

IHS McCloskey Coal Report

Comprehensive news & analysis of the international coal market

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Glencore seen as only bidder for Total's coal assets

GLENCORE XSTRATA COULD be poised to snap up Total Coal South Africa, with the French-owned company putting its assets under the hammer as it seeks an exit from coal.

As reported exclusively last week by *McCloskey's Newswire*, Total has been quietly seeking a buyer for the assets which it sees as "non core", and now Glencore Xstrata has emerged as the only likely bidder.

Total Coal South Africa MD Christa Botes confirmed parent company Total is looking for a buyer and she said that the intention is to sell Total Coal SA as a going concern and not to sell off the assets piecemeal.

Ms Botes said that Deutsche Bank has been appointed to facilitate the sale process but declined to provide further details saying it is "early days". She added Total Coal SA is the group's only coal mining asset.

Ms Botes pointed out this is not a divestment from South Africa because Total's retail operations in the country are not affected and the group is investing heavily in offshore exploration for oil and gas in South African waters.

Total Coal SA operates two collieries in Mpumalanga - Forzando and Dorstfontein - and is a 4.8% shareholder in South Africa's main coal export facility, the Richards Bay Coal Terminal.

Total Coal's black economic empowerment partner is Bridgette Radebe's Mmakau Mining which holds equity stakes in the two operating mines. According to Ms Botes that means Mmakau's interests will not be affected by the sale of the company.

Total Coal supplies coal almost exclusively to the export market and, according to Ms Botes, currently exports around 4.5mt annually through the RBCT.

According to an authoritative South African coal industry source, the most likely buyer for Total Coal SA appears to be Glencore Xstrata and the group is "unlikely to face much competition from either Anglo

American Coal or BHP Billiton."

The reason for highlighting Glencore Xstrata is that it is the only heavyweight foreign mining group which has committed to a major expansion of its coal interests in South Africa.

According to information presented at its last investor day, Glencore Xstrata views South Africa as a key element in creating what it terms "the world's leading seaborne thermal coal business." The company began that process late last year with the purchase of a controlling stake in Rio Tinto's Clermont thermal coal mine in Australia.

BHP Billiton Energy Coal (Becs) has been disinvesting from South Africa's coal sector for more than a decade, selling off a number of collieries and undeveloped resources as well as selling down its stake in the RBCT.

McCloskey's Newswire reported last week, also exclusively, that BHPB was reportedly blocked by the South African government from selling its Khutala colliery to a black economic empowerment (BEE) consortium.

The thermal coal mine in Mpumalanga province supplies all its coal to the nearby Kendal power station, owned by state utility Eskom. It is believed the government blocked the sale because it views the mine as 'strategic' for Eskom.

Anglo American seems an unlikely bidder given institutional investor pressure on newly-appointed CEO Mark Cutifani to reduce its investment exposure to South Africa and not put more capital in.

Exxaro Resources is keen to increase its export business but the group would prefer to do that through development of its own mines in the Waterberg rather than pay a premium for an operating business.

Exxaro also has a number of major capital expenditure projects on its plate - such as building an iron ore mine in the Republic of Congo which could restrict its ability to bid for Total Coal SA.

Market round up

ASIA

Newcastle prices continued their steep 2014 decline, but signs emerged late in the week that a floor may be close to forming - perhaps indirectly helped by the disruption at Richards Bay. With Newcastle tonnage being offered at close to \$77.00/t FOB, basis 6,000kc NAR, some producers have begun picking up limited supplies, reasoning that these levels are below their own production costs. High ash supplies are still valued around \$66/t FOB, basis 5,500kc NAR. Buy-side activity is limited with China off for CNY holiday, although Korean gencos have been busy tendering.

EUROPE

A week-long outage to operations at RBCT pushed February South African FOB bids up 7% to \$86/t by Thursday, compared to \$80.50/t on Monday. Prices pared gains on Friday due to expectations that normal operations will resume over the weekend, having delayed up to 1.6mt of shipments. Buying appetite in Europe is weak, with utilities understood to be well stocked for the time of year, partly because of relatively mild temperatures. Some buyers are also said to have held off in case prices decline when Drummond operations resume.

McCloskey key physical prices

Feb-13	Jan-14	Jan 31st	Feb 7th
NW Europe steam coal marker (\$/t)			
87.72	83.16	82.10	80.10
Richards Bay FOB marker (\$/t)			
85.48	82.90	80.14	80.53
Newcastle FOB marker (\$/t)			
93.18	81.61	79.90	76.85
Australian 5,500kc NAR FOB marker (\$/t)			
75.53	68.36	66.70	66.30
South China CFR marker (5,500kc NAR) (\$/t)			
85.65	80.13	77.85	77.75
Indonesian Sub-bit FOB marker (\$/t)			
64.63	60.91	60.80	60.10
Australian prime hard coking coal FOB (\$/t)			
171.51	132.74	129.83	129.19
Colombian FOB Marker (\$/t)			
78.66	71.82	73.75	73.00
Weekly average German power price - (E/MWh)			
43.36	36.82	39.92	36.22
Carbon - (E/t)			
4.63	4.95	5.39	5.74

Source: IHS McCloskey, Xinhua Infolink, Marex Spectron

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Contents

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LEADS

Glencore seen as only bidder for Total's coal assets
Power failure hits RBCT; delays expected until March
Anglo upgrades met quality mix; averages \$133/t FOB
US high sulphur exports fall on strong domestic demand
India's non-major ports lead coal handling expansion charge
Arch sees better market for thermal coal in the US
Malaysia to near double coal demand
Most Waterberg coal "will never be mined"
Coal India refloats 5mt tender
Alpha primes London office for Europe sales push

Jameson raises more for Crown Mountain project **18**
Gujarat NRE continues recapitalisation **18**
Tigers Realm secures disputed **18**
Russian funding **18**

MINING

Alliance Resources sets new records in 2013 **19**
South Africa to streamline coal mine licensing **19**
Consol to lift coal production **20**
Colombian production slumps 6% in 2013 **20**
Peabody sets coal sales target for 2014 **20**
SBU's 2013 coal production hits 24.5mt **21**
South African coal exports could hit 90mt/yr by 2020 **21**
Bandanna cuts Springsure cost estimates **21**
Universal agrees deal on Exxaro mine **21**
Mechel's 2013 coal output dips to 27.5mt **22**
Pacific Coal's Colombian production rises 4% **22**
BHPB cuts jobs at Saraji mine **22**
Guildford commissions Mongolian met mine **22**

KEY PHYSICAL MARKETS COMMENTARY

Trade in petcoke markets limited to Mediterranean
Indonesian prices drift on limited buy-side interest
Alliance sees US domestic prices bettering exports
Queensland cyclone fails to halt met price dive
Snowstorms could ease China stock swell
RBCT outage drives South African FOB prices up

POWER

Coal fired generation down 9.7% in Mexico **22**
Mitsubishi, Toshiba to build Philippines power plant **22**
UK November thermal consumption rises 4% to 4.32mt **23**
Turkish coal-fired power projects gather momentum **23**
German coal generation down 10% in January **23**

CARBON & SPARKS

Coal loses ground vs gas, but still ahead **14**

INDONESIA

Realm to refocus Katingan Ria for domestic market **16**
Tata Power exits Arutmin in \$500m Bakrie deal **16**
Closed Kalimantan barging route reopens **16**
Indonesia plots coal control in bid to push prices up **16**
Pan Asia continues TCM sale talks **16**
Toba Bara targets 20% production growth **17**
Adaro hits annual production record **17**
Hyundai E&C joins \$1.6bn Kalimantan rail project **17**

Renewables challenge coal generation costs in Germany **23**
Eskom coal demand could hit 160mt/yr by 2025 **24**
Fire causes three month outage at EnBW coal unit **24**

TRANSPORT & LOGISTICS

US rail carrier posts lower coal revenues **24**
RBT-Grindrod targets 8mt/yr port capacity by 2015 **24**
British firm to invest \$147m in Colombia's rail system **25**
Goldman Sachs shuts down its Colombian port **25**
Queensland terminals resume after cyclone hit **25**
Strike averted at CN Rail **26**
Indonesian shipping delay eases **26**

CORPORATE

CCX sells Colombian assets to Yildirim Holding **17**
Continental gets survival funds **18**
Coalpar raises more funds for Vista **18**
Cockatoo reveals major writedown **18**
Yanzhou readies Yancoal payout; silent on takeover **18**

REGULARS

Steel **26**
Markets - Steam Coal **26**
Trade **28**
People **31**
Coal Equities Bulletin **32**

Power failure hits RBCT; delays expected until March

THE RICHARDS BAY Coal Terminal (RBCT) is expected to resume normal operations over the weekend after a week long power outage, which brought the world's single biggest coal loading terminal to standstill.

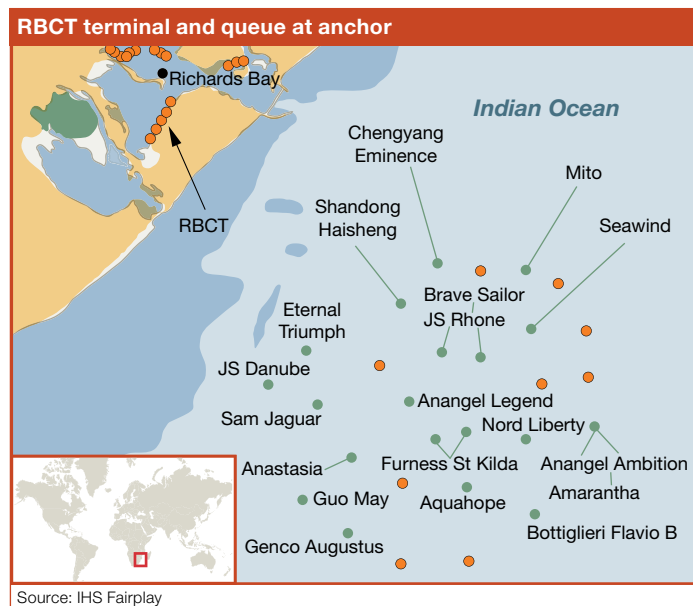
However, with 23 vessels already waiting to be loaded, and more on the way in the coming weeks, it may take the port until the end of March to clear the backlog, and result in stockpiles at the facility falling by a third.

The failure of a municipal transformer supplying the port brought ship loading and rail operations to a halt last Friday and may have delayed up to 1.6mt of coal shipments. As of Thursday, 23 vessels were anchored offshore, with a combined capacity of around 3.5mt.

Data from IHS *Fairplay* suggest another 33 bulk carriers are heading for the port of Richards Bay, which includes the Richards Bay Coal Terminal. Thirteen vessels are capesize and will be loaded with coal. A further 10 vessels in the panamax range are also inbound, some which may also be for coal cargoes.

Force majeure notices have been declared on prompt cargoes by several affected exporters. The FM declarations are mostly for February loading cargoes. There are also reports of notices for March loading cargoes being issued, but it's unclear whether these will be accepted by those who have received them. The outage has also sent FOB bids for February Richards Bay cargoes up by 7% in a week (see related story).

Most traders believe excess capacity at the port will allow ship loading to make up for the delays relatively quickly. Based on historical data, it would take around 15 days to load the vessels currently waiting, and until the end of March to reduce the vessel queue to normal levels of around six.



That would mean loading at a daily rate of 238,100t per day, equivalent to around 1.3 standard capesize vessels.

The rail operator Transnet told MCR that they expect to clear

backlogs on the Richards Bay line within weeks, but it will take time for the network to be balanced and for empty cars to be moved to customers. One trader expressed concerns whether Transnet would catch up at all, even in the longer term.

If Transnet can maintain railings at a level of 215,000t of coal per day, by the time the vessel backlog had been cleared and the queue reduced to normal, port stocks at the terminal could drop to 2.4mt from the 3.8mt that was reported at the end of January.

Even before the outage, the February loading schedule had looked busy. Captured fixed price deals for the month are running at 1.83mt, versus a record in December of 1.9mt, when the port loaded a total of 6.9mt of coal.

Just five weeks into the new year, RBCT already faces an uphill battle to achieve its target export rate of 75mt this year. The terminal shipped a low 4.6mt in January, or 53.80mt annualised.

MCR calculates RBCT could ship approximately the same again in February, if full operations are achieved soon after power is restored. This would mean it still has 65.8mt to ship between March and December, requiring an average export rate of 6.58mt/month.

RBCT ships 4.6mt in January

RBCT got off to a slow start in January when it shipped just 4.6mt, according to official figures.

It was the lowest month since May last year, when shipments were curtailed due to annual rail maintenance.

January's exports were 33% lower than the 6.79mt shipped in December, but 9% higher than exports of 4.21mt in January 2012.

It is understood that RBCT includes some January loadings in December's figures, depending on the timing of vessel arrivals, to maximise annual allocations fully before the end of each year.

Some 5.7mt was railed to the port in January, an increase of 3% compared to 5.53mt railed in December, according to RBCT.

This resulted in month-end port stocks rising to 3.82mt, from 3.13mt at the end of December.

Exports to Europe remained strong in January but declined compared to December. Some 1.25mt of January's tonnage was shipped to Europe, or 27.5% of the month's total. This compares to 2.58mt in January, or 38% of that month's total.

Coal shipped to what RBCT classifies as 'western Europe' was 1.15mt, while 48,651t went to northern Europe and 53,011t was dispatched to southern Europe.

Asia accounted for 2.86mt of January's exports, or 62.6% of the month's total. This compares to 3.73mt in December, or 56% of the total.

Anglo upgrades met quality mix; averages \$133/t FOB

ANGLO AMERICAN UPGRADED its met coal product mix in the October-December quarter (Q4), helping the company to boost sales and lift average FOB prices received.

An Anglo quarterly statement showed the company averaged \$133/t for Q4 sales across its suite of hard, semi-hard and PCI products. This was 3.1% higher than \$129/t averaged for the previous quarter, but 8.9% lower than \$146/t a year earlier.

The company booked total met sales of 5.18mt in the quarter, 6.6% higher than 4.86mt in the previous quarter and 9.9% higher y-o-y than 4.71mt previously. That brought calendar 2013 met

sales to 19.04mt, up 9.4% y-o-y on 17.41mt previously.

The statement noted record met coal output in the year despite an unplanned longwall move at Moranbah.

“The strategic focus on premium priced products and underground operational improvements had a favourable impact on the product mix, with the ratio of hard coking coal to PCI increasing by 3% to 70% in 2013,” it said.

In thermal coal, Anglo’s average FOB price received from Australia dipped to \$84/t for 2013, down 12.5% y-o-y against \$96/t previously.

South African export prices averaged \$77/t, 16.3% lower y-o-y than \$92/t previously and Colombian export prices averaged \$73/t, 18.0% lower y-o-y than \$89/t previously.

The statement noted wet weather and longwall issues crimped output in South Africa while performance improved at Cerrejon in Colombia as the operation continued to recover from last year’s strike action.

US high sulphur exports fall on strong domestic demand

A STRONG US domestic market clipped exports of high sulphur thermal coal out of the US Gulf in 2013. Exports are estimated at 13mt, down from 17mt in 2012, according to an MCR survey of trading sources. High sulphur (>1.5-3%) coal, mainly from the Illinois Basin, increased its market share domestically at the expense of declining output from Central Appalachia.

The stronger conditions for coal domestically limited exports, especially into Europe. European power generators take the lion’s share of the exports, usually around two thirds of the overall total, but only if significant discounts against API2 prices can be secured, which are usually in double digits.

The strength in the US domestic market put suppliers in a stronger position to offer export prices at an equivalent to the domestic market. This was at a level that did not incentivise European buyers.

European generators need a discount due to the higher costs of blending the coal with lower sulphur material, generally from Russia. This can only be done at certain terminals such as EMO in Rotterdam.

Terminals in northern Germany for example do not have the blending facilities. This blending process adds extra costs to the generator of at least a couple of dollars.

A combination of rising natural gas prices and a sustained recovery in industrial demand created opportunities for Illinois Basin coal. Illinois Basin thermal coal becomes competitive for coal-fired generation versus natural gas when Henry Hub prompt prices go above \$3.50/mmBtu.

They averaged around \$3.85/mmBtu in the final quarter of 2013 and \$3.72/mmBtu for the whole of 2013. This compares to an average 12 month price of \$2.75/mmBtu in 2012.

Overall output of Illinois Basin thermal coal was nearly 6% higher year-on-year in 2013, rising to 134mst. Central Appalachian production fell to 129mst in 2013 versus 148mst in 2012.

Illinois Basin coal was one of the few growth stories in an otherwise difficult year for the US coal industry. It is also the first time that its output has been higher than Central Appalachian.

India’s non-major ports lead coal handling expansion charge

THE COAL HANDLING capacity of India’s non-major ports is set to expand at more than double the rate of the country’s major ports in the next few years.

While the major ports are expected to expand their total coal handling capacity by 55mt/yr over the next 2-3 years, the known expansion plans for the non-majors is more than double this capacity.

In recent times, the non-majors have been playing a considerable role in helping alleviate congestion at the Union government-controlled major ports.

Non-major ports, which are under the purview of State governments, handled more than 40% of the country’s total maritime freight traffic during the first half of the current Indian Fiscal Year, running from April-March.

While the majority of trade still passes through major ports, non-major ports surpassed that of major ports in terms of coal handling volumes in the Indian Financial Year (IFY) 2012-13 – 110.6mt versus 87mt.

India has 200 notified non-major ports but only 61 ports are handling cargo traffic. In IFY 2012-13, non-major ports increased their coal handling by 40% year-on-year while major ports increased their volume by 10% y-o-y.

The state of Gujarat in India’s north-west handled around 41% of the total cargo handled by India’s ports in the first half of IFY 2013-14.

In IFY 2012-13, Gujarat’s 41 non-major ports handled 73% of the total cargo traffic of India’s non-major ports, including 55.9mt of coal or about 22% of the total commodities handled by the state’s non-major ports, according to data from India’s Ministry of Shipping.

Mundra Port on the Gulf of Kutch is the largest of India’s non-major ports, as well as being the largest coal handling port in India. It took that title from the major port of Paradip on India’s east coast in IFY 2012-13 when it handled more than 26mt of coal to meet the state’s increasing power requirements.

Adani Port and Special Economic Zone (APSEZ) operates the Mundra Port which has three dedicated coal berths in the West Basin with handling capacity of almost 60mt/yr of coal.

The seven grab ship unloaders each have a rated discharge capacity of 2,000t/hr and the deep water berths are able to cater for fully-laden capesize vessels. The dedicated coal stockyard currently has a 3.2mt capacity. In September 2013, Mundra Port set a national coal discharge performance record of 151,229t for a 24 hour period.

Adani also operates Hazira Port in Gujarat, where it is developing a dedicated coal berth with a 13m draft, and Dahej Port, also in Gujarat. At Dahej Port, the North Berth is a fully mechanised coal terminal with a draft of 14m capable of accommodating capesize vessels up to 90,000dwt. The conveyor handling system has a coal evacuation rate of 4,200t/hr.

Adani is also developing a 7mt/yr coal terminal at the Major Port of Mormugao at Goa on India’s west coast on a Design, Built, Finance, Operate and Transfer (DBFOT) basis, which is expected to be operational in 2014. The company has also just completed construction of a 12.65mt/yr coal terminal at the Major Port of Visakhapatnam on India’s east coast, also on a DBFOT basis.

Another major private port operator with cargo handling facilities in Gujarat is Essar Ports which began development of a 5mt/yr capacity coal jetty at Salaya Port in December 2013. The jetty will

have a 14m draft and the coal stock yard will have a 0.7mt capacity.

Essar also operates a bulk terminal at Hazira Port in Gujarat capable of handling coal. The port operator is developing a 14mt/yr dedicated coal terminal at the major port of Paradip on India's east coast on a Build, Own Operate (BOT) basis. The project is expected to be completed in 2014-15.

At Pipavav Port in Gujarat, operated by APM Terminals, the expansion of the coal jetty and phase two dredging is expected to provide an additional 5mt/yr of coal handling capacity to its current 5mt/yr capacity.

The state of Andhra Pradesh on India's east coast handles the second largest volume of coal through non-major ports. In IFY 2012-13, the state's 12 non-major ports handled 30.74mt of coal. The state government has encouraged the participation of the private sector in port development by allowing a number of ports to be privatised.

Krishnapatnam Port was privatised in 1997 and is being developed by the Krishnapatnam Port Company (KPC) on a Build, Own, Operate and Transfer (BOOT) basis for 30 years. Navayuga Engineering Company has a 74% equity stake in KPC.

When fully developed, the Krishnapatnam Port will have 42 berths, making it the largest port in India. Currently the port has two dedicated coal berths with a discharge capacity of 96,000t/day, although a record of 106,171t/day has been achieved.

The 18.5m draft alongside the berth is capable of accommodating vessels of up to 160,000dwt. The phase two development of the port will add a further four dedicated coal berths with two ship unloaders per berth, each with a capacity of 2,000t/hr. Dredging will provide berths with a draft of up to 21m to accommodate vessels of up to 240,000dwt.

Existing power, steel and cement plants in the hinterland of the port currently require about 20mt/yr of coal. Eight proposed thermal power plant projects with a total capacity of 16GW are within an 8km radius of the port and will require an additional 80mt/yr of imported coal. Hence Krishnapatnam Port's handling capacity will need to rise to around 100mt/yr.

Gangavaram Port was privatised in 2003 to be developed as a greenfield deep water port on a BOT basis for 30 years. It has one dedicated coal berth with a draft of 19.5m capable of accommodating vessels up to 200,000dwt.

The facility is equipped with two coal unloaders, each with a 2,400t/hr capacity. The stockyard has a 2mt capacity. Gangavaram Port plans to add another fully mechanised coal berth capable of handling capesize vessels of up to 200,000dwt.

Kakinada Deep Water Port was privatised in 1999 and is being developed by Kakinada Seaports. The mechanised coal handling facility has a 14mt/yr capacity. A fifth dedicated coal berth with a 6mt/yr capacity became operational last May. The berth has a ship unloading capacity of 2,400t/hr with a coal blending capacity of 1,800t/hr.

The mechanised coal blending system is one of the few operating at an east coast Indian port. The stockyard for the berth has a capacity of 1.04mt and stores both coking coal and thermal coal.

Further south on India's east coast, in the state of Puducherry, is MARG Karaikal Port. The privately owned port is increasing its coal handling capacity. Currently MARG Karaikal Port has two dedicated coal berths with a 15.5m draft capable of handling capesize vessels. The port consistently achieves discharge rates of about 30,000t/day but has reached 60,000t/day.

The port operator has plans to raise the port's dedicated coal

India non-major ports (Coal)



handling capacity to 20mt/yr. In IFY 2013-14, MARG Karaikal Port is expected to import around 5.5mt of coal.

Other non-major ports planning to increase their coal handling capacity include Dighi, Dhamra, Sikka, Navlakhi, Ashtaranga, Dholera and Machilipatnam.

Arch sees better market for thermal coal in the US

ARCH COAL IS targeting coal sales of 131.5-142.5m short tons in 2014, consistent with last year's sales of 139.6mst.

In a conference call with analysts, Arch CEO John Eaves said 2013 was a challenging year for the US coal industry, however, he expects 2014 to present a much more "balanced and dynamic market for thermal coal."

"We had a few years where abundant shale gas supplies and low natural gas prices resulted in many utilities switching over to natural gas away from coal," Eaves said. "That trend is reversing due to higher gas prices and a big jump in power demand thanks to a particularly harsh, frigid winter in the United States."

Eaves said prices for Arch's Powder River Basin coal are rising. "With signs that a rebound in US thermal coal demand and pricing may be forthcoming, we are managing our operations in a manner that will enable us to benefit from that rebound."

Eaves said Arch does not expect the global coking coal market to change drastically from its current state in 2014, citing a

continued oversupply of coal available in both the Atlantic Basin and Asian markets.

Arch Coal posted revenues of \$719.4m and adjusted earnings before interest, taxes, depreciation, depletion and amortization of \$38.4m in the fourth quarter of 2013.

“The company’s results reflect a softer pricing environment for metallurgical and thermal coals than in the prior-year quarter, as well as the impact of previously disclosed rail service issues in the Powder River Basin and geological challenges encountered in Appalachia,” the company said in its quarterly report.

During the fourth quarter Arch reported a net loss of \$371.2m, or \$1.75 per diluted share. The results include a non-cash goodwill impairment charge of \$265.4m, which has no impact on the company’s liquidity, operating cash flow and ongoing business operations.

Arch’s adjusted net loss was \$95.1m, or \$0.45/diluted share, in the fourth quarter of 2013.

Full year revenues totaled \$3b on coal sales of 140mst. The company generated adjusted EBITDA of \$426.0m in 2013 compared with \$688.5m in 2012. Arch also reported an adjusted net loss of \$229.2m, or \$1.08/share, in 2013.

Malaysia to near double coal demand

MALAYSIA IS SET to near double its demand for thermal coal across the next five years.

From a level of 21.5mt last year, Malaysia is forecast to require 37mt in 2019.

That could propel the country’s sole importer, Tenaga Nasional Berhad Fuel Services (TNBF), into the position of being the largest single entity buyer in Asia Pacific. TNBF already sits among the top three.

Malaysia has been on the ascendency with coal use for several years now, having risen from a demand rate of 12.5mt in 2008 to 17.9mt two years later before breaching the 20mt/yr mark in 2011.

The country’s power consumption has been growing at 5% annually, from a current daily demand average of around 15-16GW.

Speaking at the *IHS McCloskey South African Coal Exports Conference* in Cape Town, TNBF managing director Shaiful Bahri Hussain outlined his vision for Malaysia’s future.

He said coal would displace gas in the country’s energy mix, with coal swinging from 43% - 48.7GWh - at present to 62% - 88.7GWh - within the next five years.

Gas would slump from a 52% share - 57.8GWh - at present, to just 31% - 43.9GWh - by 2019.

The shift in demand comes from Malaysia moving forward with a host of new coal-fired power projects in the year ahead.

Among the new developments are two 1GW units of the Janamanjung facility, expected to come on-line in 2015 and 2017 respectively, the 1 GW Tanjung Bin Power plant to be commissioned in 2016, and a 2GW greenfield project scheduled for 2018/2019.

These add to a number of relatively recent additions to Malaysia’s coal-fired capacity, including the 1.4GW Jimah Energy Venture of 2009, and the 2.1GW Tanjung Bin Power project of 2006.

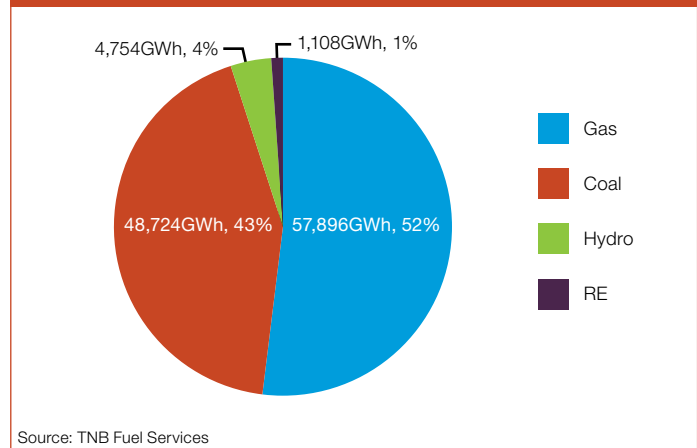
Stretching a little further back, Malaysia introduced a 1GW addition to the Kapar Energy Venture in 2001, an expansion from the 600MW original facility of 1988, and in 2002, 2.1GW of capacity was commissioned at Janamanjung.

By 2019, the country’s coal mix is expected to breakdown to be 60% sub-bituminous, 30% bituminous and 10% lignite.

Indonesia is by far the largest supplier of coal to Malaysia at present, accounting for 67% of its imports, with Australia supplying 18%, South Africa 13%, and Russia 2%.

While this is likely to remain largely the case, Hussain said there were opportunities for other players to enter that portfolio.

Malaysian fuel mix for electricity generation 2013



He noted new streams of supply coming online from Mongolia, Mozambique and Madagascar, among others.

The usage of cheaper shale gas in North America has brought more coal from the US and Canada into the seaborne market too, he said.

And the slowdown in the Eurozone has also seen traditional suppliers moving more of their coal into the Asian market, which has created a degree of oversupply, he noted.

Amidst this, South Africa’s share of the Malaysian supply make-up has swelled in the last five years, from 4% in 2008 to its current level of 13% last year.

Hussain said South African product was an ideal fit for Malaysian power plants.

He outlined that its bituminous needs generally covered coal with a max c.v. of 5,800kc GAR, and total max moisture of 18.5%, total max ash of 18%, and total max sulphur of 1%.

For blended product, to be used in the country’s latest plants, there’s no cap on c.v. needs, and they can take total max moisture of 30%, total max ash of 25%, and total max sulphur of 2%.

And for straight burn in those new plants, coal with a max c.v. of 5,700kc GAR, and total max moisture of 38%, total max ash of 25%, and total max sulphur of 1.5% can be accepted.

Hussain said TNBF handles around 293 panamax and capesize shipments at present, and by 2019, that could number could rise to 560.

He said: “TNBF has more flexibility on its coal procurement and may be able to divert a contracted shipment among its five power stations on a case-to-case basis.”

TNBF, which only procures coal for its own use and does not act as a trader, sets its international contracts against the API and Newcastle globalCoal indices.

TNBF pre-qualifies suppliers and Hussain said the company’s pre-qualification process had garnered significant international interest from China, Russia, Indonesia, Australia, South Africa, Canada, Colombia and the US.

Asian appetite grows

Malaysia is one of many countries in the Asia Pacific region showing an increased appetite for coal.

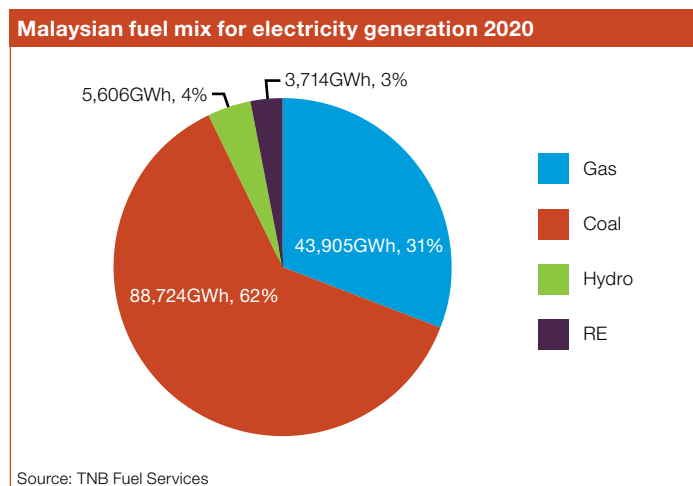
The Philippines has also turned a firm eye to coal, with plans on the table for just under 8.2GW of coal-fired capacity - 1.4GW of which is already committed.

Close to 30 coal-fired private power projects could be built in the Philippines in the next few years, according to the country's Department of Energy (DoE).

The country currently has just 5.5GW of coal-fired capacity, which accounts for more than a third of the country's power generation of 17GW.

Rough calculations indicate that should all these new plants be built and operate at a 70% loading factor, roughly 24mt of sub-bituminous coal would be needed, the majority from imports.

And Vietnam is expected to become a net importer of coal from next year onwards.



The country's state-owned coal miner Vinacomin is expected to slash its export level to around 8mt this year, from between 11.6-12.8mt last year, meaning the 2014 volume could come in as much as 37.5% down year-on-year. The company plans to produce 37.7mt this year, and sell 35mt.

Vinacomin's 2013 exports were down 19.6% y-o-y, with the company under government pressure to curtail export activity to conserve resources for domestic use.

Most Waterberg coal "will never be mined"

THE DEVELOPMENT OF the Waterberg coal field in South Africa poses serious profitability concerns for junior miners and most of the coal in the basin will never be mined, Xavier Prevost, senior coal analyst at XMP Consulting told the *IHS McCloskey South African Coal Exports Conference* in Cape Town last week.

"Waterberg is complex because it's far (from anywhere) and doesn't have infrastructure and there is no water. Also the geology is complex; it's different from the central basin," he said. "I believe most of the coal in the Waterberg will never be mined," he added.

The outlook runs contrary to planned development of the area,

which the country's minister of mineral resources, Susan Shabangu, stated at the conference is a key to the future of South Africa's mining industry.

One of the main problems of extracting saleable coal from the Waterberg basin is the amount of middlings, or lower quality coal, according to Prevost. For every tonne of coal extracted from the ground there, less than half of it would be a saleable product, he said.

Because of this, large amounts need to be processed in order to achieve sizeable production and benefit from economies of scale.

Many junior miners have a strategy of starting with small volumes and building up from there, which can work in the central basin where quality is generally higher, but in the Waterberg this strategy is much less profitable and they will struggle, according to Prevost.

"Companies say they start mining small, take the saleable coal out and grow from there. They won't make any money in the process. If you don't have a power station, what are you going to do with the middling? It's 80% of the production," he said.

Coal India refloats 5mt tender

COAL INDIA (CIL) has refloated its earlier tender for the import of 5mt of thermal coal. The deadline for offers is February 27.

The state-owned coal producer's first approach to the market with this requirement garnered no responses, a result of only public sector players being allowed to offer, some market participants suggested.

Those public sector companies have limited exposure to the international coal market.

CIL issued that first tender in mid-November, last year, as it stepped up efforts to bridge the domestic supply/demand gap.

India has a total current coal demand of around 600mt/yr, of which Coal India can only meet around 482mt/yr.

The latest tender covers the supply of imported coal to various power plants until September, 2015. A detailed delivery schedule will only be given to awardees.

Two types of coal are now being sought, with the first covering a c.v. of 5,800-6,500kc GAD and the second 5,300-5,800kc GAD.

For the higher c.v. material, CIL is seeking coal with total max moisture of 20%, total max ash of 20% on an air dried basis, and total max sulphur of 0.9%.

The lower c.v. product carries specifications of total max moisture of 32%, total max ash of 20%, and total max sulphur of 1%.

Prices are to be quoted on an FOB and CFR basis, including transport to the power plants.

Alpha primes London office for Europe sales push

US-BASED ALPHA NATURAL Resources plans to open a London sales office, signalling a new push to ship Central Appalachian (CAPP) thermal product to European customers.

A statement from Alpha's chief commercial officer, Brian Sullivan, indicated the new office is part of a strategy to "build an export platform for US coal that has long term potential".

He said this would complement established European sales systems in met coal. "We have an excellent opportunity to broaden our product portfolio with thermal customers in Europe where we've seen increasingly greater recognition of CAPP

thermal qualities,” Sullivan said.

“Being closer to the end users of coal enhances our European platform and gives us greater visibility into the important API2 export market. Exports account for 40% of Alpha’s revenues.”

The new London office will be headed by Nick Ingham, formerly of Drax, with the title of vice president, international hedging, sales and marketing.

Alliance sees US domestic prices bettering exports

THERE ARE EXPORT opportunities into Europe right now, just not too many for US producers, according to Alliance Resources Partners CEO Joe Craft.

During the company’s fourth quarter earnings call Craft said demand for thermal coal in Europe is going up, but right now so much coal is available internationally, prices are staying low.

“We see increased demand, unfortunately we’re also seeing increased supply in the international marketplace,” Craft said. “So the demand is there, it’s just that the supply in the international market place is going to influence the pricing.”

Demand for thermal coal in the US is also on the uptick, at least

for coal from the Illinois Basin, Northern Appalachia and the Powder River Basin. Craft said that right now Alliance – which has 87% of its production sold for 2014 – is going to keep its coal moving domestically.

“As we look at steam market exports, the opportunities in the US are better than they are in the export market,” he said, adding that’s not just for 2014.

“Even as you look at the out-year price curve, we believe that’s the case.”

Craft said that Alliance isn’t out of the export game, it’s simply waiting for prices overseas to reach a point where it makes sense to start shipping coal to export terminals again.

During the fourth quarter of 2013 the company’s average sales price per short ton was \$52.82 from its Illinois Basin operations, \$81.85/st from its CAPP operations and \$58.98/st from NAPP

“We also believe that the prices over the next, say, two to three years will, in fact, be higher in the export market than they are today,” Craft said.

The factors he believes will be driving prices higher are how much coal is going into China and the shape of the world economies.

“We are spending time trying to study the export markets,” Craft said. “And I would say, in the 2016 timeframe, we’ll be participating in those markets more than we are today.”

Key physical markets commentary

Trade in petcoke markets limited to Mediterranean

Trading in the petcoke market was limited to the Mediterranean over the past two weeks, but activity is expected to broaden with the return of Chinese players after New Year celebrations and with a more stable outlook for freight costs.

In the mid-sulphur market, there are reports that Venezuela’s Petrocedeno terminal is offering laycans for end-February, indicating that it could be operational again. Petrozuata is still struggling with loading issues and output is restricted. New business is very light and is limited to Mediterranean markets.

A 5.5% cargo closed in a range of \$95-97/t CIF Turkey, basis 7,500kc NAR, for 45,000t for prompt delivery. Another cement producer in the Mediterranean booked a low volume cargo (15,000t) at \$98/t CIF for a 5.5% product. Freight from the US Gulf to the Med is in the high \$20s/t.

There are also issues at a refinery in the US Gulf, with output being reduced for the past couple of months. There is uncertainty on when it will restart again, some estimate it will be April, other sources think it will be longer.

Smaller petcoke cargoes from Egypt’s Midor refinery have flowed into Spanish markets. Prices have been heard in the \$115-120/t CIF range. It is a lower-sulphur product, as it comes from sweeter domestic crude rather than higher-sulphur Saudi oil.

Overall, cement producers are very well covered for mid-sulphur (4.5-5.5%) deep into Q1 and Q2. Petcoke stocks in Europe are also in good shape, but are contracted out, limiting spot supplies further.

The weekly *IHS McCloskey USGVC mid-sulphur petcoke FOB marker* is at \$78/t, basis 7,500kc NAR, unchanged from last week.

In the high sulphur market (>5.5-7%), demand from India is being seen from cement producers. Delivered prices from the US Gulf are being seen in a range of \$103-105/t CIF west coast India.

A deal closed at \$104-105/t CIF Krishnapatnam (east coast), basis 7,500kc NAR for a panamax. Freight for this deal was quoted at \$40-42/t, according to shipbrokers. Otherwise fresh spot activity in the US Gulf market has been limited this week.

Domestic logistics in the US are under pressure, with icy conditions in the upper part of the Mississippi River restricting the availability of barges. Barges that are available on a spot basis are being prioritised for fixtures in the grain market.

Supramax freight costs are still holding up, despite ballasting vessels from the Pacific moving into the Atlantic market. There have been decreases of a couple of dollars for different routes, but overall the market is strong.

The grain season in South America will also see renewed demand for supramax vessels. Supramax fixtures from the US Gulf to China have been assessed at \$48/t, down from \$49/t last week. For fixtures from the US Gulf to Turkey, rates are \$27-28/t, more or less stable on the previous week. In January, rates were as high as \$33/t.

The weekly *IHS McCloskey USGVC high-sulphur petcoke FOB marker* is assessed at \$57.25/t, basis 7,500kc NAR, unchanged from last week.

Indonesian prices drift on limited buy-side interest

With Chinese participants out of the market for the Lunar New Year holiday, eyes were on India to pick up the slack. However,

market participants there showed only a slight increase in buying interest.

Offers for some products fell over the week without any significant increase in demand, although one trader reported seeing more bids than offers. However, they did add that many of the bids were for more 'bespoke' cargoes, rather than standard sizes.

Despite a lack of new buying interest, supply is understood to still be tight following prolonged rains across Kalimantan.

There have been a few participants seeking to cover short positions, although many of the larger producers are reportedly sold out for Q1 and there is very little availability for quality material.

One trader told MCR that they thought this tightness in the prompt would hold for another few weeks, but after that supply would improve and then the market looked vulnerable to downwards pressure once again.

The week opened with offers for March and April loading cargoes of 4,600kc NAR min material seen at \$60.35/t FOB, basis 4,900kc NAR, but fell to \$59.80/t FOB later on, and then \$59/t FOB late on Friday, while buyers were bidding at \$58.25/t levels and below.

A March loading panamax was seen offered at \$58.00/t FOB, basis 4,700kc NAR, while bids against were understood to be around \$56.00/t FOB on the same basis.

However, there were still some higher offers around, with \$63/t FOB, basis 5,000kc NAR, being discussed with Indian buyers for a smallish cargo.

Prompt loading geared cargoes of lower c.v. material were being offered at around \$39.00/t FOB, basis 4,200kc GAR, while bids against were holding at sub-\$38.00/t levels.

Another March loading supramax was offered at \$33.00/t FOB, basis 3,800kc GAR, although no bids were forthcoming.

There was a report of an inquiry from a Chinese buyer for higher c.v. material for early March loading, although no offers were forthcoming due to very limited spot supply for the higher grades.

Despite weak spot market levels, producers are reporting that they are well sold for Q1, although some concerns were raised by participants that Q2 sales still had some gaps.

In the paper market, there was a major sell down in Indonesian sub-bituminous swaps mid week, with Q2-14 contracts dropping almost a dollar on Wednesday, from \$60 to \$59.10.

One Singapore based trader told MCR the price for sub-bituminous is undergoing something of a correction, with prior levels having lagged changes in market conditions.

However, with little support coming from China, which is still out on New Year's holiday, the demand side remains under-represented.

This week the *IHS McCloskey Indonesian Sub-Bituminous FOB marker* is \$60.10/t, basis 4,900kc NAR, which is down on last week's \$60.80/t.

Queensland cyclone fails to halt met price dive

This month's Queensland cyclone – the first of the season – has failed to dent the decline in met coal pricing.

Although the cyclone was minor (by Queensland standards),

it still caused some disruption to coal movement, with the two major met coal terminals – Hay Point and Dalrymple Bay – shipping no coal for almost a week.

The terminals were still in cyclone recovery mode late this week, with shipping movements limited to daytime hours and shippers awaiting results of a channel survey before berthing cape vessels.

Logistics sources estimated shipments of 2-2.5mt had been delayed by the weather (including some disruption at Abbot Point, Gladstone and Brisbane terminals), but catch-up was expected to be rapid once normal operations resumed.

But traded met coal markets barely blinked, with the most visible acid test – BHP Billiton's pricing for March-delivery contract tonnes – taking another leg down.

As previously reported by MCR, BHPB has begun settling FOB March business with at least one European buyer at 135/t for Peak Downs brand, with Goonyella at \$132-133/t.

This is down \$3-4/t on monthly-priced FOB February delivery deals at a headline level of \$138-139/t for Peak Downs brand and \$135-136/t for Goonyella. They represent even bigger discounts on January-March quarterly benchmarks of \$143/t and \$139/t for the two top tiers.

And by late this week, BHPB was facing pressure for further discounts off the March rate in other markets, especially India.

Some shipper sources indicated they were not surprised at continued discount pressure, given indications last week, as China moved onto national holidays, of spot deals below the \$130/t FOB level for top-tier met coal.

"My view is that the weather did have an influence," one shipper told MCR. "We may never know, but I suspect March prices would have been around \$2 lower without the cyclone.

"Unless there's more serious weather, I think we're going to see lower prices again for the next quarter (April-June). There's still plenty of supply available where prices are at the moment."

Spot prices have also pushed lower, as the absence of Chinese buyers during the ongoing Lunar New Year break continued to weigh on market sentiment.

Buying interest from other demand centres remains weak, while there is said to be premium tonnes available in the hands of traders for prompt delivery.

A cargo of premium low-vol was heard offered into India at a level slightly below \$130/t FOB for prompt loading, while mid-vol was said to be available for customers in Europe closer to \$125/t FOB.

IHS daily Australian prime hard coking coal FOB markers Jan 27th 2014 -Feb 7th 2014 (\$/t)

Monday	27th	130.25
Tuesday	28th	129.80
Wednesday	29th	129.80
Thursday	30th	129.65
Friday	31st	129.65
Monday	3rd	129.35
Tuesday	4th	129.35
Wednesday	5th	129.05
Thursday	6th	129.05
Friday	7th	129.15

Source: IHS McCloskey

Snowstorms could ease China stock swell

Stock levels swelled at loading ports in Northern China and coastal power plants in Southern China over the Lunar New Year, but heavy snowstorms and rain in the east, south and central region, forecast to last around 10 days, could see demand swiftly return to a healthy level.

Qinhuangdao (QHD) has seen its stock level jump more than 10% to above 8.0mt, from 7.22mt last week. It is understood the port authority ordered trading houses and end users to clear out stocks, as they teetered on maximum storage capacity.

The QHD port authority move could trigger a round of selling at the northern port and may weigh heavily on the already-soft domestic market. Meanwhile, coastal power plants in Southern China are said to have enough stock for at least 20 days and potentially 30 days of burn.

Chinese traders are returning to their desks after Lunar New Year holidays, bringing inquiries in the range of \$77.00-78.00/t CFR, basis 5,500kc NAR, for Australian high ash cargoes into South China in April. Sellers were holding offers at above \$80.00/t CFR on the same basis.

Trading activity is expected to slowly pick up next week, although business is unlikely to return to normal levels until after next Friday's Lantern Festival.

Coastal freights weakened further this week, with QHD to Guangzhou (GZ) cargoes in 40,000-50,000t vessels at an average of \$5.62/t, down from \$5.84/t last week, while QHD to Shanghai in 20,000-30,000t vessels fell to \$3.32/t, from \$3.64/t last week.

RBCT outage drives South African FOB prices up

A week-long disruption to operations at the Richards Bay Coal Terminal shone the spotlight firmly on the South African FOB market, which saw February FOB bids rise as much as 7% over the week.

Power at the terminal is due to be restored on Saturday morning and normal port operations are expected to resume 24 hours later.

The outage may have delayed up to 1.6mt of shipments and it could take until the end of March to clear the backlog of vessels that the power outage will cause (see separate story).

Force majeure notices have been declared on prompt cargoes by several affected exporters. The FM declarations are mostly for February loading cargoes. There are also reports of notices for March loading cargoes being issued, but it's unclear whether these will be accepted by those who have received them.

The Richards Bay FOB February contract was bid at a high of \$86/t on Thursday this week, which is up \$5.50 or 7% compared to Monday's best February bid at \$80.50/t. The rise is understood to be due to one or more buyers seeking prompt cargoes amid scant offers. A February offer was heard at \$86/t on Tuesday, and this had pushed up to \$88/t by Thursday.

Because of the ongoing disruptions, sellers are likely reluctant to guarantee loading in February as operations may

DES ARA fixed price deals - Jan 27th - Feb 7th 2014

Date	\$/t	Delivery	Origin	Delivery point	Tonnes	Notes
28-Jan	84.00	Mar-14	ACPRS	AR	50,000*	EFP
30-Jan	81.75	Mar-14	ACPRS	AR	50,000*	EFP
31-Jan	82.00	Feb-14	ACPRSU	AR	50,000*	
4-Feb	80.25	Mar-14	ACPRS	AR	50,000*	EFP
5-Feb	80.25	Mar-14	ACPRSU	Rott	50,000*	EFP
7-Feb	78.00	Feb-14	ACPRS	Amst	50,000*	

* Denotes trades on globalCOAL

AR - Amsterdam, Rotterdam

ACPRS - Australian, Colombian, Polish, Russian, South African

U - US

EFP - Exchange of Futures for Physical

Richards Bay FOB fixed price deals - Jan 27th - Feb 7th 2014

Date	\$/t	Loading	Tonnes	Notes
27-Jan	80.00	Mar-14	50,000*	EFP
28-Jan	80.75	Mar-14	50,000*	EFP
29-Jan	80.50	Mar-14	50,000*	EFP
29-Jan	81.00	Mar-14	75,000~	
29-Jan	82.50	Feb-14	50,000*	
29-Jan	80.50	Mar-14	50,000*	
30-Jan	79.75	Mar-14	50,000*	EFP
31-Jan	81.00	Feb-14	50,000*	
31-Jan	80.50	Feb-14	25,000*	
3-Feb	77.10	Apr-14	25,000*	
3-Feb	77.00	Apr-14	50,000*	
3-Feb	75.50	Apr-14	50,000>	
4-Feb	80.00	Mar-14	50,000*	
4-Feb	80.00	Mar-14	50,000*	
5-Feb	80.25	Mar-14	50,000>	EFP
5-Feb	80.25	Mar-14	75,000*	EFP
6-Feb	81.50	Mar-14	50,000*	EFP
6-Feb	81.75	Mar-14	50,000*	EFP
6-Feb	81.75	Mar-14	50,000>	EFP
6-Feb	81.75	Mar-14	50,000>	EFP
6-Feb	79.50	Apr-14	50,000>	EFP
7-Feb	80.75	Mar-14	50,000*	EFP
7-Feb	80.65	Mar-14	50,000>	EFP
7-Feb	80.75	Mar-14	50,000>	EFP

* Denotes trades on globalCOAL

> Denotes trades through Atlantic Brokers

~ Denotes a bilateral trade

EFP - Exchange of Futures for Physical

Newcastle FOB fixed price deals - Jan 27th - Feb 7th 2014

Date	\$/t	Loading	Tonnes	Notes
28-Jan	80.00	Mar-14	25,000*	
28-Jan	80.25	Mar-14	25,000*	
31-Jan	80.00	Apr-14	25,000*	EFP
3-Feb	78.25	Mar-14	25,000*	
3-Feb	78.00	Mar-14	25,000*	

* Denotes trades on globalCOAL

EFP - Exchange of Futures for Physical

take longer to be fully restored than expected and the backlog will affect the month's schedules considerably.

There were no deals for February this week, but last week – before the power outage happened – the contract traded once last Wednesday at \$82.50/t and again last Friday at \$81/t.

March has been the most actively traded contract over the past fortnight, going through nine times this week with prices rising to a peak of \$81.75/t, and six times last week in a relatively stable price range of \$79.75-80.75/t. By Friday, March traded back down at \$80.75/t.

The April contract rose from this Monday's traded level of \$77/t to a Thursday high of \$79.50/t, having not traded last week.

The impact of the terminal outage on prices was blunted by modest physical demand for South African coal both in Asia and in Europe.

European utilities are understood to be well stocked for the time of year, partly because of relatively mild temperatures in the region. Stocks are expected to swell further once operations resume at Drummond's port in Colombia, following a government enforced shutdown from the beginning of January, for failing to comply with direct-loading regulations.

Port operations are expected to be back online towards the end of March, but the start may be delayed into April or beyond.

The high stockpiles and modest demand in Europe has meant DES ARA prices have remained largely rangebound during the past fortnight and trade volumes were low.

There is also said to be a reluctance to build up long positions in physical coal in case prices decline once Drummond loadings have resumed.

In total only five prompt fixed-price physical deals were recorded for DES ARA in the past two weeks. March found a price range of \$80.25-84/t DES AR, while February went through once at \$82/t DES AR. One of the March cargoes had the option of US origin and is likely to be fulfilled with material from there, judging by recent freight fixtures.

Meanwhile, Russian bids have been heard in the prompt DES ARA market at a premium of around \$2 to multi-origin cargoes.

By the latter half of this week, bid/offer activity had slowed to a crawl in the European market with only scant interest on either side.

Away from the prompt market, certain German Stadtwerkes are understood to have tendered for first half contract delivery.

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McCloskey steam coal FOB marker prices (\$/t)				
Port	Feb-13	Jan-14	Jan 24th	Feb 7th
Australia - Basis 6,000kc NAR				
Newcastle	93.18	81.61	80.40	76.85
Japanese reference price ^	115.25	95.00	95.00	95.00
Colombia - Basis 11,300Btu GAR				
Puerto Bolivar - ARA	78.66	71.82	74.50	73.00
Puerto Bolivar - US	78.66	71.82	74.50	73.00
Russia East - Basis 6,700kc GAD				
Vostochniy	91.25	85.82	84.65	81.85
Russia West - Basis 6,000kc NAR				
Baltic	82.20	78.25	79.50	74.25
South Africa - Basis 6,000kc NAR				
Richards Bay	85.48	82.90	81.89	80.53
Maputo	83.39	80.90	79.89	78.53
United States - Basis 6,000kc NAR				
East Coast	78.00	74.05	74.00	73.50
Gulf High Sulphur	59.58	57.03	57.00	57.25
Petcoke (4-5.5% Sulphur) – Basis 7,500kc NAR				
US Gulf/Venezuela/Carribbean	71.36	77.25	77.50	78.00
Petcoke (>5.5-7% Sulphur) – Basis 7,500kc NAR				
US Gulf/Venezuela/Carribbean	61.15	55.96	56.75	57.25
Indonesian, Sub-Bituminous - Basis 4,900kc NAR				
South East Kalimantan	64.63	60.91	60.75	60.10
China export - Basis 5,800kc NAR				
Qinhuangdao	114.89	110.78	108.75	105.66
Japanese reference price	115.50	115.50	115.50	115.50
China domestic*				
Qinhuangdao (5,000kc NAR)	84.22	86.20	83.62	78.30
(or 4,900kc NAR)	82.54	84.48	81.95	76.73
Qinhuangdao (5,500kc NAR)	98.46	95.47	94.15	90.14
Qinhuangdao (5,800kc NAR)	104.48	100.71	98.87	96.06
(or 6,000kc NAR)	108.09	104.18	102.27	99.37

Note: FOB prices include domestic taxes

^ Japanese Fiscal Year price (April 1-March 31) representing the bulk of annual tonnage

Source: IHS McCloskey, *Xinhua Infolink & IHS McCloskey

McCloskey steam coal CIF marker prices (\$/t)				
Port	Feb-13	Jan-14	Jan 24th	Feb 7th
NW Europe				
US\$/t	87.72	83.16	83.52	80.10
ARA euro marker				
E/t	65.52	61.18	61.06	58.85
ARA FOB Barge marker				
US\$/t	89.79	85.13	85.32	82.15
Asian CIF steam coal marker				
US\$/t	98.39	87.26	87.26	--
Japan CIF steam coal marker				
US\$/t	96.91	88.51	88.51	--
South China CFR marker*				
4,900kc NAR	71.86	68.24	67.60	67.35
5,500kc NAR	85.65	80.13	78.80	77.75
6,000kc NAR	95.55	91.58	90.80	87.60

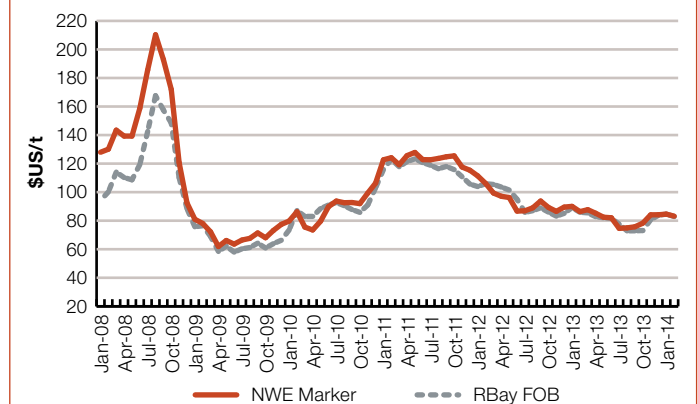
Note: CFR prices are exclusive of Chinese taxes

Source: IHS McCloskey, *Xinhua Infolink & IHS McCloskey

International coking coal spot prices (\$/t)		
Grade	Dec-13	Jan-14
US high ash high vol FOB	110.45	109.05
US low vol FOB	135.26	131.66
Australian prime hard FOB	138.21	132.74
ULV PCI FOB	110.65	110.25
Coke FOB Rizhao	241.60	239.95
Coke CIF ARA	265.80	261.85

Source: IHS McCloskey

McCloskey's NWE steam coal marker vs Richards Bay FOB (US\$/t)



Source: IHS McCloskey

McCloskey daily marker prices (\$/t)						
	Mon	Tue	Wed	Thu	Fri	Ave.
Jan 27th - Jan 31st, 2014						
NW Europe (CIF/DES ARA)	82.45	83.32	81.94	81.55	81.25	82.10
Richards Bay (FOB)	80.50	80.80	80.71	79.42	79.25	80.14
Feb 3rd - Feb 7th, 2014						
NW Europe (CIF/DES ARA)	80.14	80.42	80.22	80.68	79.04	80.10
Richards Bay (FOB)	78.09	80.34	80.74	81.79	81.67	80.53

Source: IHS McCloskey

Chinese domestic freight (\$/t)			
Freight	24-Jan	31-Jan	7-Feb
QHD to Shanghai	3.98	3.64	3.32
QHD to GZ	5.87	5.84	5.62

Note: QHD to Shanghai 20-30kt, QHD to GZ 40-50kt

Source: IHS McCloskey, Xinhua Infolink

The NW European, Richards Bay and Newcastle markers are produced every Friday. The other FOB markers are produced with every issue of MCR – once a fortnight. The Asian Steam Coal marker and The Japan CIF Steam Coal marker are produced once a month. For information on how these indices are compiled, visit the MCR homepage at <http://cr.mccloskeycoal.com> and click on Index Pricing Methodology on the navigation bar. From May 4, 2010, the weekly McCloskey NW Europe CIF ARA and Richards Bay FOB Marker Prices will be derived from a straight average of the daily McCloskey Marker Prices. A methodology for the daily McCloskey Marker Prices can be found on www.mccloskeycoal.com.

Clarksons daily coal freight report (prompt rates)

Route (All to Rotterdam)	Feb-13	Jan-14	Jan 31st	Feb 7th
Richards Bay C	6.70	8.69	7.75	7.75
Richards Bay P	10.42	13.35	13.35	12.43
Puerto Bolivar C	9.79	12.62	8.85	9.00
Puerto Bolivar P	13.37	15.85	14.83	14.58
Maracaibo P	18.80	22.79	20.79	20.43
Ventspils P	6.66	7.84	6.75	6.66
Haypoint C	12.04	15.45	13.16	14.00
Dalrymple BayP	19.13	21.75	21.75	19.60
Banjarmasin C	8.51	11.02	9.34	9.96
Banjarmasin P	15.01	17.05	15.45	15.39
Baltimore C	11.02	14.15	9.99	10.15
Norfolk P	11.21	13.61	12.35	12.13
New Orleans P	--	19.12	17.00	16.80
Murmansk P	7.42	8.91	7.60	7.47

A Murmansk rate basis 12.8m draft and 12000 shinc loading rate

Note: Monthly freight rates are averages of all Friday daily rates for the month

Source: Clarksons

SSY Atlantic Capesize Index

	Last Year	Last Month	Last Week	This Week
Narvik/Rotterdam	5.10	8.15	4.35	4.05
Tubarao/Rotterdam	9.00	17.50	8.95	8.25
Richards Bay/Rotterdam	6.85	11.75	9.60	7.45
Hampton Roads/Rotterdam	10.25	17.40	9.10	8.55
Puerto Bolivar/Rotterdam	9.70	18.40	9.60	8.70
Nouadibou/Taranto P2	6.95	10.05	5.20	4.85
Tubarao/Japan	18.00	27.35	19.80	19.35
Tubarao/Beilun+Baoshan	18.25	27.75	20.20	19.75
T/C Trip Cont/Far East	3.89	10.25	4.86	4.68
T/C Transatlantic Round	1.72	7.78	1.50	1.01
Calculated Index	6,134	11,309	6,185	5,696
Change on Previous Week	-183	-284	-891	-489
Change on Four Weeks Ago	1,062	2,736	5,408	-5,613
Change on Previous Year	363	6,237	-132	-438
Change on Two Years Ago	1,062	3,617	343	-75

Source: SSY

Asian dry-bulk markets slip further

THE ASIAN DRY-BULK markets have seen very limited trading activity this week, with many market participants on holiday. Demand has remained soft and sentiment bearish, pushing freight rates down further across the board.

Some spot tightness for panamaxs was seen in Asia, as some owners ballasted their ships to South America for the grain season, although the support was only short-lived.

On the Baltic Exchange (BE), rates for capesizes on Pacific round voyage, or route C10_3, dropped 5% to \$7,050/day on February 4, from last Tuesday's \$7,386/day.

For panamaxs, the average rate for Japan-South Korea/Pacific round voyage, P3A_03, dipped 2% to \$8,594/day, from \$8,737/day on January 28. For South China to Indonesia round voyage, P5, the Exchange's index showed a value of \$7,244/day, down 8% from last week's \$7,844/day.

The average rate for supramaxes from South China via Indonesia to East Coast India, S8, fell to \$4,825/day, from \$5,544/day last week. Rates from North China via Indonesia and back to South China (S10) averaged at \$3,044/day, compared with last week's \$3,615/day.

Weekly coal fixtures 2014

Date	Name	Cargo	Built	Cargo size	Laycan	Load port	Discharge port	Rate	Terms	Charterer
27-Jan-2014	SwissMarine TBN	coal		175,000	19-28 Feb	Hampton Roads+Canso	Kwangyang a/o Pohang	\$ 24.95	fio 35000shinc + 30000shinc/50000shinc a/o 45000shinc	POSCO
27-Jan-2014	Glory Rotterdam	coal	2001	75,000	10-19 Feb	Norfolk	EC India	\$ 39.75	fio 35000shex/25000shinc if Gangavaram, 12000satshex if Haldia, 20000satshex if Vizakhapatnam or 10000satshex if Paradip	SAIL
27-Jan-2014	TBN	coal		70,000	10-14 Feb	Newport News	Rotterdam	\$ 13.00	fio 30000shinc/25000shinc	EdF
28-Jan-2014	Cape Maria	coal	2005	150,000	19-28 Feb	Puerto Novo	Rotterdam & Immingham	\$ 9.25	fio 45000shinc/25000shinc each disport	Bunge
28-Jan-2014	Cargill TBN	coal		150,000	14-28 Feb	Richards Bay	Rizhao	\$ 12.70	fio scale/25000shinc	DHL
28-Jan-2014	United World	coal	2013	70,000	8-20 Feb	Mobile	Rotterdam	\$ 16.75	fio 25000shinc bends	Windrose
28-Jan-2014	TBN	coal		65,000	15-22 Feb	Taboneo	Kemen	\$ 7.50	fio 12000shinc/15000shinc	Ocean Faith
28-Jan-2014	TBN	coal		60,000	9-19 Feb	Houston	Vado Ligure	\$ 23.10	fio 20000shinc/14500shinc	Cargill
29-Jan-2014	Song Shan Hai	coal	1998	60,000	19-24 Feb	Gladstone	N. China	\$18.00	fio 20000shinc/20000shinc	cnr
30-Jan-2014	Sunny Smile	coal	2013	80,000	19-28 Feb	Baltimore	ARA	\$12.50	fio 25000shinc bends	Cobelfret
30-Jan-2014	Carvel Shipping	coal		75,000	23 Feb-4 Mar	Newport News	EC India	\$37.00	fio 30000shinc/25000shinc	SAIL
03-Feb-2014	King Barley	coal	2012	70,000	20-28 Feb	McDuffie	Redcar	\$17.00	fio 30000shinc/20000shinc	J.Aron
05-Feb-2014	TBN	coal		135,000	5-15 Mar	Newport News	Rotterdam	\$10.20	fio 35000shinc/25000shinc	Vitol
05-Feb-2014	TBN	coal		75,000	15-24 Feb	Taboneo	New Mangalore	\$6.80	15000shinc/24000shinc	Cetragpa
06-Feb-2014	Jubilant Excellence	coal		150,000	15-24 Feb	Samarinda	Mundra	\$6.00	fio 15000shinc/40000shinc	Oldendorff
06-Feb-2014	Pan Freedom	coal		130,000	19-28 Feb	Newcastle	Zhoushan	\$10.50	fio scale/25000shinc	Cargill
06-Feb-2014	Rhine	coal		75,000	18-22 Feb	Hampton Roads	Piombino	\$16.50	fio 2.5 days shinc/5 days shinc	Lucchini
06-Feb-2014	TBN	coal		65,000	23 Feb-3 Mar	Newport News	Rotterdam	\$13.25	fio 25000shinc bends	Cobelfret

Source: SSY

CARBON MARKET VIEW

The price of offsetting carbon emissions rose sharply over the past fortnight, with both EU Allowances (EUA) and Certified Emission Reductions (CER) seeing strong gains.

The price rise came after the European Parliament gave the go ahead for a proposal to fast-track intervention in the market. The long-awaited move is expected to back-stop prices when it comes into effect.

For EUAs, the 2014 contract was trading at €6.56/t (Marex Spectron based) on Thursday, February 6. This is up 23% on their value a fortnight ago when they closed the week at €5.33/t. Further out, the 2017 product is up 24%, trading at €7.58/t, from €6.12/t on January 24.

The CER market was also higher over the fortnight. 2014 CERs were trading at €0.42/t on Thursday, February 6, which is up 11% from two weeks ago when they were at €0.38/t. Further out, the

Forward EU carbon prices (€/t of CO₂)

	2014	2015	2016	2017
17-Jan	5.15	5.36	5.10	5.39
24-Jan	5.33	5.54	5.81	6.12
31-Jan	5.62	5.87	6.15	6.47
6-Feb	6.56	6.87	7.22	7.58
2 wk % chg	23.1%	24.0%	24.3%	23.9%

Source: Marex Spectron

2015 product is 12% higher at €0.58/t on February 6, compared to €0.52/t two weeks ago.

The differential between EU carbon permits and CERs is currently €6.12/t for 2014 products. This is a 24% wider differential for the 2014 product than was reported two weeks ago when the margin was at €4.95/t.

CARBON & SPARKS

Coal loses ground vs gas, but still ahead

THE MARGIN FOR coal-fired generation fell sharply in both the UK and Germany over the past fortnight, on the back of falling power prices and higher carbon offset costs.

The equivalent margin for gas-fired generation also declined over the period, but to a lesser extent, meaning gas managed to claw back some of the deficit while remaining well behind coal in the merit order.

In the UK, the average day-ahead power price for the week ending February 7 was £44.87/MWh (Marex Spectron-based), which is 9% lower on the level seen two weeks ago when it averaged £49.22/MWh.

UK gas prices are 6% lower over the past fortnight, with the weekly average spot price (again Marex Spectron-based) at 61.49 pence/therm (ppt) compared to 65.38 ppt (January 24).

The current power price is 11% lower compared to where it was a year ago, when February 2013 baseload power averaged £50.38/MWh. The UK gas price is down 10% compared to the same month last year when it averaged 68.40 ppt.

The dirty-dark spread's advantage over the dirty-spark spread has decreased slightly over the past fortnight, though this is before the cost of offsetting carbon is taken into account.

The UK dirty-dark spread is £25.00/MWh for the week ending February 7, which is 12% lower on the level seen a fortnight ago when it averaged £28.56/MWh.

The dirty spark is 43% lower than it was two weeks ago at £2.18/MWh, from £3.83/MWh for the week ending January 24. These movements mean the dirty dark is now £22.82/MWh more profitable than the dirty spark, compared with its advantage two weeks ago of £24.73/MWh.

Spot carbon prices pushed higher, with the weekly average for EU carbon prices (Marex Spectron-based) up 15% at €5.74/t for the week ending February 7, from €5.01/t two weeks ago. The current average level is 24% higher than February 2013's average of €4.63/t.

UK carbon prices are currently at €11.74/t for the week ending February 7, which is up 7% from €11.01/t during the week ended January 24.

Including the cost of carbon in the calculations gives the 'clean' spreads, which saw coal's margin over gas decrease slightly.

The clean dark spread is 21% lower at £15.83/MWh, from £19.96/MWh a fortnight ago, while the clean spark is at minus £1.80/MWh, compared to plus £0.10/MWh two weeks ago.

This gives the clean dark a £17.63/MWh advantage over the clean spark, compared with the £19.86/MWh advantage it had two weeks ago.

German power prices have decreased over the past fortnight, with the average baseload price for the week ending February 7 down 12% at €36.22/MWh (Marex Spectron-based) compared with €41.34/MWh on January 24. Gas prices edged 5% lower over the fortnight to €25.19/MWh, from €26.52/MWh. As a result,

Weekly average sparks & darks

	24-Jan	31-Jan	7-Feb
United Kingdom £/MWh			
Power	49.22	45.95	44.87
Gas PPT	65.38	64.63	61.49
Dirty-Spark	3.83	1.09	2.18
Dirty-Dark	28.56	25.82	25.00
Differential	-24.73	-24.74	-22.82
Clean-Spark	0.10	-2.78	-1.80
Clean-Dark	19.96	16.92	15.83
Differential	-19.86	-19.70	-17.63
Germany €/MWh			
Power	41.34	39.92	36.22
Gas €/MWh	26.52	26.22	25.19
Dirty-Spark	-12.64	-13.45	-15.05
Dirty-Dark	16.30	15.57	12.14
Differential	-28.94	-29.01	-27.19
Clean-Spark	-14.69	-15.66	-17.41
Clean-Dark	11.56	10.47	6.70
Differential	-26.25	-26.13	-24.11
Carbon			
EUA €/t	5.01	5.39	5.74
UK Carbon €/t	11.01	11.37	11.74

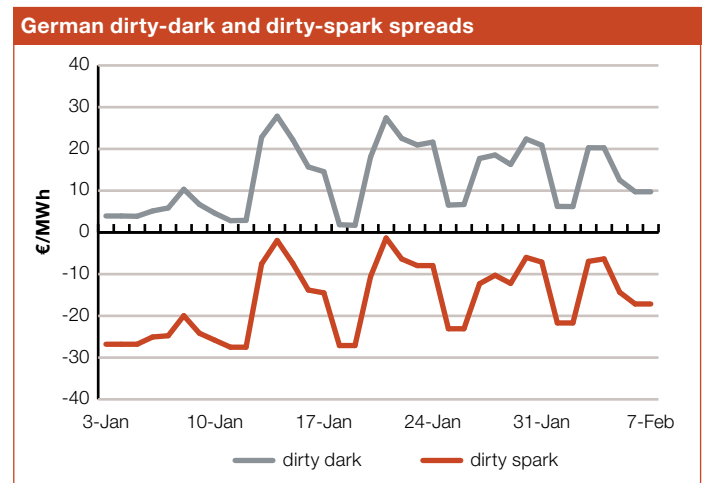
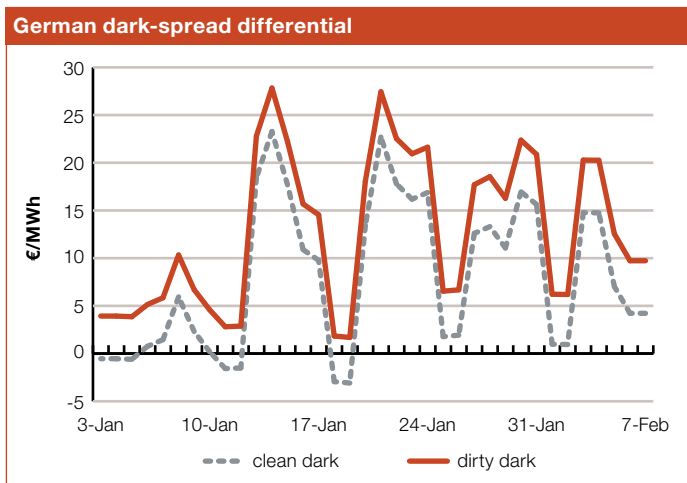
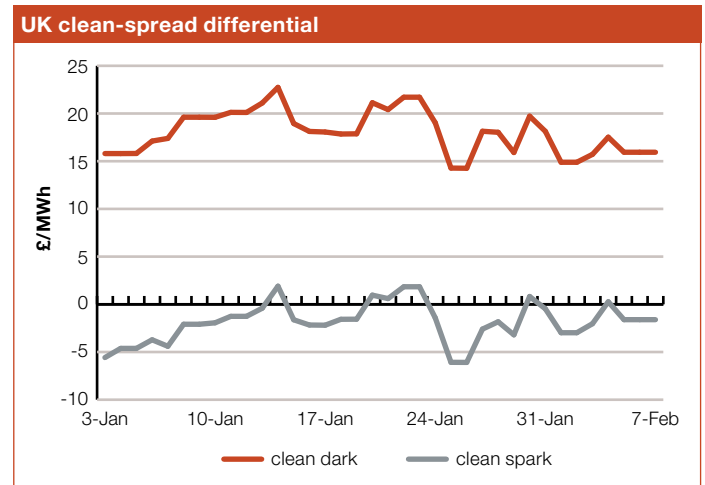
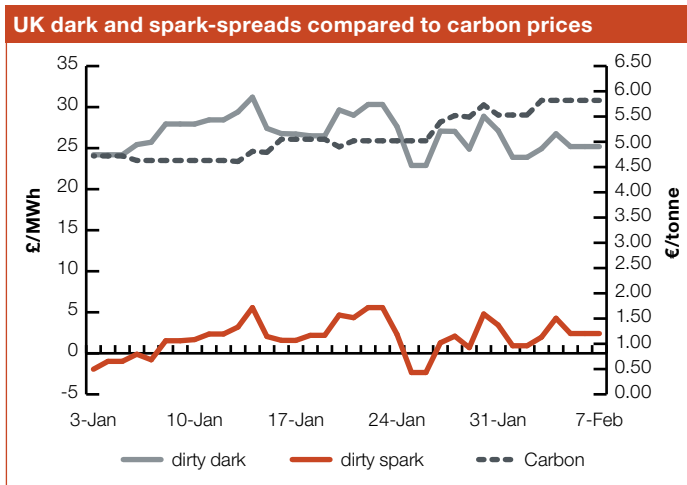
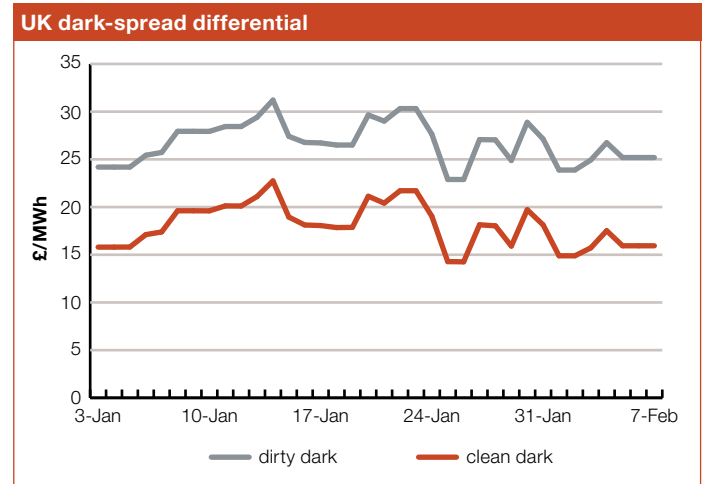
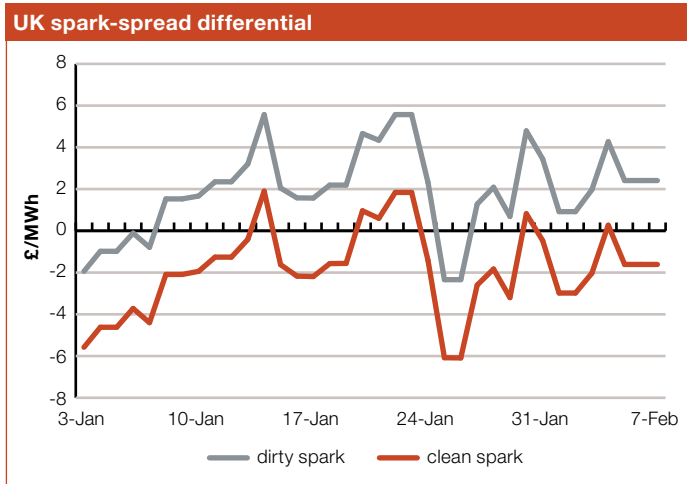
Notes: Differentials are calculated by taking the spark away from the dark – therefore negative numbers favour coal over gas and positive numbers favour gas over coal. Spark spreads assume an efficiency of 49.13% whilst dark spreads assume an efficiency of 36%. UK power and gas prices are from Marex Spectron.

Source: Marex Spectron

the dirty spark remained in negative territory at minus €15.05/MWh, compared to minus €12.64/MWh two weeks ago.

The dirty dark fell 26% to €12.14/MWh from €16.30/MWh a

fortnight ago. This puts the dirty dark €27.19/MWh ahead of the dirty spark. The clean dark (€6.70/MWh) is €24.11/MWh ahead of the clean spark (-€17.41/MWh).



Realm to refocus Katingan Ria for domestic market

AUSTRALIA-LISTED REALM RESOURCES is considering refocusing its Katingan Ria thermal coal project in Central Kalimantan, Indonesia, primarily for the domestic market.

With the coal market oversupplied and export prices for expected Katingan Ria coal quality at around \$38/t, Realm has its eyes on supplying a proposed Kalimantan power project.

Katingan Ria was planned as a 2.5mt/yr open cut with coal to be hauled 40-45km to a stockpiling and barge loading facility on the Katingan River.

Barges would then transport the coal 435km to the river mouth for transshipment into vessels, with product sold unwashed.

Recent discussions, however, have focused on the potential to supply a 200MW power station development near the town of Kasongan in Central Kalimantan. Indonesian State owned Electricity Corporation (PLN) issued a Request For Proposal (RFP) for the construction and operation of the plant last year.

Realm has been in negotiations with several of the potential power station consortia bidders during the last quarter. A selection process is nearing finalisation and Realm expects a decision on the power station to be made in the next quarter.

Tata Power exits Arutmin in \$500m Bakrie deal

INDIAN GENERATOR TATA Power has decided to exit Indonesian coal miner, PT Arutmin Indonesia.

An agreement has been signed for Tata's 30% stake to be sold to a Bakrie Group entity for \$500m.

In a statement, Tata said that, considering the present coal price scenario, the Arutmin mine had started posing production and cost viability challenges. Arutmin is a mine spread over a number of pits in South Kalimantan.

While also facing under-recovery challenges in its Mundra UMP (Ultra Mega Power Project) operations and cash flow concerns, the departure from Arutmin is designed to bring Tata additional cash flow and reduce consolidated debt.

Tata Power, however, continues to hold its equity stake in Indonesia miner PT Kaltim Prima Coal (KPC), which owns one of the largest thermal coal producing mines in the world.

KPC will also continue to be a part of the supply chain for Tata Power Group's coal off-take requirements.

Tata Power managing director Anil Sardana said: "We do not expect any impact on the coal supplies to our plants since we stay invested in KPC mines and our coal supply agreement continues as it is."

Closed Kalimantan barging route reopens

INDONESIAN OFFICIALS REOPENED the Mentaya River coal barging route in Central Kalimantan on January 26, following a month-long closure after the collapse of the Bajarum Bridge.

Central Kalimantan Governor Agustin Teras Narang has, however, reportedly stated barges will have to follow strict revised safety requirements.

Barges must be accompanied with a tug boat and two scout vessels when passing under the bridge at a maximum speed of four knots.

The route will only be opened from 6am until 5pm.

The aging bridge, in Kotawaring Timur, collapsed on December 21 after being hit by a barge carrying iron ore. Reconstruction work is expected to last for at least a year.

The bridge is vital as part of the Southern Trans Kalimantan highway, providing links between five regencies in the western part of Central Kalimantan, including Kotawaringin Timur, Seruyan, Kotawaringin Barat, Lamandau and Sukamara.

Indonesia plots coal control in bid to push prices up

INDONESIA'S GOVERNMENT WANTS to rein in the country's thermal coal production and exports in a bid to push up prices in the seaborne market.

"Coal prices must be improved," Gultom Guska, head of coal operation, production and marketing at the Ministry of Energy and Mineral Resources (MEMR) told MCR.

Earlier this month, the government passed a law which bans exports of unprocessed raw materials.

The government is said to want to implement similar control in the coal sector to ensure Indonesia has enough supplies for generations to come.

"We will apply the same philosophy to coal as we have for minerals. Specifically for coal, reserves are limited and so the production and exports must be controlled."

"In the future, we will have our own coal commodity exchange," Gultom explained, adding that national interests are being prioritised.

The energy ministry believes that an oversupplied market has contributed to weak Indonesian coal prices.

Across the last two years, average coal prices for 4,900kc NAR have plunged 32%.

The average price on an FOB basis in January 2014 was \$60.91/t, compared to the \$89.99/t recorded in January 2012.

Officials also plan to enhance measures to ensure that producers do not evade tax collection and that illegal mining is tackled at a gubernatorial level.

Pan Asia continues TCM sale talks

AUSTRALIAN-LISTED PAN ASIA Corporation is continuing to engage with groups in Singapore and Indonesia regarding the sale of its 75% stake in mining operation production licence owner, Transcoal Minergy (TCM).

The TCM project is located in Indonesia's South Kalimantan province and produces 5,900kc NAR coal at a rate of 1.5mt/yr.

According to a company statement, a deal is expected to be completed in the next quarter.

The remaining 25% of TCM will be held by Pan's Indonesian partners.

In other developments, the company has raised the first \$500,000 of a three-part capital tranche aimed at financing its \$1.5m deal with Indonesia's Tata Artha Group (TAG). The first third of equity raised was received this past December.

A second tranche is expected after the Lunar New Year holidays. TAG is financially supported by Hong Kong investors.

Toba Bara targets 20% production growth

INDONESIAN PRODUCER TOBA Bara (Toba) has forecast production of 7.2-7.8mt for this year, up from the 6.5mt it produced in 2013.

Its production last year exceeded the company's internal production guidance of 5.8-6.4mt.

The coal exporter, through its subsidiaries, Adimitra Baratama Nusantara (ABN), IndoMining and Trisensa Mineral Utama (TMU), produces coal with a c.v. of between 4,700-5,800kc GAR.

Toba plans to spend \$15-24m in capital expenditure on land compensation and exploration of its TMU-related projects, operational and infrastructure maintenance of ABN and IndoMining projects.

Investment is also planned for the development of a \$9m palm oil mill.

The Jakarta-listed company earlier told MCR that it had sold forward its 2013 output by about a year and a half, to the second quarter of 2014, at a fixed price.

Some 95% of the company's production is exported, with China taking the largest share of supply to date at 43%, followed by Taiwan at 19%, India with 14% and South Korea with 10%.

Adaro hits annual production record

INDONESIAN COAL MINER Adaro Energy has hit its highest annual production figure to date.

Production for the year came in at 52.27mt - up 11% year-on-year on 47.2mt in 2012.

Adaro is looking to top that this year, with a production target of 54-56mt set, but pending government approval. Last year's target was 50-53mt.

The company sold 53.47mt in 2013, a 10% rise y-o-y. A record in quarterly sales was also reached in Q4 - at 14.36mt.

Across Q4, Adaro produced close to 13.6mt, its second highest quarterly production level so far, slightly lower than 13.73mt in the record-breaking Q3.

The production boost was attributed to the extra volume produced by its Wara and Paringin pits, which grew by 10% q-o-q.

Paringin notably churned out close to 1.7mt in Q4, bringing its annual total to 5.74mt.

The company credited its strong performance in Q4 to greater demand from China, which contributed to 18% of sales.

"Besides the strong demand due to the winter restocking, China domestic prices were pushed by the term price settlements between China's coal producers and major power utilities," the company stated.

"This strengthened the arbitrage window for imported coal, particularly for Indonesian sub-bituminous coal and Australian high ash products."

The introduction of a 4,900kc GAR product, known as E4900, was also highlighted as a key factor for the higher sales figures.

"Due to the success in E4900 sales, we will continue to market this higher c.v. version of our Envirocoal and start phasing out E4700 in 2014."

Sales of its 5,000kc GAR products went largely to Japan, Indonesia, America, Spain and the Philippines.

China and India consumed the bulk of Adaro's lower rank material. China represented 54% and India 24% of sales for Adaro's 4,000kc GAR product.

Hyundai E&C joins \$1.6bn Kalimantan rail project

SOUTH KOREA'S HYUNDAI Engineering & Construction has agreed to take part in a \$1.6bn rail project in Kalimantan, Indonesia.

A memorandum of understanding is understood to have been signed with Russian builder RZDstroy earlier this week.

A source at Hyundai E&C confirmed to MCR that the company would be involved in the coal transportation project, but offered no further details.

The line will initially stretch from Kutai Barat regency to the port in Balikpapan.

In the second phase, a separate 60km expansion, estimated to cost an additional \$600m, will bring in Muara Tuhup in Central Kalimantan.

The line is expected to transport its first coal in 2015, and be completed by 2017. It is projected to handle up to 20mt/yr of coal in its first phase, and up to 40mt/yr when fully operational.

Russian state railway firm Joint Stock Company (JSC) Russian Railways is leading the development, through subsidiary, Kereta Api Borneo.

CORPORATE

CCX sells Colombian assets to Yildirim Holding

BRAZILIAN-BASED CCX CARVAO da Colombia SA has agreed to sell its Colombian coal concessions to Turkey's Yildirim Holding for \$125m.

The sales price is significantly lower (27.8%) than the \$450m original price that was announced when a memorandum of understanding was signed last October. Morgan Stanley advised CCX on the sale.

According to CCX's regulatory filing, the company will sell the Cañaverales and Papayal open pit mines located in La Guajira department, south of Cerrejon's deposit, and the underground San Juan mine, along with logistical projects, including a proposed port in the town of Dibulla and a proposed rail project.

Cañaverales and Papayal have 27.3mt and 15.6mt of thermal coal reserves, while San Juan has 671.8mt of proven reserves, primarily consisting of PCI quality coal.

CCX was created in May 2012 as a spin-off from Brazilian-based MPX Energia. Production was scheduled to start in Q4 2012 and eventually produce up to 20mt/yr.

Output from CCX was originally planned to supply coal to the MPX's Itaqui (360MW), Pecem I (720MW) and Pecem II (360MW)

power plants in Brazil, as well as to the planned Castilla (2,100MW) coal-fired power project in Chile.

Work on the \$4.5bn Castilla plant and its 6mt/yr deep water coal port was halted two years ago after Chile's Supreme Court rejected the project on environmental grounds.

Continental gets survival funds

STRICKEN SOUTH AFRICAN thermal coal shipper, Continental Coal, has managed a last ditch deal to stave off a tumble into administration. The company has arranged limited bridging funds, but at the cost of a board restructure.

A Continental statement said UK corporate advisory group, Empire Equity, had agreed to provide A\$5m (\$4.4m) of 'limited recourse bridging funds.'

This would allow Continental to repay some creditors and continue as a going concern while it tries to arrange a deeply discounted share issue to raise longer term funds.

The bridging funds are conditional on the resignation of four directors, including CEO Mike Kilbride. They would be replaced by a former executive director, Peter Landau, also a significant creditor, a representative of Empire Equity and others.

Meanwhile, Continental disclosed total coal sales of 1.03mt for the July-December half, up 20.5% year-on-year against 0.86mt previously.

Coalspur raises more funds for Vista

COALSPUR MINES HAS arranged a standby facility from its major shareholder to cover delays in the start date for its planned 6mt/yr Vista thermal coal project in Alberta, Canada.

A Coalspur statement said the company had arranged a facility of C\$10m from the shareholder, Borrowdale Park, to be drawn only if required, allowing the company to continue development spending.

"A decision from the Alberta Energy Regulator regarding the approval of Vista is expected to be rendered on or before April 13, 2014, followed by decisions on Coalspur's remaining permits and licences," the statement said."

Cockatoo reveals major writedown

QUEENSLAND PCI SHIPPER, Cockatoo Coal, faces a heavy loss for the latest July-December half, reflecting large writedowns in asset values following its takeover of quoted Australian rival, Blackwood Corp.

Cockatoo's quarterly statement said the writedowns flowed from an independent valuation of the company, performed last year to facilitate the Blackwood takeover and associated equity issues.

The company has decided to recognise those independent valuations, resulting in a loss of up to A\$180m (\$162.5m) for the latest half. The statement noted that the company's Baralaba PCI complex was independently valued above book.

Meanwhile, Cockatoo's PCI shipments reached 0.23mt for the October-December quarter, 23.8% higher year-on-year than 0.19mt previously. The statement said average price received for PCI sales in the quarter was US\$115.18/t FOB.

Yanzhou readies Yancoal payout; silent on takeover

CHINA-BASED YANZHOU MINING is readying a payout to shareholders in its Australia-quoted subsidiary Yancoal, which would unwind complexities in a convoluted takeover in 2012 which also involved the Gloucester group.

A Yancoal announcement reiterated that holders of so-called Contingent Value Rights (CVR's) - issued as part of the takeover by Yanzhou - would receive A\$3 (\$2.70) per share on March 4, with the total payout estimated at around A\$260m.

While this would remove the CVR issue between the two companies, the statement provided no further clarity on a proposal, first mooted by Yanzhou in July last year, to purchase the 22% publicly-held stake in Yancoal.

Doubts have grown about the bid given the time lapse and a relaxation in Australian government foreign investment rules which earlier obliged Yanzhou to increase Australian equity in the group.

Late last year, Yancoal extended an A\$250m loan to Yancoal for debt repayment and ongoing capital spending stake.

Jameson raises more for Crown Mountain project

AUSTRALIA-QUOTED JAMESON RESOURCES has raised A\$3m (\$2.6m) through a share placement, earmarked for a pre-feasibility study on the planned 1.9mt/yr Crown Mountain met coal prospect in Canada's British Columbia.

A Jameson statement said Macquarie Bank had also agreed to subscribe for additional shares, lifting its stake in the company from 8.7% to 10.6%.

A production start at Crown Mountain, in the region of Teck's Elk View met mine, is being targeted for 2015 and the company is assessing development of several other prospects.

Gujarat NRE continues recapitalisation

AUSTRALIAN MET SHIPPER Gujarat NRE Coking Coal is continuing its fund raising efforts to bankroll a restructure of its stressed mining business in New South Wales.

A Gujarat statement said the company had raised a further A\$26.4m (\$23.7m), representing the institutional component of a recent share issue, and would now proceed to the public component of the issue.

The company, controlled by India's Jindal group, recently slashed its mining workforce by about 20% amid warnings that further cost cutting would be needed for survival in current tough market conditions.

Tigers Realm secures disputed Russian funding

AUSTRALIA-QUOTED TIGERS REALM has confirmed agreement on a Russian-sourced fund raising arranged last year but derailed by complaints from a major shareholder.

The company indicated BV Mining Holding and Russian Direct Investment Fund had confirmed they would take Tigers Realm share placements despite changes to initial terms, enforced by the Australian corporate regulator, the Takeovers Panel.

The placements, which still require shareholder approval at meetings scheduled for mid-March, are earmarked for development of the company's Amaam and Amaam North met coal prospects in far eastern Russia.

Meanwhile, a long-running trading suspension of Tigers Realm shares has been lifted.

MINING

Alliance Resources sets new records in 2013

US COAL PRODUCER Alliance Resource Partners enjoyed a banner year in 2013, setting new annual benchmarks for coal sales, production volumes, revenues, net income and EBITDA.

"On the strength of record coal sales volumes, revenues climbed to a record \$2.2bn for the 2013 year, an increase of 8.4% compared to the year ended December 31, 2012," the company said in its earnings report. "Higher revenues contributed to record EBITDA of \$685.9m for the 2013 year, an increase of 18% compared to 2012."

Alliance expects production and sales to total between 39.25-40.75mst in 2014. Currently the company has secured sales and price commitments for 34.9mst of coal in 2014. Last year, Alliance sold a record 38.8mst of coal.

Alliance operates 11 mining complexes in the Illinois Basin, Central Appalachia and Northern Appalachia. The company primarily produces thermal coal. However, some of the coal Alliance produces at its mines in Central Appalachia is sold into the high vol metallurgical market when market conditions are favourable.

South Africa to streamline coal mine licensing

THE SOUTH AFRICAN government is drawing up new legislation that will streamline the process of securing mining and prospecting licences for new coal projects in the country, minister of mineral resources Susan Shabangu said at the *IHS McCloskey South African Coal Exports Conference* in Cape Town.

The move, which is expected to come into effect soon after the president's state-of-the-nation address on February 13, is a bid to encourage fresh investment in the country's coal mining industry by reducing the length of the application process to as short as 300 days, Shabangu said.

"I am positive that before the rise of parliament this year, this act will be done and the mining industry can be assured that indeed South Africa is a place to do business," Shabangu said.

"We are talking about full compliance in terms of prospecting or mining rights application, including the water licensing, happening within 300 days – less than a year."

The current process of getting all the necessary licences in place for a new mine can take in excess of three years,

Monthly throughput from key export ports ('000t)				
Port	Dec-12	Dec-13	Jan-Dec'12	Jan-Dec'13
Australia				
Abbot Point	1,738	2,032	14,162	21,073
Dalrymple Bay	6,560	5,696	56,119	65,261
Hay Point	3,044	3,757	31,163	38,260
Gladstone	5,738	6,843	57,783	62,741
Brisbane	763	730	8,860	8,729
Port Kembla	1,112	671	14,494	11,820
Newcastle				
PWCS	9,860	9,498	105,883	109,220
NCIG	2,768	5,603	27,419	41,330
Total	31,583	34,830	315,885	358,434
Canada				
Westshore	1,169	--	25,960	--
China				
Qinhuangdao*	403	--	3,976	--
South Africa				
Richards Bay	6,832	6,788	68,341	70,223
Port	Nov'12	Nov'13	Jan-Nov'12	Jan-Nov'13
United States**				
Norfolk	3,010	3,557	40,074	41,452
Baltimore	865	398	15,993	12,474
New Orleans	1,994	1,423	23,593	16,185
Mobile	486	726	9,068	10,370
Total	6,354	6,104	88,728	80,481

* includes Qinhuangdao/Jintang/Huanghua ** To destinations excluding Canada

Source: IHS McCloskey, RBCT, US FTD

Key port stocks (mt)			
Port	November 2013	December 2013	January 2014
ARA			
Amsterdam (OBA)	1.59	1.60	1.50
Rotterdam (EMO)	2.40	3.00	3.10
Total	3.99	4.60	4.60
South Africa			
Richards Bay	4.20	3.13	
Maputo	--	--	--
Durban	--	--	--
Total	4.2	3.13	
China			
Export			
Qinhuangdao	--	--	--
Domestic			
Qinhuangdao	4.86	5.06	7.44
Guangzhou	2.49	2.54	2.21

Source: IHS McCloskey

which must be shortened to encourage investment, Ian Hall, chairman of the steering committee, SA Coal Roadmap, told the conference.

The process includes making three separate applications based on the following acts: The Minerals & Petroleum Resources Development Act (MPRDA); The National Environmental Management Act (NEMA) and The National Water Act (NWA).

However, the current structure of the process means that you can't apply for all three simultaneously, which slows the process

down considerably, Hall said.

Under the new system, the three applications could be made at the same time and the department of mineral resources will be the competent authority to grant the environmental impact assessment, according to Shabangu.

“We continue as a country and as a government at all times to encourage investment in the mining industry... we are aware there are concerns and we continue to address concerns and continue to attract investment,” she added.

Coal mines are key to South Africa’s economic development as they provide reliable and cost competitive energy, which is essential for poverty alleviation, she said.

Hall agreed on the need for new mines in the country: “New mines are urgently required to supply existing and new coal fired power stations... Coal exports must continue to provide a significant source of foreign revenue for South Africa.”

Meanwhile, there are ongoing concerns over the impact of the country’s coal exports on domestic power prices. This is largely because supply tightness of thermal coal for domestic use is feeding through to higher electricity prices at the country’s main power provider Eskom.

“The accelerated demand for coal, accompanied by an increase in international coal prices, has invariably changed the structure of the local and export coal industry,” Shabangu said.

“The emergence of the export market for low-grade coal has presented the government with a challenge in that it has constrained the availability of coal that was historically sold to the national utility,” she added.

As much as 95% of the country’s electricity needs are met by coal-fired power plants, which rely on domestically produced coal, Shabangu pointed out.

Consol to lift coal production

CONSOL ENERGY WILL increase its coal production by 5m short tons/yr (st) in 2014 when the BMX mine in Southwestern Pennsylvania is commissioned late in the first quarter.

BMX is an extension of Consol’s sprawling Bailey/Enlow Fork complex, which currently has the capacity to produce 8.0mst/yr of thermal coal.

The company also announced plans to lift its natural gas production by 30% this year.

Consol chairman and CEO Brett Harvey said continued cold weather and a rebounding US economy is strengthening the demand for nat-gas and could begin to provide support for higher thermal coal prices as well.

Consol beat Wall Street’s expectations on earnings per share in the fourth quarter, but fell short on revenue. The company had pre-tax income of \$16m during the quarter with net income of \$147m. When added to income from discontinued operations, Consol reported net income of \$738m or \$3.20/share.

Coal production in the fourth quarter totalled 7.1mst and consisted of 1.2mst of low-vol coking coal, 0.6mst of high-vol coking coal and 5.3mst of thermal coal.

During the fourth quarter 1.1mst of low-vol coking coal from the Buchanan mine was sold to domestic and international customers. Also in Q4, Consol sold 0.6mst of Bailey high-vol coking coal to buyers in South Korea, Brazil and the US.

Colombian production slumps 6% in 2013

COLOMBIA PRODUCED 83.7MT of coal in 2013, including steam and met coal, down 6% from 89.2mt produced in 2012, according to preliminary data from the National Mining Agency (ANM).

In comparison, output in 2012 had increased 4% from 85.8mt in 2011.

The government forecast production of 97mt at the beginning of last year, but this initial target was later reduced to 84mt because of terrorist attacks on transport links, strikes at the two largest exporters Cerrejon and Drummond, reduced night railings on the Fenoco rail line and blockades on Cerrejon’s railway by indigenous people.

Preliminary figures show that production in la Guajira department, where the Cerrejon and Caypa mines are located reached 34.3mt during 2013, down 2% from 35.1mt produced in 2012.

Output in the Cesar department, where Drummond, Glencore and Goldman Sachs’ mines are located was 42.8mt, down 8% from 46.7mt produced in 2012.

Production at Drummond’s El Descanso and Pribbenow’s mines fell to 22mt from 26mt in 2012, while Glencore’s production last year was 17.7mt, up from 14.7mt in 2012.

Meanwhile, Goldman Sachs affiliate Colombian Natural Resources produced close to 3mt, compared to 5.6mt in 2012. The company’s La Francia mine was closed for nine months during 2013.

Combined production in the interior departments of Boyacá, Cundinamarca and Norte de Santander reached 6.35mt during 2013, compared to 6.9mt in 2012.

Peabody sets coal sales target for 2014

PEABODY ENERGY HAS set a coal sales target of 245-265m short tons (st) for 2014, with US sales of 185-195mst and Australian sales of 35-37mst. The remainder of the sales will come from trading and brokerage activities.

“US coal demand is rising and now accounts for over 40% of electricity generation as utilities switch back to coal due to higher natural gas prices,” said Peabody Energy’s chairman and CEO, Greg Boyce.

“Last year, coal inventories declined at the fastest pace in 13 years and are now approaching normal levels in our key markets. Southern Powder River Basin coal inventories have improved 34% since late 2012 to 52 days of consumption, leading to stronger market fundamentals than we have seen in several years.

“And Peabody is currently executing Southern Powder River Basin contracts at prices well above 2013 levels.”

In Australia, Peabody said it would maximise productivity at the North Goonyella coking coal mine in Queensland in 2014, and further improve productivity and lower costs at the Metropolitan mine. In addition, Peabody said it would complete the conversion of the Moorvale mine to an owner-operator status.

Reporting on its full-year 2013 revenues, which totalled \$7.01bn, Peabody said they “were affected by lower realised pricing in Australia and the United States.”

Sales volumes increased 1% to 251.7mst due to higher Australian exports and trading and brokerage shipments, which offset lower US volumes.

Australian shipments increased by 6% during the year, with sales totalling 34.9mst, including 15.9mst of coking coal and 11.4mst of seaborne thermal coal. Australian revenues reached \$2.90bn, and were affected by a 22% decline in revenues per ton.

US mining revenues of \$4.01bn were affected by a 4% decline in both volumes and realised pricing.

SBU's 2013 coal production hits 24.5mt

RUSSIA'S SIBERIAN BUSINESS Union (SBU) produced 24.5mt of coal in 2013, up 4.7% from 2012.

Surface mined output reached 18.1mt, while underground mining accounted for 6.4mt.

The company's washeries processed 13.4mt of coal in 2013, 48% more than in 2012.

Meanwhile, SBU's total coal shipments in 2013 increased by 13.3% on the year to 23mt, some 19mt of which went for export.

This year the company plans to increase its coal output by 13.5% to 27.8mt.

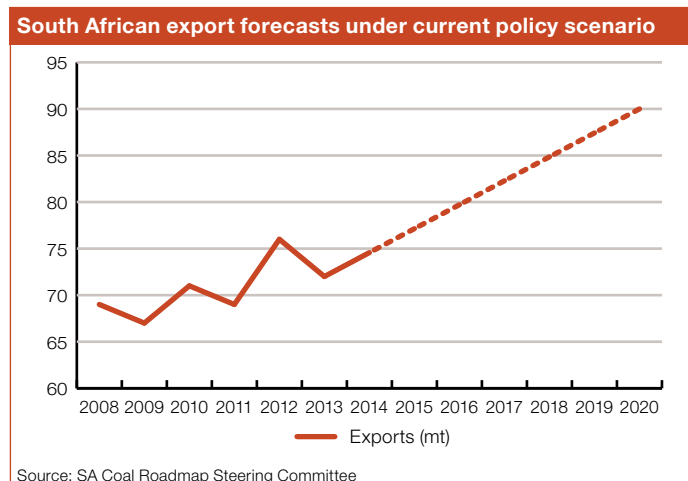
South African coal exports could hit 90mt/yr by 2020

SOUTH AFRICAN COAL exports have the potential to rise above 90mt/yr by 2020, but export growth beyond that point may be constrained if new projects aren't brought up to speed by then, Ian Hall, chairman of the steering committee, SA Coal Roadmap, told the *IHS McCloskey South African Coal Exports Conference* in Cape Town.

Reaching the 90mt/yr mark would represent an 18% jump in exports compared to 2012, when total coal exports from South Africa, including anthracite, bituminous and other coal types, were nearly 76mt, according to government statistics.

The rise from current export levels may peak beyond 2020, however, due to a fall in output in the country's central producing basin, according to Hall.

"There is potential for this basin to continue to grow as it has been doing, but certainly beyond around 2025, in all scenarios the coal basin starts to decline," he said.



"Clearly there is a need for coal to be sourced from elsewhere, remembering that Eskom plans to have at least five coal power stations in operation beyond 2020. So the coal would then potentially come from the Waterberg," he added.

The Waterberg coal field contains up to 70% of the remaining coal resources in South Africa, but faces significant development hurdles to become fully operational.

The basin is complex to mine because of its location, shortage of available water supplies and lack of infrastructure, according to Xavier Prevost, senior coal analyst at XMP Consulting.

Also, of each tonne extracted from the ground, less than half of that is a saleable coal product, so there are significant challenges to make production at the Waterberg basin viable, he added.

The coal field is expected to increase output from the current 4mt/yr to 24mt/yr by 2018.

Last October, South African rail operator Transnet finally gave a firm commitment to deliver the first phase of its expansion plan for rail capacity from the Waterberg to export ports.

Bandanna cuts Springsure cost estimates

QUOTED AUSTRALIAN THERMAL developer Bandanna Energy has indicated a feasibility study on its slated 11mt/yr Springsure Creek project in Queensland has reduced estimated first stage FOB operating costs below the A\$60/t (\$52.80/t) mark.

A Bandanna statement said improved longwall use was the key to reducing earlier cost estimates of A\$65.61/t, based on two units producing up to 11mt/yr.

"Independent external mine planning has confirmed that a single longwall operating at Springsure Creek is now forecast to produce more than 7mt/yr, in line with experience from similar modern high production longwall projects," the statement said.

Bandanna also said recent weakening of the Australian mining construction market offered opportunities to reduce initial capital cost estimates of A\$743m. The company has hired project management specialist, Ausenco, to pursue this.

Further evaluation on Springsure Creek has also increased the estimate of probable marketable coal reserves to 165mt, a 7.1% increase on 154mt a year earlier.

The company's managing director, Michael Gray, said the new single longwall mining plan was based on further resource evaluation confirming consistent quality and thickness in coal seams.

"The resultant reduction in forecast operational costs further enhances the competitive position of the Springsure Creek project compared with much existing thermal coal production," he said.

Universal agrees deal on Exxaro mine

AUSTRALIA-QUOTED UNIVERSAL COAL has agreed to buy the New Clydesdale thermal mine in the Witbank region of South Africa from one of that country's largest miners, Exxaro Resources.

A Universal statement said consideration for the deal was still being finalised, with some conditions attaching.

The company, which last year started output at its Kangala

mine in South Africa, indicated the New Clydesdale mine had produced 'sporadically' since 1949 and had raw throughput capacity of circa 2.0mt/yr.

Mechel's 2013 coal output dips to 27.5mt

RUSSIAN METALS AND mining giant Mechel saw its run-of-mine coal output fall 1% to 27.5mt in 2013, from 27.8mt in 2012.

Washed coking coal sales, excluding sales to Mechel subsidiaries, fell by 4% to 11.1mt in 2013 from 11.5mt in the previous year. Steam coal sales remained virtually flat year-on-year at 5.90mt in 2013, compared to 5.91mt in 2012.

Meanwhile, PCI sales jumped 36% to 3.31mt in 2013, from 2.43mt in the previous year, but full-year anthracite sales fell 8% to 2.20mt, from the previous year's 2.40mt. The company's coke sales fell 16% to 2.98mt, from 3.56mt, year-on-year.

"The overall 1% decrease in coal mining and 4% decrease in coking coal sales are due to optimisation of production facilities at Mechel North America (Mechel Bluestone), which was almost entirely compensated for by our Russian assets which have high competitive advantage in Asia Pacific markets," Mechel CEO Oleg Korzhov said.

Pacific Coal's Colombian production rises 4%

COMBINED PRODUCTION FROM Pacific Coal Resources' Caypa and Cerro Largo coal mines in Colombia totalled 1.32mt in 2013, up 4% from 1.27mt in 2012.

La Caypa mine, located in Guajira department south of the Cerrejón mine, produced 1.01mt in 2013, a 14% increase over 0.89mt in 2012.

Production for 2014 is forecast to rise by 4%, and will include 1.01mt of open cast production and 40,000t from an underground pilot project. If the pilot project is successful, underground production could eventually reach 0.8-1.0mt/yr.

Production at the Cerro Largo mine reached 0.3mt in 2013, and is expected to almost double this year to 0.6mt.

BHPB cuts jobs at Saraji mine

BHP BILLITON IS forcing further rationalisation at its Queensland met coal operations, with plans to cut around 230 jobs from its 5mt/yr Saraji mine.

It's understood the company contacted unions at the site earlier today, to disclose the cuts which represent around 16% of the Saraji workforce. The company cited the need for further cost reduction in difficult markets.

The cuts follow other Queensland coal division rationalisation moves by BHPB in recent months, including closure of the Norwich Park and Gregory open cut met mines.

Despite this, the company hiked managed Queensland coal output to a record annual rate of 68mt/yr for the latest July-December half - up about 22% year-on-year - with plans for further expansion, mainly through the new Daunia and Caval Ridge mines.

BHPB's Queensland met coal operations are part-owned by Japanese groups, Mitsubishi and Mitsui.

Guildford commissions Mongolian met mine

AUSTRALIA-QUOTED GUILDFORD COAL has announced formal commissioning of its slated 3mt/yr Baruun Noyon met coal mine in Mongolia.

But a Guildford statement indicated that while this was a 'significant development milestone', the company was still awaiting permitting for a 98km haul road to the Ceke distribution hub on the Chinese border before sales could begin.

Noble Group is funding the haul road and has marketing rights for Baruun Noyon output. The sales start date is slightly behind earlier estimates of late 2013.

POWER

Coal fired generation down 9.7% in Mexico

IN JANUARY-NOVEMBER 2013, Mexico generated 239TWh of electricity, down 0.7% from 241.1TWh produced during the same period in 2012, according to the country's Secretariat of Energy (Sener).

Lower coal-fired generation is largely responsible for Mexico's reduced power output. Generation dropped 9.7% to 15TWh in January-November, compared to 16.6TWh in the same period of 2012. Hydro production also declined, falling 14.7% to 25TWh in the 11-month period, down 4.3TWh from 2012.

Conversely, output from Mexico's CCGT plants in January-November totalled 116.1TWh, up by 8.1GW year-on-year. Mexico's natural gas imports from the US reportedly doubled in 2013 compared to 2010's level. Tougher climate control regulations are expected to give nat-gas an edge over coal in Mexico's power generation mix in the future.

Nuclear generation was also up in the 11-month period, rising by 2.7TWh to 10.74TWh, which helped fill the gap in output from hydro and coal.

Mexico's state-owned electricity company Comisión Federal de Electricidad (CFE) imported 5.8mt of coal last year, compared to 6.5mt in 2012, due to lower coal-fired generation.

Mitsubishi, Toshiba to build Philippines power plant

JAPAN'S MITSUBISHI CORPORATION (MC) and Toshiba Plant Systems & Services Corporation (TPSC) have signed a contract with Minergy Coal Corporation (MCC) to build a thermal power plant in the Philippines.

The plant, to be located in Balingasag in Northern Mindanao, will be composed of two units of 55MW each. The project is being undertaken on a full turn-key basis with completion expected by the end of March, 2017.

A third unit may be ordered within this fiscal year, as an option. The total contract price, including the option, would be around \$300m.

Electricity demand in the Philippines, especially in Mindanao, is expected to increase markedly due to a rising population and stable economic growth.

Last year, MCR reported that the Philippines has turned a firm eye to coal, with plans on the table for just under 8.2GW of coal-fired capacity - 1.4GW of which is already committed.

Close to 30 coal-fired private power projects could be built in the Philippines in the next few years, according to the country's Department of Energy (DoE).

The country currently has just 5.5GW of coal-fired capacity, which accounts for more than a third of the country's power generation of 17GW.

Rough calculations indicate that, should all these new plants be built and operate at a 70% loading factor, roughly 24mt of sub-bituminous coal would be needed, the majority from imports.

UK November thermal consumption rises 4% to 4.32mt

UK GENERATORS BURNED 4.32mt of thermal coal in November, which is up 4% on October's 4.17mt but down 27% compared to November 2012's 5.94mt, according to the Department of Energy and Climate Change's latest figures.

Monthly consumption has steadily risen since June 2013 and tends to peak in December/January when power demand for heating is at its highest.

The UK clean-dark spread, which includes the cost of offsetting carbon emissions, averaged £23.40/MWh in November, which was 27% higher compared to the month before when it averaged £18.44/MWh, and up 12% on the average level in November 2012 of £20.92/MWh.

Coal remained well ahead of gas in the merit order during October. The UK clean-spark spread saw an average of £1.95/MWh, giving coal an advantage of £21.45/MWh over the month compared to gas.

Meanwhile, coal stocks held by UK power generators rose to a new high for the year to date of 12.74mt at the end of November, which is up 1% from end-October's 12.64mt, and 15% up on November last year's 11.12mt.

Metallurgical coal consumption by coke ovens rose 42% to 0.64mt in November, compared to 0.45mt in October, and was 36% higher than in November last year (0.47mt). Stocks of met coal fell to 0.61mt at the end of November, down on the previous month's 0.81mt, and higher compared to end-November 2012 when 0.87mt was held.

UK coal production rose 25% to 1mt in November, from 0.8mt in October, but was a third lower compared to November 2012 when 1.5mt was produced.

Turkish coal-fired power projects gather momentum

STEEL PRODUCER TOSYALI is planning a major coal-fired thermal power project in Turkey, with construction expected to start this year.

Iskenderun in southern Turkey is the location of the 1.2GW plant, which will consume around 3mt/yr of imported coal. The port of Iskenderun can berth capesize vessels.

Some of the electricity from the captive power plant will be used internally, but the majority will be sold to the domestic grid. The cost of the project is around \$1.2bn.

The Energy Market Regulation Authority is evaluating the project. If it gets the go-ahead, the plant will be operational within 3-4 years.

This is the second major coal-fired project to be announced this year in Turkey. A joint venture between Alarko and Cengiz holdings plans to build a 1.32GW power plant near Canakkale, which will cost nearly \$850m. This Genal Enerji project is three years away from completion.

There are at least three projects with 3GW in combined capacity coming onstream within two years.

Thermal coal imports are forecast to grow by at least 2mt/yr through to 2016.

There are a further eight coal-fired projects that have been approved by the Energy Market Regulation Authority in Turkey.

The biggest of these is being developed by Genal, and is a project that will see two 660MW units being commissioned by 2015 at Biga Cannakkale. Cannakkale is a port that can handle capes.

Meanwhile, Anadolu Termik is planning to construct a 1GW plant also with a 2015 commissioning deadline.

German coal generation down 10% in January

COAL-FIRED POWER GENERATION in Germany reached 10.1TWh in January, around 1.1TWh or 9.6% less than in January 2013, according to figures from the Fraunhofer-ISE Institute.

Lignite output was 12.9TWh, down 0.1TWh or 0.6% on the same month in 2013.

Wind energy amounted to 6.2TWh and solar 0.7TWh, clocking up 1.2TWh or 24.3% and 0.4TWh or 115% more respectively than in January 2013.

Gas generation reached 4.2TWh, down 1.3TWh or 23% on the equivalent month of 2013. Nuclear generated 8.5TWh, down 0.4TWh or 4.6% on January 2013.

Overall generation in January 2014 reached 39.3TWh, about 1.4TWh or 3.4% less than in January 2013, the Institute reported.

Despite the drop in generation, there was still an electricity export surplus over imports amounting to about 1.8TWh, it revealed. In 2013 as a whole, the electricity export surplus amounted to 31.4TWh.

Renewables challenge coal generation costs in Germany

THE LEVELISED COST of electricity (LCOE) of new German coal plants is increasingly being challenged by that of renewables plants.

Forecasts indicate that costs to produce electricity from photovoltaic and wind will be less than fossil fuel plants by 2030, according to the Fraunhofer Institute for Solar Energy Systems ISE in its report "LCOE renewable energy technologies."

Depending on the number of full load operating hours assumed, the fuel price and price of carbon credits, the levelised cost of electricity from new lignite plants is currently up to €0.053/kWh, for coal up to €0.08/kWh and from CCGTs up to €0.098/kWh.

These costs compare with €0.08/kWh for open field ground-mounted photovoltaic plants installed in southern Germany and €0.14/kWh for rooftop plants, both well below the average household electricity price of €0.29/kWh.

The LCOE from onshore wind is in the range €0.05-0.11/kWh, or around that for coal plants. Offshore wind is still higher at €0.12-

0.19/kWh, despite the fact that it has more full-load operating hours, the study says.

“By 2030, photovoltaic generation costs will decline to €0.06-0.09/kWh and even small roof-installed PV systems will be able to compete with onshore wind and with the higher generation costs of lignite, coal and combined cycle gas power plants,” said Eicke Weber, director of the Fraunhofer ISE.

Also, onshore wind will be competitive with lignite in 2020, “as with the progressing energy transformation to more reliance on renewables, lignite’s full load operating hours will decline and the price of the carbon credits could increase,” he said.

Eskom coal demand could hit 160mt/yr by 2025

SOUTH AFRICAN STATE utility Eskom expects its annual coal demand to jump some 28% to around 160mt/yr by 2025, from current levels of around 125mt/yr, Kannan Lakmeharan, group executive for technology and commercial at Eskom, told the *IHS McCloskey Coal Exports Conference* in Cape Town.

The rise is largely due to the introduction of Medupi and Kusile power stations, which are expected to become operational between 2014 and 2018 with a capacity of 4,800MW each. Eskom utilised around 125mt/yr of coal over the past five years.

“Coal continues to be the main source of energy between 2014 and 2021 accounting for between 72% and 75% of the energy capacity,” Lakmeharan said. For the next 40 years coal will continue to provide 40% base load, he added.

Beyond 2025, Eskom’s coal demand is expected to decline, eventually falling to around 40mt/yr by 2050, he said.

One of the key reasons for the decline in usage beyond 2025 is limits to carbon emissions from the electricity sector to 275mt/yr, under South Africa’s Integrated Resource Plan (IRP), according to Lakmeharan.

However, chairman of the steering committee for SA Coal Roadmap, Ian Hall, suggested that this decline could also be due to reduced electricity demand because of rising power prices and structural issues caused by a lack of coal supply.

Eskom’s total coal supply requirements between 2014 and 2050 could be as high as 4,591mt, of which as much as 2,480mt is unsecured by existing contracts, according to the company.

The utility is already in an advanced stage of securing coal from mines in the Waterberg for its Mpumalanga power stations.

As previously reported, doubts have been raised over potential for the Waterberg coal field to reach expected capacity as there are serious profitability concerns for junior miners, according to Xavier Prevost, senior coal analyst at XMP Consulting.

Fire causes three month outage at EnBW coal unit

A FIRE AT the 505MW coal unit 7 at EnBW’s Rheinhausen-Dampfkraftwerk plant in Karlsruhe on January 31 was probably due to a failure in the machine house switch gear, the company said.

The power station firefighters and local fire brigade were at the site for around four hours and the damage will cost a six figure Euro sum to put right, local press reports said. Unit 7 was commissioned in 1985.

EnBW stressed that the fire at unit 7 would not affect the commissioning procedures ongoing at the new 912MW coal unit 8. The company expects unit 7 to be offline until May 1.

TRANSPORT & LOGISTICS

US rail carrier posts lower coal revenues

US RAIL CARRIER Kansas City Southern said its energy revenue declined 17% in the fourth quarter 2013, compared to the same period in 2012, “primarily due to a decline in utility coal shipments.”

However, increases in agriculture, mineral, intermodal, automotive and industrial shipments offset the losses from coal resulting in the rail line reporting record Q4 revenues of \$616m.

Coal volumes for the year were down 8%. David Starling, the company’s president and CEO, said the drop in coal volume hindered the rail line in meeting its guidance target. Starling said the US coal market isn’t expected to improve significantly in 2014, but said it “won’t be the same drag on our business as it was last year.”

Kansas City Southern ended 2013 with record revenue of \$2.4bn, up 6% over the previous year.

RBT-Grindrod targets 8mt/yr port capacity by 2015

POTENTIAL EXPORT CAPACITY at RBT-Grindrod’s Navitrade terminal at Richards Bay could reach 8mt/yr by 2015, company CEO Bongani Biyela told the *IHS McCloskey Coal Exports Conference* in Cape Town.

However, it remains unclear whether there will be sufficient rail capacity to service the expanded Richards Bay port.

RBT-Grindrod has previously stated its plans to reach annual throughput capacity of 20mt/yr, but has not committed to a timeframe for the expansion work. Biyela said that there is still no clear completion date for the full capacity and the “phased implementation” depends on negotiations with Transnet. Its current throughput is around 4mt/yr.

As well as the port expansion, RBT-Grindrod is planning to develop an inland coal terminal to consolidate volumes from emerging junior miners and process the coal before railing to the terminal.

The RBT-Grindrod terminal is expected to provide an alternative to the existing Richards Bay Coal Terminal (RBCT), but is not intended to compete directly for export volumes, according to Biyela.

This is largely because the new RBT-Grindrod terminal will be focused on the export of coal produced by emerging miners, as opposed to the already established major exporters, which make up the majority of RBCT volumes, he said.

However, extra capacity is also being developed at the RBCT. The terminal currently has a capacity of 91mt/yr, but plans to increase this to 110mt/yr during phase 6 of its expansion plans, as previously reported.

In 2013, the terminal exported around 70.2mt, breaching the 70mt/yr mark for the first time. The terminal expects to achieve exports of 81mt/yr in 2015.

The additional port capacity at RBCT is expected to be almost entirely allocated to emerging miners as there is limited interest from the large international players, according to CEO Nosipho Siwisa-

Damasane. The existing capacity is almost entirely controlled by the large international companies, which are shareholders of the terminal.

Meanwhile, Transnet’s National Ports Authority (TPA) is looking into the possibility of developing a 12mt/yr coal terminal in Richards Bay, although it remains uncertain as to whether this will go ahead.

If all three terminal expansion plans came to fruition, the potential export capacity out of Richards Bay could be more than 140mt/yr, judging by current projections.

One of the major concerns raised by the prospect of sharply increasing port capacity is whether the country’s rail network, operated by Transnet, can increase volumes to match.

The Transnet rail capacity is currently projected to reach 91mt/yr by 2018 and plans are in place for capacity to rise to 115mt/yr beyond that. However, there is scope for port capacity development to outstrip rail capacity.

When questioned at the conference as to whether a shortfall in rail capacity would emerge, Divyesh Kalan, general manager – group commercial at Transnet, would not give a definitive answer, but stressed that existing rail capacity improvements are underway.

British firm to invest \$147m in Colombia’s rail system

BRITISH FIRM HOLDTRADE Atlántico will invest \$147m in Colombia’s rail system and rolling stock.

Diego Martínez, president of Holdtrade Atlántico, announced the investment during a visit to Colombia. He accompanied UK’s Deputy Prime Minister Nick Clegg to promote investments and cooperation between the two countries.

The first stage of rehabilitation on 875km of Colombia’s Central Railway System (SFC) is under way. Current projections call for the rail line between La Dorada (Caldas department) and Chiriguana (Cesar department), and between Bogotá and Belencito (Boyacá) to be operational by mid-2015.

Once upgraded, the railway can link with the 192km Fenoco line currently used by Drummond, Glencore and Goldman Sachs CNR to move coal from mines in Cesar department to ports in Santa Marta and Cienaga.

The new rail link will pave the way for oil, coal, cement and coffee to be railed from Colombia’s interior regions to ports on the Caribbean coast. Freight costs would be reduced by about 30% and provide an important export outlet for metallurgical coal produced in the country’s interior regions.

According to Martínez: “The project will generate 120 direct and 180 indirect jobs, and it is a result of an agreement reached with President Juan Manuel Santos back in November 2011.”

Goldman Sachs shuts down its Colombian port

GOLDMAN SACHS’ AFFILIATE, Colombia Natural Resources (CNR), shut down its Rio Córdoba port on the Caribbean coast yesterday.

According to sources in Colombia, port workers received letters from CNR inviting them to voluntarily submit resignations and accept severance pay.

At least 240 direct workers at the port could lose their jobs if the port is closed permanently. Under a closure scenario, CNR would retain about 20 workers to decommission the port.

Workers at CNR’s El Hatillo and La Francia mines also reportedly received notices from the company asking them to submit resignation letters.

The Rio Córdoba port, which started operations in 2005, uses a barge and floating crane system to load coal. Effective January 1 of this year, the Colombian government banned the use of barge and crane ports to ship coal. Instead coal producers are legally required to use direct loading ports with a covered conveyor to improve air quality.

Last year, the Colombian government refused to grant CNR an extension to continue loading coal at Rio Córdoba until it completed construction of direct loading facilities. Previously, Goldman Sachs indicated it planned to construct a direct loading facility at Rio Córdoba that would have the capacity to ship 12mt/yr of coal at an investment of \$137m.

Production at the El Hatillo and La Francia mines have failed to meet annual projections in recent years due to labour conflicts and unfavourable geological conditions in some mining areas. Industry observers believe Goldman Sachs may be re-thinking its Colombian strategy.

CNR is thought to be in negotiations with Glencore and Carbosan to ship coal through Glencore’s new direct loading facility, Puerto Nuevo in Ciénaga, and Carbosan port in Santa Marta. However, no agreements have been reached.

Goldman Sachs declined to comment.

Queensland terminals resume after cyclone hit

OPERATIONS AT QUEENSLAND coal terminals were moving towards ‘normal’ mode late this week as the region recovered from cyclone impact, but some restrictions remain on operations.

Late in the week, Hay Point and Dalrymple Bay terminals were still restricted to daytime operating hours pending full analysis of the survey of cyclone impact on shipping lanes. More high winds are forecast for the area this weekend.

Gladstone, Abbot Point and Brisbane were operating as normal, but after almost a week of disruption, waiting times are extended for some vessels.

In New South Wales, the Newcastle PWCS vessel queue began to ease after peaking above the 20 mark while coal supply issues continued to dog Port Kembla.

Australian vessel queues		
Port	Queue	Wait (days)
Abbot Point	8	3-7
Dalrymple Bay	9	10-20
Hay Point	12	3-10
Gladstone	10	5-10
Brisbane	1	0-2
Newcastle		
PWCS	19	5-8
NCIG	2	1-2
Pt Kembla	2	2-3

Source: IHS McCloskey

Strike averted at CN Rail

CN RAIL AND a union representing 3,000 rail workers have crafted a new tentative labour agreement, averting a strike that could have started this weekend.

“CN Rail came to us with a series of proposals late in the day,” Stephanie Lacroix, a spokesman for the Teamsters Canada Rail Conference - Conductors, Trainpersons and Yardpersons, said.

Details of the three-year contract will remain confidential until the contract is ratified by union members.

CN executive vice president and chief operating officer Jim Vena said: “CN has offered to work closely with the union leadership to explain the terms of the agreement to union members over the next 45 days to help ensure a successful ratification of the agreement.”

Yesterday the union gave CN Rail 72 hours notice of its intention to strike after its members failed to ratify a tentative contract agreement that was reached last October.

CN Rail moves about 45 mt/yr of coal on average in Canada and the US.

Indonesian shipping delay eases

A SHIPPING BOTTLENECK which arose in Indonesia in mid-January has now eased, sources say.

Customs ramped up scrutiny of cargo movements as the new mineral ore export ban began.

Increased document checks delayed some vessels for up to five days.

Exacerbating the situation, confusion reigned over CCoW (Coal Contract of Works) paperwork.

Some port officials mistakenly grilled CCoW holders for newly mandated OPK (Special Operation Production) licences for transportation and trading - not realising OPKs are built into CCoWs.

Authorities are said to have sent letters of clarification to those ports a fortnight ago.

All coal shippers have been required to have the new OPKs since November.

Indonesia stopped issuing CCoWs in 2009, introducing IUP permits instead - which have never automatically carried OPKs.

As such, many IUP holders were caught out in the customs clampdown, having not brought their documentation up to date.

IUP holders were also called on to hand-in their ‘Clean and Clear’ certificates, to prove royalties had been paid.

One affected producer warned IUP holders will likely continue to face some lag in shipping out of South Kalimantan as the checks continue.

STEEL

Japan’s industrial petcoke consumption falls

PETCOKE CONSUMPTION BY some of Japan’s major industries fell slightly in November, according to the latest preliminary data from the Ministry of Economy, Trade and Industry.

The figures showed that industries such as steel and cement consumed 0.34mt of petcoke in November, down from 0.35mt in

November 2012 and stable with October’s figure. However, the steel industry burned 0.26mt in November, up marginally from 0.24mt for November 2012.

Year-to-date consumption was broadly stable with 2012 at 3.96mt. For the whole of 2012 petcoke consumption was 4.2mt.

Despite the drop in consumption, imports in November were 0.46mt, up from 0.13mt in November 2012 and higher than 0.26mt in October.

Petcoke in Japan is mainly consumed by domestic metal producers. They import low sulphur grades such as 3.5%, and sometimes as low as 1.5%.

MARKETS - STEAM COAL

JLEC buys Polish coal

MOROCCAN GENERATOR JORF Lasfar Electricity Company (JLEC) has bought Polish thermal coal in its recent enquiry for Q1 and Q2 14 deliveries.

JLEC is believed to have paid \$89-90/t CIF Jorf Lasfar, basis 6,000kc NAR. It requested delivery of four 60,000t cargoes, starting in March through to June.

The deadline for offers was January 20, with validity of a few days. Freight is estimated at \$10/t by one trader, leaving a netback price of \$79-80/t FOB at the terminal.

Its last tender was awarded near the end of December last year at \$93/t CIF Jorf Lasfar, on the same basis. It is believed that Russian coal was awarded.

Jaypee Cement buys four capes

INDIA’S JAYPEE CEMENT has bought four capes of Richards Bay material for delivery into east and west coast ports.

Jaypee bought 5,500kc NAR material, paying \$76.75/t CIF Navlakhi for a February loader, \$76/t CIF Gangavaram on the east coast for a March load, and it bought two April loaders at \$75.50/t CIF Gangavaram, all basis 6,000kc NAR.

The cost of freight from Richards Bay to east and west coast ports is estimated at \$11-12/t.

Since the beginning of the month cape rates have fallen from \$19/t, but the Indonesian export ban on mineral ores and the Chinese New Year has affected the market.

Jaypee went for the lower c.v. coal due to the relative high cost of 6,000kc NAR Richards Bay material. Offer prices were initially \$96-97/t CIF Gangavaram for Richards Bay.

JEA tenders for up to 635,000st

US GENERATOR JACKSONVILLE Electric Authority (JEA) is tendering for up to 635,000 short tons (st) of coal to be delivered to its St. Johns River Power Park (SJRPP) located in Jacksonville, Florida, by rail or ship.

The company is seeking deliveries during calendar year 2014, with 40,000st in Q2, 0.26mst in Q3 and 335,000st in Q4.

SJRPP can accept coal either by rail on CSX or by water at the St. Johns River Coal terminal (SJRCT). The terminal can accept self-unloading handysize and panamax size vessels.

Coal quality specifications are between 10,600-12,913BTU/lb, HGI between 52-40, 4-17% moisture, 0.5-2.5% sulphur and ash between 6-15%.

The deadline for offers is February 19, with validity for at least 30 days from that date.

Prices should be quoted in US dollars per short ton FOB railcar for rail delivered options and CIF SJRCT, Jacksonville, for deliveries by ship.

India's TNPL awards 0.30mt tender

INDIA'S TAMIL NADU Newsprint and Papers Limited (TNPL) recently awarded its 0.30mt thermal coal tender at \$70.10/t CFR Karaikal on the east coast.

TNPL bought five 60,000t cargoes from Gupta Coal for delivery starting in March through to August 2014. Freight between South Kalimantan and east coast India is estimated at \$7-7.75/t, leaving a net back price of \$62.35-63.10/t FOB.

It was looking for a 5,600kc-6,000kc GAD material, with 0.8% sulphur and 18-25% moisture content. TNPL issued the enquiry on January 14 and the deadline for offers was January 18.

Turkish cement maker seeks prompt thermal cargo

A TURKISH CEMENT producer is in the market for a prompt thermal coal cargo for Q1 delivery.

It is looking for up to 45,000t into the port of Cannakale. It is also re-tendering for mid-sulphur petcoke for Q1.

It dropped its tender two weeks ago, as offer prices were too high at \$107-108/t CIF Cannakale, basis 7,500kc NAR.

But freight costs have fallen since then by a couple of dollars to \$27-28/t, so offer prices might have some room for more flexibility.

Duke Energy enters the market

DUKE ENERGY IS soliciting bids to supply coal to its utilities in North Carolina, South Carolina, Florida, Indiana and Kentucky. Delivery can cover any combination of Q2 and Q3 2014 and/or Q4 2014 or any single month of 2014.

All deliveries should be completed by Dec. 31, 2014. Duke will determine how much volume it will buy after it receives offers which were due on February 6.

Duke is likely to receive a wide range of offers in response to its request for proposals from multiple supply basins in the US.

According to IHS' Coal & Energy Price Report, producers in the Illinois Basin, Northern Appalachia and Central Appalachia are all expected to compete to supply Duke's fleet of generating stations in the Carolinas.

Illinois Basin coal is expected to be competitive at Duke's Crystal River generating plant in Florida, and should also do well at Duke's river-served power plants in Indiana and Kentucky.

Duke Energy's coal consumption this winter has been higher than expected. However, Duke stocked up on coal during the fourth quarter of last year, leaving some in the US market to wonder if supply/demand fundamentals could be shifting.

Prices for thermal deals into Pakistan ease

CEMENT PRODUCERS IN Pakistan are pushing hard for supramax thermal cargoes below \$100/t CIF Karachi, basis 6,000kc NAR.

Traders report that bids are in the region of \$96/t CIF Karachi, basis 6,000kc NAR, while offer prices are being heard at \$98/t CIF, on the same basis.

This is just about a break-even level for most traders, as freight is relatively strong at \$17-18/t.

The last supramax deal seen into Pakistan was at \$100/t CIF Karachi earlier last week for a second-half February load out of Richards Bay.

An enquiry for a Richards Bay supramax for second-half loading for eventual delivery into the United Arab Emirates is also being seen.

South Koreans pick up Lunar New Year slack

WITH CHINA OUT of the market for the Lunar New Year, South Korea's power utilities took the opportunity to step in and pick up some of the slack.

The country's five generators on February 7 were revealed to have bought seven panamaxs, 0.51mt, of Indonesian 4,600kc NAR min material through a joint tender led by Korea East-West Power (EWP).

LG was awarded six panamaxs and Macquarie one panamax at a price of \$72.60/t on a 6,080kc NAR basis. A total of 15 participants, all offering Indonesian product, took part in the tender, which closed on February 5.

Covering delivery into Dangjin, the tender called for 0.59mt in eight panamaxs for shipping from April to June. Coal with total max moisture of 28%, total max ash of 10% and total max sulphur of 1% was sought.

Prior to this, South Korea's five utilities had last jointly tendered in October, with a Korea South-East Power (Kosep) led call which attracted offers totalling 1.2mt of Indonesian sub-bituminous coal.

For Q1 loading, the tender for 0.49mt of 4,600kc NAR min material attracted offers from Klandee Resources, Bulk Trading, Flame, Macquarie, LG, KCH Resources and Daewoo, but details of awards were not divulged at that time.

A day earlier, Korea Western Power (Kowepo) bought 0.11mt of 5,700kc NAR min product from one Australian supplier, understood to be Ensham, at a price of around \$77/t on a 6,080kc NAR basis.

Through the spot tender, which closed on Monday, February 3, the generator attracted participation by 10 companies, offering a total of 1.1mt of Australian or South African coal. Three offers from Australia were shortlisted.

Glencore, Rio Tinto and Macquarie are said to have been among those who participated in the tender, although they were not necessarily the shortlisted parties. The supplies are for the 4GW Taean power station, and for June loading.

Kowepo issued another spot tender for sub-bituminous supplies for Taean early in January, covering a requirement for 0.14mt of 4,600kc NAR min material, but details of awards did not emerge at the time.

Kosep issued a spot tender and a term tender for a combined 1mt of thermal coal for the Samcheonpo and Yeonghung power plants on February 5. The deadline for offers is February 12.

The term tender spans a three-year period to 2017, and calls for 0.84mt of 5,500kc NAR min material, with total max moisture of 15%, total max ash of 20% on an air dried basis, and total max sulphur of 1% as received. The spot tender covers a requirement for 0.16mt of 4,600kc NAR min material for loading from May 1 to June 30.

In other business, Korea Midland Power (Komipo) cancelled its spot tender calling for 0.36mt of thermal coal for its 4GW Boryeong power station.

In the tender, which closed on January 22, the generator had attached some special conditions regarding coal quality analysis.

In the event that there was a 161kc NAR and above difference between loading port certificate of analysis and discharging port certificate of analysis, Komipo stated that it would only pay the amount based on the unloading analysis.

A source in South Korea said: "Most of the local and overseas bidders did not accept those conditions." Komipo therefore decided not to proceed.

The tender covered March-April loading, and specified 4,600kc NAR min material, with total max moisture of 28%, total max ash of 17% on an air-dried basis and total max sulphur of 1%.

One 0.13mt shipment had been required for loading in the latter half of March, with a further two 70,000t and one 90,000t delivery to span March and April. Prices were requested on an FOB basis only.

Komipo last purchased supplies for Boryeong in November, buying 0.14mt of Indonesian coal from two undisclosed suppliers at a price of low-mid \$72/t FOB on a 6,080kc NAR basis.

At that time, the utility also bought 0.13mt of Russian, Australian and South African material at a price of high \$85/t FOB on a 6,080kc NAR basis from one supplier who primarily deals in Russian coal.

Taipower tenders for 11 panamaxs

TAIPOWER HAS ISSUED a tender for 11 panamaxs, totaling 825,000t, of sub-bituminous product, covering supply for April through to September 2014.

The tender seeks 5,000kc GAR min material, with total max moisture of 28%, total max ash of 15%, and total max sulphur of 1.1%.

The deadline for offers is February 19.

The Taiwanese generator bought 11 panamaxs of Indonesian 5,000kc GAR material in early December last year, at a price between \$93.88-96.00/t CIF evaluated, basis 6,322kc GAR.

ONE awards thermal tender

MOROCCAN GENERATOR OFFICE National de l'Electricite (ONE) has awarded its tender for 0.152mt of thermal coal for delivery starting in March through to May.

ONE paid \$81.50/t CIF Nador, basis 6,000kc NAR, for two of the four 38,000t cargoes for March and April delivery and \$81.70/t CIF Nador, on the same basis for two more 38,000t cargoes for May delivery.

It is believed that the cargoes are likely to be supplied from either Russia or the Ukraine. Freight between Black Sea ports (probably Yuzhnyy or Nikolaev) is estimated at \$13-14/t. Deliveries will start in March through to April.

Black Sea ports reopened this week following bad weather last week which suspended rail operations to export terminals.

Mariupol and Berdyansk ports, which both handle handysize vessels, were affected as were Nikoleav, which can load panamaxs, and Kherson and Ilyichevsk, both handysize ports.

The cape port of Yuzhny was unaffected.

Hindustan Newsprint extends tender deadline

HINDUSTAN NEWSPRINT HAS extended the deadline in its tender for 50,000t of imported thermal coal by a week. The deadline for offers is now February 12.

The Indian state-run paper manufacturer is seeking 6,000-6,200kc GAD material, with total max moisture of 15%, total max ash of 14% on an air dried basis, and total max sulphur of 1%, again on an air dried basis.

Delivery is to be to the Newsprint Nagar plant in Kerala, southern India, within 15 days of award.

The company last tendered in December, when it called for 50,000t of 5,600kc GAD product for its Kottayam plant, also in Kerala.

Hindustan Zinc tenders for 0.20mt

HINDUSTAN ZINC, PART of the Vedanta Group, is in the market for 0.20mt of thermal coal for delivery into the port of Navlakhi on the west coast of India.

It is requesting deliveries in March and April in supramaxes, panamaxs or capesize vessels that must be geared.

It is looking for thermal coal from either Indonesia, Colombia or US coal that can match the following specifications: 5,700kc GAR min, 3.5% max sulphur and 25% max ash.

The closing date for offers is February 11, with validity of three days.

TRADE

Indonesian shipments to China reach record level

INDONESIA SHIPPED AN all-time record volume of coal to China in December, according to the most recently available shipping data.

The tonnage of Indonesian coal targeted for China in the month soared to 11.18mt, up from 8.48mt in November and from 9.96mt last December.

For the whole of 2013, Indonesia shipped 91.81mt to China, a substantial rise from 83.96mt in 2012.

According to a source from one of Indonesia's major producers, Chinese orders for lignite and sub-bituminous products increased most.

"The data that we've studied shows a 2mt month-on-month jump for lignite. For bituminous coal, there's an increase of almost 1mt," they said.

Traditionally, December shipments to China increase as a result of winter restocking.

Some market players suggest the December spike could be down to buyers pushing to get their hands on as much lignite and sub-bituminous product as possible ahead of a potential ban on low-rank coal imports.

A source whom MCR spoke with, however, believes Chinese buyers have other motivations for hoarding low-rank coal.

“Our discussions with traders and buyers don’t indicate any nervousness about a potential low-rank coal ban,” they said.

“We suspect that they want to dump coal at a very low price. If you look at the price of lignite, the prices have been very flat. We suspect that the kings of lignite are agreeing to sell at record low prices.”

In Indonesia’s other key market, India was the destination for 5.41mt in December, down marginally from 5.63mt in November and a slump on 7.27mt in December of 2012.

Despite a slower fourth quarter, India saw the largest growth for Indonesian shipments in 2013. Across the year, India was the target for 76.80mt of Indonesian coal, a rise on 59.50mt in 2012.

Shipments to Japan were 2.62mt up almost 44% y-o-y from the 1.82mt shipped in the same month of 2013. December’s shipments to Japan rose about 5.7% from November’s 2.49mt.

Overall shipments to Japan dipped by almost 3% from 27.8mt in 2012 to 26.9mt in 2013.

Indonesia’s shipments to South Korea in December grew about 5.5% month-on-month to 2.2mt, and remained stable y-o-y at 28.9mt.

In total, Indonesia shipped 27.41mt in December, a lift on the 25.02mt of November and 26.04mt in December a year earlier.

Given the surge in shipments to China, the total December tally was the highest monthly shipped volume from Indonesia to date, in the data which stretches back to 2007.

For the entire year, Indonesia exported 295mt of coal, up almost 9% from 271mt in 2012.

Shipping data comes with a note of caution: vessels can be missed but the data is believed to be a good indicator of general trends.

India’s 2013 thermal coal imports rise 6.5%

INDIA’S THERMAL COAL imports climbed 6.5% last year, despite a weak currency and slow industrial demand, especially in the cement sector.

India imported a total of 131mt of thermal coal last year, according to shipping sources, although official figures are not yet available. This is higher than customs data statistics of 123mt in 2012.

Other sources estimate that imports in 2013 were even higher at 136mt. But whatever the final customs figures turn out to be, the general trend from different shipping sources is very positive for thermal coal imports.

India’s coal industry was impacted by a number of issues last year, not least the rupee hitting a record low against the US dollar in August 2013, when it fell 17% in value.

There were also issues with import taxes. At the beginning of 2013 there was uncertainty surrounding coal import duties. Customs authorities were imposing a previously unused duty of 5% and a countervailing duty of 6% on bituminous coal imports.

It classified bituminous coal as “having a volatile matter limit (on a dry, mineral-matter-free basis) exceeding 14% and a calorific value limit (on a moist, mineral-matter-free basis) equal to or greater than 5,833 kcal/gc”.

However, steam coal of below 5,500kc GAR was exempt from custom duty but was subject to a countervailing duty of 1%.

The government cleared up the confusion at the end of February 2013 after the national budget and declared that all kinds of

thermal coal imports would be subject to a 2% customs duty and 2% countervailing duty.

Demand from the cement sector was also lower due to reduced spending on infrastructure projects, which impacted utilisation rates at cement plants.

Genesis ends Indonesian import contracts

GENESIS ENERGY, OPERATOR of New Zealand’s largest power station at Huntly, has ended its contract for the import of coal from Indonesian suppliers.

At the same time, Genesis has extended its supply agreement with domestic coal miner Solid Energy.

Both moves will result in a reduced supply of coal to the Huntly Power Station and are a consequence of the company’s decision to place a second of its older coal/gas generation units at Huntly into storage at the end of 2013.

The station is now operating with two older 250MW dual fuel units and two modern gas turbines, of 400MW and 48MW. Of the two other original coal/gas units, one will remain mothballed and the second will be decommissioned.

In a statement, Genesis said the cancellation of the international contract does not, however, exclude the company from re-engaging with international suppliers if the need should arise. With a 90 day delivery time-frame, the company expects to be able to manage any risks associated with only having New Zealand suppliers.

Details of the specific contracts ended by the company were not shared.

Colombian coking coal exports down 5.1%

COLOMBIA EXPORTED 1.12MT of coking coal in 2013, down 5.1% from 1.18mt in 2012.

December was the highest month on record for coking coal exports with 0.18mt. Exports during the month were 20.8% higher than the previous month’s shipments of 0.15mt and 41.6% higher than December 2012’s total of 0.13mt.

Surprisingly, the three largest coking coal exporters in 2012, Coquecol, Colcarbon and Milpa, failed to retain their leading positions in 2013.

Trenaco emerged as the largest exporter in 2013 with 0.24mt shipped, up 22% from 0.2mt the previous year.

Noble captured second place at 0.22mt compared to just 69,081t the previous year. Gerdau-owned Coquecol shipped 0.2mt, down 45% from 0.36mt in 2012.

Comercializadora Colombiana de Coques y Carbones was the fourth largest shipper, with 0.12mt, from none in 2012.

Bulk Trading exported 0.11mt in 2012, compared to just 87,601t in 2012. Milpa’s exports totalled 63,851t in 2013, down 65% from 0.18mt the previous year. Carbones Suramericanos shipments remained almost flat at 66,197t last year, from 69,365t in 2012.

Exports to Brazil totalled 0.41mt in 2013, down 34% from 0.62mt in 2012. Deliveries to Brazil last year comprised 37% of total coking coal exports, compared with a market share of 53% in 2012.

China imported 0.24mt of Colombian coking coal last year, equivalent to 22% of the total, an increase of 49% from 0.16mt in 2012. Shipments to India totalled 0.13mt last year, compared to 65,441t in 2012.

Colombian coke exports drop 3.7% in 2013

COLOMBIA EXPORTED 1.66MT of metallurgical coke in 2013, a 3.7% decrease from 1.72mt in 2012.

Exports to Brazil totalled 0.56mt, up 18.2% from 0.47mt in 2012. Exports to Italy were 0.25mt last year, compared to none in 2012.

Met coke shipments to India reached 0.2mt last year, down 52% from 0.42mt the previous year. Exports to Spain were the fourth largest, with 0.17mt shipped there in 2013, compared to none in 2012.

Exports to Brazil comprised 34% of the total in 2013, followed by Italy (15%), India (12.2%) and Spain (10%).

Milpa was the largest exporter of coke in 2013, with 0.4mt (24% of the total), almost flat on 0.39mt shipped in 2012.

Coquecol came in second, shipping 0.39mt, down 19% from 0.48mt in 2012. Carbochoque captured third place with 0.26mt despite a 33% drop in total exports compared to the year before when shipments reached 0.39mt.

Carbones Andinos was the fourth largest exporter at 0.22mt, up 53% from 0.14mt exported in 2012.

Vietnam's Cam Pha port ships 1.6mt in January

VIETNAM'S NORTHERN COASTAL province of Quang Ninh exported more than 1.6mt of coal through the Cam Pha port in January.

Coal movements have continued throughout the Lunar New Year, with a further 28,000t of coal moved through Cam Pha on January 31.

A 24,200t coal shipment was loaded onto the Panama-registered Magolia Ace vessel for delivery to Japan, while Vietnamese vessel Vinacomín No.2 was used to ship 2,800t within the domestic market.

Earlier, Cam Pha Port and Logistics Company said that last weekend would see three more ships loaded with coal for both the domestic and international markets.

In mid-January, Vietnam's state-owned coal miner Vinacomín said it expected to slash its export level to around 8mt this year.

Across last year, the producer shipped between 11.6-12.8mt, meaning the 2014 volume could come in as much as 37.5% down year-on-year.

Hampton Roads exports slide in January

EXPORTS FROM HAMPTON Roads in January were down from 2013 levels, but for the first time since September 2013 all three terminals shipped more than 1m short tons (st) of coal.

A total of 3.63mst of coal moved through Hampton Roads last month, down 15% from the nearly 4.30mst that was shipped in January a year ago.

On the downside, exports from Norfolk Southern's met coal-heavy Lamberts Point terminal totalled 1.22mst, which is lower than any

month in 2013. The last time Lamberts Point fell below that number was in November 2012 when 1.16mst was shipped.

During January of last year 1.40mst were exported through Lamberts Point.

Export results for January from CSX-served terminals DTA and Pier IX were 1.16mst and 1.25mst, respectively.

DTA was down 11% from 1.30mst during January 2013 and was below all but two months in 2013: October's 0.921mst and July's 0.923mst.

The January figure at DTA annualises to 13.98mst. The facility handled 15.60mst in 2013 and 15.21mst in 2012.

In January, Pier IX enjoyed its most prolific single month since May with a total of 1.25mst being exported through the facility, up 46% from December 2013 and 27% from November 2013. But the January 2014 total was off 22% from 1.60mst in January 2013.

Turkish coking coal imports reach 0.6mt in December

TURKISH MET COAL imports jumped 63% to 0.60mt in December 2013, from November's total of 0.37mt, and are 52% up compared to the year-ago December total of 0.39mt, according to government statistics.

The strong monthly imports brought Turkey's full-year total to 5.1mt, which is 11% higher compared to 2012's 4.6mt.

One of Turkey's three integrated steel mills, Kardemir, added a new coke battery in October 2013, which increased the country's overall coking coal demand.

Kardemir's new coke battery is said to have increased coking coal consumption by around 40,000t/month, or nearly 0.5mt over a full year. No new coke batteries are planned in 2014.

US met coal continued to dominate Turkey's imports with a total of 3.5mt being taken in 2013, which is up 46% on 2012's total of 2.4mt.

Australian material accounted for 0.91mt in 2013, a decline of 34% on the previous year's 1.38mt. Canada's share of the Turkish met imports dipped 31% to 0.34mt in 2013, from 0.49mt in 2012. Other destinations accounted for a total of 0.31mt in 2013, which is up 7% from the previous year's 0.29mt.

Semi-soft shipments tank as Newcastle starts 2014 slowly

SEMI-SOFT SHIPMENTS SLUMPED as the major Newcastle terminal started 2014 with a sluggish performance, according to filings from operator, PWCS.

They showed the terminal shipped 1.11mt of coal designated 'coking,' (mainly semi-soft) in the month, down 42.6% year-on-year against 1.94mt previously.

This represented just 12.1% of the PWCS monthly total, the lowest since June 2013. Japan's coking off-take dipped to 0.49mt in the month, 52.9% lower y-o-y than 1.04mt previously, while China took no coking product in the month (0.21mt previously).

PWCS thermal shipments also eased to 8.09mt in January, down 1.5% y-o-y against 8.21mt previously, with Japan's off-take dipping to 3.70mt, 10.6% lower y-o-y than 4.14mt previously. But China's off-take rose to 1.86mt, 14.0% higher y-o-y than 1.63mt previously.

Total PWCS Newcastle shipments for January dipped to 9.20mt, down 9.3% y-o-y against 10.15mt previously.

Baltic Coal Terminal shipments drop 22% in Jan

EXPORTS FROM THE Baltic Coal Terminal (BCT) in Ventspils, Latvia, fell 22% year-on-year in January, to 420,480t, the port operator said today.

Bad weather and slowing demand from its traditional markets lie behind the sharp declines for the BCT, which shipped 4.32mt of mostly steam coal to the UK, Germany and Poland in 2013.

In 2012 the terminal handled 4.8mt of coal and shipments in 2014 are expected to continue that downwards trend.

Meanwhile, the port of Vostochny in Russia's Far East exported 1.7mt of coal in the month, a rise of 10.9% from January last year.

The port of Vostochny serves Asian markets. In 2013, the port handled nearly 18mt of coal and volumes this year are expected to increase slightly.

Ridley Terminals' export volume drops in January

CANADA'S RIDLEY TERMINALS shipped 0.54mt of coal in January, down from last year's same month total of 0.73mt.

Coking coal exports accounted for 0.23mt of January's volume,

down 60.36% from the previous year's total of 0.59mt. Thermal coal exports totalled 0.31mt, up 117.51% over 2013's January total of 0.14mt.

Petroleum coke exports in January were 70,717t, not a big difference from 71,127t in 2013.

Total throughput for the terminal in January was 0.61mt, down 23.60% from last year's total of 0.80mt.

PEOPLE

Santiago Arango moves to Gunvor

SANTIAGO ARANGO, FORMER head of Glencore in Colombia, has joined Gunvor to manage coal in the Americas.

He had been head of Glencore Colombia since 2011. He started out in Glencore as a coal trader in Latin America in 2007.

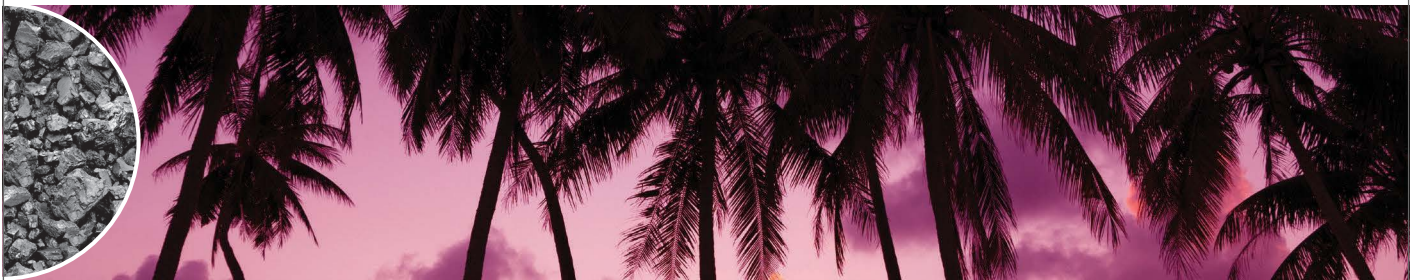
He can be contacted at: santiago.arango@gunvortrade.co



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COAL EQUITIES BULLETIN

Coal equities resume downward trajectory

COAL EQUITIES SUFFERED another battering over the past month, largely in line with the broader global stock market, with the majority of the MCR share list, compiled by Credit Suisse, falling further into the red.

In terms of the global diversified miners, BHP Billiton's Australian listed shares fell 6%, while its UK shares lost 3%. BHPB strongly boosted hard coking performance from its Queensland operations in the second half of 2013, but the company's total met coal sales were held back by a flat half from the Illawarra met mines in New South Wales.

Rio Tinto shares were also lower over the month, falling 5% in Australia and 1% in the UK.

On the plus side, GlencoreXstrata shares added 2% over the month. And Anglo American shares gained 13%.

Anglo booked total met sales of 5.18mt in the fourth quarter, 6.6% higher than 4.86mt in the previous quarter and 9.9% higher y-o-y than 4.71mt previously. That brought calendar 2013 met sales to 19.04mt, up 9.4% y-o-y on 17.41mt previously.

The Australian pure play shares saw widespread declines, with only Gujarat NRE seeing gains, adding 14% on the period.

Cockatoo Coal shares slumped 18% as the Queensland PCI shipper faces a heavy loss for the latest July-December half, reflecting large writedowns in asset values following its takeover of quoted Australian rival, Blackwood Corp.

Coal of Africa, Whitehaven Coal, Wesfarmers and Sedgman fell 5-13%, while New Hope Corporation was flat over the month and Aquila Resources jumped 9%.

Yancoal shares lost 3% while the China-based Yanzhou Mining readied a payout to shareholders in its Australia-quoted subsidiary, which would unwind complexities in a convoluted takeover in 2012 which also involved the Gloucester group. Yanzhou's Hong Kong listing fell 12% over the month.

Also in Asia, Shenhua Energy fell 14%, while GCM dipped 2% and Adaro Energy lost 4%. Adaro hit its highest annual production figure to date in 2013. Production for the year came in at 52.27mt - up 11% year-on-year on 47.2mt in 2012.

On the plus side, Banpu Public, PT Bumi Resources and Semirara Mining fell between 4-6%; Aneka Tambang was flat over the month.

In the US, all of the major producers suffered declines on the month. Shares in Arch Coal fell 4%; the company is targeting coal sales of 131.5-142.5m short tons (st) in 2014, consistent with last year's sales of 139.6mst.

Peabody Energy has set a coal sales target of 245-265mst for 2014, with US sales of 185-195mst and Australian sales of 35-37mst.

International coal company share prices

Name	CCY	Last	Change on		
			1 Mth	YTD	12 Mths
Global Diversifieds					
BHP Billiton	AUD	35.28	-6.1%	-7.1%	-5.1%
Rio Tinto	AUD	64.59	-4.7%	-5.3%	-4.1%
Anglo American Plc	GBP	14.37	12.7%	8.8%	-25.6%
BHP Billiton	GBP	17.66	-3.4%	-5.5%	-18.4%
Rio Tinto	GBP	32.40	-0.8%	-5.0%	-10.6%
Glencore Xstrata PLC	GBP	3.13	2.3%	0.2%	-18.5%
Pure Coal Companies					
Cockatoo Coal	AUD	0.03	-17.5%	-17.5%	-72.5%
Coal of Africa	AUD	0.11	-8.7%	0.0%	-67.2%
Gujarat NRE Cok	AUD	0.08	14.3%	8.1%	-62.8%
New Hope Corporation	AUD	3.36	-0.3%	0.9%	-20.1%
Sedgman	AUD	0.60	-13.0%	-11.8%	-39.7%
Whitehaven Coal	AUD	1.76	-7.9%	-7.9%	-45.0%
Yancoal Australia	AUD	0.70	-2.8%	-8.6%	-21.0%
Aquila Resources	AUD	2.44	9.4%	6.1%	-14.4%
Wesfarmers	AUD	41.32	-5.3%	-6.2%	8.6%
Yanzhou Coal Mining Co.	HKD	5.71	-11.6%	-19.4%	-55.9%
Yanzhou Coal	USD	7.42	-9.8%	-19.6%	-55.9%
China Shenhua Energy Company Limited	CNY	19.18	-14.2%	-21.6%	-39.2%
Adaro Energy	Rupiah	895.00	-3.8%	-17.9%	-43.0%
GCM	GBP	0.17	-1.5%	0.0%	-47.0%
Aneka Tambang	Rupiah	1,005.00	0.0%	-7.8%	-26.1%
Banpu Public Co Ltd	Rupiah	26.75	5.9%	-11.6%	-31.2%
PT Bumi Resources Tbk	Rupiah	302.00	4.1%	0.7%	-53.5%
Semirara Mining Corporation	PHP	317.20	6.1%	10.1%	26.9%
Arch Coal, Inc.	USD	4.23	-4.3%	-4.9%	-30.0%
Alpha Natural Resources LLC		5.36	-22.8%	-24.9%	-36.7%
Peabody Energy Corp	USD	16.60	-10.2%	-15.0%	-31.1%
James River Coal	USD	0.64	-54.2%	-52.5%	-78.2%
CONSOL Energy Inc.	USD	37.75	-0.6%	-0.8%	21.8%
Walter Energy, Inc	USD	10.86	-30.5%	-34.7%	-69.7%
Teck Resources Ltd	CAD	26.36	-1.6%	-4.7%	-28.5%
Sherritt Intl	CAD	3.30	-9.3%	-10.8%	-42.8%

Source: Credit Suisse

The remainder of the sales will come from trading and brokerage activities. Shares in the company fell 10% over the month.

And Consol Energy will increase its coal production by 5mst/yr in 2014 when the BMX mine in Southwestern Pennsylvania is commissioned late in the first quarter. Consol shares dipped 1% over the month.

Alpha Natural Resources' shares fell 23%, while James River slumped 54% and Walter Energy lost 31% on the month.

In Canada, Teck Resources fell 2%, while Sherritt lost 9% over the same period.