

Concern over South African coal reserves unfounded: analyst

Recent concern over South Africa's dwindling coal reserves is unfounded XMP Consulting senior coal analyst Xavier Prevost told Platts, estimating that the country has roughly 33.1 billion mt of coal reserves, enough for about 40-50 years of supply. He said the theory that the amount of coal available for mining has fallen to worryingly low levels stems from the concept that the commodity's production will reach a peak in 2012 and then start decreasing.

Prevost pointed out that this is not the case in South Africa's coal industry, as recent lower production rates have been caused by a lack of commercial incentive to mines to produce larger tonnages, as there is not enough rail capacity to transport the coal to the Richards Bay Coal Terminal (RBCT).

He pointed out that, although RBCT has increased its capacity to 91 million mt/year rail capacity is currently only 78 million mt/year. "The rail line capacity needs to be upgraded, as mines are waiting for more rail capacity before increasing coal production," said Prevost.

Additional resources

Most of South Africa's high quality reserves are situated in the Mpumalanga province's Central Basin where the bulk of coal produced to date has been mined from its Witbank, Ermelo and Highveld coalfields. These are also situated near an industrial hub, with power stations in the surrounding region and a dedicated rail line to RBCT.

Prevost pointed out that there are more coal resources in other coalfields around the country, not included in the estimated 33.1 billion mt, although it is true that these have less favourable infrastructure, transport and mining conditions than those of the Central Basin.

The Waterberg coalfield, which is the next coalfield to be exploited, is indeed more difficult to mine and located 1500km from RBCT with no dedicated rail line, increasing the cost of mining and transportation. Prevost commented that the lack of a dedicated line makes it more challenging to transport the coal as rail capacity to RBCT is limited and must be shared with other commodities and passengers, and the line is unable to accommodate large tonnages.

"There will need to be investment into a dedicated line between RBCT and the Waterberg," he said.

Meanwhile there are a number of smaller coal blocks in the Central Basin, owned by larger companies that are likely to be released for tender to smaller mine developers in the coming years. Prevost said this would increase the country's available coal reserves, reflecting the reality that South Africa still has a large resource able to sustain exports and domestic consumption for many years to come.

International Coal Report. Jacqueline Holman, London