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US met coal offers limited relief for India's steel energy security

While India seeks to diversify its metallurgical (met) coal supply away from Australia, the West Asia conflict highlights the risks of continued reliance on fossil fuel-based coal, and the need for stronger energy security.

- *The recent bilateral trade agreement with the US could see India import more metallurgical (met) coal from the US as it continues to reduce reliance on Australian volumes. US is India's second-largest supplier, having increased its share from about 8% in FY2021 to roughly 15% in FY2025. However, the benefits of coal source diversification are limited.*
- *Australia's dominant share of global met coal exports means that any disruption to its supply causes global price increases, as importers seek alternative supplies from other countries. After flooding in January 2026 in Australia's key met coal mining region led to supply disruptions, US met coal prices rose as buyers sought alternatives. The impact of weather events in Australia on global met coal prices is expected to only increase with climate change.*
- *The West Asia conflict has pushed energy security to the top of the global agenda. For India, diversification alone is not a solution. Policymakers must prioritise reducing dependence on met coal rather than expanding exposure to imported supply. In the long term, alternative steelmaking technologies that don't use imported coal, such as scrap-based electric arc furnace (EAF) and green hydrogen, offer significant energy security benefits.*

Introduction

India's ambitious plans to scale up its steel sector are set to increase its reliance on imported coal. The country aims to achieve a crude steel production capacity of 300 million tonnes per annum (MTPA) by 2030. A large share of this expansion, around 64% of the 382MTPA steel capacity under development, is anchored in coal-based blast furnace (BF) steelmaking route, which relies heavily on imported coking coal. With an estimated 770 kilograms of metallurgical (met) coal required to produce one tonne of crude steel, the 182MTPA of BF capacity that has

been announced or is under construction would require an additional 140MTPA of met coal supply, almost double the current supply of 65MTPA, including imports and domestic washed met coal.

In this briefing note, the term metallurgical (met) coal is defined in line with the International Energy Agency (IEA) to include coking coal, semi-soft coal, and pulverised coal injection (PCI) coal. However, the term ‘coking coal’ is used where referring to Indian government data, as official statistics are reported in these terms and it represents a key subset of metallurgical coal used in BF steelmaking.

While India produces large volumes of raw coking coal each year, very little qualifies as metallurgical grade. [According to the Ministry of Coal](#), in financial year (FY) 2024, washed coking coal supply stood at just about 5 million tonnes (Mt), with high ash content and sulphur levels in domestic reserves limiting usability for steelmaking. Hence, the country is currently dependent on imports for around 90% of its met coal requirements, which it is now seeking to reduce as part of its push for *atmanirbharta*, or self-reliance, in coal production.

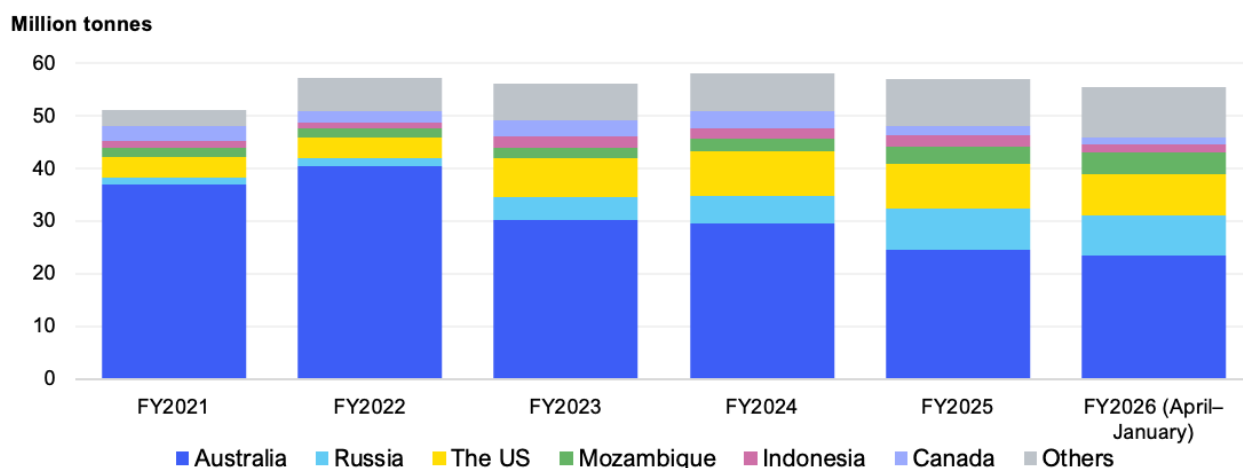
With this in mind, the [Ministry of Coal’s ‘Action Plan FY2025-26’](#) sets out an ambitious agenda: A 100 new mines by FY2029–30, creating an additional 500MTPA of capacity. Within this plan, ‘Mission Coking Coal’ targets doubling domestic coking coal output to 140Mt by FY2029–30. Additionally, the [Government of India has notified coking coal](#) as a “critical and strategic” mineral.

However, despite these efforts, India’s reliance on imported met coal is expected to remain high if it remains committed to increasing steel production via the BF route. Imports reached 59Mt in the January–November 2025 period, up 10.6% year-on-year, and are projected to increase to around 94Mt in 2026 and 149Mt by 2035, according to S&P Global estimates.

While imports decreased slightly from 58Mt in FY2024 to 57Mt in FY2025, they reached 55Mt in FY2026 (April–January), compared to 48Mt in the same period last year (up 14.6% year-on-year). Further, S&P Global expects India’s overall met coal imports to increase from 94Mt in 2026 to 149Mt by 2035.

As shown in Figure 1, Australia has historically dominated India’s coking coal imports, supplying about 72% in FY2021. Its share has declined in recent years, to around 43% in FY2025, as India diversified its suppliers to reduce the risk of over-reliance on one country. In this period, the US has emerged as the second-largest supplier, increasing its share from about 8% in FY2021 to roughly 15% in FY2025.

Figure 1: India’s coking coal imports become diversified



Source: IEEFA, [Indian Ministry of Commerce and Industry](#)

A December 2025 report by the [Institute for Energy Economics and Financial Analysis \(IEEFA\)](#) [had flagged this growing risk](#). India's dependence on imported met coal, which is set to only rise further, creates growing energy security risks. With most supply still sourced from Australia, Indian steelmakers remain exposed to financial, legal, regulatory and climate-related risks, increasing the likelihood of future supply disruptions. India could also face supply shortages in the longer term. In March 2026, the government of the state of New South Wales — which primarily exports thermal coal but also supplies met coal — [announced](#) it will no longer approve new greenfield coal mines. In addition, Queensland, one of the world's largest met coal hubs, is increasingly prone to climate risks such as flooding and extreme rainfall, which disrupt exports and raise prices.

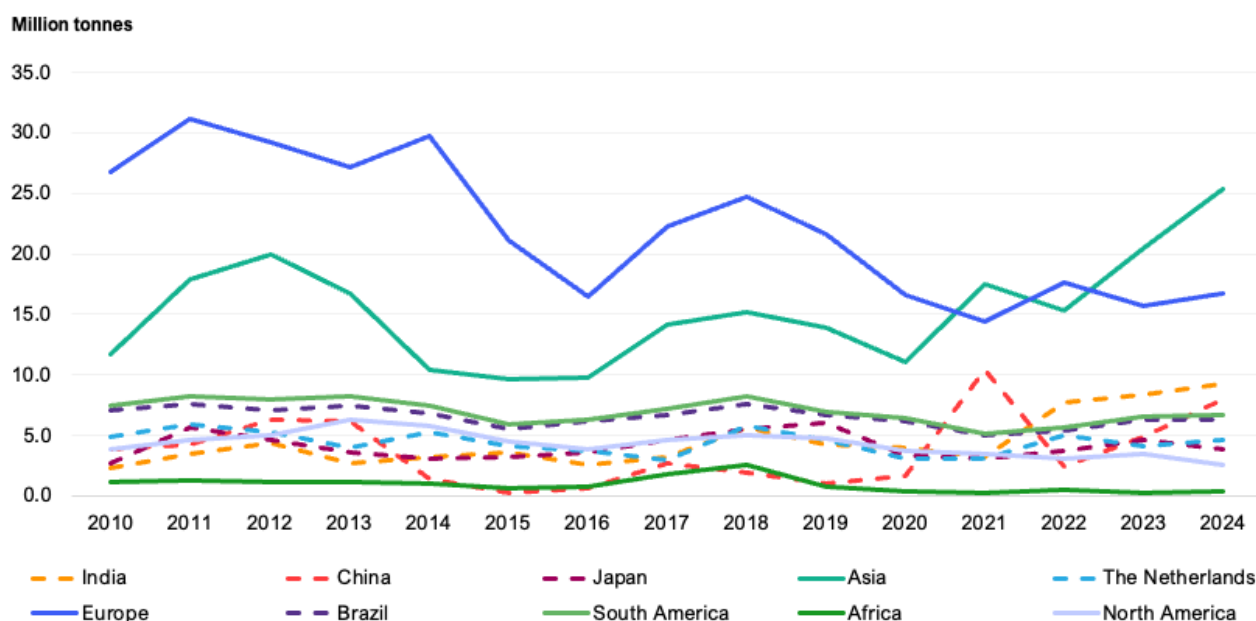
While diversification to other countries, such as the US, may appear to reduce energy security risks, the global met coal market remains highly interconnected and strongly influenced by [Australia, which accounts for almost half of the global seaborne exports](#). Hence, it is essential for Indian policymakers and industry to understand how supply disruptions in Australia will drive the global price movement for met coal which could expose Indian steelmakers to volatile prices even as imports from alternative suppliers increase.

US-India met coal trade

US met coal exports have traditionally been concentrated in Europe, but exports to Asia have increased in the past five years as demand patterns shift. India, particularly, has emerged as one of the largest buyers of US met coal. As Europe's steelmakers transition away from coal-based technology, demand for met coal has weakened. Meanwhile, [US exports to China collapsed in 2025](#) because of trade barriers, freeing up more than 8Mt of the coking coal it shipped to China in 2024. Much of this coal is now being [redirected](#) to India, giving US suppliers a bigger role in the market.

The US produced [64Mt \(71 million short tons\) of metallurgical coal in 2024](#), and almost 80% of it was exported, giving US suppliers flexibility to meet demand.

Figure 2: US met coal exports by region (FY2010-2024)



Note: Data reported in Thousand short tons by US converted into Mt by multiplying values by 0.000907185

Source: IEEFA, [US Congress](#)

The 2026 India–US trade agreement expands scope for US met coal imports

Recent trade developments between India and the US have further increased the potential role of US met coal in India’s diversification ambitions. According to a February 2026 [India-US joint statement](#), both countries agreed to deepen cooperation in energy and critical industrial supply chains, including for coking coal.

India indicated its intention to expand purchases of US energy and industrial products as part of a broader plan to procure approximately USD500 billion (INR46.3 lakh crore) worth of US goods over the next five years. The countries also agreed to efforts to facilitate trade flows and strengthen supply chain integration in key sectors, including steel and energy inputs. The [Indian minister of commerce and industry has supported this pathway](#), noting, “We want to diversify coking coal. I am dependent on two or three geographies and prices keep fluctuating and increasing crazily. I would love to have high-quality coking coal from America.”

These commitments suggest that India is optimistic about considering higher imports of US met coal in the coming years, which could position the country as a more significant supplier to support India’s expanding steel capacity.

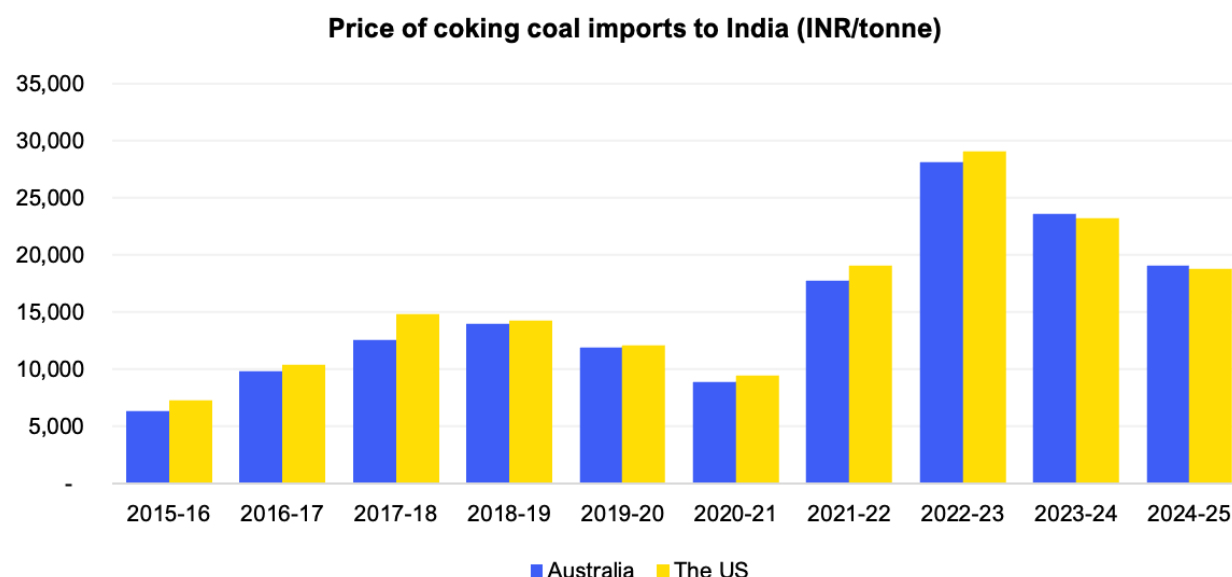
Diversifying to US comes with its own risks

Shifting a greater share of imports from Australia to the US may not strengthen the energy security of India’s steel sector by as much as policymakers may expect. Diversification does not automatically reduce exposure to price volatility or supply disruption. Instead, it introduces a new set of risks that require careful consideration from policymakers and key stakeholders.

US met coal is linked to Australian prices and volatility

Australia is, by far, the world’s biggest exporter of met coal, accounting for around 45% of global supply in 2024, according to the [Australian government](#). In 2025, Australia likely exported almost as much as the US, Canada, Russia and Mongolia combined. As a result, Australian supply has an outsized impact on prices in the seaborne met coal market. Any disruption to the Australian supply is quickly mirrored by price increases throughout the market as importers seek alternative sources. Figure 3 demonstrates how closely linked the Australian and US met coal prices are.

Figure 3: US and Australian met coal prices are linked



Source: IEEFA, NITI Aayog

A disruption to Australian supply at the beginning of 2026 demonstrated this link and highlighted the limited benefit of India diversifying its met coal import sources away from Australia.

January saw heavy rainfall and flooding in Queensland, disrupting mining operations and logistics in what is the world's most significant met coal exporting region. A number of met coal miners were forced to [declare force majeure](#) (Table 1), and the country's met coal exports fell 22% in the month as a result, [according](#) to S&P Platts. The resulting supply disruption drove up prices, with benchmark premium Australian hard coking coal (HCC) surging to USD252.5 per tonne (INR23,404 per tonne) on 4 February, an 18-month high and up more than 50% from the lows seen in March 2025.

Table 1: Australian coal producers hit by early 2026 floods

S. no.	Company/asset	Type of impact
1.	Fitzroy Coal Sales Pty Ltd	Faced weather-related disruptions and declared force majeure on some coal shipments due to heavy rain.
2.	GEAR & M Resources (GM3)	
3.	Stanmore Resources	
4.	AMCI Resources	
5.	Pembroke Resources	
6.	Glencore (Hail Creek and Collinsville)	Faced weather-related transport and logistics constraints.
7.	Anglo American Plc	
8.	Central Queensland Coal Network (Aurizon rail)	Faced some minor isolated wet weather restrictions affecting logistics.

Source: IEEFA, S&P Global, Argus Media, Bloomberg

This was followed by an increase in US met coal prices as importers quickly sought alternatives, demonstrating the linkage between US and Australian met coal. According to a Wood Mackenzie research director quoted on the S&P Capital IQ website, "That linkage tends to be strongest when Australian availability is constrained, as was the case earlier this year."

Weather impacts forecast to increase with climate change

Weather events are likely to increasingly lead to spikes in both Australian and US met coal prices going forward. Queensland, where most Australian met coal is produced, is [prone](#) to periods of intense rainfall and flooding which often impact mining operations and logistics.

Australia's Bureau of Meteorology (BoM) and the Commonwealth Scientific and Industrial Research Organisation's (CSIRO) [most recent State of the Climate \(2024\) report](#), highlights that "heavy short-term rainfall events are becoming more intense", that the trend of increased intensity in thunderstorm rainfall since 1979 has had a particular impact on northern Australia (including Queensland), and that climate change will ensure this trend continues. The State of the Climate report notes that the "intensity of heavy rainfall events in Australia is increasing as the climate warms" and that "climate model simulations project that heavy rainfall events will further intensify during the 21st century".

Queensland is also affected by cyclones. The frequency of cyclones is forecast to drop as the climate continues to warm but those that do occur are expected to be more intense and "the intensity of rainfall associated with cyclones is also expected to increase", according to BoM and CSIRO. March 2026 saw Far North Queensland [impacted](#) by the most intense cyclone in years.

Figure 4: Australian met coal prices surged in January 2026 due to weather events

USD/tonne



Note: As of 30 January 2026; based on the TSI Premium Hard Coking Coal Australia Export FOB East Coast price, assessed by Platts.

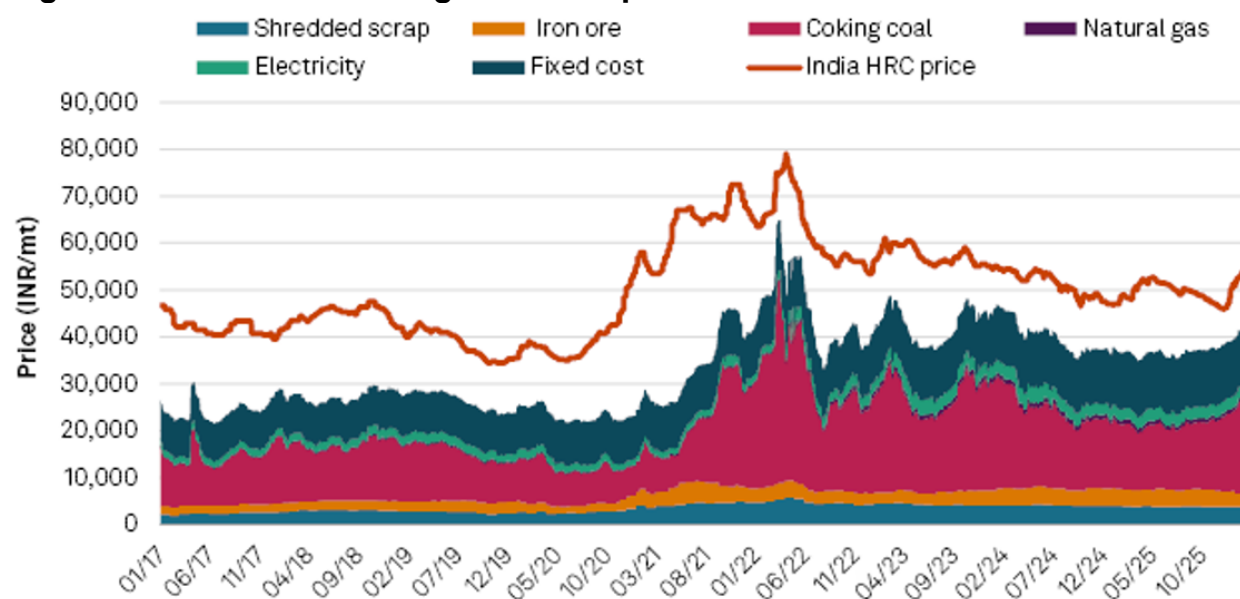
Source: S&P Global Energy

Frequent supply interruptions from Australia will have a clear financial impact on Indian steelmakers. Meanwhile, the price linkage between Australian and US met coal will significantly limit the benefits of diversifying India's met coal imports.

In the long term, met coal miners are telling investors to expect increases in coal prices as supply dwindles. For instance, Whitehaven Coal is [consistently telling its investors](#) that "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. Whitehaven's metallurgical coal portfolio is expected to benefit from these supply constrained market dynamics".

Coking coal is the largest and most volatile cost component for Indian steelmakers (Figure 5).

Figure 5: Indian steelmaking costs and prices



Note: As of 24 March 2026; HRC = hot-rolled coil.

Source: S&P Global Energy

Higher freight costs limit the competitiveness of US met coal, and the risks have risen

Freight economics are an important factor affecting the competitiveness of US met coal in India. Australian coal has a clear advantage due to a shorter shipping distance, which results in lower freight costs. In contrast, US cargoes travel much longer distances, leading to higher transportation costs and limiting their ability to compete.

Transit times further highlight this difference. Shipments from Australia to India typically take around [20–25 days](#), whereas S&P Global Platts reports that US cargoes usually take 40–45 days, depending on the route and vessel. These longer transit times increase working capital requirements and add supply chain uncertainty for buyers.

Price trends also reflect this dynamic. While US coal can appear cheaper on an FOB basis (free on board, or the price at the export point before shipping and insurance), this advantage is often offset once freight costs are included. The lower FOB price of US coal, in fact, reflect its shipping disadvantage, since the higher freight costs narrow the gap on a delivered basis, limiting the benefit to the Indian steel sector even before the onset of the current conflict in West Asia.

The enormous impact on the supply of crude oil and refined products since the start of this latest, and potentially the most significant, fossil fuel crisis highlights the risks associated with longer shipping routes. Additionally, of all the products refined from crude, [shipping fuel oil is among the most vulnerable](#). Shipping can use a range of fuels, including heavy fuel oil and low sulphur fuel oil, but shortages are [now emerging globally](#), driving alarm price spikes (Figure 6). Prices in Singapore are especially relevant since it is one of the world's largest bunkering hubs, making them an important global benchmark for marine fuel costs.

Figure 6: The price of low-sulphur fuel oil has spiked in Singapore



Source: Bloomberg Fair Trade Data

The impact on dry bulk freights rates is already apparent. [According to S&P Platts](#), rates from Australia to India rose 63% to USD27.25/Mt (INR2,525/Mt) as on 23 March, up from an average of USD16.76 (INR1,553) in February.

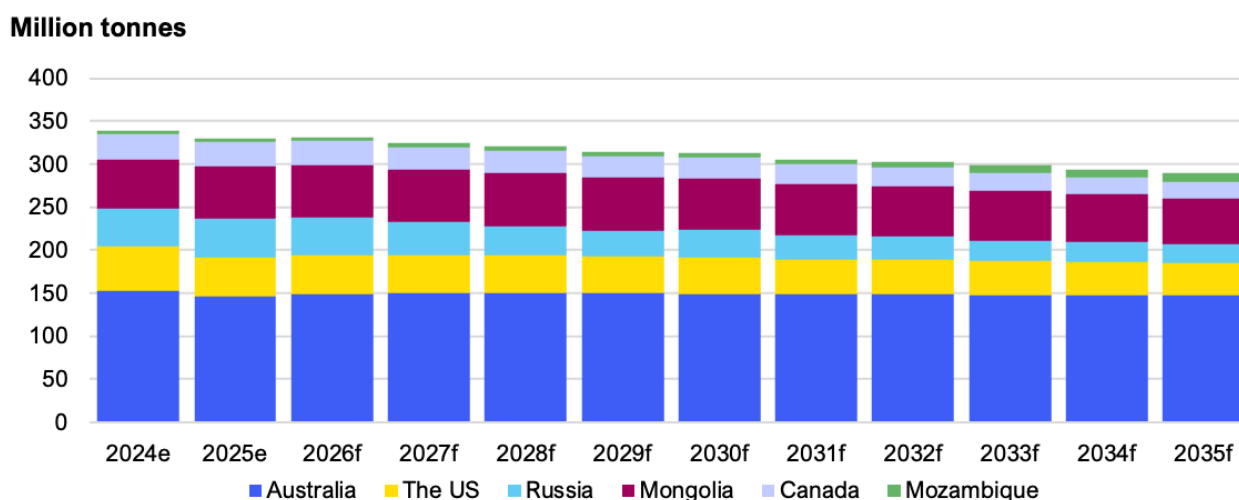
Limited scalability of US metallurgical coal supply

Given the scale of US export capacity, increasing imports can support India's efforts to diversify and strengthen energy security, but it may not be sufficient to offset rising demand. S&P

Global forecasts that Australian exports will begin to decline from 2029 (Figure 7) and that US metallurgical coal exports are already in decline, expected to reduce further from 44Mt in 2026 to 38Mt by 2035, clearly limiting India's ability to replace Australian coal with US volumes.

At the same time, India's met coal imports are projected to rise significantly from 94Mt in 2026 to about 149Mt by 2035, according to S&P Global, if it sticks with its current plans to expand steel production via increased BF capacity.

Figure 7: S&P Global met coal export forecast (February 2026)



Note: e = estimates; f = forecasts

Source: S&P Global (as of 25 March 2026)

Technical limits to shifting from Australian to US met coal

[Stamp-charging technology is expanding across Indian steel plants](#), enabling greater flexibility in coal usage. In this [process](#), coal is compressed before being fed into coke ovens, which improves its bulk density, enhances coking performance, and allows the use of lower-quality domestic and imported coals within blended mixes without significantly compromising coke quality.

However, Tata Steel Chief Executive Officer (CEO) T.V. Narendran pointed out that [US-origin coking coals are “not suitable” for the stamp charging technology](#) widely used in Indian coke ovens, which are optimised for blends of domestic and Australian coal. Tata Steel continues to rely heavily on Australian supply, with around [70–80% of its coking coal mix sourced from Australia](#). US coal accounts for only 1Mt, primarily used in select top-charging coke oven batteries. This further limits India's plans to substitute Australian met coal with US coal.

Recommendations: Targeting true energy security

India needs to further reduce its over-reliance on Australian met coal. However, diversification alone is not a long-term solution. Even if it does diversify its suppliers, including imports from the US, India will remain exposed to global benchmark pricing, supply disruptions, and climate risks in major exporting regions.

Policymakers should, therefore, prioritise reducing dependence on met coal rather than expanding exposure to imported supply. This requires accelerating the shift to scrap-based electric arc furnace (EAF) steelmaking, supported by stronger scrap collection and recycling systems. India can also collaborate with countries such as the US, which have mature scrap

markets, to strengthen its circular steel ecosystem. In March 2026, Tata Steel [inaugurated](#) its first scrap-based EAF in India.

At the same time, [green hydrogen development](#) should be directed towards domestic steel production through hydrogen-based direct reduced iron (DRI) technology, rather than focusing primarily on exports. While much of the world outside of China has struggled with green hydrogen development, India [has been able to advance](#) projects supported by low-cost renewable energy, an existing industrial base, absence of trade barriers for cheaper Chinese electrolyzers, and layers of government support.

An additional factor that should drive India's green hydrogen development is energy security. In the wake of the West Asia crisis, domestically produced and consumed green hydrogen is emerging as an even more effective energy security play that reduces reliance on fossil fuel imports. China is increasingly placing an emphasis on the [energy security role](#) of its green hydrogen development. With its ability to make green hydrogen [more cheaply](#) than virtually any other country, India is well placed to capture its energy security benefits.

By lowering long-term met coal import dependence, India can build a more resilient and competitive steel sector aligned with its long-term decarbonisation goals.

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The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. www.ieefa.org

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