Peabody seen as sole contender for Drummond’s Colombian assets

The list of potential buyers for Drummond’s Colombian coal assets is being whittled away, with only one of the companies that sent delegations to the operations likely to be left in the running.

IHS Markit understands that Glencore, United States (US) producers Peabody Energy and Murray Energy; and Turkey’s Yildirim all sent people to check out Drummond’s Colombian assets.

Only one, Peabody, which announced plans on 21 September to buy Drummond’s Shoal Creek metallurgical (met) mine in the US, is believed to remain in the sale process.

Peabody is thought to have moved ahead with the Shoal Creek deal while continuing broader discussions about the Colombian assets.

According to sources, Glencore didn’t make the cut because the company’s offer was well below the expectations of Drummond’s owners, while Yildirim is out of the game too, because the company refused to pay a performance bond.

A bid by Yildirim may have faced headwinds from the wider economic issues facing Turkey – its sliding currency and high interest rates. This situation may have made it tough for Yildirim to raise capital for an asset purchase.

Murray Energy, owner of Colombian Natural Resources, with mines neighbouring Drummond and Glencore’s operations in Cesar department, had received due diligence documents and appointed Deutsche Bank to find a co-financier, according to banking sources, but then pulled out of the process.

That leaves Peabody as the perceived favourite. It was one of the first companies that started exploration works around Cerrejón more than four decades ago.

When Cerrejón was privatized in 2000, Peabody was one of the frontrunners for the assets, along with BHP Billiton, Glencore and Anglo.

“Peabody’s been nosing around Drummond’s Colombian operations for many years, so it makes sense”, said another source.

It is understood that the initial asking price was about $8.0bn for 100% of the company, but now the price seems to be in the $5.0-5.5bn range. However, other sources say that $4.0-4.5bn is the price range.

Peabody said Wednesday that it does not comment on rumours regarding the potential purchase or sale of assets.

Itochu, which owns 20% of Drummond, ruled itself out of the running at the start of the sale process.

Shoal Creek buzz

The $400m deal for Drummond’s Shoal Creek high-vol A coking coal mine in the southern US state of Alabama, did set the market buzz

IHS Coal key physical weekly marker prices ($/t)

<table>
<thead>
<tr>
<th>Incoterm</th>
<th>52 weeks ago</th>
<th>4 weeks ago</th>
<th>28 Sep</th>
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<tbody>
<tr>
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</table>

Source: IHS Markit (except South China CIF* IHS/Xinhua Infolink) © 2018 IHS Markit
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Customer announcement: IHS Coal completes third annual assurance review; adds Indonesian (4,200 kc GAR) FOB marker to in-scope benchmarks

The assurance review was conducted by independent professional services firm PwC and examined the policies, processes and controls that the IHS Coal team uses to establish price benchmarks for thermal coal. These policies, processes and controls are designed to ensure compliance with the principles for price reporting agencies (PRAs) set out by the International Organization of Securities Commissions (IOSCO). A “reasonable assurance” review was carried out for these benchmarks as recommended by IOSCO. In addition, the Indonesian (4,200 kc GAR) FOB marker was subjected to a limited assurance review. In the next assurance review this benchmark is expected to undertake a “reasonable assurance” review.

To download the report visit our website: https://www.ihs.com/products/coal-price-data-indexes.html

buzzing, igniting speculation about what it could mean for the Colombian operations.

The purchase, expected to close by the end of the year, will give Peabody an asset with a ready-built customer base and ample export opportunities through the Port of Mobile.

But it raised questions among US sources, particularly: Why didn’t Peabody also make a bid for the Colombian coal assets?

“I would have thought that would make sense,” a trader source said, adding that the met mine purchase also puts Peabody back in business with the United Mine Workers of America (UMWA).

“I was also a little surprised about the Shoal Creek purchase from the standpoint that when Peabody exited the US coking coal market a few years ago, it was largely thought to be because it didn’t want to deal with union miners or the UMWA,” the trader source said. “Now they’ve jumped back into that world with the Shoal Creek mine being union.”

Shoal Creek is located on the Black Warrior River in Alabama and the coal is marketed to Asian and European steel mills.

“Peabody has consistently outlined our intention to upgrade our metallurgical coal platform and make strategic investments using a strict set of filters,” stated Peabody President and CEO Glenn Kellow, in the 21 September announcement.

“We believe the purchase of the well-capitalized and high-quality Shoal Creek Mine meets these filters, offers major logistical advantages and represents an opportunity to create significant value,” Kellow said.

“The acquisition allows us to expand volumes and margins from our met coal platform, enhances our scale, and offers complementary products to customers,” Kellow said.

Shoal Creek was developed in 1994 and employs a workforce of about 400 people. The current mine plan accesses 17 mst (short tons) of reserves under a minimal-capital plan and mines the Blue Creek and Mary Lee coal seams, with low capital investment requirements.

Exports are accommodated through loading Panamax and Capesize vessels at the McDuffie Terminal in Mobile.

In 2017, the mine sold 2.1 mst of met coal. Shoal Creek’s mining costs per st approximate the average cost of Peabody’s met coal platform and the mine’s coal typically prices at or near the high-vol A index.

Australia struggles to find new markets to offset China weakness

Dampening Chinese demand for Australian 5,500 kc NAR material is forcing producers and traders to seek alternative markets, but despite pricing competitively, uptake has been lacklustre.

With Europe already flush with higher c.v. material and Indian sponge iron markers satisfied with higher priced South African coal, Australian sales have been confined to opportunistic purchases from Indian cement makers and utilities in Europe and the Mediterranean.

Indian buying has offered the most hope for Australian exporters since the spread between Australian and South African 5,500 kc NAR prices widened enough in April to open arbitrage opportunities.

Australian and South African 5,500 kc NAR FOB prices, which traditionally oscillated around a spread of up to $5/t, started to diverge in late April. On 3 August, the differential peaked at $18.96/t when the IHS South African (5,500 kc NAR) FOB marker was $84.54/t. Australian high-ash coal was assessed this week at $65.58/t FOB, basis 5,500 kc NAR, while South African 5,500 kc NAR was assessed nearly $10 higher at $75.36/t FOB.

This arb initially ignited a flurry of trades with shipping data showing a significant jump in Australian thermal coal shipments to India in May and June. But since then, volumes have moderated due to a range of factors, market sources say.

Around 2.30 mt of Australian high ash 5,500 kc NAR material has been booked into India since May, at significant discounts to the prevailing FOB prices seen for China. There are some reports that June loading cargoes were priced as low as $58 FOB, basis 5,500 kc NAR, while South African 5,500 kc NAR was assessed nearly $10 higher at $75.36/t FOB.

Sources suggest much of those coal flows, almost 90%, have been to users in India’s cement industry. Sponge iron makers have tested cargoes, but preferred to stay with South African 5,500 kc NAR coals owing to its superior parameters.

Exports to India
**Customer notice: IHS Markit launches two new Asian price markers**

On Friday 24 August IHS Markit started publishing two new weekly coal markers.

- IHS McCloskey/ Xinhua Infolink South China CFR (3,800 kc NAR) marker
- IHS McCloskey Indonesian (3,400 kc GAR) FOB marker

The IHS McCloskey/ Xinhua Infolink South China CFR (3,800 kc NAR) marker assesses the price for imported low-rank coal into South China, basis Guangzhou, and under 0.6% sulphur. The minimum cargo size is 50,000 t.

The IHS McCloskey Indonesian (3,400 kc GAR) FOB marker assesses the export price of coals shipped out of East and South Kalimantan in geared vessels. The Indonesian 3,400 kc/kg GAR price basis typically converts to 3,000 kc/kg NAR.

For more information contact: Scott.Dendy@IHSMarkit.com, +65 643 960 33

“Sponge iron cares about fixed carbon and South African coal gives you the most fixed carbon (FC) bang for your buck,” said a trading source.

South African 5,500 kc NAR coal typically has 52-53% FC, while its Australian counterpart from Newcastle has around 47-48% FC. This means the six percentage point fixed carbon differential translates to about 10% extra coal usage for the same output of sponge iron.

“You have to be able to bring the pricing to a level that will compensate for the increase in quantity needed,” said the first source.

It is understood when the price differential was over $20/t, there were few sponge iron customers who had tried Australian coals. However, with steel margins in India staying healthy, and sponge iron fetching good prices, they have been wary of fouling quality of the end product due to poorer coal quality.

**Go West**

With Indian demand for Australian 5,500 kc NAR material seemingly limited, buyers further west started to see offers for this Australian quality.

But in Europe, utilities are passing up Australian cargoes and sticking to more expensive blends to fuel their power plants.

Australian 5,500 kc NAR material is being offered aggressively to utilities from Denmark and Spain to Germany and Turkey, but few are willing to buy them at current prices.

“Australian 5,500 cost $4-5/t less than the Russian equivalent, but you don’t get the sulphur benefit,” a European trader said.

He added that Australian coal could have a sulphur content down towards 0.6-0.7%, and is warranted to be 1% or less, while Russian 5,500 kc NAR is typically much lower at around 0.3-0.4%.

That would make Russian material the more favourable choice for blending with high-sulphur, high c.v. United States coals.

While little or no Australian high-ash has sold into Europe, a 50-50 blend of Australian high-ash and high c.v. Russian would price into Europe at around $95.00-97.00/t, basis 6,000 kc NAR, depending on blending costs.

That is well below the IHS Markit 5,700 kc NAR min weekly marker of around $99.00/t this week, which translates up to $400,000 in additional costs for a 100,000 t cargo.

Europe’s preferred blend this year has been a blend of Russian and US high sulphur coal, typically around four tonnes of Russian blended with one of US, which would be more expensive but has a lot more heat.

In Northern Europe, calories are king as the region struggles with logistics challenges on its inland waterways, where low water levels have made the cost of freight more expensive, and therefore buyers want to move the highest c.v. material they can.

Trading sources estimated that as many as eight Australian cargoes were on the water heading to Europe, although IHS Markit shipping data showed five possible coal vessels leaving Newcastle for Europe.

Last month, a Turkish power generator bought at least one vessel of high ash (23%), 5,500 kc NAR thermal coal from Australia, the first deal of its kind in Turkey.

More Australian cargoes were being offered into Turkey, but power plants seemed to prefer equivalent South African material.

A Spanish generator was rumoured to have taken some Australian material to test. But other Spanish utilities said they were not interested.

Despite the potential savings, sources at two utilities said they continued to prefer a blend of Colombian and high sulphur US coal, with one noting Australian 5,500 kc NAR could adversely affect emission levels.

“It seems that European utilities are over bought,” another European trader said.

Northwest European coal buyers face an embarrassment of riches in terms of their choices, with the market already flooded with record stockpiles from South Africa, Russia, the United States and other traditional suppliers.

**China’s import controls cloud winter demand outlook**

Policy was at the forefront of discussions as hundreds of delegates gathered in Beijing at the China & International Coal Supply Summit on 19-20 September, co-hosted by IHS Markit.

Of particular concern was uncertainty around import controls in China and the cloud that is casting over the demand outlook for the winter.

International participants at the summit urged China to relax its coal import restrictions.
One top Indonesian miner told the audience in Beijing that the rules should be softened, as Indonesian low-rank could help the country towards achieving its environmental goals.

The low sulphur and ash content of Indonesian low-rank should make it an attractive option for a nation looking to cut pollution levels, Hendri Tan, marketing director of Adaro Energy, said at the conference.

“We really hope that China can relax its import restrictions a bit,” Tan said, garnering cheers from some in attendance.

While restrictions across various southern ports in recent months have made it difficult to discharge cargoes, Tan forecast that Indonesian lignite – which is generally considered to be around 4,000 kc GAR material – will retain market share this year.

“Lignite accounted for nearly 60% of Indonesia’s coal exports to China in 2017, and is expected to remain so this year,” Tan said.

Tan was not alone in his view that China should be accommodating to Indonesian coal.

“Indonesian coal is very suitable for blending with high-sulphur Chinese domestic material for power generation,” Charles Liu, senior VP at Macquarie Commodity Markets, said.

China has been enforcing various measures restricting coal imports, including port restrictions, quota system, longer clearance time since mid-April this year.

The policy was loosened for the summer peak period, but was tightened again at the end of July.

Some Chinese participants echoed the sentiments of their international counterparts.

“Thermal coal imports have been a critical factor affecting domestic balance,” said Li Xuegang, Vice President of China Coal Transport & Distribution Association (CCTD).

Imports have been an important complement to domestic supply, especially during peak demand time, therefore preventing domestic price hikes, Li said.

The adjustment of import policy, whether loosening or restricting, has been an important factor on domestic participants’ overall planning.

“We have been affected by the import restrictions in the year,” said Jenny Huang, manager at CNBM, a Chinese trading house.

“End-using power generators could declare a force majeure on us if a sudden change of domestic policy were to prevent them from taking imports.

“However we are not able to do the same on our international suppliers if we have already signed the contract.”

US August coal exports up 24%; Florence impact eyed

Exports of United States (US) coal from terminals on the East Coast and US Gulf, rose by nearly a quarter year on year in August, however September volumes may be reduced by storm Florence which hampered East Coast loadings.

Terminals at Baltimore, Hampton Roads, Mobile, New Orleans and Houston, monitored by shipping agent T. Parker Host, exported more than 7.5 mt of all types of coal in August, up by 24%, or 1.5 mt from August 2017.

Of the total, thermal coal exports made up a little less than 3.6 mt, up 50% on the year from 2.4 mt and more than 12% on the month from 3.2 mt.

Through the first eight months of 2018, thermal coal exports totalled just over 27.3 mt, up 64% from the 15.9 mt shipped in the first eight months of 2017.

India was the top destination for US thermal coal in August, just as it has been all year with 0.9 mt shipped there during the month. That was a 32% increase over July’s 0.7 mt but down 18% from June’s 1.2 mt.

Year-to-date exports to India have risen 128% to 8.0 mt from 3.5 mt January-August 2017.

Shipments to the Netherlands in August were 0.7 mt, up from 0.5 mt in July. Morocco took in 0.4 mt, up from 0.3 mt the previous month.

In total Baltimore handled 0.6 mt of thermal last month while Hampton Roads shipped 1.2 mt of thermal coal.

It’s still not clear how September export numbers will fare after the three Hampton Roads terminals were shut down for about five days in advance of Hurricane Florence, but most of the USEC terminals and shipping lanes avoided the worst of the storm as it passed south of Baltimore and Hampton Roads.

Loading and dumping are back to normal, at the terminals two weeks after Florence forced suspension of rail unloadings and boat loadings.

Even before the hurricane, there were lingering issues with railcars being available to take CAP coal in a timely manner to the export facilities. Boats waited in queue to be loaded. Sources, however, said congestion had eased somewhat before the hurricane restrictions were imposed.

This week, while loading and dumping are back to normal, at one of the terminals, DTA, a source said, “there remains a larger than normal backlog of cars to be dumped and the vessel queue is also larger than normal.”

Another source said, regarding another Hampton Roads export pier, “everything is back to normal and coal was ready as vessels showed up. Everything is pretty good right now. There is no real backlog from the storm.”

Total met coal exports through the Gulf and East Coast terminals in the first eight months of 2018 totalled 31.1 mt, up 12% during the first eight months of 2017.

Brazil continues to be the single largest customer for US coking coal, taking 0.6 mt in August and 5.2 mt January-August.

The Netherlands and the Amsterdam-Rotterdam-Antwerp (ARA) terminals in Northwest Europe took in 0.48 mt of US coking coal in August, its highest one-month total seen so far in 2018.

Japan imported 0.33 mt, Croatia 0.25 mt, Turkey 0.23 mt, China 0.22 mt, Ukraine 0.22 mt, and India 0.21 mt.

India, despite seeing its second lowest monthly total of US coking coal imports of 2018, remains a huge story for US exporters.

The US has shipped 3.29 mt of coking coal to India so far this year, up nearly 80% from the 1.83 mt moved in January-August 2017.

S. Africa unveils new mining charter, raises black ownership requirement

South Africa unveiled its new mining charter on Thursday, requiring companies to increase their level of black ownership and provide more to local communities.

President Cyril Ramaphosa hopes the third version of the charter, first implemented in 2004 to correct past apartheid policies, will ease regulatory uncertainty and unlock much needed investment in South Africa.
“This charter represents a consensus among stakeholders that we have been involved with in this process,” said Mineral Resources Minister Gwede Mantashe in a statement. “It aims to create regulatory certainty, sustainable growth and a competitive and transformed mining industry.”

Industry experts agreed that the charter was a vast improvement from the initial draft proposed last year and would likely not see serious legal challenges from major miners.

“This was a compromise among all parties and probably the best that you could get,” said Brandon Irsigler, managing director at Strata Legal, a South African law firm focused on the mining industry. “For the major mining companies, the most important thing for them now is to get on with the mining.”

The Minerals Council, which represents the industry, has yet to comment on the new charter.

Under the charter, companies must increase their black economic empowerment (BEE) shareholdings to a minimum of 30% from the current 26% over the next five years. Of that total, at least 20% must be for BEE entrepreneurs and 10% for local communities and employees in order to obtain new mining rights.

The 10% “free carry” requirement for communities and workers has been one of the most contentious issues in the new charter, with the industry opposing the measure due to the uncertainty over its implementation.

The new charter also requires that management and boards of mining companies comprise at least 50% black South Africans to better reflect the country’s demographics. Of that 50%, 20% must be black women.

To the industry’s relief, the charter recognised companies that have previously achieved the minimum 26% threshold but may have since gone below that after their BEE partners sold their shares. Initial drafts of the charter had required companies to top-up to the minimum threshold despite previous deals.

Mantashe also announced he had formally requested parliament withdraw the amendment bill to the current Minerals & Petroleum Resources Development Act (MPRD).

Among the proposed changes included a controversial provision allowing the government to declare coal and other minerals as strategic assets. That would give the government the ability to restrict exports and impose price controls.

Banks, investors and energy companies, like South32 and Anglo American, have reduced their exposure to one of the country’s biggest industries due to corruption, regulatory uncertainty and an overall global trend away from coal.

If the new government can improve the investment environment in South Africa, capital expenditure in all mining could grow by 84% from ZAR145bn ($11.5bn) currently, with coal having the highest investment potential, according to an industry survey published by the Minerals Council.

India’s Adani set to increase imports by 8% to 65 mt in 2019-20

India’s largest independent power generator and coal importer Adani is expected to increase imports by around 8% to 65 mt in the 2019-20 Indian financial year (FY), against expectations of 60 mt in the current financial year, a source close to the company said.

Adani, which has four plants with capacity totalling 10.44 GW, expects demand to rise from its own and government-owned power plants, as well as increased supplies to other countries including Bangladesh, Sri Lanka and Vietnam.

This year Adani will burn around 22 mt of imported coal at its power plants, and will supply a further 26 mt to Indian government power plants. Some 12 mt will be sold to other customers in India and abroad, the source said.

In the domestic market, Adani holds the mine developer and operator contract for coal blocks with a run of mine (ROM) of 6.2 mt in the northern part of the country. The coal produced from these blocks is supplied to a state run power plant in Rajasthan.

In terms of sourcing, Adani buys most or 43-44 mt of its coal from Indonesia, with around 12 mt of 5,700 kc NAR from South Africa, 2 mt from Australia and remaining from the United States and elsewhere.

The Indian government has become increasingly active in the coal market ahead of a series of elections at the provincial federal level, issuing five tenders totalling nearly 8 mt in the past month, in which Adani participated.

Adani plans to increase capacity at a number of its ten ports on the east and west coast. The capacity of Dhamra port, on the east coast, is expected to be quadrupled to 80 mt in the next few years. There are also plans to invest in ports in other South Asian countries such as Vietnam, the source added.
from 4.11 mt. August imports of 4.95 mt were up 26% year on year, from 3.92 mt.

Imports by these plants would have been higher had some coastal plants not cut their intake in April-June. This was because a few coastal plants that only burn imported coal went for gradual shutdowns between October and April on viability issues.

Adani’s Mundra Plant and Essar’s Power’s Salaya Plant (1.2 GW) went for gradual shutdown from October 2017 as their power tariffs became economically unviable in the wake of rising Indonesian coal prices.

As a result, these plants significantly cut their imports between October 2017 and June 2018.

However, other coastal plants that did not have long term tariff obligations started to look at imports from October 2017 onwards due to limited domestic supplies and reduced availability of rail cars.

Sustained increases in coal demand from power sector from April onwards led to gradual dip in Coal India’s coal stocks, which fell to as low as 25 mt in August. This, in turn, is encouraging import enquiries.

“This is just the beginning of revival in imports by power plants after a gap of two and half years as domestic supplies will not be sufficient to meet rising demand for power generation,” an official of a trading company said.

Indian steel, sponge iron and cement industries, the other three main coal consuming sectors, besides power, are growing at a healthy rate and they need electricity to maintain the tempo. In fact, coal-fired electricity generation too is growing at about 5%.

Import tenders floated by power plants between July and September:

### Key physical market commentaries

**North Goonyella mine fire tightens met coal market**

A fire has broken out at Peabody’s North Goonyella underground mine in Queensland with smoke seen billowing out of ventilation shafts, worsening an already-tight market situation.

A Peabody spokesperson said an exclusion zone has been put into place and access to the mine was restricted.

Operations had been suspended at the mine since the start of September when high gas level readings were reported during a planned longwall move. It is unclear how long production is likely to be offline.

“Big news, and they are in the market scrambling for Q4 trains to cover commitments, but having no luck,” said a market source.

“Chatter on the ground suggests this could be a permanent closure, but I suspect it is too early to say that with any confidence. Regardless, a very big outage, in a market that is already tight.”

The mine sold 2.9 mt of mid-volatile metallurgical coal in

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**Indonesian miners call for benchmark price revamp**

Indonesian coal miners are calling for the country’s coal price benchmark, HBA, to be revamped as the current set-up is making it increasingly difficult for them to sell.

Launched in 2009, the HBA is a mechanism for the government’s royalty collections from producers, and as such sets a base level for miner’s prices.

However, the HBA tracks higher rank material, and such pricing does not correlate with Indonesia’s primary output at present, which is sub-bituminous and low-rank material.

For example, the HBA for September is $104.81/t FOB, basis 6,322 kc GAR. When pro-rated according to a HPB (Coal Benchmark Price) formula, it nets back to around $51.00/t FOB, basis 4,200 kc GAR.

By comparison, the IHS McCloskey Indonesian 4,200 kc GAR (M42) FOB marker, which tracks low c.v. spot business, settled at $38.54/t FOB on 21 September.

A source from a key low-rank producer said, “If it’s a matter of a few cents or a couple of dollars, it’s still manageable. But the gap between spot prices and the HBA is too wide now because it mainly tracks high c.v. coal.”

Even high-rank Indonesian producers are understood to be struggling to sell coal at HBA levels.

With low-rank and high-rank price trends increasingly diverging, officials at the Ministry of Energy and Mineral Resources (ESDM) are open to exploring a recalibration of the HBA mechanism.

It is currently derived from an equally apportioned averaging of the IHS Newcastle Export Index (6,322 kc GAR), the Indonesian Coal Index 1 (6,500 kc GAR), the IHS Newcastle Export Index (6,000 kc NAR) and Platts Kalimantan (5,900 kc GAR) from the preceding month.

“We understand that we have to look into the one-month lag as well,” a key ESDM official said.

Hendra Sinadia, executive director at the Indonesian Coal Mining Association (ICMA) said, “We are set to discuss this with the ESDM tomorrow. Some companies have sent their letters directly to the government regarding this issue.”

This is not the first time talk of revising the HBA has surfaced (see previous story), but previous proposals ultimately fell by the wayside.
2017 mostly through long term contracts.

News of the fire came too late to lift Australian coking coal markets.

Prices fell week-on-week, with prices trading at a low of $192.50/t FOB HCCA for a mid-volatile 80,000 t October loading cargo trading through globalCOAL (gC). The gC deal was around $17 below the last FOB deal, albeit for a better quality coal, done last week at $210/t FOB by a Chinese trader, according to sources.

However, there are some market participants who don’t think the price is indicative of fair value today, as fresh logistical issues threaten the supply chain. Most market players are assessing the market several dollars above the last gC trade.

The possible removal of 3 mt of contract North Goonyella coal from the market won’t be easily replaced, especially with very early speculation the mine could be out of action for up to 12 months.

Add ongoing problems at the Dalrymple Bay Coal terminal in Queensland and include the possibility the trader that picked up the gC cargo was likely offering it a day later at $198-200/t FOB, and these combined factors suggest anything but a softening market.

Other spot business was reported at $212 and $213/t CIF China for a Panamax each of Oaky North material for two cargoes, though several sources treated these deals with some skepticism.

Looking ahead, FOB prices are expected to rally on the back of increasing supply tightness in Australia, leading one to say: “Traders who have FOB cargoes available won’t sell cheap.”

The looming shortage in Australia could manifest in prompt buying interest which may see BHP wait for more spot buying interest to emerge before moving its spot sales, market participants said.

Meanwhile, PCI is believed to have traded at around $137/t FOB Australia.

### Atlantic petroleum coke markets continue to retreat

Atlantic petroleum coke markets continue to weaken, as prices for high-sulphur fuel-grade material fell below $80/t FOB United States Gulf for the first time since May this year, according to IHS Markit data.

In the high-sulphur market (5.5-7.0%), a US oil refiner closed its tender for a prompt loading Supramax yesterday, the price is understood to be around $80.00-80.50/t FOB USG, basis 7,500 kc NAR*.

Traders expected the price to be below $80/t FOB USG. The cargo was sold to an end-user.

A deal into Japan closed at about $122/t CIF UBE, with freight from the USG-Japan estimated at $45/t. It leaves an indicative net back price of $77/t FOB.

A deal into Tunisia is also understood to have closed, with a net back price of about $78/t FOB USG, but this could not be confirmed.

New tender business has emerged from Brazil, while Mexico is likely to see more spot demand going into the final quarter. FOB prices will remain under pressure, as freight continues to be assessed at firm levels.

Supramaxes costs from USG to India are assessed at $41-42/t, which would leave an indicative price of $120.50-121.50/t CIF India. This level is a long way off buy-side expectations, which are about $114/t CIF.

The Indian market is very quiet for petcoke as they are taking high-sulphur, high c.v. US and Australian high 5,500kc NAR thermal coals.

Saudi petcoke is relatively firm, as China becomes an outlet for exporters. Price levels are about $111-112/t CIF Fangcheng, consistent with last week’s level.

The weekly IHS USGVC high-sulphur (5.5-7.0%) petcoke FOB marker is assessed at $79.50/t, down from $81.00/t last Friday.

In the mid-sulphur market (4.0-5.5%), there were also reports of a deal at $88.75/t FOB USG for a 5.3% sulphur quality. Freight from the US Gulf in a Supramax to Turkey is about $23-24/t, leaving an indicative delivered price of $111.75-112.75/t CIF Turkey.

Egyptian buyers are still opting for high c.v., high from the United States in Supramaxes. Price levels are indicated at $100-101/t CIF Alexandria, basis 6,900 kc NAR.

Trading sources confirmed that recent Russian tenders from Novokuybyshhevsk for an unspecified amount were sold into the domestic market. Two separate 89,000 t tenders for 4.5% material from Bashneft’s Novoil and Ufaneftekhim were also sold into the domestic market.

Several US oil refiners are negotiating supply contracts for 2019 and they are expected to close in the next 10 days. Index premiums are expected to be lower than last year.

The weekly IHS USGVC mid-sulphur (4.0-5.5%) petcoke FOB marker is assessed at $91.00/t FOB, down from $93.00/t the previous week.

All petroleum coke price references are on a 7,500 kc NAR basis.

### Chinese thermal importing steady ahead of Golden Week break

Thermal coal imports into China were largely steady in the latest fortnight, with no changes in import controls at ports.

Activity will quieten at the start of October as the country celebrates its national day and Golden Week holiday.

Offers from international sellers rose slightly towards the end of this week on expectations of fourth quarter restocking, but the gap remained wide between sellers and Chinese buyers.

Power generators, sitting on high inventories and sufficient term contract supplies, have no rush to tap into the import market given the restrictions are still in place.

One tender was awarded at $55.00/t FOB, basis 4,800 kc NAR for an end-October or early-November loading Panamax for low-sulphur material. Another trade was concluded at $53.50/t FOB, basis 4,800 kc NAR for an October loading Panamax.

For low-rank material, a trade was seen at $47.50/t CFR, basis 3,800 kc NAR for an October loading Panamax into south China.

On an FOB basis, trades were concluded at $38.40-38.60/t FOB, basis 3,800 kc NAR for an October loading geared vessel, similar with levels two weeks ago when a deal was done at $38.50/t FOB, basis 3,800 kc NAR, for an October loading geared vessel.
**Indonesian price rally stalls as China retreats**

The recent rally in Indonesian prices appears to have stuttered, with interest from China eroding as the week progressed.

With only limited tendering from Chinese power groups, amid sluggish power demand, improvements in Chinese domestic supply and ahead of the Golden Week break at the start of October, market participants were reporting more offers than bids.

Indian buying has also been underwhelming, with there having been expectations that things would pick up after the seasonal monsoon period. Buyers there were voicing concerns about rising freight rates, which have also impacted on landed costs.

Sub-bituminous values were probably under the most downwards pressure by the end of the week, with trades reported between $53.50-55.00/t FOB, basis 4,800 kc NAR, for October loading Panamaxes, with variation in prices level depending on the sulphur content.

A couple of deals were also reported at $51.00/t FOB, basis 4,500 kc NAR, for Panamaxes loading at the end of October, early November.

Transactions for low-rank shipments were reported at $38.40/t FOB and $38.60/t FOB, basis 3,800 kc NAR, both loading in geared vessels in October. Offers were reported later in the week at close to those traded levels.

Lower c.v. cargoes were heard trading at $30.50/t-31.00/t FOB, basis 3,400 kc NAR, for October loading geared vessels, and $24.00/t FOB, basis 3,000 kc NAR, again for October loading and in a geared vessel.

On a delivered basis, Indonesian sub-bituminous cargoes were heard trading into South China between $62.00-62.50/t CFR, basis 4,700 kc NAR, for October arrival. For low-rank, deals were reported at $46.60-47.00/t CFR, basis 3,800 kc NAR, also for October arrival into South China.

**Atlantic thermal prices mixed; focus on aggressive discounts**

Northwest European thermal coal prices have made a sustained move higher over the past fortnight, partly led by stronger oil markets, but aggressive discounting of lower specification coals could cap further gains.

South African and Australian 5,500 kc NAR coals are competing for market share in India Turkey and Europe. It is doubtful whether many European generators will take more of this material instead of their preferred diet of US Illinois Basin coal blended with Russian (see separate story).

This week, DES ARA markets traded at levels not seen since July at $103.00/t mid-week for a November cargo, before falling back on Friday to $102.00/t DES AR. In the previous week, the November contract traded in a range of $99.70-101.50/t DES AR (see trade table).

There is strong fundamental support for coal burn in the European power market. Nuclear outages in Belgium, France and Germany continued to strain grids and have added to the firmer sentiment.

EUA carbon prices for December contracts were assessed at EUR20.90/t, down from recent highs of EUR25.00/t. Unplanned outages at North Sea gas fields such as Asgaard, Norway supported NBP natural gas prices. Brent oil markets breaking above $80/bbl, also helped lift the whole energy complex.

In the South African, Richards Bay FOB market, prices have been choppy, as suppliers’ struggle to control an overhang of material.

Indian demand is showing signs of improving with over 6 mt of tender business being issued this month. At the same time, lower-spec Richards Bay coal is being offered aggressively into the Turkish power market. Stock levels at the Richards Bay Coal Terminal remain high and are assessed at just over 5 mt.
### DES ARA fixed price deals
**17 September 2018 – 28 September 2018**

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*Sleeve deal with legs at 99.00 and 98.50

AR - Amsterdam, Rotterdam
Rot - Rotterdam
Amst - Amsterdam
ACPRSU - Australian, Colombian, Polish, Russian, South African, US
EFP (exchange of futures for physical)

Source: IHS Markit © 2018 IHS Markit

### Newcastle FOB fixed price deals
**17 September 2018 – 28 September 2018**

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EFP - exchange of futures for physical
Source: IHS Markit © 2018 IHS Markit

### Richards Bay FOB fixed price deals
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EFP - exchange of futures for physical
Source: IHS Markit © 2018 IHS Markit
Corporate

New Hope achieves record profit in FY 2018

Timely acquisitions and a resurgent coal price have seen thermal coal producer New Hope Corporation post a record net profit before non-regular items of A$253m for the financial year ended 31 July 2018.

This was an increase of 96% on the previous year’s result and was split almost evenly between its Queensland and New South Wales (NSW) operations.

The result was also in line with New Hope’s profit guidance of $248-253m released earlier. The non-regular items after tax of approximately $103m predominantly relate to the impairment of the Colton exploration project near Maryborough in Queensland.

New Hope’s earnings before interest, taxes, depreciation and amortization (EBITDA), and before non-regular items, of $453m was 60% higher than in 2017.

“The result for 2018 has reinforced the company’s ability to generate sustainable long term returns for shareholders with a focus on low cost operations, coupled with patience, foresight and resources to execute strategically timed acquisitions,” the company said in its release to the Australian Securities Exchange (ASX).

New Hope owns the New Acland mine and Jeebropilly mines in South East Queensland and currently has a 40% stake in the Bengalla mine in the NSW Hunter Valley.

New Hope said the positive financial results were due to increasing demand for high quality thermal coal, firming prices and higher production.

In the last financial year, New Hope lifted its overall production by 5% year on year to 8.9 mt, with 3.8 mt coming from its share of saleable production from the Bengalla mine and 5.1 mt from its Queensland mines.

New Hope’s exports in FY 2018 totaled 8.6 mt with 0.3 mt sold into the domestic market. The company is looking for a further growth in output in 2019 with the acquisition of the former Burton coal mine in Queensland from Peabody in November 2017.

As well as securing diversification of its portfolio into metallurgical coal, the Burton acquisition also provides low cost infrastructure that can be utilised in the development of New Hope’s adjacent Lenton project, company said.

The combined project’s 1.5 mt/y mine is estimated to begin production in 2019, subject to rail and port and will produce an even split between thermal and coking coal for a mine life of 16 years.

In August, New Hope purchased the Bengalla coal mine from Wesfarmers for $860m, which will also help increase it saleable production by more than 50% in the coming years.

The price the company paid was in line with the $865m it paid to Rio Tinto in 2015 for its 40% stake in the mine.

The transaction is expected to be finalised in early 2019, subject to the pre-emptive rights of other joint venture partners.

New Hope is also hopeful of progressing its New Acland Stage 3 expansion project following a Queensland Supreme Court ruling in May to refer the Land Court’s unfavourable recommendations regarding the project back to the court for further consideration.

The Land Court’s remittal hearing is scheduled for next month.

Meanwhile, New Hope is investigating options to extend the Stage 2 mining operations to avoid the production gap between the end of Stage 2 and the start of Stage 3. If Stage 3 approvals are not obtained in FY 2019, there is likely to be a reduction of production and employment at the New Acland mine in FY 2020, the company said.

Universal Coal receives takeover offer from Ata Resources

ASX-listed and South Africa focused miner Universal Coal has received an indicative proposal from a South African consortium led by Ata Resources to acquire 100% of its shares for a consideration of A$0.35 per share.

The non-binding proposal, to be implemented via a scheme of arrangement, values Universal at around $182m and has the backing of Universal’s largest shareholder Coal Development Holdings, which has a 27.5% stake in the company’s share capital.

The proposal is subject to many conditions including an implementation agreement, over 50% acceptance by shareholders, satisfactory due diligence by Ata and the Consortium finalising debt and equity funding structure for the takeover.

Universal had previously been a takeover target two years ago, when MC Mining, then known as Coal of Africa, made a tilt at the company.

Universal Coal announced sales for the 2018 financial year of some 4.7 mt, compared with total sales of 3.0 mt in the 2017 financial year. Most of this increase was driven by New Clydesdale Colliery’s first full year of name plate production volumes.

TerraCom secures Q4 sales

Australian and Mongolian coal miner, TerraCom, has secured buyers for 0.64 mt of coal from its Blair Athol thermal coal mine in Queensland for the October-December quarter.

This should raise the volume of Blair Athol coal sales for the first half of the current Australian financial year (June-December 2018) to 1.25 mt.

Following the successful trial shipment of Blair Athol thermal coal to a Japanese customer, that buyer has signed a three-year offtake agreement for up to 1.06 mt/y with prices linked to the Newcastle index, according to the company. This represents 42% of forecast annual sales from Blair Athol.

TerraCom plans to ramp up production at Blair Athol to 2 mt/y over the nine-year life of the mine.

Marubeni to halve coal power capacity, halt new investment

Japan’s Marubeni Corp will begin phasing out coal use at its power division by halting investment in new coal-fired plants and halving its current 3 GW coal generation capacity by 2030.

The international trading house said it was taking the measures to reduce carbon emissions from its power division, which owns stakes in coal-fired plants in several countries including Japan, the Philippines, Indonesia and Thailand.

Coal-fired power makes up around 25% of Marubeni’s total generation capacity of 12.2 GW.

“(Climate change) is a problem that threatens the co-existence of the global environment and society…and a problem that Marubeni believes must be dealt with swiftly,” the company said in a statement.
Marubeni will no longer enter into new coal-fired power generation businesses, but there could be exceptions to this new policy for projects that involve ultra-supercritical steam generating technology or other “best available technologies”. Marubeni said it would also look to double the ratio of renewable use in its net power supply to 20% from the current 10% by 2023.

The company’s new policies were focused on its power division, which has stakes in 52 power plants in 23 countries. It wasn’t clear whether the company’s other divisions would be affected.

Marubeni has stakes in seven Australian coking coal mines through its metals and mineral resources division, providing an equity production capacity of 7 mt/y. The company also trades in coal.

Mining

Underground fire suspected at North Goonyella mine

A fire is believed to have broken out at Peabody’s North Goonyella underground mine in Queensland with smoke seen billowing out of the ventilation shafts.

A Peabody spokesperson said an exclusion zone has been put into place and access to the mine was restricted.

Operations had been suspended at the mine since start of September when high gas level readings were reported during a planned longwall move. It is unclear how long production is likely to be offline.

The mine sold 2.9 mt of mid-volatile metallurgical coal in 2017 mostly through long term contracts.

Anti-coal pressure mounts in Indonesian presidential race

Indonesia’s presidential candidates are under increasing pressure to provide policies which reduce the country’s dependence on coal.

Civic society groups have grouped together ahead of the April 2019 elections, with the movement #BersihkanIndonesia, which means Clean Indonesia, calling for renewable energy to be prioritised.

The movement comprises more than 30 organisations, mostly with environmental interests, but aims to engage non-environmental groups as well.

As it stands, coal is projected to remain the backbone of Indonesia’s energy mix at 30% in 2025, with oil at 25%, gas at 22% and renewables at 23%, according to current government plans.

Renewables are expected to be dominant by 2050, according to the plans, at 31%, with coal expected to account for 25%, gas 24%, and oil 20%.

But activists say there is no clear road map from the government as to how the country will get to these levels.

Adhityani Putri, national director for the Centre of Energy Research Asia, and a key figure of the activist group, said, “Indonesia’s energy policy has been very reactive, so far.”

“We want the presidential candidates to provide policy certainty on renewable energy and how we will make the shift away from coal eventually.”

Next April will see President Joko “Jokowi” Widodo face off against opposition leader, Prabowo Subianto, a retired general who also has interests in the coal sector.

The movement comes at a time when Indonesia, the world’s largest exporter of thermal coal, is trying to boost coal exports to counter a widening trade deficit. The country shipped close to 390 mt in 2017 and the figure looks set to grow in 2018.

The fast depreciating rupiah has also forced Jokowi’s administration to stall the development of more than 13 GW of planned new power capacity. This was part of the 35 GW power project programme, which was launched when he first came into office in 2014.

#BersihkanIndonesia also wants the presidential candidates to push for reform within the energy sector.

Putri said, “It’s a very opaque system. There is a lack of public access to data related to Indonesia’s energy and power sectors. This hinders think tanks from crunching important information.”

Acknowledging that some coal businesses have taken an interest in diversifying and investing in the renewables sector, Putri added, “We believe many in the private sector, including the coal industry, would appreciate clarity as well. Policy certainty is crucial.”

Indonesia has a production target of 510 mt in 2018, up from the 485 mt it mined in 2017.

Peabody’s North Goonyella delays longwall move

Mining activities at Peabody Energy’s North Goonyella mine in Australia have been suspended after high levels of methane and carbon monoxide were detected at the facility.

Peabody was in the midst of a longwall move at the Queensland facility that was expected to be completed in September. That move is now expected not to be completed until sometime in the fourth quarter 2018.

North Goonyella produced 2.9 mst (short tons) of coking coal in 2017.

Peabody said in a 19 September filing with the United States (US) Securities and Exchange Commission that the longwall move was interrupted by “temporarily elevated gas levels.” Peabody said power, ventilation and normal water management would continue at the mine and the company would be shipping coal from inventories.

“Longwall move activities have been delayed for about two and a half weeks thus far and the company is working toward resuming operations,” Peabody said in the filing. “Peabody is well over halfway through the two-month longwall move at this point. The longwall move, which was expected to be completed in September, is now targeted for completion in the early part of the fourth quarter.”

Prior to this point in time, Peabody “had been trending to the upper end of its 2018 metallurgical (met) coal sales volume targets” of 11 to 12 mst and the company said those targets have not been revised.

During the company’s third quarter 2018 conference call, Peabody Chief Executive Officer and President Glenn Kellow said longwall moves at North Goonyella are usually 12 to 18 months apart and “are typically longer than those at other mines.” He said Peabody had built the mine’s inventory ahead of the move and “will look to capitalize on performance improvements at other operations to lessen the impact.”

The company said it intends to provide further updates on or before its third quarter 2018 earnings release near the end of October.
Power

Indian power plants coal stocks slip further in latest week

Coal stocks at India’s major power plants slipped 7% on the week, the latest data from the country’s Central Electricity Authority (CEA) show.

This was due to higher coal burn coupled with restricted production and continued constraints in the movement of domestic and imported coal.

Stocks at the 121 plants tracked by the CEA were, however, up 23% year on year as of 25 September (see table).

Daily power generation between 1-21 September averaged 3.61 TWh/d, up 6% on the month and on the year.

There was only an average of seven days of cover at the power plants tracked by CEA on 25 September, easing from 10 at the start of the month. This is well below the optimal 22 days of forward cover required.

Indian power plants increase coal imports in August

Coal imports by Indian power plants rose 26% on the year in August, to 4.95 mt, from 3.92 mt, data from the country’s Central Electricity Authority (CEA) show.

The increase was mainly due to lower than required availability of domestic supplies amid higher demand for electricity.

Lower availability of domestic coal prompted both the coastal as well as hinterland plants to sharply increase their imports.

The hinterland plants, which more commonly use imports for blending, raised their volumes by 44% year on year to 1.40 mt, from 0.97 mt as they continued to face domestic supply concerns.

Coastal plants designed to burn imported coal raised their intake by 34% on the year to 3.95 mt, from 2.95 mt.

Imports by power plants in January-August, however, were down 11% on the year to 35.27 mt, from 39.40 mt.

This was due to an 18% year on year fall in imports by coastal plants to 23.01 mt, from 28.09 mt with some cutting imports in January-April because of higher coal prices in international markets.

The fall in imports by coastal plants was mainly due to a sharp drop at two major plants – Adani Power’s 4.62 GW Mundra plant and Essar Power’s 1.20 GW Salaya plant.

Mundra imported 4.81 mt in January-August, down 49% on the year from 9.50 mt with negligible imports taken in January-March 2018.

It cut imports after progressively shutting down generation at eight of its nine units between October 2017 and March 2018. This came after the country’s Supreme Court in April 2017 refused to entertain its proposal to increase tariffs on the grounds of a rise in Indonesian coal prices.

But Adani power has been progressively resuming generation at Mundra since the middle of May after the government of Gujarat, possibly at the behest of the Indian Power Ministry, formed a special committee to examine tariffs.

This raised expectations that the company might be able to raise the tariff in the coming days and imports may rise on increased generation. Mundra’s imports were up 12% on the year to 1.40 mt, from 1.23 mt. In July, its imports were up 12% on the year to 1.23 mt.

Essar’s Salaya plant has been shut since October 2017, but is likely to restart once the state government formed committee submits its recommendations on tariff some time in the next few weeks. Salaya used 1.52 mt of imports in January-August 2017.

Indian power plant imports (mt)

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<tr>
<td>April</td>
<td>4.80</td>
<td>3.73</td>
</tr>
<tr>
<td>May</td>
<td>5.33</td>
<td>4.91</td>
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<tr>
<td>June</td>
<td>5.06</td>
<td>4.44</td>
</tr>
<tr>
<td>July</td>
<td>4.11</td>
<td>4.44</td>
</tr>
<tr>
<td>August</td>
<td>3.92</td>
<td>4.95</td>
</tr>
<tr>
<td>Total</td>
<td>39.41</td>
<td>35.27</td>
</tr>
</tbody>
</table>

Source: IHS Markit © 2018 IHS Markit

Indian power plants coal stocks slip further in latest week

Daily power generation in India (average TWh/d)

<table>
<thead>
<tr>
<th>Period</th>
<th>1-21 Sep</th>
<th>Aug-18</th>
<th>Sep-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal-fired</td>
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<td>2.49</td>
<td>2.58</td>
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<tr>
<td>Hydro</td>
<td>0.60</td>
<td>0.60</td>
<td>0.47</td>
</tr>
<tr>
<td>Other</td>
<td>0.34</td>
<td>0.32</td>
<td>0.37</td>
</tr>
<tr>
<td>Total</td>
<td>3.61</td>
<td>3.41</td>
<td>3.42</td>
</tr>
</tbody>
</table>

Source: CEA, IHS Markit © 2018 IHS Markit

Indian power plants increase coal imports in August

Coal imports by Indian power plants rose 26% on the year in August, to 4.95 mt, from 3.92 mt, data from the country’s Central Electricity Authority (CEA) show.

The increase was mainly due to lower than required availability of domestic supplies amid higher demand for electricity.

Lower availability of domestic coal prompted both the coastal as well as hinterland plants to sharply increase their imports.

The hinterland plants, which more commonly use imports for blending, raised their volumes by 44% year on year to 1.40 mt, from 0.97 mt as they continued to face domestic supply concerns.

Coastal plants designed to burn imported coal raised their intake by 34% on the year to 3.95 mt, from 2.95 mt.

Imports by power plants in January-August, however, were down 11% on the year to 35.27 mt, from 39.40 mt.

This was due to an 18% year on year fall in imports by coastal plants to 23.01 mt, from 28.09 mt with some cutting imports in January-April because of higher coal prices in international markets.

The fall in imports by coastal plants was mainly due to a sharp drop at two major plants – Adani Power’s 4.62 GW Mundra plant and Essar Power’s 1.20 GW Salaya plant.

Mundra imported 4.81 mt in January-August, down 49% on the year from 9.50 mt with negligible imports taken in January-March 2018.

It cut imports after progressively shutting down generation at eight of its nine units between October 2017 and March 2018. This came after the country’s Supreme Court in April 2017 refused to entertain its proposal to increase tariffs on the grounds of a rise in Indonesian coal prices.

But Adani power has been progressively resuming generation at Mundra since the middle of May after the government of Gujarat, possibly at the behest of the Indian Power Ministry, formed a special committee to examine tariffs.

This raised expectations that the company might be able to raise the tariff in the coming days and imports may rise on increased generation. Mundra’s imports were up 12% on the year to 1.40 mt, from 1.23 mt. In July, its imports were up 12% on the year to 1.23 mt.

Essar’s Salaya plant has been shut since October 2017, but is likely to restart once the state government formed committee submits its recommendations on tariff some time in the next few weeks. Salaya used 1.52 mt of imports in January-August 2017.

Earthquake-hit plant to restart one unit early, delays another

Japan’s Hokkaido Electric has updated its plans for restarting the two largest units at its 1.65 GW Tomatoh-Atsuma coal-fired plant, which was knocked offline by an earthquake on 6 September.

An early restart of the 600 MW No.2 is now off the cards. The generator said it could potentially bring that unit online again on 23 September, but equipment issues have pushed that back to the original estimate of mid-October.

However, the company is having more luck with the 700 MW No.4 unit, with expectations that it will now be back online by the end of September, far sooner than the original estimate of November.

The plant’s smallest unit, the 350 MW No.1, was restarted on 19 September.

On average, the plant receives around 0.43 mt/month of thermal coal, according to data from Japan’s Ministry of Finance.
BlackGold execs called as witnesses in Indonesian power plant graft case

Key figures of BlackGold Natural Resources have been called on by Indonesia’s Corruption Eradication Commission (KPK) as witnesses in an investigation of the Riau-1 Power Plant project.

In January, Singapore-listed BlackGold was awarded a Letter of Intent from Indonesian state-power provider, Perusahaan Listrik Negara (PLN), relating to the 600 MW project, which has since been mired in controversy.

Riau-1 has not been constructed but has come under scrutiny after allegations of corruption linked to its development emerged.

BlackGold is the parent company of Indonesian subsidiary PT Samantaka Batubara, which is based in Sumatra. The concession produces low-rank coal and the miner had a 4 mt/y target.

The employees involved in the KPK probe are Philip Cecil Rickard, BlackGold’s executive chairman and chief executive officer, James Rijanto, chief investment officer and executive director, and Rudy Her lambang, president director of Samantaka.

BlackGold added that according to Indonesian law, “a witness is a party believed of knowing a criminal act done by a suspect, but is not suspected of committing a crime.”

While production has commenced, it has not been ramped up to an optimal rate, it is understood. The miner has said that the KPK investigations will have no impact on its production activity.

Coal supplies at four Eskom plants fall below critical level

Coal stocks at four South African power plants have dropped below the key 10-day level, which power utility Eskom considers critical to keeping the lights on.

Eskom, which provides 95% of South Africa’s electricity, has struggled for months to obtain sufficient coal supplies to feed its power stations, and the situation looks to be getting worse.

Eskom said its 2.23 GW Arnot, 1.79 GW Hendrina, 2.85 GW Kriel and 3.51 GW Tutuka were holding less than 10 days of coal supplies, and four others have less than 20 days worth.

The power utility has struggled to obtain coal supplies at the eight power stations due to a lack of investment at Eskom-tied mines and a financial crisis at miner Tegeta Exploration and Resources.

“The decline in coal stockpiles was exacerbated by the failure of Tegeta to meet its contractual obligation, forcing Eskom to transfer coal away from power stations with healthy stock levels,” said Eskom spokesman Khulu Phasiwe.

Tegeta is currently under business rescue with several companies interested in purchasing the troubled miner’s assets, including the Optimum and Koornfontein mines.

In the meantime, Eskom has looked to the spot market to purchase extra supplies through a 3 mt tender in May.

But those plans have stalled as the utility refuses to pay the high coal prices being demanded by traders. Instead, it is now planning on trucking around 1 mt of its surplus coal at Exxaro’s Grootegeluk mine to those power plants in need.

The utility is also re-negotiating contracts with mining companies. It has concluded 13 new contracts since January 2018 and 13 more were imminent.

Any plan to phase out German coal by 2038 ‘unacceptable’ - RWE

RWE opposes phasing out coal by 2038 in Germany, saying any such plan would be “unacceptable” as more time is needed for the country to transition to renewables.

RWE’s statement was in response to remarks by Ronald Pofalla, a co-head of a government task force responsible for setting an exit date for coal. Pofalla told Der Spiegel that the country should halt use of the fossil fuel between 2035-2038.

“The decline of coal-fired power generation depends largely on the rapid and consistent expansion of the grid and renewables,” the company said in a statement. “From the point of view of RWE, 2035 and 2038 cannot be a part of such a solution.”

Around 60% of RWE’s 23.4 GW power generation in Germany is from coal and lignite plants.

Last month, the company warned it may take legal action against the Dutch state for any losses it incurs, if the government bans coal use from 2025. Around 38% of RWE’s 5.4 GW power generation in the Netherlands and Belgium comes from coal plants.

Leaked German lignite and coal phase-out proposal rejected

A leaked proposal to close 5-7 GW of German lignite and coal capacity by 2020 and the complete closure of all lignite and coal units by 2035-2038, reported by weekly Der Spiegel, quoting Ronald Pofalla, co-chair of Germany’s lignite and coal phase-out commission, has been firmly rejected by other commission members.

“There have been no preliminary decisions,” the commission said in a statement.

The German government has “issued no specifications” on how the phase-out should take place, federal Economy Minister Peter Altmaier said in the statement.

He stressed the commission should first make proposals on dealing with structural change before it decides on climate questions.

The commission is now examining climate instruments and their effects on energy prices, as well as possibilities for creating new regional economic activity, continued the statement.

At a meeting on 24 September in the mid-German lignite mining region, the commission heard from lignite company Mibrag, local industry and renewable energy representatives as well as local politicians and residents affected by lignite mining.

This will be followed by meetings in the eastern German Lausitz lignite mining area on 11 October and in Berlin on 12 October.

Meanwhile, protests have escalated in the western German lignite mining area against RWE which wants to clear environmentalists living in around 50 treehouses in an area of ancient forest to prevent its clearance for lignite opencast mining.

Electricity company Greenpeace Energy has reported a surge in...
new electricity customers switching from RWE in protest against the planned clearance of the forest. It signed around 500 customers in a week, the biggest wave of switching seen since the Fukushima nuclear disaster in 2011.

The commission has been tasked with devising a plan, before the end of 2018, for the step-by-step reduction in coal and lignite electricity generation, including a final phase-out date.

The commission should also propose solutions to ensure sufficient funding for long-term rehabilitation of land and groundwater problems, environmental NGO BUND said on 24 September, otherwise taxpayers will end up shouldering the costs, it warned.

RWE’s restructuring in 2016 did not extend liability for lignite’s environment legacy to its renewables subsidiary, Innogy, while Vattenfall’s divestment of eastern German lignite companies Leag and Mibrag to Czech investors did not force the new owners to take on liability should the German assets become insolvent, said BUND.

Hard coal and lignite electricity generation resulted in 240 mt of CO2 emissions in 2016, or over 25% of total German greenhouse gas emissions, according to the DIW economic research institute.

Steag’s Bexbach and Weiher 3 coal units to remain in reserve
Steag’s 780 MW Bexbach and 724 MW Weiher 3 hard coal power stations’ two year stint in Germany’s electricity transmission system reserve is to be extended for a further 12 months until end-April 2020.

The units were commissioned in 1983 and 1976 respectively. The units are located in the south-west German state of Saarland. Although nationwide, Germany has surplus generation capacity, closure of nuclear plants in southern Germany could create scarcity of power.

Transmission system operator Amprion and the federal energy regulator Bundesnetzagentur turned down Steag’s renewed application, lodged in 2018, to temporarily mothball the units.

However, by applying for temporary closure of the units, Steag is keeping open the option of their future return to the market which could potentially bring back coal use of over 1 mt/y.

Chile’s August coal generation up 3% on year
Chile’s coal-fired generation rose 3% year on year in August to 2.74 TWh from 2.67 TWh, but was down 1% from 2.78 TWh in July, according to CNE (National Electricity Commission) statistics.

During January-August 2018, monthly coal-fired generation was higher than the corresponding months in 2017, mainly due to lower natural gas and LNG availability.

Chile’s total January-August 2018 electricity generation rose 4% to 51.18 TWh from 49.28 TWh in 2017. Coal generation rose 3% year on year to 21.08 TWh in 2018 from 20.54 TWh in 2017, and gas generation fell 7% to 0.95 TWh in 2018 from 9.75 TWh in 2017.

Chile’s combined renewables generation during January-August 2018, including hydro, wind, solar and geothermal, was up 15% to 18.98 TWh from 16.56 TWh in January-August 2017.

Colombian FY thermal demand for generation seen up 40%
Colombia’s thermal coal demand for electricity generation is expected to rise by at least 40% or more in 2018, according to Mining-Energy Planning Unit (UPME) data.

UPME’s latest data shows that demand could rise by up to 1.3 mt in 2018, compared to previous estimations of 1.0 mt issued three months ago.

This new projection is due to lower hydro availability for the remainder of 2018 and the possibility of a drought caused by the El Niño weather phenomenon, expected to affect the country during the last quarter of 2018.

Colombia’s thermal coal demand has varied between 2.0-2.2 mt for the 1.3 GW coal fired power plants working at baseload, but high hydro generation in 2017 reduced coal demand to just 0.9 mt.

Hydro accounts for 85-87% of Colombia’s electricity generation, followed by natural gas at 5% and coal-fired generation filling the balance.

Transport & logistics
China’s main coal port ends daily shipment cap, but future in doubt
A daily cap on shipments out of China’s leading coal port, Qinhuangdao (QHD), has been dropped.

Local authorities restricted QHD to 0.4 mt/d from mid-September as efforts to keep full year shipments to 180 mt intensified. The port has shipped around 150 mt in the year so far in 2018.

However, normal operations resumed on 21 September, after central government intervention.

The policy reversal is understood to have come from China’s powerful economic regulator, the National Development and Reform Commission (NDRC), which stepped in after the port requested its help.

QHD shipped 0.64 mt on Tuesday 24 September, compared with 0.30 mt a week earlier.

The restrictions led stockpiles at QHD to rise to a peak of 7.87 mt on 21 September from 6.42 mt a week and only gradually retreated after the reversal. Stock was at 7.09 mt on 25 September.

Stocks at the port are expected to reduce further in the next three weeks as the Daqin railway line, one of the major coal transportation lines in north China connecting Datong and Qinhuangdao, is scheduled for maintenance from 9 am to 12 pm daily from 29 September to 23 October.

This will result in a 15% loss in daily throughput capacity, according to sources.

Vessel congestion at the port grew during the restrictions, with wait times rising to 20 days for incoming vessels, and another three days for loading, according to various sources.

The policy also led to lengthening vessel queues in neighbouring ports, Caofeidian (CFD), Tangshan, Huanghua and Tianjin.

It is understood that Hebei’s provincial government and Qinhuangdao’s local government have a long-term plan to shift Qinhuangdao port away from coal and into tourism and container businesses.

This has been circulated among policy makers for a few months, sources said.
“Tourism has been an important revenue source for the city and the government has plans to leverage on its many resources,” a source said.

Qinhuangdao’s Beidaihe beach resort has been a summer vacation location for various top Chinese leaders, making it well known nationwide.

Government data show the city earned RMB23.2bn in tourism revenue in January-June 2018, while the total revenue for Qinhuangdao Port Corporation was RMB7.03bn in the whole of 2017, according to an annual report.

The plan appears to shift QHD’s coal business within Hebei province, to its southern neighbour, Caofeidian.

“It has to take at least three to five years for the move to complete,” a north China trader said.

“A lot of issues cannot be resolved immediately, like the employment of thousands of existing workers for QHD’s coal businesses and the transfer of land and facilities when the coal businesses vacate.”

Understandably, the port authorities and other coal businesses want to see QHD retained for coal, and they make take some inspiration from having successfully overturned the daily cap.

“However, we expect QHD’s coal business will be gradually shifted in the years to come,” a Chinese trader said. “It is unlikely to be drastic at this time, but the city’s transformation to focusing on tourism seems inevitable and CFD’s role in coal is very likely to grow more important.”

**Hunter Valley rail restart looms, as derailment repairs near completion**

Coal haulage along a suspended section of the Hunter Valley rail network is likely to recommence Saturday afternoon local time, with repairs nearing completion after a major derailment suspended railings on Wednesday.

It is understood repairs have been carried out concurrently with the investigation and a Saturday restart appears to be on the cards.

The derailment directly affected key mines Ulan, Boggabri, Werris Creek and Muswellbrook, but overall the derailment is said have had only a minor impact on queues and delays at the Port of Newcastle.

In Queensland, queues and wait times at the Dalrymple Bay Coal Terminal reduced this week, but remain elevated in the lead up to a heavy maintenance schedule in October and November.

**Australian vessel queues and delays**

<table>
<thead>
<tr>
<th>Port</th>
<th>Queue 21/9/18</th>
<th>Avg. delay 21/9/18</th>
<th>Queue 28/9/18</th>
<th>Avg. delay 28/9/18</th>
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<tbody>
<tr>
<td>Abbot Point</td>
<td>7</td>
<td>9</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Dalrymple Bay</td>
<td>35</td>
<td>17</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Hay Point</td>
<td>10</td>
<td>6</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Gladstone</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Wiggins Is</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Brisbane</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Port Kembla</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Newcastle PWCS</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>NCIG</td>
<td>4</td>
<td>9</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: IHS Markit vessel tracking software © 2018 IHS Markit

Berth 3 and 4 the terminal will close for maintenance over 8-14 October, and again over 5-30 November.

Meanwhile, Berth 2 at the neighboring Hay Point terminal will be closed for maintenance from 9 October to 12 December.

**Australian coal shipments rebound after rail maintenance closures**

Shipments from Australia’s east coast coal terminals rebounded 21% in the week ended 23 September.

Most terminals increased throughput volumes, with the exception of the Abbot Point Coal Terminal and NCIG at Newcastle.

Total shipments reached 7.82 mt in the latest week, up from 6.47 mt in the previous week, and above the long term weekly average of 7.41 mt.

At the Dalrymple Bay Coal Terminal, throughput was up 12% week on week to 1.31 mt from 1.17 mt as it recovered from a three-day maintenance closure of the Goonyella rail system in the previous week.

The number of vessels in its ship queue declined slightly to 36 vessels, down two vessels, but remained at an elevated level, while the average wait time remained flat at 18 days.

The ship queue is not expected to decline significantly in the short term with extended periods of berth and shiploader maintenance closures through to the end of November.

Hay Point Coal Terminal shipments rose by 41% week on week to 1.04 mt in the latest week, up from 0.74 mt.
Shipments at Gladstone’s RG Tanna terminal were up 31% week on week to 1.41 Mt from 1.08 Mt in the previous week with the terminal operating at close to 100% of its nominal throughput capacity.

In New South Wales, throughput at the Port Waratah Coal Services (PWCS) terminal at Newcastle increased 25% to a normal level of 2.11 Mt from 1.69 Mt in the previous week, while the throughput of the NCIG terminal was down 28% week on week to 0.61 Mt from 0.85 Mt, with two vessels in its ship queue.

Labour strike at Kalimantan’s Muara Pantai anchorage persists

Stevedoring labourers continued to demonstrate, impeding on loading activity out of Muara Pantai anchorage in East Kalimantan this week.

However, the strike, which has continued for almost two weeks, has mainly affected several geared vessels serviced by the local Tanjung Batu Stevedoring Cooperative (TKBM).

This is the second time this year they have protested on what they believe are unfair work practices and outstanding compensation from miners who do not utilise their services.

According to IHS Markit Maritime data, Muara Pantai shipments more than halved to 0.19 Mt on 24 September, down from 0.39 Mt on 17 September. The vessel queue there slipped to 11 on Monday, down from 12 last week.

Over at Muara Berau anchorage in Samarinda, the vessel queue leaped to 50 on 24 September, up from 40 on 17 September. The growth in vessels brought the average wait time to nine, up from seven days in the previous week. Loading volumes shrank to 0.91 Mt on 24 September, down from 1.37 Mt on 17 September.

In South Kalimantan’s Bunati anchorage, coal loadings eased to 0.45 Mt on 24 September, compared with 0.52 Mt on 17 September. The vessel queue eroded to 13 from 20 last week, while the average wait time grew to 11 from seven last week.
At the Taboneo anchorage, the loading volume was 1.16 mt on 24 September, down from 1.23 mt on 17 September. The vessel queue was up to 25 this week, compared with 23 last week, while the average wait time was stable at five days.

The combined total coal loadings from Samarinda, Taboneo, Tanjung Bara, Bunati, Muara Pantai, Adang Bay, Satui, Tanjung Pemancingan and Balikpapan was 5.01 mt as of 24 September, some 25% lower than 6.67 mt on 17 September.
Steel

Global steel output up nearly 3% on year in August

Strength in Chinese crude steel production continues to lead global output as the World Steel Association estimates world output at 151.7 mt in August, up 2.6% year on year.

China's production eclipsed 80.0 mt/month for the fourth consecutive month at 80.3 mt and the country produced more steel than the rest of the world combined for the fifth consecutive month.

Global pig iron production came in at 106.7 mt, the second highest total of the year behind only July's 107.5 mt. It was the sixth consecutive month pig iron output has exceeded 100 mt.

January-August global pig iron production is up 2.2% year on year at 825.6 mt from 807.5 mt in 2017.

As for steel, January-August production is 1.19 bnt, up 4.8% from the 1.14 bnt produced in the first eight months of 2017.

Most of that climb can again be traced to China which has seen its steel output increase 5.8% year on year to 617.4 mt in the first eight months, up from 583.6 mt in the comparable 2017 timeframe.

India has also seen its steel production climb 6.7% year on year to 71.1 mt, from 66.7 mt in 2017. At present, India's output is running at a faster pace than Japan's 70.2 mt, which was up 0.8% on the year.

Brazil August steel output drops 6%

Brazil produced 2.85 mt of crude steel in August, down 6% from 3.02 mt in July and down 4% from 2.96 mt in August 2017, according to Brazilian Steel Institute data.

The August 2018 drop reflects uncertainties in the Brazilian economy and regarding the upcoming presidential elections in October, industry sources said.

Despite the August drop, total steel production was up 3% in January-August 2018, to 23.06 mt, from 22.50 mt in January-August 2017.

January-August 2017 output was up 11% from 20.34 mt in the same period of 2016.

Brazil crude steel output during January-August 2018 annualises to 34.59 mt, a rise of 1% compared with 2017's total output of 34.35 mt.

Markets: Steam coal

South Korean tendering slows in late-September

Tendering activity in South Korea was relatively subdued in the latter half of September, with generators understood to be well stocked for the months ahead.
Independent power producer GS Donghae (GSDEP) bought Australian and Russian thermal coal through a two-part spot tender, which closed 13 September.

Tender SP07 was for three 58,000 t shipments of 5,100 kc NAR min material (spec A) and one 58,000 t shipment of Indonesian 4,700 kc NAR min material (spec B).

Korean trader GSGlobal is understood to be providing the first shipment of spec A coal, for delivery between October 11-25, from Glencore’s Rolleston mine in Australia at around $83.00/t FOB, basis 6,080 kc NAR.

Carbo One will supply the second and third shipments of spec A, for delivery in the second half of November and 6-20 December respectively, providing Russian material at around $106.50/t FOB, basis 6,080 kc NAR.

Indonesian coal was not acceptable for the spec A requirement, and the maximum award of Russian material was limited to two shipments in that part of the tender.

The generator cancelled the spec B requirement as the offers were above its price ceiling, it is understood.

GSDEP’s prior purchase via tender was at the start of last month when it bought Russian, Australian and Indonesian coal through a two-part tender.

Tender SP06 was for 0.24 mt of spec A and 60,000 t of spec B coal. The four shipments of spec A coal were for loading in mid-August to late-October, while the spec B cargo was for first half of October loading.

SUEK was awarded two of the spec A shipments and was to provide Russian 6,000 kc NAR min material at just under $112.00/t FOB, basis 6,080 kc NAR.

The other two shipments of spec A coal were to be 5,650 kc NAR min product from the Bengalla mine in Australia and were to be provided at below $80.00/t FOB, basis 6,080 kc NAR.

Samtan was awarded the 4,700 kc NAR shipment, at just under $70.00/t FOB, basis 6,080 kc NAR.

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**Korean tender results**

<table>
<thead>
<tr>
<th>Genco</th>
<th>Origin</th>
<th>Min c.v. NAR</th>
<th>Winners</th>
<th>Price (6,080kc NAR FOB)</th>
<th>Vessel</th>
<th>Volume (mt)</th>
<th>Loading Term</th>
<th>Moisture*</th>
<th>Ash*</th>
<th>Sulphur*</th>
<th>Tender #</th>
<th>Closing</th>
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</thead>
<tbody>
<tr>
<td>GS Donghae</td>
<td>Australia</td>
<td>5,100</td>
<td>GSGlobal</td>
<td>~83 1 shipment</td>
<td>0.174* Oct</td>
<td>Spot</td>
<td>25 17 a.d.</td>
<td>1</td>
<td>SP07 13-Sep</td>
<td>13-Sep</td>
<td></td>
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<td>GS Donghae</td>
<td>Russia</td>
<td>5,100</td>
<td>Carbo</td>
<td>~106 2 shipments</td>
<td>0.174* Nov-Dec</td>
<td>Spot</td>
<td>25 17 a.d.</td>
<td>1</td>
<td>SP07 13-Sep</td>
<td>13-Sep</td>
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<td>GS Donghae</td>
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<td>4,700</td>
<td>cancelled</td>
<td></td>
<td>0.058 Nov</td>
<td>Spot</td>
<td>30 10 a.d.</td>
<td>1</td>
<td>SP07 13-Sep</td>
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<td>Kowepo</td>
<td>Indonesia</td>
<td>4,600</td>
<td>SUEK</td>
<td>~65</td>
<td>0.076 Nov-Dec</td>
<td>Spot</td>
<td>28 17 a.d.</td>
<td>0.9</td>
<td>SP10 13-Sep</td>
<td>13-Sep</td>
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<td>Kowepo</td>
<td>Indonesia</td>
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<td>Baramulti</td>
<td></td>
<td>0.08 Nov</td>
<td>Spot</td>
<td>35 10 a.d.</td>
<td>0.3</td>
<td>SP11 13-Sep</td>
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<td>Kospo</td>
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<td>3,700</td>
<td>TBA</td>
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<td>0.48 Nov-18-Mar 19</td>
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<td>43 4.5 a.d.</td>
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<td>ETL05 14-Sep</td>
<td>28-Sep</td>
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<td>Kospo</td>
<td></td>
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<td></td>
<td>0.4 Nov</td>
<td>Spot</td>
<td>43 15 a.d.</td>
<td>0.8</td>
<td>EST-12 28-Sep</td>
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</tr>
<tr>
<td>GS Donghae</td>
<td></td>
<td>5,100</td>
<td></td>
<td>4 shipments</td>
<td>0.232 Nov-18-Jan 19</td>
<td>Spot</td>
<td>25 17 a.d.</td>
<td>1</td>
<td>SP08 5-Oct</td>
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<tr>
<td>GS Donghae</td>
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<td>4,700</td>
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<td>3 shipments</td>
<td>0.174 Nov-18-Jan 19</td>
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<td>30 17 a.d.</td>
<td>1</td>
<td>SP08 5-Oct</td>
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<tr>
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<td></td>
<td>5,100</td>
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<td>4 shipments</td>
<td>0.24 2019-2021</td>
<td>Term</td>
<td>25 17 a.d.</td>
<td>1 LT04</td>
<td></td>
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<td>25 10 a.d.</td>
<td>1 LT04</td>
<td></td>
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</table>

* a total of 0.174 is to be awarded for SP07 (Spec A)

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**GSDEP tenders again**

GSDEP returned to the market in late-September with a spot and a term tender.

Spot tender SP08 is for seven shipments (406,000 t in total) of sub-bituminous material for delivery in November 2018 to January 2019.

LT04 is a three year term tender for eight shipments (480,000 t) per year of sub-bituminous for delivery across 2019 to 2021.

In both tenders, the generator is seeking spec A and spec B coal.

Four shipments of spec A and three shipments of spec B are requested in the spot tender, while four shipments of each spec are sought in the term tender. Each shipment in the spot tender should be 58,000 t, and in the term tender it is 60,000 t. The deadline for both tenders is 5 October.

**Kowepo buys Indonesian sub-bit**

Korea Western Power (Kowepo) bought Indonesian sub-bituminous coal through a pair of spot tenders.

SUEK was understood to have won tender SP10 and will supply a 76,000 t shipment of 4,600 kc NAR min material for loading in late November to late December at around $65.00/t FOB Samarinda, basis 6,080 kc NAR.

Baramulti Group was said to have been awarded in SP11, and will provide an 80,000 t shipment of low sulphur single mine 4,700 kc NAR min coal for loading in November, at around $74.00/t FOB Tarakan.

The deadline for both tenders was 13 September. For reference, the IHS McCloskey Indonesian sub-bituminous coal marker was $53.39/t FOB, basis 4,700 kc NAR, in the week in which the tender closed, which equates to $69.07/t FOB, on a 6,080 kc NAR basis.

**Kospo calls for low-rank**

Korea Southern Power (Kospo) was in the market for a tender for single mine low-rank supplies for its Samcheok Green power plant.
The tender, EST-12, was for five November loading Panamaxes (0.4 mt) of 3,800 kc NAR min material.

Offers must be priced on a Free on Board Trimmed (FOBT) basis, and the deadline was 28 September.

Kospo’s prior known purchase of such material was in July, when it bought Indonesian single mine low-rank supplies for Samcheok Green from Korean trader Samsung C&T.

The coal awarded in that tender, EST09, was to be supplied from the Golden Energy and Resources (GEAR) Borneo Indobara (BIB) concession in South Kalimantan.

The price was around $49.75/t FOB, basis 3,800 kc NAR, for a September loading Panamax (80,000 t) of 3,800 kc NAR min material.

It is requesting four separate shipments of 60,000 t in the first and second half of the respective months for its 1.32 GW plant. The tender closes on 12 October.

Safi is looking for a 5,400 kc NAR min material, with 1.5% maximum sulphur.

The plant is owned by Safi Energy, which is a joint venture between Engie, Nareva Holding and Mitsui & Co.

Morocco’s ONE issues new thermal tender

Moroccan power producer Office National de l’Electricité (ONE) is in the market for 76,000 t of thermal coal for delivery in December and January into Casablanca port.

It is looking for two separate shipments of 38,000 t for delivery between 15-22 December and 1-8 January 2019 for its 300 MW Mohammedia plant.

ONE typically looks for a low-vol thermal coal, with 1.5% max sulphur and a minimum heat value of 5,600 kc NAR and a volatile matter range of 22-40%. The tender closes on 5 October.

IHS Markit reported on 18 September that ONE had issued another tender for a similar amount and delivery schedule for its 500 MW Jerada plant, which closes on 28 September.

FPG tenders for sub-bituminous for Philippines operations

Taiwan’s Formosa Plastics Group (FPG) has issued a tender for sub-bituminous coal for its operations in the Philippines.

The tender, COAL20180903, calls for 40,000 t of 5,000 kc GAR min material to be shipped in handy vessels between 25 December and 05 January. The discharging port will be Bataan Port (seafront) on the west coast of Luzon Island. The deadline for offers is 1 October.

It last tendered for 40,000 t of 5,200 kc GAR min material to the same site in early July, with the shipment required between 23 September–2 October. No award details have emerged as yet.

Brazil’s Eneva secures up to 2.2 mt of Colombian coal supply for 2019

Brazilian power producer Eneva has secured up to 2.2 mt of 5,700 kc NAR Colombian thermal coal supplies for next calendar year for use at its 360 MW Itaqui and 365 MW Pecem power plants, located in the north-east of the country.

The company imported 1.4 mt of thermal coal last year under a similar contract for 2.2 mt, a source close to the development said. The contract is of a ‘no take-no pay’ nature.

Colombian coal producer Drummond is understood to have secured the contract via German trader Uniper, which holds a 6% stake in the power producer. The pricing details of the contract are unavailable but it is understood that cargoes will be delivered on an API10 basis.

The coal will be shipped in Supramax vessels from Puerto Drummond in Colombia to the Pecem terminal in north Brazil. It takes around eight days for a loaded Supramax vessel at a speed of 12 knots to cover the distance, according to IHS ship tracking data.

Brazilian thermal coal demand is heavily dependent on hydropower production. Hydro reservoirs in the north of the
Bangladesh cancels 100,000 t imported thermal coal tender

State-run Bangladesh Power Development Board (BPDB) has cancelled its 100,000 t thermal coal import tender, according to government sources and tender participants.

"The tender was abandoned due to the high prices quoted by suppliers. The government is not ready to pay such high prices," a government source said. The tender closed on 31 August and thirteen suppliers were invited to participate.

Ofers on a CFR basis were understood to be around $180-200/t.

"The tender could be relaunched or the government could tender to import power from India," the source said.

The invitation-only tender was for 100,000 t of 6,200 kc GAR thermal coal for delivery over October and November to the 525 MW Barapukuria power station in the northern part of the country.

Adani, Vitol and Glencore are understood to have participated.

Barapukuria usually burns domestic coal secured from a mine located close to the plant, but production there has fallen by a third to around 0.8 mt in the year ended March 2018 from the previous financial year, according to data from state-run energy firm Petrobangla.

Indian oil refineries raise pet coke prices

Indian oil refineries have increased the basic price of petroleum coke for loadings effective from 17 September.

The new price is INR9,450/t ($131.46/t) free on rail or free on truck, basis 7,500 NAR, with 6.5% sulphur, up from INR9,200/t ($131.00/t) on 25 August, which was an 8% reduction from July.

The cost of imported cargoes from the United States Gulf have remained stable at $120-121/t CIF east coast India, basis 7,500 kc NAR.

Markets: Metallurgical coal

Nippon Steel settles Q3 semi-soft, PCI prices

Japan’s largest steel maker Nippon Steel & Sumitomo Metal Corporation (NSSMC) has settled its calendar third quarter (July-September) pricing for semi-soft and PCI contract volumes.

Semi-soft for the quarter was settled at $129/t FOB with a major Hunter Valley producer, while PCI was set at $137/t FOB with a Queensland producer.

The semi-soft settlement is around $3/t lower than the second quarter settlement of $132/t and represents a relativity of around 69% to the hard coking coal average index settlement of around $187.74/t followed by Nippon for Q3. Meanwhile, PCI prices offer a 73% relativity to hard coking coal, and were $5/t lower than the Q2 price of $142/t.

Market sources said while within the normal range of relativity to the HCC prices, the latest semi-soft settlement was on the lower side, especially given the sustained strength in thermal prices.

"If you look at thermal adjusted prices at the start of the quarter when thermal was $120/t and adjust for energy and throw in the semi-soft spice on it, the price would be in low $140s," said one producer.

Another producer noted even at current thermal price of $115/t, semi-soft can be used to blend into a SCoTA spec and offered as thermal coal, especially given the steep discounts for Australian high ash 5,500 kc NAR thermal coal.

However, some in the market say correlating semi-soft prices to thermal prices is fraught as that would disregard the link to hard coking coal prices.

"I think there’s a trap in that, if a producer wants to link to the thermal price then you have to do it forever.

"If you take a short-term view, $129 is not a good number, but if you are on the other side and look at hard coking coal numbers, then it’s an OK outcome," said the first producer source.

One producer source said whilst the $129/t was a “settleable” number, it wouldn’t have been one that he would have taken a lead to settle. That said, most producers are expected to follow the reference price for semi-soft.

Meanwhile, Nippon’s PCI settlement has also flowed through with other producers accepting $137/t. Market sources said this was despite belief that the settled prices are not reflective of the market, given a Q3 relativity was understood to have been agreed to during negotiations for Q2.

Negotiations to set PCI prices for the fourth quarter have begun in earnest between Australian producers and Japanese steel makers, but sources say talks could be protracted with expectations at least $10 apart.

Market sources say negotiations for setting benchmark prices for PCI and semi-soft coals have become particularly problematic ever since Nippon move to index pricing for hard coking coal early last year, with talks largely protracted over disagreements on relativity.

Also, as far as semi-soft is concerned, there are few shippers willing and able to take lead and indeed the onus of settling the benchmark prices...
and as such talks have been fractious and lacking transparency.
Sources point out that given Glencore has been settling six-month contracts with Nippon over the last year, the pool of semi-soft producers with have enough tonnage to support and settle a reference price is smaller.
Equally, Nippon’s lagged reference pricing system, two months into the quarter, has producers vexed. The approach makes it difficult to shift placement of spot tonnes responsively. In fact, some say the supply-demand fundamentals of semi-soft and PCI have been removed from the negotiations.
“It’s a flawed system, how do you negotiate price on what’s already been placed,” said another producer.
The upshot of all this appears to be producers willing to place only contracted term tonnes, leading Nippon to opt for more “creative blends.”

Brazil’s Usiminas to import more met coke
Brazilian steelmaker Usiminas’ annual imported metallurgical (met) coke demand is expected to rise to 0.25-0.30 mt in 2019 from 0.10 mt in 2018, according to local sources.
The reason for the projected increase is a rise in steel output at Usiminas’ Ipatinga steel mill to 4.0 mt/y in 2019 from 3.0-3.2 mt/y currently.
Ipatinga’s coke producing capacity is not enough to supply the increased demand.
Ipatinga is located in Vale do Aço, Minas Gerais state.
Meantime, Usiminas’ Cubatao steelworks in Sao Paulo state, with annual capacity of 4.5 mt, has been idled since 2015 with no plans for reopening.
Close to 80% of Usiminas’ production is destined for the domestic market. Brazil’s economy is expected to grow from 1.0% in 2017 to 2.3% in 2018 and between 2.0 and 2.5% in 2019, according to sources.
Usiminas is formally known as Usinas Siderurgicas de Minas Gerais.

Trade

China’s thermal coal imports continue to rise in August
China’s thermal coal imports rose 23% on the year in August, to 21.00 mt from 17.05 mt, and were up 3% on the month from 20.44 mt in July, the latest official customs data show.
The tonnage classified by customs as “steam coal and other” was up 22% on the year to 12.08 mt from 9.88 mt, and rose 7% on the month from 11.31 mt in July.
Within that category, the amount of coal classified as “bituminous” was 8.92 mt, up 13% from 7.91 mt in July.
Lignite imports were up 24% on the year to 8.92 mt, from 7.17 mt, but fell 2% on the month from 9.13 mt in July.
The August thermal coal total includes 3.16 mt of coal identified as “other”, compared with 3.40 mt in July.
The month on month decline can be attributed to the lack of import quotas in some southern provinces last month, along with long vessel queues at various ports, and the weakness of the Chinese currency.
China also imported 7.00 mt of coking coal, 6% down on the month from 7.44 mt, but up 24% on the year from 5.62 mt.

Total thermal coal imports in January-August stood at 154.03 mt, up 28% on the year from 120.63 mt.
China’s customs authority has not provided a breakdown of origins of supply since April, which it attributes to a “technical issue”.

South Korean thermal coal imports show mixed movements in August
South Korea’s major thermal coal suppliers – Indonesia and Australia – increased their volumes into the country on the month in August.

However, both these export nations still lag last year’s levels into South Korea, as Russia and South Africa push for market share.
Total thermal coal imports into South Korea in the month were 10.34 mt, up 15% from 8.98 mt in July, though just short of the 10.40 mt in August 2017.
Tonnage from all major supply origins increased on the month, but largely trailed last August.

Indonesian remained the top supplier, providing 3.33 mt in the month, up 10% from 3.02 mt in July, but 11% shy of 3.73 mt last August.
Volumes from Australia reached a year high of 3.15 mt, rising 24% from 2.54 mt in July, but again this was below the August 2017 level, of 3.32 mt.
Russian tonnage climbed to 2.21 mt in August, up 29% from

South Korea’s thermal coal imports

Source: IHS Markit © 2018 IHS Markit
1.71 mt in July, and 12% above 1.97 mt in August 2017.

South Africa provided 0.58 mt in August, an 87% rise from 0.31 mt in July, and also edging above the 0.49 mt of the August prior.

Tonnage out of Canada accounted for 0.60 mt, dropping from 0.87 mt in July, but up on 0.40 mt last August.

South Korea’s thermal coal imports in January-August were almost flat on the year, at 72.88 mt, compared with 72.52 mt in the same period prior.

However, the country’s two main suppliers have both seen reductions in tonnage into the country.

Indonesia supplied 24.63 mt in January-August, down 6% from 26.33 mt in the same months of 2017.

Volumes from Australia were 18.42 mt, falling 11% from 20.77 mt, with the high Newcastle price and the upcoming sulphur cap among the elements which will have played a part in this decline.

In comparison, Russian rose 11% to 13.04 mt in January-August, from 11.78 mt, while South African was up 24% to 6.20 mt from 4.97 mt.

South Korea’s coking coal imports were down on the month, at 1.85 mt, from 2.10 mt in July, but up on the year from 1.73 mt. This brought its total coking coal imports in January-August to 16.46 mt, near flat to 16.19 mt in the same months of 2017.

The full Korean customs data can be accessed here.

**South Korean thermal imports, market share by origin, Jan-Aug 2018**

1.29% Australia

57% Colombia

6% Indonesia

18% Russia

5% South Africa

21% Other

**South Korean thermal imports, market share by origin, Jan-Aug 2017**

29% Australia

36% Colombia

4% Indonesia

8% Russia

3% South Africa

32% Other

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**Colombia’s August thermal coal exports hit 15-month high**

Colombia’s thermal coal exports reached 7.66 mt in August, the highest level in the past 15 months, just topped by the 7.67 mt exported in May 2017, according to data from IHS Markit.

Shipments in August were 33% higher than 5.78 mt exported in July and were up 3% from 7.44 mt in August 2017. Exports by each of the three largest shippers in Colombia in August were up compared with July.

Cerrejón was the largest shipper in August with 3.07 mt, compared with 2.02 mt in July, when the shipper carried out planned maintenance on its rail line for a week.

Drummond, with 2.75 mt in August, was the second largest shipper, up from 2.41 mt in July and Glencore was the third, with 1.32 mt in August, compared with 0.75 mt in July.

The balance was filled by Murray Energy’s CNR and by smaller shippers with combined tonnages of 0.51 mt in August, compared with 0.59 mt in July.

Despite the good performance in August, total thermal coal exports in January-August fell 4% year on year to 54.70 mt in 2018 from 57.25 mt in 2017.

Shipments to Asia during the period rose 20% to 4.97 mt in 2018, from 4.15 mt in 2017, while exports to Europe were down 9% year on year, at 29.77 mt in 2018, compared with 32.68 mt in 2017.

Meanwhile, exports to the Americas during the same eight-month period were 19.96 mt, down 2% from 20.42 mt in 2017.

Turkey, with 12.2 mt, was the largest destination of Colombian exports during the eight-months, followed by Chile with 5.2 mt, Netherlands with 4.4 mt, Brazil and Mexico each with 3.8 mt and by South Korea with 3.3 mt.

Export tonnages in January-August from each of the three largest shippers fell year on year.

Glencore has taken the largest hit, with 18.23 mt shipped in 2018, down 21% from 22.39 mt last year, followed by Cerrejón with 20.73 mt this year, down 4% from 21.52 mt last year and by Drummond, down 2% year on year to 21.95 mt in 2018, from 22.39 mt last year.

Shipments from Murray Energy’s CNR were up 27% on the year in January-August to 2.39 mt from 1.88 mt, while volumes from smaller shippers rose 41% in 2018 to 1.41 mt, from 1.00 mt last year.

Colombian thermal coal exports in January-August annualise to 82.05 mt, almost flat on 83.17 mt shipped during the whole of 2017.
Moroccan July thermal coal imports flat on year

Morocco’s thermal coal imports were broadly flat in July at 0.76 mt, from 0.77 mt in the same month last year, however were up 16% compared with June’s 0.66 mt.

Russia was the largest supplier in July with 0.47 mt, although volumes fell 9% year on year from 0.52 mt. Volumes were up 11% from 0.43 mt in June.

The United States (US) supplied 0.29 mt of thermal coal in July, up 15% year on year from 0.25 mt, and 25% higher month on month from 0.23 mt in June.

In the first seven months of the year, the US surpassed Russian tonnages, providing 2.37 mt, almost double the 1.20 mt landed in the same period a year ago. Russian arrivals in January-July were 2.07 mt, 3% down from 2.14 mt in the same period last year.

There were no arrivals from South Africa for a fifth month running. Arrivals in January and February totalled 0.26 mt. Last year from January through July, South African volumes were 0.57 mt.

Ukraine’s power industry boosts thermal imports by 70%

Ukraine's thermal coal imports for power generation rose 70% in the first eight months of the year to 3.74 mt, from 2.20 mt in the same period a year earlier, according to a filing from the country’s energy and coal ministry.

The bulk of the tonnes came from Russia at 2.90 mt, while the United States supplied 0.70 mt and South Africa 0.14 mt. The ministry did not provide any comparable figures for 2017.

The ministry said the increase in imports was due to DTEK losing control of its south eastern Sveredlovantrazit, Rovenkiantrazit and Komsoomolets Donbasa coal mines to pro-Russian separatists in March 2017.

Ukraine imported 14.20 mt of all types of coal in the first eight months of the year, up 26% from the same period in 2017.

On top of the problems around sourcing coal, Ukraine’s power sector is expected to face uncertainty around how it prices its power under new energy market regulations which come into effect in July 2019.

Energy regulator NEURC said it will abandon the “Rotterdam+” formula, which based power prices on the API2 thermal coal index plus a freight component.

It is not known at this stage what the alternative pricing formula will be.

People

Norway’s Statkraft to grow presence in coal swaps trading in London

Norwegian power generator, Statkraft, is beefing up its financial fuel and commodity trading capabilities in London, including in coal and dry bulk markets.

In addition to Miguel Abreu, formerly of Citadel LLC, who is joining Statkraft in November as head of dry bulk, the company is looking for two more people to join him.

Statkraft's generating business is focused on Norwegian renewable energy, but it has been trading power since the liberalisation of markets in the late 1990s and early 2000s.

It has also had a presence in financial coal markets, in particular options, according to one broker, but the expansion of the team could see greater focus on swaps.

“We need to understand the development of power prices; fuel prices are some of the main factors affecting power prices globally and in the markets where we have investments,” said Charbel Abi Daher, Head of Trading at Statkraft.

Statkraft will not participate in physical coal and freight trading, with its physical exposure limited to power and gas.

In terms of which paper markets the team will focus on, Abi Daher said “API2 was on the agenda. At the top of the list”.

The return of Abreu to the coal swaps market has sparked hopes that volumes would increase. His time at Citadel coincided with a spike in activity, which tailed off after the hedge fund scaled back its dry bulk desk in late 2016.

Abi Daher was cagey about the size of the wallet available for coal trading activities, however he said it would be commensurate with Statkraft’s risk appetite.

“We have good risk appetite to grow our (primary) market; we need to make sure areas that support renewables have the same.”

Statkraft has stakes 353 generating units with capacity of around 19.0 GW. Hydro accounts for 15.7 GW, with the rest from gas and other renewables.
### Physical prices

#### IHS Coking coal marker prices ($/t)

<table>
<thead>
<tr>
<th>Monthly</th>
<th>Incoterm</th>
<th>Ash</th>
<th>Sep-16</th>
<th>Sep-17</th>
<th>Mar-18</th>
<th>Aug-18</th>
<th>Sep-18</th>
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<tbody>
<tr>
<td>Australian prime hard *</td>
<td>FOB</td>
<td>10.5% max</td>
<td>181.87</td>
<td>203.46</td>
<td>219.35</td>
<td>181.44</td>
<td>199.13</td>
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<td>N. China prime hard *</td>
<td>CFR</td>
<td>10.5% max</td>
<td>175.47</td>
<td>208.13</td>
<td>226.28</td>
<td>186.34</td>
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<td>US low-vol **</td>
<td>FOB</td>
<td>9% max</td>
<td>149.33</td>
<td>179.70</td>
<td>198.55</td>
<td>173.95</td>
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<td>US high ash, high-vol **</td>
<td>FOB</td>
<td>9% max</td>
<td>147.04</td>
<td>134.00</td>
<td>139.25</td>
<td>152.20</td>
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<td>ULV PCI **</td>
<td>FOB</td>
<td>10% max</td>
<td>121.52</td>
<td>124.70</td>
<td>150.54</td>
<td>123.70</td>
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<td>Coke Rizhao **</td>
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<td>12% max</td>
<td>193.90</td>
<td>331.40</td>
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<td>316.00</td>
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<td>ARA Coke **</td>
<td>CIF</td>
<td>12.5% max</td>
<td>216.80</td>
<td>261.00</td>
<td>344.70</td>
<td>286.00</td>
<td>326.25</td>
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* Monthly Australian and North China coking coal prices are averages of dailies. Daily prices are available to subscribers of the metallurgical coal package.

** All other monthly coking coal prices are averages of weekly. Weekly prices are available to subscribers of the metallurgical coal package.

Source: IHS Markit

#### IHS Steam coal marker prices ($/t)

<table>
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<tr>
<th>Daily</th>
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<th>Basis CV</th>
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<th>Sep-17</th>
<th>Mar-18</th>
<th>Aug-18</th>
<th>Sep-18</th>
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<tr>
<td>Northwest Europe</td>
<td>CIF</td>
<td>6,000 kc NAR</td>
<td>100.94</td>
<td>101.00</td>
<td>102.04</td>
<td>101.26</td>
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<td></td>
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<td>21 Sep</td>
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<tr>
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** Japanese Fiscal Year contract price (1 April - 31 March) settled annually

** Monthly Australian and North China coking coal prices are averages of dailies. Daily prices are available to subscribers of the metallurgical coal package.

* China CFR prices are exclusive of Chinese taxes

> Japanese reference price

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Asian Panamax, Supramax rates increase on the week

Asian Panamax and Supramax rates have remained supported this week.

Climbing fuel costs, coupled with demand from the Atlantic, were mentioned by shipping sources as drivers for the rise in Panamax voyage chartering rates for major coal trading routes in Asia.

However, market participants also noted that some shipping operators are willing to work with the Panamax and Supramax rates, but the pick-up in coal shipments demand from Indonesia was mild.

The Panamax voyage chartering rate for the Newcastle to South China route is currently around $14.50/t, up from $14.30/t last week.

Capesize vessel freight rates for the same route were assessed at $11.00/t, flat on the week.

Panamax rates for the South Kalimantan-South China route were assessed at $8.10/t, slightly up from $8.00/t last week.

Spot Supramax voyage charter rates on the South Kalimantan-South China route increased slightly on the week to $9.50/t from $9.40/t last week.

Rates on the South Kalimantan-Yangtze River port route were up on the week at $12.10/t from $11.80/t on 19 September.

Singapore-based shipping sources assessed the Panamax voyage chartering rates at $10.80/t for the Indonesia-West India route, up from $10.70/t last week.

The Supramax voyage chartering rate for the same route also increased to $12.80/t from $12.50/t last week.

The Baltic Exchange (BE) average time chartering rate for Capes on transpacific round voyage, route C10_14 was $14,564/d yesterday, down from $15,671/d on 19 September.

The BE Panamax average time chartering rate for South China-Indonesia round voyage, PS, increased to $13,331/d, significantly up from $11,963/d two weeks ago.

The BE average time charter rate for South China, via Indonesia, to East Coast India, S8_S8, was $12,743/d, up from $12,019/d two weeks ago.

The time chartering rate for South China to Indonesia and back to South China, S10_S8, increased to $12,094/d from $11,181/d two weeks ago.

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<th>Route</th>
<th>Tonnage</th>
<th>52 weeks ago</th>
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Source:Clarksons*, SSY*, IHS Markit, Xinhua Infolink © 2018 IHS Markit
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Source: SSY © 2018 IHS Markit
Electricity power generation

Gas prices up, coal ahead in the merit order in UK and Germany

Coal power was ahead of gas in the merit order in the United Kingdom for the first time since March, when “the Beast from the East” brought freezing temperatures across the country.

The UK’s clean-dark spread averaged plus £4.06/MWh in the latest week, from £2.03/MWh in the week to 14 September.

UK coal-fired electricity generation comprised 11% of the nation’s generation mix in the past week, but was still behind gas at 32%, despite a fall in the clean-spark spread by 5% to £2.74/MWh from £2.90/MWh over the past fortnight.

Power prices rose 2% to an average of £69.79/MWh, from £68.24/MWh two weeks ago. At the same time, gas prices rose by 4% over the same period to 76.86 pence/therm (ppt), compared with 74.18 ppt in the week to 14 September. European coal prices were little changed in the latest two weeks.

UK carbon emission costs were down 2% at an average of EUR41.35/MWh in the week ended 28 September from EUR41.97/MWh two weeks ago.

In Germany, which saw a rise in renewable energy, power prices dropped 20% in the week ending 28 September to EUR47.81/MWh from EUR59.52/MWh two weeks ago, reaching their lowest on 24 September at EUR34.76/MWh.

According to German research organisation Fraunhofer, weekly wind electricity generation jumped to 2.69 TWh in the week to 23 September from 1.11 TWh two weeks earlier.

The clean-dark spread remained ahead in the county’s merit order. However, it slid significantly into negative territory and averaged minus EUR6.50/MWh from plus EUR4.49/MWh two weeks ago.

German gas prices increased 2% over the past fortnight to EUR28.80/MWh from EUR28.12/MWh. The clean-spark spread averaged minus EUR18.64/MWh versus minus EUR5.74/MWh two weeks earlier. European Union carbon offset costs eased 3% to EUR21.15/MWh in the latest week from EUR21.70/MWh in the week ended 14 September.

Weekly average Sparks & Darks

<table>
<thead>
<tr>
<th></th>
<th>14 Sep</th>
<th>21 Sep</th>
<th>28 Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United Kingdom £/MWh</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>68.24</td>
<td>64.81</td>
<td>69.79</td>
</tr>
<tr>
<td>Gas PPT</td>
<td>74.18</td>
<td>71.98</td>
<td>76.86</td>
</tr>
<tr>
<td>Dirty-Spark</td>
<td>16.74</td>
<td>14.85</td>
<td>16.43</td>
</tr>
<tr>
<td>Dirty-Dark</td>
<td>37.48</td>
<td>34.60</td>
<td>39.11</td>
</tr>
<tr>
<td>Differential</td>
<td>-20.74</td>
<td>-19.76</td>
<td>-22.68</td>
</tr>
<tr>
<td>Clean-Spark</td>
<td>2.90</td>
<td>1.27</td>
<td>2.74</td>
</tr>
<tr>
<td>Clean-Dark</td>
<td>2.03</td>
<td>-0.13</td>
<td>4.06</td>
</tr>
<tr>
<td>Differential</td>
<td>0.86</td>
<td>1.41</td>
<td>-1.32</td>
</tr>
<tr>
<td><strong>Germany €/MWh</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>59.52</td>
<td>53.35</td>
<td>47.81</td>
</tr>
<tr>
<td>Gas €/MWh</td>
<td>28.12</td>
<td>27.57</td>
<td>28.80</td>
</tr>
<tr>
<td>Dirty-Spark</td>
<td>2.28</td>
<td>-2.77</td>
<td>-10.82</td>
</tr>
<tr>
<td>Dirty-Dark</td>
<td>25.03</td>
<td>19.37</td>
<td>13.52</td>
</tr>
<tr>
<td>Differential</td>
<td>-22.75</td>
<td>-22.14</td>
<td>-24.34</td>
</tr>
<tr>
<td>Clean-Spark</td>
<td>-5.74</td>
<td>-10.51</td>
<td>-18.64</td>
</tr>
<tr>
<td>Clean-Dark</td>
<td>4.49</td>
<td>-0.44</td>
<td>-6.50</td>
</tr>
<tr>
<td>Differential</td>
<td>-10.23</td>
<td>-10.07</td>
<td>-12.14</td>
</tr>
<tr>
<td><strong>Carbon</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUA €/t</td>
<td>21.70</td>
<td>20.92</td>
<td>21.15</td>
</tr>
<tr>
<td>UK Carbon €/t</td>
<td>41.97</td>
<td>41.25</td>
<td>41.35</td>
</tr>
</tbody>
</table>

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 © 2018 IHS Markit

German clean spark and dark spread

UK clean spark and dark spread

Source: IHS Markit © 2018 IHS Markit

Source: Marex Spectron © 2018 IHS Markit
**Global Coal News & Analysis**

**McCloskey Coal Report:** Comprehensive news and analysis of the global coal markets covering coal prices, seaborne trade and discussing supply and demand issues with immediate and longer term implications.

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**Newswire:** Real-time breaking coal market news and pricing wherever you are, delivered 24 hours a day.

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The service, which comprises analytical reports and daily intelligence updates, brings together IHS’ tradition of excellence in covering seaborne markets with Xinhua Infolink’s knowledge and insight of the Chinese market. Recent coverage has been at the heart of the policy, regulation, implementation and effect of China’s goal of reducing domestic production capacity. This intelligence is augmented with data sets of key indicators.

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**APAC and African Coal Market News & Analysis**

**Australian Coal Report**

In-depth weekly coverage of Australian coal markets focusing on market moving events. Infrastructure is a key focus and includes port performance, vessel queues and freight. Australian coal statistics and published monthly in Excel covering exports and other data.

**Indian Coal Report**

Monthly update on developments in the Indian coal, power and steel markets, including coal production and prices. Key shipping routes to India (Cape, Mini Cape, Supermax) are assessed and priced. Data includes monthly coal imports.

**Coalfax**

Weekly summary of events impacting international coal markets focusing on Australia and wider Asia. Includes prices, tenders, stocks, shipping and the NEX Index, a key indicator of the spot price of thermal coal ex-Newcastle.

**South African Coal Report**

The interplay between domestic power demand and exports is a focus. Covers corporate news and wider African coal markets and includes an infrastructure focus on Richards Bay coal terminal, loading rates, rail, capacity, vessel queues, and freight.

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