According to S&P Global, India's 2024 met coal imports from Australia were 11% lower than in 2023 and 20% lower than in 2022 (Figure 3).

Figure 3: India diversifies met coal import sources away from Australia

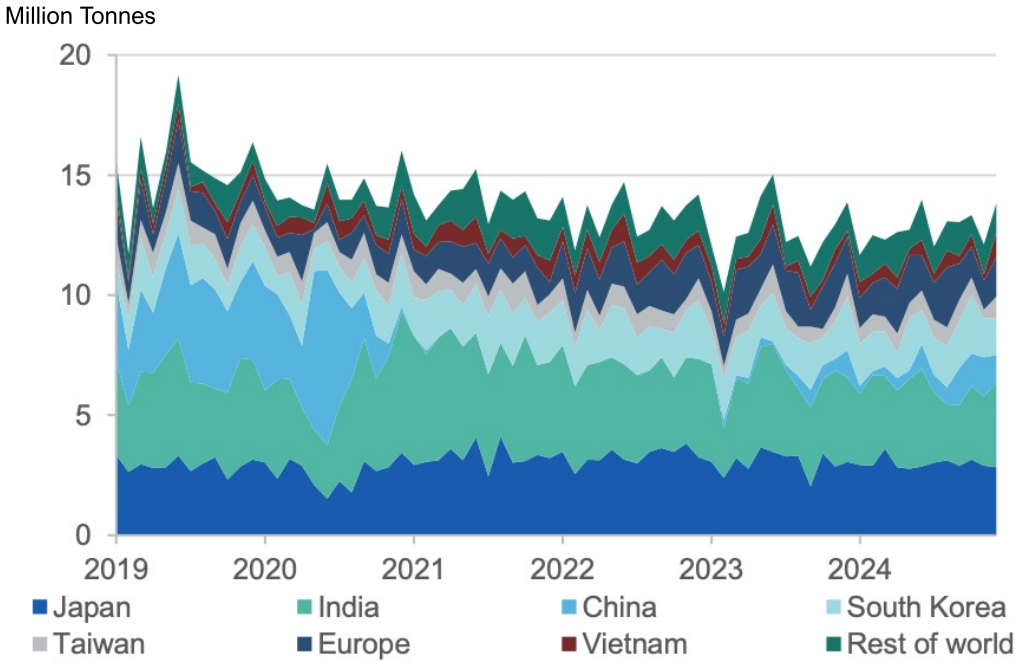


Sources: S&P Global, Ministry of Commerce India

In 2024, Jindal Steel announced it had more than halved its consumption of Australian coking coal, noting: "This achievement is perhaps the first of its kind in the Indian steel industry." It added, "Given global uncertainties and supply chain disruptions, diversifying our coking coal sources was imperative. The Steel Ministry's directive was timely and essential. By reducing reliance on Australian coking coal imports and increasing intake from other regions, we've strengthened our supply chain and improved cost efficiency."

India's declining imports of Australian met coal reflects an overall decline in Australia's met coal exports since 2019 (Figure 4). The decline was initiated by China's unofficial ban on Australian coal imports that year, from which volumes have never fully recovered. India's diversification of import sources has added to Australia's continued decline in export volumes.

Figure 4: Australia's met coal export volumes, monthly



Sources: Department of Industry, Science and Resources, Australian Bureau of Statistics

Australian met coalminers face the risk that India may continue to diversify away from Australia. S&P Global forecasts China's met coal imports will fall by 100Mt by 2035, leaving a lot of supply seeking new destinations, most likely targeting India as a key seat of steel demand growth.

Meanwhile, Russia intends to significantly increase met coal exports in the longer term, DISR forecasts. Wood Mackenzie expects increased Russian coking coal to enter the seaborne market by 2030, driven by the Elga Coal Complex and new rail and port developments.

India has also been targeting exports from Mongolia via Russia although significant logistics issues need to be overcome. Mongolia is dependent on met coal demand from China, and with its import demand set for significant decline, Mongolia will seek to establish new export destinations.

In addition, trade barriers caused US met coal exports to China to collapse in 2025. The US exported more than 8Mt to China in 2024 but in the first half of 2025 it has been redirecting those exports to India and South America. As a result, Australia may end up shipping displaced Indian volumes to China – a clearly declining import market.

Canada can also be expected to target India as a replacement destination for its met coal as Chinese demand continues to decline.

Indian steelmakers investing in met coalmines overseas

To reduce import risks, Indian steelmakers are securing metallurgical coal by acquiring stakes in overseas mines, but this is not limited to Australia.

JSW Steel has been particularly active in Australia. In 2024, the company gained access to Illawarra metallurgical coal mines (Appin and Dendrobium in New South Wales) through a controlling stake in M Res NSW. Building on that, JSW has increased its stake in M Res NSW from 66.7% to 83.3% by investing US$60 million. This move lifts JSW's share of coal from the mines from 20% to 30%, strengthening its supply of hard coking coal. While JSW was also exploring acquiring a stake in Whitehaven's Blackwater mine, the 30% sell-down was completed in March 2025 without JSW's participation.

Beyond Australia, in 2024, JSW started pursuing Mozambique's metallurgical coal reserves through a 92% acquisition of Minas de Revuboe (MDR) for about US$74 million, giving it access to more than 800Mt of premium hard coking coal. The deal aimed at shielding the company from volatility in premium low-volatile (PLV) coal prices, and lowering logistics costs. However, the deal stalled after the government revoked the mining concession for MDR in June 2024, sparking legal disputes. Finally, with the concession reinstated under Mozambique's new administration in April 2025, the pathway has reopened, positioning the project as a potential long-term supply source for India.

Meanwhile, state-owned Steel Authority of India Ltd (SAIL), through its International Coal Ventures Ltd (ICVL) joint venture, is investing US$150–US$200 million to ramp up capacity at Mozambique's Benga mines, aiming to double output to 4Mtpa.

Together, these moves highlight Indian steelmakers' push to diversify met coal supply and strengthen energy security, which India is also pursuing through increased domestic met coal production.

India's plans to increase domestic met coal supply

Australian miners have cited India's lack of domestic met coal as their "advantage" in securing long-term export opportunities. Paul Flynn, managing director and CEO of Whitehaven Coal, stated: "Structurally, India is very dependent on the seaborne market for met coal. It has next to nothing in terms of its own resource ... and Australia is already the largest supplier to India of its metallurgical coal demand."

Yancoal's executive general manager of marketing, Mark Salem, made a related point, stating, "The advantage of the Indian market is that India does not produce its own metallurgical coal", and therefore will require external coking coal supplies to support the country's GDP and infrastructure-driven growth plans.

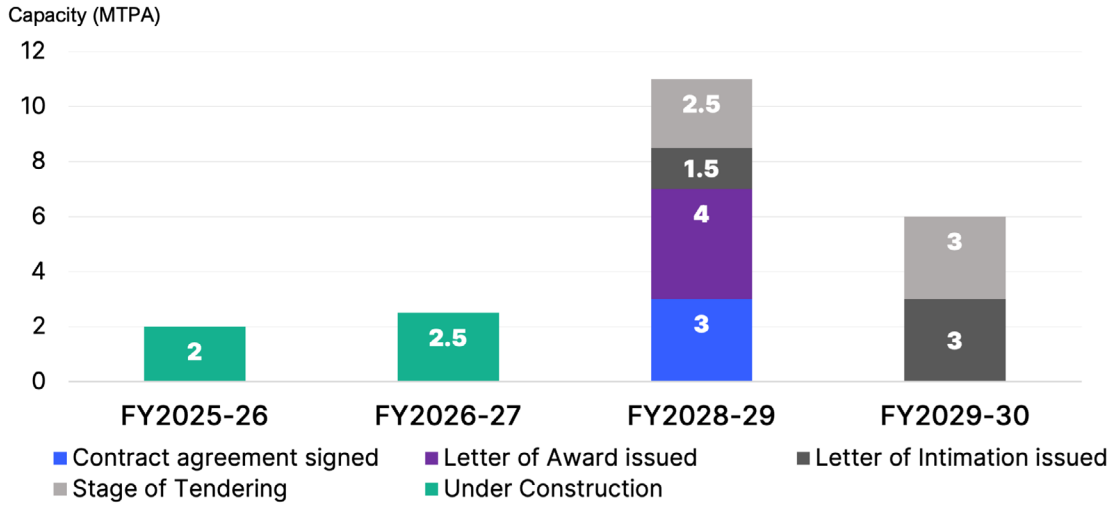
While perceptions have not yet shifted for Australian miners, India does produce met coal, and its evolving policies and production targets are creating a path towards reduced import dependence. The government is focused on tackling the issue by building domestic capacity, taking inspiration from its success in scaling up thermal coal production. For several years, thermal coal production did not increase meaningfully in India, but domestic coal production surpassed 1 billion tonnes in FY2024-25. At the same time, thermal coal imports are expected to decline for a second consecutive year as domestic supply improves.

India aims to become atmanirbhar (self-reliant) in coal production. The Ministry of Coal's Action Plan 2025-26 sets out an ambitious agenda: 100 new mines to be opened by FY2029-30, creating an additional 500Mt of capacity. Within this, Mission Coking Coal targets doubling domestic coking coal output to 140Mt by FY2029-30. The mission also includes rolling out eight new washeries with 21.5Mtpa capacity (Figure 5) to improve the quality of India's high-ash coal for steelmaking as little of its domestic met coal production meets steel industry standards.

Amita Khurana, group chief for raw materials procurement at Tata Steel, stated in September 2025, "The fundamental problem that we're facing is that steel in India is going to grow at a certain pace, while visibly there's just not enough additional coking coal that is developing at this stage to meet that demand. India has to continue to produce and wash more [domestic] coal, and that also helps to reduce import reliance."

New washeries will increase the supply of domestic met coal available to Indian steelmakers.

Figure 5: Coking coal washery capacity (Mtpa) and project status



Sources: Indian Ministry of Coal, IEEFA

Other initiatives to reduce India's dependence on imports by increasing domestic coking coal production are under way. In 2020, the government amended the Non-Regulated Sector (NRS) linkage auction policy to extend the tenure of coking coal linkages to 30 years, encouraging long-term import substitution. In March 2024, a new NRS subsector, Steel using Coking Coal through WDO route, was introduced to promote greater domestic consumption and expand the supply of available washed coking coal.

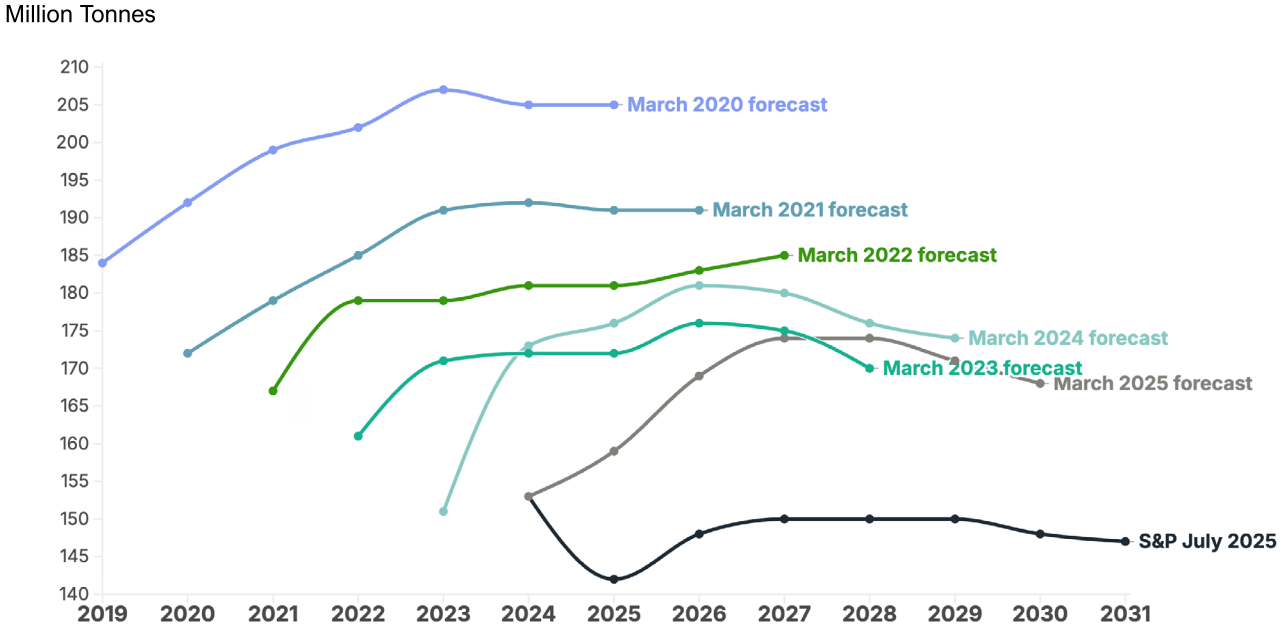
Additionally, the Indian government announced 102 First Mile Connectivity (FMC) projects by FY2029-30 to strengthen coal logistics. FMC refers to projects where coal is loaded directly into railway wagons through a conveyor system or rapid loading system at the mine itself, eliminating road transportation of coal. These projects are expected to create 1,092Mtpa of capacity with an estimated investment of Rs313.7 billion (US$3.5 billion), reducing costs, emissions and supply chain bottlenecks. For example, Central Coalfields Ltd (CCL) is developing new washeries and FMC infrastructure to handle 110Mt of coal by FY2025-26, which will cut transport bottlenecks and improve efficiency.

The economic rationale is compelling for India. In FY2024-25, India saved Rs606.8 billion (US$6.8 billion) in foreign exchange by cutting coal imports, according to the Indian government. To achieve this, the government facilitated the allocation of coal blocks, encouraged greater private sector participation and streamlined approval processes for mining projects. Upcoming tax reforms are expected to lower coal prices, replacing the Rs400 (US$4.57) per tonne coal cess (carbon tax) with a higher consumption levy of 18%, making it 6-20% cheaper for users, further strengthening the competitiveness of domestic supply.

Growing incentives for India to look beyond met coal for steelmaking

Longer-term, mounting concerns about supply and cost will push India towards steelmaking technology that does not use met coal. Concerns over future coal supply are not helped by the Australian government's history of overestimating its met coal exports. DISR again revised down its latest medium-term export forecast from March 2025. It is still higher than S&P Global's latest projections, suggesting the government may need to trim its forecast further (Figure 6).

Figure 6: Australian government's record of overestimating met coal exports



Sources: DISR, S&P Global, IEEFA

Coal prices are also a long-term concern for India's steelmakers. Australian coalminers' faith in future supply constraints delivering structurally higher prices may benefit them in the short-term. However, it risks driving significant demand destruction as alternative steelmaking technologies that don't use met coal become more available to India.

Whitehaven Coal's June 2025 quarterly production report stated, "The expected structural shortfall in global metallurgical coal production, particularly the long-term depletion of HCC from Australian producers combined with increased seaborne demand from India, is anticipated to drive higher metallurgical coal prices over the long-term."

BHP shares that outlook: "With the major seaborne supply region of Queensland not being conducive to long-life capital investment owing to the current royalty regime, the scarcity value of higher quality steelmaking coals may also increase over time."

One non-coal-based alternative for India's steel production that utilises mature technology is scrap steel recycling in electric arc furnaces (EAF). This pathway is limited due to the availability of scrap steel but this will change as India's economy develops and recycling becomes an obvious solution to reduce the energy security risk of coal import reliance.

As scrap steel recycling is also a significantly less carbon-intensive steelmaking route than blast furnaces, it is receiving government support to reduce steel sector emissions. In September 2025, the Indian government announced a plan to make Rs50 billion (US$560) million available for the adoption of lower-emissions steelmaking technology. Most of this support is expected to go to secondary steelmakers such as those recycling scrap steel in EAFs.

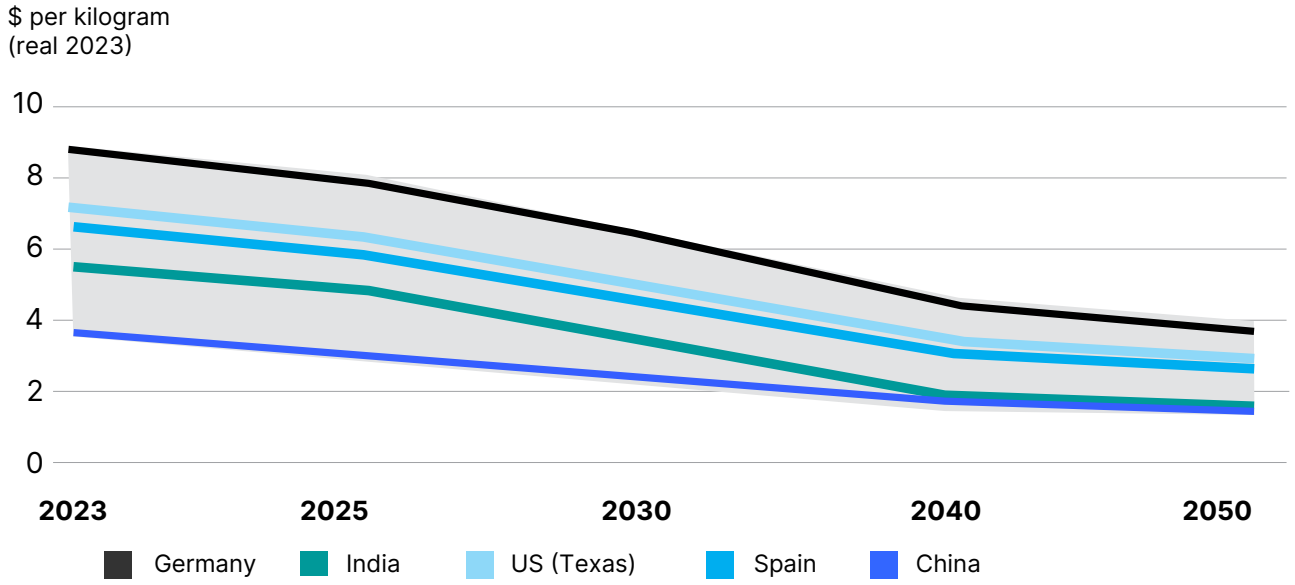
Green hydrogen can also play a role as an alternative iron ore reductant in the longer-term.

India's green hydrogen journey is well under way and, despite a global slowdown in project development, India remains one of the more likely locations to produce cost-competitive green hydrogen. While Bloomberg forecasts the levellised cost of green hydrogen will remain higher for longer in most markets, China and India are the exceptions. The cost in both countries is expected to fall quickly enough to be competitive with grey hydrogen in the 2030s, making India one of the most attractive global markets for green hydrogen development (Figure 7).

Indian steelmakers are already turning to green hydrogen to reduce their emissions. Jindal Steel announced in September 2024 that it plans to start using green hydrogen at its DRI units at Angul, Odisha, and remains on schedule to begin in late 2025.

JSW Steel also announced in 2024 it would begin piloting green hydrogen use in steel production in Vijayanagar, Karnataka. In April 2025, JSW announced it would expand capacity at its Salav steel plant in Maharashtra with new DRI units to run initially on methane but will be able to switch to green hydrogen in the future.

Figure 7: Projected levellised costs of green hydrogen



Source: BloombergNEF. Note: Shows the optimised levellised cost scenario without subsidies.

India's major steelmakers are likely to shift away from met coal faster than Australian miners may expect. Although India has a 2070 net zero emissions target, its key steelmakers are far more ambitious. Tata Steel (2045), Jindal Steel (2047) and JSW Steel (2050) are targeting net zero emissions 20 to 25 years earlier.

These ambitions depend on reducing coal use, and align with the need for action on India's recognised and growing energy security risk from its reliance on met coal imports. In both the short and long term, Australia's met coalminers face significant downside risks when it comes to India's met coal demand.

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About the Authors

Simon Nicholas

Simon Nicholas is IEEFA's Lead Analyst for the global steel sector. Simon's focus is on the long-term outlook for steel production, as well as on the implications for the global iron ore and metallurgical coal markets. snicholas@ieefa.org

Saumya Nautiyal

Saumya Nautiyal is an Energy Finance Analyst, Steel Sector, South Asia at IEEFA. She examines the steel sector's technology transition, energy and resource security and pathways for industrial decarbonisation. snautiyal@ieefa.org