Coal in the Global and Southern African Context

Junior Coal Mining Ventures X

Presented by XMP Consulting CC
The World's Biggest Environmental Killer: Indoor Air Pollution

More than one third of the world’s population – 2.9 billion people – still burns wood, charcoal and dung indoors to keep warm and cook food. The World Health Organization estimates that 4.3 million people in 2012 lost their lives due to indoor air pollution. Estimates from the WHO and others suggest that between 30 and 150 times more people are killed due to indoor air pollution than global warming. Yet, the latter dominates the headlines.

In the 20th century alone, 260 million people were killed by indoor air pollution, which is more than the losses of the century’s many wars.

The good news is that we’re seeing quite some improvements on air pollution. Whereas in 1900 the total cost of this problem was as high as 23% of global GDP, today it is around 6% and we believe this number will fall to 4% in 2050.
Coal in the Global and Southern African Context

- Global Coal Market
  - Demand
  - Prices

- South Africa’s Coal Market
  - Local Users
  - Exports

- SA Coal Industry – Future Trends
  - Exports or Local Sales?
last year the coal industry saw a number of important changes to policies and regulations, both nationally and internationally, that directly affect coal demand and the business of mining coal. Among the most important were the repeal of the carbon tax in Australia, the EPA’s CO₂ emission limits on new and existing power plants in the U.S., the EU’s initial agreement on the 2030 energy and climate package, and the election of a new prime minister in India.

Following a year that saw over 40% of the world’s population voting in national elections and major new policy developments in the key coal demand and production regions, what is on the cards for the coal industry in 2015? Undoubtedly, the major event that could structure policy and regulatory developments of interest to the coal industry in 2015 is COP21 in Paris. COP21 is expected to bring about the world’s first comprehensive climate deal. In fact, some of the most important jurisdictions—including the EU, China, the U.S., Australia, South Africa, Australia, and Japan—will see national climate policies debated as part of the preparations for the international climate negotiations. This makes 2015 a year of strategic importance to the coal industry as it continues to make its case for the sustainable use of coal and cleaner coal technologies as part of the global mitigation strategy.
What’s on the Cards for the Coal Industry in 2015?

SOUTH AFRICA GEARS UP FOR A CARBON TAX

South Africa will finalize its carbon tax legislation in 2015, expecting to introduce a tax early in 2016. The 2015 debate will focus on the issue of carbon budgets and the alignment of this mechanism with the carbon tax, which is linked to the Intended Nationally Determined Contributions that will be submitted to the UNFCCC prior to COP21. According to Nikki Fisher, Coal Stewardship Manager at Anglo American, the South African Department of Environmental Affairs will be consulting stakeholders in the first quarter of 2015. As in other jurisdictions that have already introduced a price on carbon, this new policy can be expected to shape the circumstances for investments in coal-based power.

Changes are also expected in the rules governing the power generation sector. Historically, coal-fired plants in South Africa have been run exclusively by the public utility Eskom. However, 2015 may see the first investments in independently constructed coal-fired power plants. Debate in South Africa about investment in nuclear energy and more investment in renewables will also continue.
Markets – What Happened Since Last Year? I

- Jan 25 News Analysis: China's coal industry freezes over. Imports 16.78Mt in Jan, down 38.4% from Dec.
- Feb 8 China, Feb 13 China Jan coal imports plunge on policy change and gloomy demand.
- Existing technology can increase coal plants’ efficiency to 40% – WCA
- Feb 9 India's coal imports in Jan fell 21% Coal India ramped up supply. It aims for big output boost next year.
- Feb 13 Anglo American reports 25% drop in underlying earnings, $3.9bn in impairments
- Feb 13 Indonesia 2014 coal output, exports decline as low prices, new rules bite. Exports are to remain flat at around 350Mt in 2015 as prices force smaller operators to close.
- Feb 26 Britain's coal-fired power generation at five-year low in 2014
- Mar 2 SA Jan thermal exports fall 10.4% on-month to 6.6Mt
Markets – What Happened Since Last Year? II

• WCA: Coal Markets in Motion 31 Mar 2015 Report
  • US; The growth of gas has caused coal providing the lowest generation since the early 1970’s. Coal is unable to compete economically with gas.
  • EU’s moribund economy, access to cheap gas and renewable policy incentives have contributed to the decline of coal.
  • Asia Undeniably coal production and pricing trends will be led by Asia. By 2040, China, India, Indonesia and Australia will have 70% of global production.
• Apr 16 Carbon tax to hurt growth, socio-political stability and exacerbate unemployment in SA.
• May 15 Japan’s position as the world’s 2nd largest coal importer and 4th largest consumer has been reinforced.
• May 18 Global coal industry is in decline. Coal company stock prices have collapsed and stocks of utilities burning coal are in decline. IEEFA’s US-based said coal faced obsolescence because of market competition and climate and air pollution. Cyclical recoveries seen coal stocks and coal demand rebound are a thing of the past.
• May 21 US expected to lead global consolidation trend in coal.
• May 25 As the coal price remains low with no rise in view, in the Australian coal industry:
  • Major companies reduce exposure to the coal sector
  • Small companies are forced into recapitalisations, closures and external administration.
Thermal coal futures were firm, consolidating in a lower range, after the market erased gains made on speculation that supply cuts could outweigh weak demand. European API2 2015 coal futures were up 0.9% to $58.25/t, after a week of lower closes, holding near a nine-year low of $55.60 hit on Jan 26.

Gains made in February following plans by the top exporter of coal for power generation, Glencore, to cut its 2015 global coal output, proved short-lived. "It certainly had a knee-jerk reaction in the market, the market moved up quite strongly on it," a broker said. "Now people have had time to digest it and see how much of an impact that's really going to have prices are correcting back down." Glencore expects its 2015 coal production at around 138Mt, down 8Mt from the previous year.

The world's top importer of coal, China, however, has seen a sharp fall in shipments so far this year, mitigating the impact of Glencore's supply cut. Macquarie Bank estimated Chinese imports could drop by around 38Mt in 2015, after a weak start to the year. "The general conclusion is that there is no other importer capable of absorbing such a large volume of material and that prices should fall to low enough levels for supply cuts to occur," the bank said in a note.

In Europe, U.S. coal imports have slowed to a trickle, while Colombian and Russian imports have replaced them. Colombia's second-biggest coal miner, US Drummond, is sustaining regular exports despite new restrictions on using the Andean country's main coal railway and has ample stocks for now.
India aims for big coal output boost next fiscal year
(Mar 14 2015)

India aims to produce 700Mt of coal in the next fiscal year, the coal secretary said. It would be its biggest annual growth in output as it auctions off mines and Coal India boosts production. India’s output has been growing slower than demand the past few years because of Coal India's inability to expand mines.

Anil Swarup said total coal output this fiscal year ending 31 March may marginally fall short of the 630.25Mt target. He gave no reason but a strike at Coal India, which accounts for over 80% of the country's total output, affected operations in January.

"For this year efforts are being made but it appears they would miss it by a few tons," Swarup told Reuters. "Over the previous year it would still be a growth of around 7% which would be the highest in the past few years".

Despite the rise in coal output, imports have stayed high as power companies add capacity. India's April-December coal imports were 156.35Mt, compared with 168.4Mt for the whole of 2013/14. The new government is aiming for self-sufficiency and has fast-tracked environmental clearances for Coal India to help it open new mines. Swarup said the auctions will help private companies produce as much 90Mtpa from the 42 working mines that are being sold off. Coal India will also raise its output.
Tighter coal market in sight – Glencore  
(Dec 11 2014)

A natural tightening of the coal market as a result of demand catching up with supply will happen soon, says Glencore CEO Peter Freyberg. Addressing Glencore’s investor day, he made the point that coal is not in the same situation as iron ore and that thermal coal is heading towards a supply deficit. A graphic, had coal in positive price territory in late 2015.
The marketing company has a capacity of close to 200Mtpa of coal, across 22 mining groups in three countries and backed by marketing offices in 19 countries. The largest exporter of coal from SA Glencore Coal occupies premier volume positions in both Australia and Colombia. Interestingly, Freyberg describes the company’s decision to stop producing in Australia for three weeks as pro-employee and union-backed. The resultant tightening of supply to domestic markets is allowing Glencore to create value by switching in and out of Australia’s domestic market as a result of its comparatively low take-or-pay exposure. “Similarly, in South Africa, we're going to see more of that sort of behaviour as the market evolves,” says Freyberg. “However, there are cycles and the industry is at a pretty bad time right now in terms of where the market is. The natural tightening, where demand actually catches up with supply, will happen in the near future,” says Freyberg, who adds that coal remains fundamental to Asian energy demand. When Glencore acquired 13 mines in South Africa 14 years ago, the mines’ safety records were among the worst in the industry, which the company has succeeded in turning around.
It is an undeniably tough time for coal miners. Prices for both thermal and metallurgical coal are at multi-year lows and recent production cuts by major miners have not done enough to limit oversupply. In Australia:

While two out of three juniors surveyed are cautiously eyeing a return of investor interest, the outlook for coal prices are likely to remain weak in the foreseeable future. Thermal coal prices have plunged more than 20% in the past year, triggering painful losses for many producers.

For juniors, the prospects for embarking on metallurgical coal mines are a little brighter. At prices around AUS$130/t, smaller mines may be more feasible in the shorter term.

It requires boldness and careful cost control, but there is a valid argument that now is the time for junior miners to invest in coal projects ahead of the next upswing in prices.

Despite the debate about renewable energy sources, coal is not going away any time soon. The world needs the cheap, reliable energy that coal provides. According to BP’s annual review, coal’s share of global energy demand has risen to its highest levels since 1970, making it the world’s fastest growing fossil fuel.
Demand across Asia for both thermal and metallurgical coal will continue to rise, eventually balancing out the current oversupply. As with thermal coal, India is likely to take over from China as the biggest importer of metallurgical coal: As India looks poised to ramp up coal imports, its attention has turned squarely to Australia as a long-term source. Those junior miners that have the willingness and ability to invest in the current down cycle will be best placed to capitalise when prices rebound. After all, a new mine cannot be built and brought to full production overnight. There is little doubt that difficult times are still ahead, especially with thermal coal prices at their current levels. However, larger producers, such as BHP Billiton and Rio Tinto, are backing a long-term future in coal and have bunkered down until supply and price levels stabilise. For juniors with new coal projects, the eventual return to higher prices is all a question of timing. It is now a case of when, not if. As with so many investment strategies, the smart play is to invest on the down cycle. For those prepared to work innovatively on shoestring budgets, the rewards will come.
Britain's coal-fired power generation last year fell to a five-year low. Coal-fired output fell by 23%, its lowest level since 2009. Gas-fired generation, which emits half the amount of carbon dioxide as coal, rose by 8%.

Overall, British electricity generation fell 7.2% compared with a year earlier. Power generators have already reported falls in annual profits because of weak demand for gas and electricity after Britain had the warmest year on record in 2014.

The drop in coal-burning came as several power stations such as E.ON UK's Kingsnorthy plant have closed over the past two years while Britain's largest coal-fired generator, Drax, is in the process of converting some of its coal-fired units to burning biomass instead.
The recent pace of decline in imports into China, last year the world’s largest coal importer, has taken some by surprise, and is having a significant impact. Last year, seaborne coal trade hit 1.2 billion tons, more than a quarter of all dry bulk trade. In 2009, when coal trade totalled just over 800Mt, low global coal prices sparked the beginning of China’s affair with imported coal. China had previously been a net coal exporter, but in just four years, China became the largest importer of coal globally, and steam and coking coal imports topped 260Mt in 2013. China’s new relationship propelled total coal trade growth into double digits.

By early 2014, China’s monthly imports had reached 30Mt, enough to supply nearly 10% of its total coal needs. But initial warning signs were visible, as attention was given to air pollution in China’s cities. Before the year was out, Beijing had started to engineer a significant alteration to the relationship. Import taxes and quality limits were announced, and power plants were ordered to reduce reliance on imported coal. For the first time in years, China’s coal imports fell in 2014, by 10%. 

Troubled Times For Chinese Coal I

(May 18, 2015)
The situation have worsened so far this year. Slowing economic growth and strong hydro-power led to a drop in Chinese coal demand in Q1 2015 (coal-fired power generation fell 4% y-o-y). The protection of the domestic coal industry (which produced nearly 4 billion tons of coal in 2014) have dealt a blow to imports. Despite coal prices remaining at low levels, in Q1 China’s seaborne imports totalled just 38Mt, down nearly 50%.

The drop in imports has brought a great deal of uncertainty. Is this the beginning of the end? Since imports are a small part of China’s total coal use, they can be highly sensitive to swings in demand. There is scope for imports to improve, but while projections for the remainder of 2015 vary massively, most are generally negative. The consensus for China’s coal imports now seems to be that they will continue to ease as focus increasingly switches to cleaner energy sources.

So, with Chinese imports now fading, projections of total seaborne coal trade are set to fall for the first time in 30 years. Growth in seaborne trade may slow to 2% in 2015, from 5% last year. Can China’s fading coal demand be offset? India is a possibility, as its coal imports grow firmly. But just as the end of any good relationship can be hard to get over, China’s key role will be difficult to quickly replace.
Troubled Times For Chinese Coal III

(May 18, 2015)

Graph of the Week

Chinese Coal Trade Cooling Off

The lines show monthly seaborne coal imports into China and India in million tonnes (left hand axis). Data includes coking coal, steam coal and lignite. Indian import series is based on reported exporter data. The bars show estimated annual growth in global seaborne coal trade, and a projection for full year 2015 (right hand axis).

Source: Clarkson Research Services
JAKARTA, Jan 15 (Reuters) - Indonesia's coal production declined 3.4% in 2014 to 458Mt, a mining ministry official said on Thursday, higher than an earlier estimate of 450Mt but below total output from the previous year.
Exports slipped 5% in 2014 to 382 Mt, down from 402Mt shipped in 2013, the ministry's director for coal, told Reuters.
The government also revised up its 2013 production figure to 474Mt, the official said, compared to a figure of 443.9Mt reported in November.
Exports in 2013 were also revised up from 355.7Mt.
The decline in annual coal production, the first in at least 30 years for Indonesia, could have been the result of low global prices, which have led some producers to cut output, or Indonesia's new coal export regulations.
Indonesia is looking to revise up its expected coal production for this year to around 460Mt, from 450Mt estimated previously.
Indonesia is the world's top producer of thermal coal.
Diminishing interest for Indonesian low-CV thermal coal grades, in favour of mid-CV material, is squeezing suppliers’ profit margins, sources said Friday. A low-CV Indonesian coal producer said it has grown tougher each day to sell low rank coal in the international market. “We haven’t shut down operations yet, but have slowed down production,” he said, given the dwindling demand for low-CV coal. The producer used to ship one to two vessels per month, but now he was shipping just one to two barges per month, which would be roughly around 15,000-20,000t of sales just enough to cover costs. “We’re only getting a few inquiries and [buyers] are quoting ridiculous prices,” he said. Currently, he said he was focusing on the local market where his product was fetching better prices. “I’m not too hopeful for our mines. We are barely covering our cost.” He noted that more people were looking for coal with calorific grades between 4,800 and 5,000 kcal/kg GAR. He said he had seen more Indian buyers seeking thermal coal with higher calorific grades.
Former UN climate chief Yvo de Boer acknowledged the merits of coal within developing economies, saying it will be “a vital part of the energy mix for years to come”. Energy poverty is a real concern for the 1.3 billion people who lack access to electricity around the world, and the WCA has long been championing the important role coal will play in bringing more and more people out of poverty.

China is a fantastic example of the power of coal. Over the past three decades China has connected 99% of its population to the grid, whilst also seeing steel production rise by a factor of eighteen, and cement production by a factor of almost fourteen, which has seen its economy rapidly develop. de Boer, now head of the Global Green Growth Institute, stressed “you really have to be able to offer these countries an economically viable alternative, before you begin to rule out coal.”
The WCA recently released a concept paper on launching a global Platform for Accelerating Coal Efficiency (PACE). The vision is that for countries choosing to use coal, the most efficient power plant technology possible is deployed. With coal so crucial to bringing energy to almost every corner of the world and demand forecast to continue to rise over coming decades, improving the efficiency of power plants around the globe would have a huge impact on reducing CO2 emissions. At present, the average efficiency of a coal-fired power plant is 33%. However, more advanced, off-the-shelf technology can significantly increase levels to 40%. Moving the global average efficiency level from 33% to 40% would cut two gigatons of CO2 emissions now; the equivalent of India’s annual CO2 emissions, or running the Kyoto Protocol three times over.

de Boer’s comments echo those of the WCA. We have repeatedly called for further support of cleaner coal technologies across the world. The IEA has forecast coal demand growth of 4.8% a year to 2035 in Southeast Asia and power generation from coal to double in India by 2040, so high-efficiency, low-emissions (HELE) technology and carbon capture, use and storage (CCUS) are both vital tools in efforts to reduce global emissions. Rather than ignoring coal’s role in providing energy access, the international community should be supporting developing countries deploy cleaner coal technologies.
Credit Agricole stops financing coal mining

(Reuters 21/05/2015)

Lenders are growing increasingly uncomfortable about funding coal due to environmental concerns. Sharing these concerns French bank Credit Agricole has said that it would no longer finance coal mining or miners.

The decision received praise from environmental groups who have been pressuring banks to cut off loans to coal miners.

"Credit Agricole SA has taken the decision to no longer finance coal mining projects or companies specialised in this field," outgoing Chief Executive Jean-Paul Chifflet said.

Bank of America has already announced that it was reducing its lending to coal companies, recognising the risk that future regulation and competition from natural gas pose on the industry.
Global thermal import demand growth to slow to 2% a year until 2018

Global demand for imported thermal coal is expected to continue to grow at a slower rate of 2% per year until 2018, as China faces an oversupply of domestic coal and shifts to a diverse mix of renewable energy sources to attend air pollution concerns, global bank Goldman Sachs said. They said that a small increase in thermal coal demand will be met with rising productivity, keeping prices near the level of marginal costs. They pointed out that China’s coal production is benefiting from significant investment in consolidation and mechanization of mines. GS said that, as China cuts its demand for imported coal, India and other Asian markets — namely Japan and South Korea — will be “key drivers of demand over the forecast period to 2018.” GS said that India will be the biggest growth market, as its “power sector is highly dependent on coal, but the inland coal mines has been unable to keep up with the demand — unlike China.
Status of SA’s Coal Industry

- **Production**
- **Local Sales**
  - *Eskom*
  - *Industry*
- **Exports**
  - *Asia (FE)*
  - *Middle East*
  - *Europe*
South Africa’s Coal Chain 2014

Run-of-Mine Production

11.9 Mt
209.4 Mt

"Washing"

Stocks

69.8 Mt

Discards

5.0 Mt

124.2 Mt

Screening

Local Use 25.9 Mt

69.8 Mt

11.9 Mt

35.0 Mt

Exports 78.7 Mt

Synfuels 42.9 Mt

31.0 Mt

Electricity 128.2 Mt

93.2 Mt
Local Sales by User 2014
(main users)

Local Sales

- ELECTRICITY: 65%
- SYNFUELS: 22%
- MERCHANTS AND DOMESTIC: 5.6%
- INDUSTRIES: 3%
- STEEL: 2%
- CHEMICAL: 1.2%
- METALLURGICAL: 1%
- CEMENT: 0.6%
- BRICK AND TILE: 0.1%
- AGRICULTURE: 0.01%

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SA thermal coal cargoes hold premium as power shortage bites

(20 MAY 2015)

SA physical coal cargoes maintained a premium over Australian and European as power black-outs due to a severe shortage in electricity threatened coal mining and ship loading capacity. Eskom has implemented blackouts as it cannot produce enough to meet demand. This threaten coal mining and loading at RBCT. Data shows that there are now 14 large ships waiting to load at RBCT some in queues for up to a week. Cargoes from RBCT last closed at $63.75/t, compared with $60.65/t for Australian’s from Newcastle. SA prices have also been kept at a premium as the main buyer, India, has stocked up in anticipation of the weather event, which would reduce hydro-power and force utilities to use coal-fired power as replacement. Australia, who sell mostly to China, have been hit hard as Beijing tries to reduce coal use to combat pollution and supports local coal in replacement of exports. China's thermal coal imports are to drop by 52Mt a quarter in 2015. Cargoes for delivery into Europe's ARA terminals which, unlike South African and Australian shipments, include the price of freight, were much cheaper with a last settlement of $57.55/t as demand in Europe sags with the beginning of the warm summer months.
Exports by Region 2014

- Pacific Rim: 54%
- Europe: 24%
- Middle East: 13%
- Africa: 7%
- America: 2%
Exports

Exports by Region 2015

- Far East: 45%
- Middle East: 22%
- Europe: 19%
- Africa: 14%
Platts NW Europe Marker 1992 – Apr 2015 ($/t)

Steam Coal Marker Price 1992 – April 2015 (Spot CIF Price, NW Europe, $/mt basis 6,000 kCal/kg NAR)
### Coal Price Trades for API4 (RB1) Jul, Aug, Sep 2015

#### globalCOAL Trades this Week

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### Market Overview

After last week's losses the coal market looks to have found some much needed support as aggressive physical bids, most notably in the Richards Bay hub, negated any losses that would otherwise have occurred owing to the strengthening US dollar. The financial indices enjoyed a fairly active session which left the Q3'15 contracts up by ~$0.40 across the three main indices while the Cal'16 contracts nudged higher by just $0.10. The underlying physical market maintained Fri’s momentum and four index-qualifying deals were recorded: Two July RB1 cargoes changed hands at $64.00/kt and $63.65/kt, all in 50kt.
Trading interest returned to the SA 6,000 kcal/kg NAR market after a week with no deals, with buying mostly focused on further out in the year. Platts assessed the FOB price of RBCT thermal coal basis 6,000 kcal/kg NAR and for loading within the next 7-45 days at $63.20/t, up 30 cents from Thu and down 50 cents from last week. Broker sources said a 60,000t Jun-loading cargo was bid at $65.40/t FOB, while a 50,000t cargo was bid at $64.50/t FOB and offered at $65/t FOB. Jul-loading 50,000t shipments were bid were at $62.50/t FOB against a 75,000t offer at $62/t FOB. Outside Platts 7-45 day assessment, two 25,000t Aug-loading cargoes traded at $61/t FOB and $60.75/t FOB with EFP terms attached and a 60,000t cargo for the same loading month traded at $61/t FOB, via globalCOAL. These are the first FOB RBCT 6,000 kcal/kg NAR trades since May 14. A 25,000t Sep-loading trade went through onscreen at $59.25/t FOB, the first reported FOB RBCT Sep trade this year. In addition, a 25,000t/month 2016 onscreen deal traded at $57.75/t FOB, which sources said was done at a $1.45/t premium to the FOB Richards Bay Cal-16 swaps contract. In the index-linked market, a Capesize 150,000t shipment for Sep-loading traded at a $1.50/t premium to a FOB RBCT 6,000 kcal/kg NAR index.
CIF ARA thermal coal swaps gained around 20 cents Friday, with market participants citing strength from rising FOB RBCT paper prices and an upward correction after recent falls. Platts assessed the CIF ARA Q3-15 contract at $56.40/t, gaining 20 cents on the day but slipping 60 cents from last Fri, and the Cal-16 at $57/t, rising 15 cents from Thu, $1 lower on the week. “CIF ARA swaps have fallen enough this week, taking a breather, we’ll see what next week brings,” he commented.

“The reason coal hasn’t fallen on oil and the euro is that FOB RBCT prices have recovered today, there are also slightly better indications in the physical market,” another market source said. Meanwhile, South African FOB RBCT paper prices were better buoyed, with a couple of large buyers placing higher bids, although activity was low and demand limited.

The front-quarter Q3-15 implied freight (CIF ARA-FOB Richards Bay) spread moved further into negative territory by 15 cents to minus $1.50/t, although the differential closed at minus $1.70/t a week ago.

The FOB RBCT Q3-15 contract was assessed at $57.90/t, gaining 35 cents from Thu but losing 80 cents on the week, and the Cal-16 at $56.35/t, up 10 cents on-day and down 90 cents from last Fri.
Prompt Atlantic swaps firm on strong bids, higher FOB RBCT

(Platts Tue, May 26, 2015)

Prompt Atlantic thermal coal derivatives climbed around 30 cents Tuesday following stronger overall bidding fuelled by a higher spot South African FOB RBCT market.

Platts assessed the front-month Europe-delivered CIF ARA Jun contract at $57/t, 30 cents higher from Friday. The coal swaps market continued to mostly ignore a weaker euro-dollar and lower crude oil prices Tuesday, taking heed from strong spot physical FOB RBCT contracts which has fed into firm bids in the front of the curve.

South African thermal coal swaps prices behaved similarly to the European market, following stronger front-end bidding, and a stable back-end of the curve.

Platts assessed the front-month FOB Richards Bay Jun contract at $61.70/t, gaining 65 cents from Friday, and the front-quarter Q3-15 at $58.35/t, up 45 cents on-day.
The SA labour union that represents the most workers in the coal-mining industry is demanding a pay increase of 15% for its members even as prices for the fuel have plummeted. The NUM, which has members at companies including Anglo American, Glencore and Exxaro, submitted the demand for all worker categories, a copy of the document detailing the demands shows. Labour unions in 2013 signed a two-year deal with the companies for increases of as much as 11% in the first year. Coal prices in RBCT, SA’s main export terminal, have dropped more than 20% since the agreement. SA is the world’s seventh-largest producer. The NUM also wants the minimum housing allowance raised to R8 000 a month.

Solidarity, another union involved in the negotiations, has an opening demand of a 12% pay increase, it said last month.

The coal-mining industry employs about 90 000 people and paid out almost R19 billion in wages last year, according to the Chamber of Mines, which represents most producers in the country.

Bloomberg
Conclusions

• New mines are needed now to increase production, to supply coal to the inland and export markets, depending on prices.
• Exports will not again have the allure they had. Due to limited tonnages exported, more low-ash (and high) coal will be absorbed by the inland market, at higher prices, competing with exports.
• The Waterberg Coalfield, a very large resource, cannot be exploited in a larger scale, until the area’s infrastructure is suitable upgraded.
• Mines needed to supply more coal to Eskom and future independent power producers (IPPs) are still to be put into operation. Export coal tonnages will not increase until the present lack of demand and low prices change.
• Although there are other sources of energy in the country, they will never be able to compete with coal in price and reliability of supply.
Thank you