Host data: U.S. exports 7.54 million tonnes in August

By Bob Hodge, bob.hodge@ihsmarkit.com

Exporters are going to keep exporting.

According to data from T. Parker Host, the U.S. exported more than 7.54 million metric tonnes of coal in August from terminals in Baltimore, Hampton Roads, Mobile, New Orleans and Houston.

Metallurgical coal – more on that below – bested thermal coal shipments 3.95 million tonnes to 3.58 million tonnes during the month.

Through the first eight months of ’18, thermal coal exports have totaled just over 27.38 million tonnes, up a whopping 64% from the 15.91 million tonnes shipped in the first eight months of 2017.

A source said the groundwork for the big 2018 numbers was being laid a year ago last August when overseas buyers were not only interested in buying U.S. thermal coal, they were interested in locking up terms of a year or more.

“As the fall (of 2017) went on, you got a feel for what the landscape was going to be (in 2018),” he said. “But I still think the bullishness of the market was a bit surprising.”

The 3.58 million tonnes of thermal coal exported in August was the fourth-highest monthly total of 2018 and reversed a three-month trend of (slightly) shrinking amounts of thermal coal going overseas. August’s thermal exports were 11% higher than the 3.23 million tons exported in July.

In August of 2017, just over 2.44 million tons of thermal coal was exported.

The source, who’s been heavily involved in the export market, expects to see similar numbers for September through December, adding “I think almost all of this year’s export business has been put to bed.”

The fall of 2017 saw a surge in thermal exports that
Host data: U.S. exports 7.54 million tonnes in August

India was the No. 1 destination for export thermal coal in August just as it has been all year with 944,057 tonnes shipped there during the month. That was a 32% increase over July’s 713,422 tonnes but down 18% from June’s 1.16 million tonnes.

Also during August, 713,712 tonnes was shipped to the Netherlands, 137,752 tonnes to Germany and 222,510 tonnes to the UK.

Baltimore was the shipping point for the lion’s share of thermal coal moving to India in August, with XCoal shipping 290,592 tonnes and Javelin 247,246 tonnes.

A Central Appalachian source said it was last fall when he began to feel CAPP coal was going to play a bigger role in the thermal export market than most anyone realized. While there are some Northern Appalachian and Illinois Basin coal moves through Hampton Roads, by far the biggest percentage comes from CAPP.

In August, Hampton Roads moved just over 1.22 million tonnes of thermal coal compared to 477,676 tonnes in August 2017.

“I think whatever the numbers end up being at the end of the year, they could have been higher,” the source said. “Transportation has been an issue and supplies have been an issue.”

Met keeps moving

The U.S. shipped 3.96 million tonnes of coking coal off the East Coast and out of the Gulf in August, up slightly from the 3.93 million tonnes shipped in July and up nearly 9% from the 3.66 million tonnes moved in August 2017.

Through the first eight months of this year, Host data shows 31.12 million tonnes of U.S. coking coal shipments, up more than 12% from the comparable timeframe of 2017.

That’s a monthly average of 3.89 million tonnes and puts the U.S. on pace to ship 46.68 million tonnes of coking coal from the East Coast and the Gulf this year, up from 40.77 million tonnes moved in 2017.

“That durability doesn’t come as much of a shock,” a trader source said. “Supply is tight and demand remains strong. It’s a nice recipe for anyone wanting to move U.S. metallurgical coal.”
It’s still not clear whether the September numbers will keep pace after the Hampton Roads terminals were shut down for about five days in advance of Hurricane Florence, but most of the East Coast terminals and shipping lanes avoided the worst of the storm as it passed south of Baltimore and Hampton Roads.

From a bottom-line perspective, there’s not much in the way of fundamentals or current market dynamics to suggest any significant slowdown in U.S. met shipments through at least Q1 2019.

“Sentiment remains high among U.S. exporters that shipments will continue to have legs through the balance of 2018 and into 1H 2019,” Doyle Trading Consultants said in a Wednesday note. “August saw a series of issues related to transportation and port logistics. Rail service to Lamberts Point was still constrained with shippers experiencing longer than expected wait times, aggravated by a belt tear for shiploader No. 2 that kept it down for nearly a week. Gulf movements were impacted mid-month by maintenance outages on the upper Ohio River.

“Despite this, optimism remains amongst producers that they can take advantage of opportunities in Europe and Asia to secure longer term business, possibly shifting the U.S. away from the moniker of ‘swing supplier’ to the seaborne market.”

Brazil, as usual and as expected, continues to be the single largest customer of U.S. coking coal, taking 616,780 tonnes in August and 5.22 million tonnes January-August.

The Netherlands and the ARA terminals in Northwest Europe took in 482,921 tonnes of U.S. coking coal in August, its highest one-month total seen so far in 2018.

Japan took in 326,253 tonnes, Croatia 245,295 tonnes, Turkey 232,790 tonnes, China 218,457 tonnes, Ukraine 218,609 tonnes and India 214,310 tonnes.

India, despite seeing its second-lowest monthly total of U.S. coking coal imports of 2018, remains a huge story for U.S. exporters. The U.S. has shipped 3.29 million tonnes of coking coal to India so far this year, up nearly 80% from the 1.83 million tonnes moved January-August of 2017.

Counting thermal coal exports, U.S. August shipments from the East Coast and Gulf were 7.54 million tonnes, up from 7.17 million tonnes in July and up from 6.11 million tonnes in August 2017.

“Total exports were above the 12-month average by 473,771 tonnes,” T. Parker Host’s analytical summary said. “Met coal exports increased by 275,546 tonnes and thermal exports increased by 189,159 tonnes in comparison to the 12-month average.

“In August, Northern Europe received the largest shares of exports from Baltimore, Hampton Roads, Mobile and New Orleans at 2,528,929 tonnes. The Far East received the second largest share of exports at 2,056,145 tonnes and the Mediterranean received the third largest share of exports at 1,737,934 tonnes.”

(Mark Burgess contributed to this report.)

NCC to advise DOE on new markets for coal

By Steve Hooks, steve.hooks@ihsmarkit.com

With the domestic market for U.S. steam coal possibly shrinking to 400 million tons annually by 2030, Fred Palmer says, it is urgent to find alternative uses for coal in manufacturing.

The urgency “is very real and the need is very real,” he said, pointing to what seems to be almost weekly announcements about coal-fired power plants slated for retirement.

Palmer, senior fellow for energy and climate at the Heartland Institute, former senior vice president of government relations at Peabody Energy and National Coal Council member, chairing the New Markets For Coal Subcommittee, contends that an NCC white paper-in-progress on the new markets will advise the Department of Energy on an out-of-the-box framework for boosting U.S. coal for a variety of purposes.

DOE has asked the NCC as a federal advisory committee to the Secretary of Energy to complete the white paper, and it should be ready by March, Palmer said. Meanwhile, NCC is completing two white papers for the Energy Secretary for end-of-October delivery, on ports and preserving the existing coal fleet.

“We were thrilled that DOE wanted to have the (new markets) white paper done, which is something we’d been working on for over a year,” he said.

The “new markets” that Palmer describes are somewhat esoteric-sounding – carbon fiber for manufacturing and “non-thermal plasma, which is basically electricity” – but there are also long-standing technologies that are in commercial use elsewhere in the world, such as China. These manufacturing processes include coal into chemicals, methanol,
fertilizer and transportation fuels.

As for China’s uses for coal beyond the power plant or coking oven, Palmer said: “They make coal to liquids ... coal to methanol, coal to urea ... there are tens of millions if not hundreds of millions of tons a year” being used for various products.

New technologies are available for liquefaction, he said. The most promising technologies right now are pyrolysis (essentially baking the coal) and hydrogenation.

“China, Korea and Japan are already pursuing conversion of coal to synthetic oil, transportation fuels, hydrogen and industrial chemicals,” according to an NCC summary. “They are doing so at scale using hundreds of millions of tons of coal per year. In the U.S., efforts are also under way to convert coal into advanced materials, such as carbon fibers, that can be used in aerospace, infrastructure, automotive and energy applications.”

“It is profitable right now for some of the more promising technologies ... and it should be a national priority for diesel, jet fuel, gasoline,” Palmer said. “The market supports it, but the government needs to support it ... The (domestic steam) coal market is shrinking as we talk with no real change in sight.”

One member of the NCC involved in the white paper is Ramaco Carbon, which along with the National Energy Technology Laboratory announced in June research efforts for new products from coal. The collaboration involves developing innovative projects that use coal to manufacture high-value products.

The Ramaco-NETL “cooperative research and development agreement”, or CRADA, will allow lab researchers access to coal-based manufacturing and 3D-printing facilities being developed by Ramaco Carbon near Sheridan, Wyo., NETL said.

Once construction is completed, Ramaco Carbon will operate the world’s only fully integrated carbon resource-based research, development and production facility.

**Overall U.S. production down, Pittsburgh seam up**

*By Mark Burgess, mark.burgess@ihsmarkit.com*

The fact that overall U.S. coal production in 2018 is running 2.3% behind 2017 – despite booming exports and strong seaborne fundamentals – should tell you something about the domestic market.

It should also tell you a little something about ongoing capital constraints in the aftermath of the 2015-2016 downturn and some surprisingly positive producer discipline.

What it doesn’t tell you, at least on the surface, is of the Pittsburgh seam coals’ ability to buck the national trend, as explained by Dr. James Stevenson, IHS Markit Senior Director of Global Coal.

It’s a trend that has been on the analytical radar as long as export prices have remained firm and interest in Pittsburgh seam coal has grown, especially from Indian and European buyers.

“Eleven large underground mines owned by four different companies are operating in the Pittsburgh seam,” Stevenson said in a recent note. “Production of coal from the group of mines started the decade at 78 million tons, peaked at 92 million tons in 2014, and has stabilized at 82 million tons today. This steady output is in stark contrast to huge reductions in coal production elsewhere in the United States.”

Northern Appalachian producers, unlike some others in the U.S., have been able to take advantage of dynamics and market scenarios to boost output.

Still, it’s not all sunshine and roses in NAPP as we look towards 2030 and beyond.

“Cost-cutting measures at Pittsburgh seam mines since 2013 have pushed up average productivity by 30%, keeping this coal competitive in the market,” Stevenson said. “More than two-thirds of the coal produced from these mines is sold to power plants in PJM, where overall demand is in decline as a result of the retirement of 23 GW of coal-fired capacity since 2011, with more plant closings already announced. As a result, one or two of the Pittsburgh seam mines may close in the next decade.”

The ominous outlook on the domestic front makes it even more important for Pittsburgh seam miners to find their niche in the export market.

“Coal-fired power plants in PJM require natural gas prices to average at least $3.20/MMBtu to be dispatched and run on a regular basis,” Stevenson said. “IHS Markit is projecting gas prices will be below that level into the next decade, suggesting that coal’s challenges in PJM will continue.

“A doubling in exports of Pittsburgh seam coal to Europe and Asia has helped make up for falling domestic demand. However, additional export growth will be a challenge, owing to fluctuating global demand and constraints on shipping capacity through terminals in Baltimore, Maryland.”
It’s obviously one of those good news/bad news scenarios.
At present, as of the Energy Information Administration’s latest production data released Thursday, Pennsylvania coal production is running 3.5% behind the pace set in 2017 – 34.7 million tons this year compared with 35.9 million tons in the same timeframe last year.
Overall U.S. output in the latest EIA weekly estimate was 14.9 million tons, up 2.8% week on week and 6.6% higher than the 14.0 million tons produced in the comparable week of 2017.
Weekly east of the Mississippi River coal production totaled 5.9 million tons. West of the Mississippi River coal production totaled 9.1 million tons for the week.
U.S. year-to-date coal production totaled 550.7 million tons, 2.3% lower than the comparable year-to-date coal production in 2017 of 563.8 million tons.

CAPP takes a big jump
The switch has been flipped on Central Appalachian coal prices and yesterday’s – or was it the day before? – speculation of where they may land seems like old news.
CAPP railed coal took a big step forward on Thursday, moving up $1.75/ton to end the day at $75.50/ton for prompt month delivery. More surprising, price-moribund CAPP barge coal, which had spent weeks stuck on $60/ton, ended its slumber phase and jumped $4 on Wednesday to go to $64/ton and added another buck on Thursday to move to $65/ton.
And even with that, a CAPP source had some words of advice for buyers looking for prompt coal – “good luck” when it comes to putting together shipments.
“I think you’ll see how much coal is available by where prices go next,” he said. The question has been: Would CAPP hit $80/ton before the end of the year? Now, is $80 even the ceiling anymore?”
“If coal is available, it will go past $80” was what the source sees coming.
But the downside of the movements could be that CAPP exports could slow – if there are new deals being done – as $75.50 makes even blended shipments a bit rich.
Thursday, the API 2 finished down $0.79/metric tonne to $101.25/tonne.
Another CAPP source said the over-the-counter prices for the prompt quarter pose an “obvious dilemma” for exporters.

“If those values are used with rail freight and terminal charges on the USEC ports, coal would deliver into ARA at $110.00/mt so exporters must be able blend in lower-quality, cheaper coals in blends in order to meet the API 2 values.”

Peabody’s Shoal Creek acquisition stirs market chatter
By Mark Burgess, mark.burgess@ihsmarkit.com
Peabody Energy’s $400 million purchase of Drummond’s Shoal Creek coking coal mine in Alabama continues to create a buzz among U.S. market participants.
Take number one from several sources is the deal is yet another indicator of a growing confidence in longer term strength for metallurgical coal pricing.
The market has been humming for most of 2018 offering U.S. coking coal producers ample opportunity in the seaborne market.
Peabody obviously thinks that’s going to continue.
“The Shoal Creek acquisition provides highly-coveted exposure to the US met export market, an attractive opportunity at recent prices,” Doyle Trading Consultants said. “In addition, they gain access to serving robust Asian steel demand in the short term which is also expected to stick around in the mid and long-term timeframes.”
In its press release on the purchase, Peabody listed a bevy of synergies that made the deal attractive in the first place.
“Shoal Creek represents the next phase of Peabody’s initiative to upgrade its metallurgical coal platform,” the company said. “The mine adds approximately 2 million tons per year of high quality hard coking coal sales that are expected to expand Peabody’s met coal volumes and margins, with costs comparable to Peabody’s average met coal range.
“The acquisition will further enhance Peabody’s exposure to highly attractive, growing seaborne demand centers.
It also comes at a time when U.S. high-vol ‘A’ is in extremely tight supply and highly sought after by traditional U.S. customers in Europe, Brazil and beyond.
Still, there were some question marks.
At the top of that list is why didn’t Peabody also reel in Drummond’s Colombian thermal coal assets as part of the deal.
“I would have thought that would make sense,” a trader source said. “Japan’s Itochu owns 20% of those Colombian operations, so they’re going to have to be on board with anything that happens there.”

That’s not to say a Peabody purchase of Drummond’s Colombian assets couldn’t still happen, but you would think it would all be tied together in one nice package.

“I was also a little surprised about the Shoal Creek purchase from the standpoint that when Peabody exited the U.S. 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 (United Mine Workers of America),” the trader source said. “Now they’ve jumped back in to that world with the Shoal Creek mine being union.”

Peabody said in its release the deal is expected to close prior to the end of 2018 and is subject to regulatory approvals “including negotiation by Drummond of a collective bargaining agreement with the union-represented workforce.”

Shoal Creek currently employs a workforce of approximately 400 running a longwall operation with access to 17 million tons of reserves.

“The deal is a mixed bag from our perspective,” Seaport Global analyst Mark Levin said in a note. “On the positive side, we think the near- to intermediate-term outlook for the U.S. high-vol ‘A’ met market is very strong, and Shoal Creek is one of the few remaining assets with scale available to buy. “On the negative side, the mine, in its present state, has a +/-8-year reserve life, which means Peabody could have to spend significant capital down the road to keep it going.”

**Signal Peak has quick move**

**By Steve Hooks, steve.hooks@ihsmarkit.com**

Signal Peak Energy has made quick work of a longwall move at its bituminous mine in Montana, accomplishing the task in a record 20 days, a company executive said. Signal Peak started mining the new panel on Sept. 7.

The mine’s 2018 production depends on rail performance, the executive said, noting that “we can’t sell it if the railroad doesn’t move it.” However, a production target is 7.5 million-8 million tons, with more than 97% of that volume going to Pacific Rim export customers, including Japan, South Korea and Chile.

If Signal Peak does reach that upper production number by year’s end, that would be a 35.6% increase over the 2017 production figure of 5.9 million tons, according to Mine Safety and Health Administration data.

The mine in Musselshell County, Mont., is also known as Bull Mountains Mine No. 1 or, simply, Bull Mountain. MSHA data shows that the mine produced 3.9 million tons in the first two quarters of 2018, which, when annualized to 7.8 million tons, shows that the operation is on track to reach the high projection.

Signal Peak Energy is a subsidiary of Global Mining Group LLC, which is owned by Global Mining Holding Company LLC. The company’s sales arm is Global Coal Sales Group LLC, a subsidiary of Global Mining Holding.

“Global Coal Sales has long-term, guaranteed terminal capacity at Westshore Terminals Limited,” according to the company’s website. “As Canada’s No. 1 coal export facility, Westshore handles in excess of 33 million tonnes of coal annually making it the busiest single coal export terminal in all of North America.”

Global also has a long-term rail transportation contract on BNSF Railway from the Signal Peak mine to Westshore Terminals.

“Under the rail agreement with BNSF, Global Coal Sales moves coal from the Signal Peak Mine across a 36-mile rail line, owned by Global Rail Group, LLC, its affiliate,” according to the company. “This tail spur interconnects with the BNSF main line in Broadview, Montana. From there the coal is transported approximately 1,300 miles on a single line haul west to Westshore Terminal.”

Global Coal Sales also has established rail capacity to move Signal Peak coal eastward to terminals in Superior, Wisc., and Chicago, with access to the Great Lakes and St. Lawrence Seaway. Signal Peak coal can also be railed south to the Gulf for export to Europe.

However, the executive pointed out that the current economics aren’t right to export coal to Europe either through the St. Lawrence or the Gulf. The Montana coal was exported to Europe last in 2014-2015, when the API 2 hit $120/metric tonne.

The Signal Peak coal was loaded onto laker vessels at Superior, transported through the Great Lakes and offloaded from the lakers to bigger ships in the St. Lawrence seaway for ultimate transport to Europe, he said.
### OTC Traded coal

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*OTC prices

Source: IHS Markit © 2018 IHS Markit
Some buyers betting on solid API 2 prices in 2019

By Bob Hodge, bob.hodge@ihsmarkit.com

“It's the ropes and the reins and the joy and the pain and they call the thing rodeo.”

Garth Brooks

Most of the times you go to the rodeo to watch bulls and bucking broncs launch cowboys into the air. At the 97th Annual Coal Rodeo last week in West Virginia the only thing launched was a lot of coal talk ... and Seaport Global’s Mark Levin was one of the talkers.

But some bulls were on hand.

With over 100 coal and railroad types attending at the Greenbrier Resort, Levin not only did some talking, he was also doing some listening and came away with “numerous nuggets” about some key industry issues.

Among the nuggets was the prospect that sales on the API 2 curve might be moving away from the historical 30-day delivery window to longer term type of market that will allow for bigger volumes to sold.

The current calendar year 2019 strip for the API 2 is $98/metric tonne, but some buyers, apparently, are willing to pay a bit more. Why go above and beyond that price when sitting and waiting for the current prompt prices to slip would appear to be the play?

“The short answer is there must be enough buyers out there who don’t think the API2 price rise is as temporary as many market pundits believe,” Levin wrote in his “Top Five Takeaways” from the Coal Rodeo.

While API 2 prices have been in flux, at no point have they moved too far from the five-year highs hit this year. Levin says there are several factors keeping the number up including strong Asian demand, high natural gas prices in Europe and water levels on the Rhine River (more about that later).

There’s also may be some geo politics at play, with European countries “trying to source more Btus from countries not named Russia.”

All of that is good for the U.S. and the willingness of buyers to pay above and beyond what the forward curve says makes it even better.

“This increased ability to hedge meaningful forward volume augurs well for companies like CONSOL, which exports ~30% of its volume and still had some 2019 tons to put to bed at the end of Q2,” Levin wrote. “Locking in prices around these levels equates to net-backs well above $50 (short ton) in NAPP.”

Levin believes that’s not just good news for U.S. coal producers, but for CSX, Norfolk Southern and Canadian National railroads as well.

Closer to home, Levin said the scuttlebutt is utility coal buyers who have been making a living on short-term contracts may be looking to lock up coal for longer periods.

In recent years a 2-year term has been about the best a producer could expect, but Levin writes “we are hearing that some change to this behavior may be afoot.”

He said utilities looking for NAPP coal are running headlong into the healthy export market and some production issues that taken tons out of the market for varying periods of time. But supply concerns aren’t just an issue for NAPP buyers.

“To the extent utilities are more concerned about supply availability than they were only several months ago, it most likely has to do with the persistent strength in the API2 price that is leading to very strong exports,” he writes.

“It may also reflect robust pricing for cross-over met coals, which is taking potential supply away from the utility market. One other factor: US coal production is down ~3% YTD on a YoY basis. As one might expect, there has been very little investment in US steam coal assets for many years.”

Industrial markets stabilizing?

While the industrial coal sector has been shrinking at a fairly steady rate for the past 10 years, there are some signs that the numbers are going to stay steady at least into the early 2020s.

For the record, staying steady doesn’t mean some tons won’t be lost here and there, but the wholesale losses that have seen industrial coal consumption fall from 54.3 million tons in 2008 to 33.6 million tons last year may have had the brakes tapped a bit.
The economic recovery is going to help, but more important may be that the wholesale move away from coal to natural gas by industrial power producers has slowed. That could turn around if all the planned pipeline expansions become a reality, but for now, industrial coal users that have the option between coal and gas are giving coal more time to keep burning.

“The big move away from coal started in about 2011 but has slowed down in the past two or three years,” a source said. “We lost some pretty big customers in that time frame, but for now economics are keeping coal in the game.”

Through the first six months of 2018, the Energy Information Administration pegs industrial coal consumption at just over 16.2 million tons, about 300,000 tons behind the first six months of 2017 and 1.3 million tons behind the first six months of 2016. The source said he can point to coal-to-gas switching at some of the agribusinesses in the Midwest for the losses between ’16 and ’17 and expects this year to end very close to last year’s 33.6 million tons.

“There have been some delivery issues that may or may not be worked out before the end of the year and that could be the difference,” the source said. “Deliveries have been running behind all year and if we get much winter weather in November and December, that will push the numbers down a bit.”

Some industrial coal customers have pushed up their orders for the first half of next year just a bit, with most of the extra tons going into the cement and chemical industries. The source said that’s a direct reflection of an improving economy.

“We’re also seeing some improvement in paper products, but not to the extent of what we are seeing in chemicals and cement.”

The source believes that 2019 could see industrial coal demand and sales make an upward move for the first time since 2012’s numbers came in higher than 2011’s.

“I think you could push up close to 35 million if the economy stays strong … especially if we have a strong construction industry,” he said. “I think you’re definitely going to be in the 33 (million-ton) to 34 (million-ton) range.”

**Logistics not just a U.S. issue**

There’s always a bit of finger pointing when it comes to shipping coal along the U.S. supply chain, but it’s not like this is the only place with the occasional snafu.

The U.S. has been sending a lot of coal to Europe this year and as of late last week Europe was trying to find a place to put some of that coal. There could be a bit of a ripple effect coming back toward the U.S., but one trader said “I don’t see this as much of a problem for us unless it’s a long-term issue.”

“Unloading for dry bulk has been delayed for some,” a shipping source said. “With long-term low water levels and stockpiles already high, the handling of vessels at the ports in the Netherlands has been greatly affected starting this week. This could last a couple of weeks due to the lack of storage capacity.”

Late last week thermal coal stocks at EMO were 3.5 million metric tonnes, a record for September and up from 3.3 million tonnes at the start of the week.

The stockpile situation has also been impacted by increasing amounts of coal stored at the terminal that have varying specs. Each type of coal requires its own stockpile and leads to less overall capacity at the terminal.

“If there are more grades, it reduces the efficiency of the capacity,” a logistics official said, explaining that 50,000 tonnes in a single stockpile requires less space than five stockpiles of 10,000 tonnes.

The ship in question was loaded in the Gulf, leading market sources to speculate it was likely Illinois Basin coal … that led to more speculation that ILB stocks in Europe are running high.

**Watch on the Rhine**

According to sources at the terminal, low water levels on the Rhine River have been restricting the amount of coal the terminal can load onto barges.

“The water levels on the Rhine are still affecting us. They are still very low,” the terminal source said. Water levels on the Rhine are expected to stay low into October and may not be back to normal levels until November.

That said, barge loadouts have increased, with barges now loading at up to 40% of their capacity, up from as little as 25% when water levels were at their...
lowest at the height of summer. Coal buyers had hoped to use more rail capacity to transfer coal, but the additional trains have not been able to keep up with demand.

EMO has two loading stations dedicated for rail, but railcar capacity at the terminal is limited. Late last month German railway operator Deutsche Bahn said it would run over 80 additional trains to carry coal between Netherlands and Germany.

Rhine water levels are not expected to recover significantly in the next month and may take until November to return to healthy levels.
**The markets**

**NAPP Rail coal makes 88-cent gain**

Northern Appalachian rail coal for delivery in November, December and January hit a new high this week, jumping $0.88/ton to $56.21/ton as marked by IHS Markit.

NAPP rail coal, with specs of 12,900 Btu/lb. (12,500 Btu min.) and 4.0 lbs. SO2/MMBtu, has moved up $1.33/ton in the past two weeks on continued supply tightness, strong interest overseas and increased domestic demand in the fourth quarter.

Sources said that they would not be surprised to see the price move past the $58/ton mark by mid-October.

Illinois rail and barge coals for delivery during the same three-month period also gained ground, moving up $0.58/ton and a more meager $0.08/ton respectively. ILB rail coal jumped over the $44/ton mark to close at $44.06/ton and ILB barge coal continued its push past $45/ton to move up to $45.55/ton.

Specs for both ILB coals are 11,500 Btu (11,200 Btu min.), 3.0% SO2 and 0.35% chlorine.

The only coal to lose ground during the week was NAPP barge-delivered coal – specs are 12,500 Btu/lb. (12,200 Btu min.) and 6.0 lbs. SO2/MMBtu – which slipped $0.29/ton to $46.25.

**Big Sandy barge loadings stalled by rain**

Not again!

The Big Sandy River can’t seem to catch a break. Record September rainfall has pretty much precluded barge loadings for this week, according to a source active on the river.

“The river’s going up … a couple of the docks can load and a couple can’t,” he said Wednesday. “It’s probably rained three to four inches since Sunday and every coal pile’s been saturated, so it kills quality … it’s pretty much a lost week on the Big Sandy.”

That was somewhat the situation just a few weeks ago, in mid-September, when for at least the third time this year, high waters disrupted coal barge traffic on the Ohio River system. The Big Sandy crested about Sept. 15 after heavy rains, shutting down dock service for much of that week.

The Big Sandy’s loading docks – “the handful of docks that are left” – load some coal bound for export markets, but mostly for domestic customers.

“It only pushes (deliveries) back a week; it’s just timing the shipments,” the source said. “It’s a pain in the (posterior) for any industrials and utilities that are tight on coal … I guess we’ll get the wettest September in history.”

So far, no such problems were reported further up the Ohio River, but a source along the western Kentucky/southwestern Indiana stretch of the river said: “I am pretty sure this will head down the Ohio, eventually. That will potentially create further delays on the reopening of the Newburgh lock. That’s no good for anyone, including the Corps.”

**Lakeland to consider 1- to 3-year coal offers**

The City of Lakeland, Fla., on behalf of its municipal utility, Lakeland Electric, will have an RFP out for long-term coal supplies on Monday, Oct. 1, taking offers through Monday, Oct. 15.

The offers are to be structured in three tiers.

For “Bid (A)” Lakeland will consider proposals on a one- or two-year contract for low-sulfur blending coal:

* Up to 150,000 tons for delivery in calendar year 2019 by rail;
* Waterborne coal, such as Colombian coal, with quoted prices based upon two shiploads being purchased or about 70,000 tons for delivery in May-September 2019.

Lakeland will consider coals to be “low sulfur” if the sulfur percentage by weight is from 0% to 1.90%. Low-sulfur offers should be for coal with a heat content of not less than 10,800 Btu/lb.

For “Bid (B)” Lakeland will consider proposals for a one- to two-year contract for base coal of up to 100,000 tons for calendar year 2019, with a sulfur range of 2.0-3.0%.

For “Bid C” Lakeland will consider proposals on a one- to three-year contract for base coal of up to 350,000 tons for delivery in calendar years 2020-2023, with a sulfur range of 2.0-3.0%.

Coal is to be quoted on a fixed-price basis or variable pricing. The city also requests the bidder provide details for any variable pricing offers and tonnage option flexibility.

Also, there are options for extending the contract...
beyond a year that “will be considered if favorable terms are given for coal pricing adjusting using a floor/ceiling.”

All coal proposals should include recent sample coal analyses to document the coal(s) being offered, for full proximate analysis, ultimate analysis, Hardgrove grindability index, size analysis, mineral analysis, trace elements, fusion temperature of ash analysis and free swelling index.

Proposals must be submitted by U.S. Mail or overnight delivery. Proposals cannot be accepted by email.

For further information, please contact Fuels Manager Tory Bombard at 863-834-6207.

Prices moving up … at least ‘til 2019 gets here

With Friday the last business day of the third quarter, fourth-quarter prices are still creeping up and prices into the first half of next year are showing some surprising resiliency.

While sources are a bit split on where prices are going to be in Q1, when Q4 begins on Monday, the forward curve is going to be in contango for at least three more months before slipping a bit. Coal is hard to find, but as a source in Central Appalachia said late last week, “companies that have said they were 100% sold out in June seem to still be coming up with coal.”

The over-the-counter price for CAPP CSX-type coal jumped again on Thursday, hitting the $75.50 mark for prompt-month delivery. Barged coal also moved up during the week to $65/ton.

It’s the same story in Northern Appalachia and the Illinois Basin, where tight supplies and “all sold out” signs haven’t stopped some new deals from being done.

The coal they’re coming up with isn’t cheap and it’s going to be less cheap as the fourth quarter rolls on if you’re looking for deliveries before New Year’s. How less cheap is it going to get? A quick run around the four coals currently being priced weekly finds (See latest NAPP and ILB assessments at the top of the “Markets” section in this issue):

Northern Appalachian railed coal: NAPP sources believe the price for the higher-Btu coals will hit $60/ton before year’s end. A NAPP source recently said the current IHS price “is about $2” too low and what he’s seeing has them pushing up closer to the $57.75 range.

“If the coal goes into the export market, you’ll see $60, maybe even a bit better” he said. “I think domestic sales will come in a bit under that in Q4 and then drop into the lower $50s in Q1.”

Northern Appalachian barge coal: $50/ton is within the realm of possibility. While there was a consensus about NAPP rail coal getting to $60 – OK, more or less a consensus – NAPP barge coal doesn’t get the same kind of enthusiasm. One source believes $47/ton in the barge is the high point and the current marked price is a bit high. Another source believes $49 to $50/ton will happen.

Illinois Basin railed coal: It’s likely to top out at $45 before slipping back somewhat in Q1. One source said that through some transportation machinations, ILB rail coal is becoming ILB barge coal because the tons are needed in the export market.

“Supplies are tight everywhere, but I don’t think you can overstate how tight there are in Southern Illinois right now,” a source said. “Utilities all want their coal and there’s a lot on the books for (Q4) exports. It will be interesting to see if everybody gets their coal.”

Illinois Basin barge coal: According to the same source in the ILB, the only thing holding it back from hitting $50 before the end of the year is the aforementioned tight supplies. Prices are likely to go up through the end of the year, but the lack of availability will put a ceiling on the increases.

“If there was another million tons available, I think it could be sold out in the next three months,” he said. “But there’s not a million tons available.”

Coal supplies on a shoestring rest of the year

There’s a bit of stress running through the coal production side of the Illinois Basin, but it’s a good kind of stress compared to the past five years.

While coal producers have pushed a lot of coal into the export market – no news there – low stockpiles have some utilities asking for deliveries to be pushed up to make sure they hit winter with the stocks they want. It’s the antithesis of the past few years when utilities would call and ask for scheduled shipments to be pushed back.

“We’ve had several calls asking for coal to be delivered ahead of schedule … we would have begged
for that just a couple of years ago,” a source in the ILB said. “We’ve got the coal. The question is, do we have the transportation.”

One of the stress points with utilities looking for some extra coal early is mines that were literally buried under their own coal a couple of years ago have few tons stockpiled at the mines. It’s “the better of two problems you could have,” the source said, looking back to 2016 or so.

The source said that, for the most part, the balancing act has worked out to this point. He said there have been glitches in rail transportation but added “things are running smoother now than in any point during the year.” And, like most on the production side, he’s hoping to see cold temperatures rolling in on schedule; but some really nasty weather could be a real nasty monkey wrench thrown into transportation.

“In some of the regions where we’re shipping coal, it’s still summer if you look at the temperatures,” he said. “I think you could see some really big drawdowns (in utility stockpiles) that you normally don’t see this time of year.”

The story is much the same in Central Appalachia, where a coal seller said customers “are taking all the coal they can get” but added the transportation issues as you go further east get more acute.

He gave the railroads credit for getting back, more or less, on schedule for shipments that have been scheduled, but said that it’s hard to get trains in a timely fashion in most instances.

“Heavily and wait ... there’s not a lot of line-jumping,” he said.

He believes that CAPP supplies are going to be enough to get through the end of the year, but said scenarios where companies are too short to make deliveries is a slight possibility.

“In the current market, I think it’s safe to say some coal has been oversold,” he said. “but I also think that customers are going to get almost everything they need.

“That’s not to say they will get all the coal they want. Some stockpiles may go into winter a bit short.”

**Storage injections seen rising**

Cooler weather should raise natural gas storage injections during the last week of September and into October, according to IHS Markit’s latest US Natural Gas Weekly Storage Briefing, “but these stronger builds will not be sufficient to prevent a start-of-winter inventory deficit.”

Meanwhile, October 2018 through February 2019 Henry Hub natgas contracts have seen higher pricing this week, all above $3/MMBtu and with the January contract the high point of the bunch at $3.20/MMBtu as of Tuesday afternoon. That changed by midday Friday, with prices for November through February dropping 3 to 5 cents and the October contract rolling off the page as prompt month.

“As of the latest EIA Weekly Natural Gas Storage Report, US lower-48 inventories were 2,722 Bcf (for the week ending 14 September)—586 Bcf below the five-year average,” Associate Director Callie Kolbe wrote in the weekly briefing. “Strong power sector gas demand this summer, driven by coal plant retirements, hot weather since May, and sub-$3.00/MMBtu Henry Hub prices, has restrained injections and kept the inventory deficit to the five-year average nearly unchanged for the past six weeks (moving in a range of 586–596 Bcf since 10 August).

“We expect power sector gas demand to remain strong in the current EIA report week (which covers 14 September through 20 September), supported additionally by recent nuclear outages,” Kolbe wrote. “However, with natural gas production continuing to grow, new pipeline capacity coming online, and cooler weather through the fall reducing power sector loads, injections should stay above the five-year average for the remaining six weeks of the refill season, bringing the end-October inventory to approximately 3.4 Tcf.”

Here are some highlights of the IHS North American Natural Gas Short-Term Outlook:

• Appalachian demand will average 9.2 Bcf/d in October-November as heating loads reappear.
• Appalachian inventory deficit to the five-year average should disappear by the end of October.
• Appalachian regional pipeline exports should remain well below capacity.
• Northeast October-November demand should be flat year over year.
Contura, Alpha amend merger, restate agreement

Contura Energy along with ANR, Inc. and Alpha Natural Resources announced this morning that the companies have entered into an amended and restated merger agreement, providing an increase in merger consideration to Alpha stockholders and the payment of a special dividend by Alpha.

The transaction, the amended terms of which have been unanimously approved by the boards of directors of all parties, is expected to close in the fourth quarter of 2018, subject to Alpha stockholder approval and the satisfaction of other customary conditions.

Under the terms of the amended agreement, Alpha stockholders will receive 0.4417 Contura common shares for each ANR, Inc. Class C-1 share and each share of common stock of Alpha Natural Resources Holdings, Inc. they own, representing about 48.5% ownership in the merged entity. Prior to the closing of the transaction, Alpha stockholders will also receive a special cash dividend in an amount equal to $2.725 for each Class C-1 share and each share of common stock of Alpha Natural Resources Holdings, Inc. they own.

Stockholders of Alpha, who collectively hold about 38% of the shares of common stock of Alpha Natural Resources Holdings, Inc. and about 35% of the shares of ANR, Inc. Class C-1 common stock – the “Alpha Stockholders” – have entered into voting and support agreements, pursuant to which such stockholders have agreed to vote their shares in favor of the transaction, subject to the terms and conditions of the voting and support agreements.

Contura is being advised by Ducera Partners LLC, Davis Polk & Wardwell LLP, and Jefferies LLC. Alpha is being advised by Moelis & Company LLC and Katten Muchin Rosenman LLP. The Alpha Stockholders are being advised by Proskauer Rose LLP.

Midwest

Dr. Stevenson’s production outlook

Dr. James Stevenson, IHS Markit Senior Director of Global Coal, has the benefit of being a day ahead of everybody in North America now that he has settled into new digs in Melbourne, Victoria, Australia. He is now gathering and perusing data for the forthcoming, latest monthly US Steam Coal Market Update, and in true day-ahead fashion, offers these nuggets:

“NAPP production keeps on staying strong,” the good doctor says. “Based on our expectations of lower demand in 2019 (retirements, low gas prices, etc.), we have NAPP moving down from about 9.5 million tons per month to about 8.8 million tons per month. But to date, there’s absolutely no reflection in production numbers of lower demand expectations. It has to come, but curious when we’ll start seeing it.”

He offered these insights into monthly data still being analyzed:

• For Hampton Roads exports, “after averaging about 3.4 million tons for most of this year, it looks like September will come in around 2.7 million tons, which I’m assuming is the impact of Hurricane Florence.”

• Coal exports out of New Orleans “were strong, meaning that all in all September looks pretty much like August did.

• “2017 was the first year with an increase in coke plant coal demand since demand started falling off the long term stable level in 2014. Q1 this year was a bit of dip though.

• “Most production (is looking to be) off in September ... CAPP down makes sense, and NAPP down is more a reflection (probably) of a strong August. PRB usually falls post winter. But lower ILB is interesting, maybe.” However, he said there are “only a few weeks of data in that estimate,” so take that into account.

Western

Time could be running out for Navajo Station

Word that Middle River Power wasn’t going to move forward with plants to buy the Navajo Generating Station in Arizona has put plans to keep the West’s largest coal-fired plant online through 2040 in jeopardy.

If a buyer for the plant is not found it could close as soon as next year, leading Peabody Energy, the
plant’s coal supplier to call on multiple stakeholder groups and, particularly, the U.S. government “to take all necessary steps to ensure ongoing operation of the Navajo Generating Station and Kayenta Mine beyond 2019.”

“The future of NGS and Kayenta remains at risk, despite the generating station running at high levels, a consistent call by tribes to preserve 850 needed jobs, third-party reports that validate the plant’s competitiveness, and a U.S. government with a significant ownership in the plant and a duty to provide power and protect the tribes,” said Peabody President – Americas Kemal Williamson.

“We urge the U.S. government to help lead efforts to ensure ongoing operation of the plant and mine for the benefit of the tribes and the people of Arizona. Peabody and others continue to aggressively work toward that goal.”

Peabody noted that the passage of time narrows the path toward ongoing operations.

“For over a year now, an unprecedented group of stakeholders including the Navajo Nation, Hopi Tribe, union members, state and federal government officials, regulators, business groups and others have come together to keep the Navajo Generating Station and Kayenta Mine open beyond 2019.”

Peabody pointed out that during that same time, the power plant has run at high capacity utilization levels, “demonstrating the importance of the plant in supplying reliable, low-cost baseload power.

“With the current reluctant lead owner and operator of the plant threatening closure of the plant by the end of 2019, though, the urgency to advance viable alternatives continues to grow,” Peabody said.

“The federal government owns 24 percent of the plant and oversees the group charged with reliability of water in Arizona.”

Utilities

Another Texas coal plant on chopping block

The 700-megawatt Oklaunion coal-fired plant near Vernon, Texas, has been slated to close between April and October of 2020, according to reports.

A spokesman for American Electric Power was quoted by the Houston Chronicle as saying the plant was not cost-competitive in the Electric Reliability Council of Texas power market. AEP spokesman Greg Blair told the newspaper that it was the plant’s owners that voted in favor of the shutdown.

“The owners voted to close the plant between April and October of 2020. There’s a lot more approvals that need to be gotten before that happens, but really the plant was no longer competitive in the ERCOT market,” he said.

AEP and its subsidiaries own a 70% stake in the plant, with the City of Brownsville and Oklahoma Municipal Power Authority owning 18% and 12%, respectively.

If Oklaunion is closed, it would mean five coal-fired plants in Texas have already gone offline or will in the near future. When Luminant closed three plants earlier this year, it also cited low power prices as the reason. San Antonio will also close a city-owned utility by the end of the year in lieu of spending money on new equipment to meet stricter environmental standards.

TVA wins appeal on Gallatin

The Tennessee Valley Authority may not be digging up the coal ash at its Gallatin plant after all.

The 6th U.S. Circuit Court of Appeals said that leakage from the coal ash storage sites at the plant did present some environmental issues, but voted 2-1 to overturn a lower court ruling because the Clean Water Act was not the “proper legal tool of correction” to address the problems.

The ruling sets aside a 2017 decision by a federal district judge. If the appeals court had ruled against TVA, there’s a possibility the utility would have been faced with digging up and moving an estimated 14 million cubic yards of coal ash.

Regulators in Tennessee still have a lawsuit pending about issues with coal ash storage at Gallatin.

Transportation

Hampton Roads mostly back to normal

Loading and dumping are back to normal, for the most part, at the Hampton Roads coal export terminals two weeks after an incoming Hurricane Florence forced suspension of rail unloadings and boat loadings for several days.
Even before the hurricane – which generally veered to the south of Hampton Roads, hitting the Carolinas the hardest – there were lingering issues with railcars being available to take Central Appalachian 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.

While loading and dumping are back to normal at 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. No real backlog from the storm.”

Preliminary IHS Markit data indicate that Hampton Roads coal exports have averaged about 3.4 million tons for most of 2018, but September exports could tally about 2.7 million tons due to the hurricane’s impact.

August exports from the three Hampton Roads coal terminals were 2.8 million tons, almost flat versus July.

For January-August, Hampton Roads exports totaled 22.2 million tons, up 53.5% from 14.4 million tons in the first eight months of 2016.

The terminals have moved nearly 1 million tons/month more coal to export than they did in the comparable 2016 period, and comparisons are likely to be similar through November, at least. The export surge took off in December 2016.

**Weekly coal traffic up 4.1%: AAR**

After a long stretch of down weeks, weekly coal carloads have snapped out of the doldrums to total 87,890, up 3,490 or 4.1%, for the week ended Sept. 22, according to Association of American Railroads data.

For the 38 weeks of 2018, coal carloads totaled 3,195,457, averaging 84,901 per week and down 1% from the comparable period of 2017, according to the AAR.

The question is whether the increase in coal carloads during Week 38 was comprised of make-up deliveries delayed due to rail lines shutting in the coastal Carolinas due to Hurricane Florence and the subsequent flooding. If the pace continues, it could indicate railed coal traffic is moving more fluidly. That jibes with reports from coalfield sources that eastern U.S. rail service has improved since the first half of the year.

CSX Week 38 carloads rose 7.5% to 15,720 from 14,630 in the year-ago week. Third quarter-to-date carloads are up 5.7% at 198,739 from 187,998 QTD 2017. Year-to-date carloads are up 4.3% at 600,573 from 575,747 YTD 2017.

Norfolk Southern Week 38 carloads dropped 1,385, or 7.1%, to 18,061 from 19,446 in the year-ago week. QTD carloads dropped 7,792, or 3.4%, to 220,083 from 227,875 QTD 2017. YTD carloads dropped 11,904, or 1.7%, to 710,242 from 722,146 YTD 2017.

BNSF Railway Week 38 carloads rose 0.1% to 39,594 from 39,573 in the comparable 2017 week. QTD carloads are down 5.1% to 457,661 from 482,137 QTD 2017. YTD carloads are down 2.8% to 1,363,913 from 1,403,122 YTD 2017.

Union Pacific Week 38 carloads rose 11% to 22,444 from 20,225 in 2017. QTD carloads are down 4% to 280,485 from 293,024 QTD 2017. YTD carloads are down 6% to 805,064 from 856,492 YTD 2017.

**Washington terminal fight goes national**

A fight over a coal terminal on the West Coast is getting support from a bunch of states on the East Coast.

While Washington state has spent years trying to stave off Lighthouse Resources’ Millennium Bulk Terminals project in Longview, Lighthouse finally turned to the courts for relief and got support from Montana, Wyoming, South Dakota, Utah, Kansas, Nebraska and even the Washington county where the terminal would be built.

Now states that have been fighting any type of coal-fired power are lining up with the state of Washington.

Maryland, New Jersey, New York and Massachusetts have all filed friend-of-the-court briefs to throw in with Washington. They were also joined by Oregon and California from the west in their amicus brief.
Drummond’s potential Colombia buyers get pared

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

IHS Markit understands that Glencore, Peabody Energy, Murray Energy and Turkey’s Yildirim all sent people to check out Drummond’s Colombian assets. Only one, Peabody, which announced plans last week to buy Drummond’s Shoal Creek coking coal mine in Alabama, 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 lower than expected, 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, owner of Colombian Natural Resources, with mines neighboring 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 would leave Peabody as the perceived favorite. It was one of the first companies that started exploration works around Cerrejon more than four decades ago.

When Cerrejon 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 billion for 100% of the company, but now the price seems to be in the $5 billion to $5.5 billion range. However, other sources say that $4 billion to $4.5 billion is the price range.

Peabody said Wednesday that it does not comment on rumors 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.

Ukraine power 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 million metric tonnes, from 2.20 million tonnes in the same period a year earlier, according to a filing from the country’s energy and coal ministry.

The bulk of the tonnage came from Russia at 2.90 million tonnes, while the United States supplied 700,000 tonnes and South Africa 140,000 tonnes.

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 southeastern Sverdlovantrazit, Rovenkiantrazit and Komsomolets Donbasa coal mines to pro-Russian separatists in March 2017.

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

India to boost imports

India’s largest independent power generator and coal importer, Adani, is expected to increase imports by around 8% to 65 million tonnes in the 2019-20 Indian financial year. A source said that expectations for 2018 are that Adani will import about 60 million tonnes in the current financial year.

Adani, which has four power plants with capacity totalling 10.33 GW, expects demand to rise from its own and government-owned power stations, as well as increased supplies to other countries including Bangladesh, Sri Lanka and Vietnam.

This year, Adani will burn around 22 million tonnes of imported coal at its power plants, and will supply a further 26 million tonnes to Indian government power plants.

The source added that about 12 million tonnes will be sold to other customers in India and abroad.

Adani buys, annually, 43 million-44 million tonnes
of its coal from Indonesia, with around 12 million tonnes of 5,700-kc NAR coal from South Africa, 2 million tonnes from Australia and the remainder from the U.S. and elsewhere.

Adani plans to increase capacity at a number of its 10 ports on the east and west coasts. The capacity of Dhamra port, on the east coast, is expected to be quadrupled to 80 million tonnes in the next few years.

Indonesian price rally stalls

The recent rally for Indonesian prices appears to have stuttered, with interest from China coming off 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 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 sulfur 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 $30.50-31.00/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. Indonesian sub-bit prices
come under pressure

**Underground fire suspected at North Goonyella**

A fire is believed to have broken out at Peabody Energy’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 million metric tonnes of mid-volatile metallurgical coal in 2017 mostly through long term contracts.

**Hunter Valley rail restart as derailment repaired**

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. Berth 3 and 4 the terminal will close for maintenance Oct. 8-14, and again Nov. 5-30. Meanwhile, Berth 2 at the neighboring Hay Point terminal will be closed for maintenance Oct. 9-Dec. 12.
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.

Fax: Weekly digest of global prices and news in bite-sized form. All your weekly pricing data and market moving information in one place.

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

North American Coal Market News & Analysis

Coal & Energy Price Report
Coal & Energy Price Report is the go-to daily publication for industry professionals. It features Commentary by Jim Thompson, critical news and insight about the U.S. domestic markets, and analysis of the U.S.' participation in international markets. The publication is included in IHS Energy's North American Coal suite.

U.S. Coal Review
Published weekly, U.S. Coal Review is focused on the U.S. utility market but has complete coverage of current coal developments including comprehensive price coverage and production trends. The publication also features weekly analysis and insight from IHS experts. The publication is included in IHS Energy's North American Coal suite.

Coal Price Data and Indexes
IHS coal price markers form a key component of the API indices, which serve as the settlement price in 90% of the world's coal derivative contracts. With its legacy of playing a key role in establishing the seaborne coal indexation, IHS McCloskey first published the NW European marker in 1991.

Available as an add on to our other products, the full set of steam, coking and petcoke prices – along with vital coal market data, news and analysis can be accessed through our online platform IHS Connect™.

Chinese Coal Market News & Analysis

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.

APAC and African Coal Market News and 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.

Global Steam Coal Service

The service is a one-stop shop for forward-looking analysis on the international steam coal market. At its core is a supply/demand and price forecast service. Outlooks are updated quarterly and backed up with in-depth commentary and a comprehensive data-base. The service also focuses on the inter-relationships between steam coal and other fuels, particularly natural gas as well as petcoke.

Metallurgical Coal Market Insight, News and Analysis

The Metallurgical Coal Quarterly forecasts metallurgical coal fundamentals and price out ten years. It is the critical decision making tool for metallurgical coal market players, and those in its related commodities.

Inside Coal
Daily news and analysis of the biggest events in the international metallurgical coal market. Complete coverage of prices, deep insight from met coal specialists, and supply/demand analysis.
## Weekly U.S. coal production overview (thousand short tons)

<table>
<thead>
<tr>
<th>Coal-producing region and state</th>
<th>Week Ended</th>
<th>Year-To-Date[1]</th>
<th>52 Weeks Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>274</td>
<td>253</td>
<td>200</td>
</tr>
<tr>
<td>Alaska</td>
<td>20</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Arizona</td>
<td>116</td>
<td>123</td>
<td>98</td>
</tr>
<tr>
<td>Arkansas</td>
<td>1</td>
<td>1</td>
<td>28</td>
</tr>
<tr>
<td>Colorado</td>
<td>260</td>
<td>264</td>
<td>225</td>
</tr>
<tr>
<td>Illinois</td>
<td>946</td>
<td>899</td>
<td>812</td>
</tr>
<tr>
<td>Indiana</td>
<td>621</td>
<td>594</td>
<td>553</td>
</tr>
<tr>
<td><strong>Kentucky Total</strong></td>
<td>747</td>
<td>715</td>
<td>699</td>
</tr>
<tr>
<td>Eastern</td>
<td>357</td>
<td>348</td>
<td>300</td>
</tr>
<tr>
<td>Western</td>
<td>389</td>
<td>368</td>
<td>399</td>
</tr>
<tr>
<td>Louisiana</td>
<td>17</td>
<td>23</td>
<td>12</td>
</tr>
<tr>
<td>Maryland</td>
<td>31</td>
<td>27</td>
<td>31</td>
</tr>
<tr>
<td>Mississipi</td>
<td>35</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>Missouri</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Montana</td>
<td>840</td>
<td>786</td>
<td>747</td>
</tr>
<tr>
<td>New Mexico</td>
<td>202</td>
<td>201</td>
<td>227</td>
</tr>
<tr>
<td>North Dakota</td>
<td>592</td>
<td>563</td>
<td>533</td>
</tr>
<tr>
<td>Ohio</td>
<td>180</td>
<td>174</td>
<td>169</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>10</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td><strong>Pennsylvania Total</strong></td>
<td>919</td>
<td>888</td>
<td>835</td>
</tr>
<tr>
<td>Anthracite</td>
<td>36</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>Bituminous</td>
<td>883</td>
<td>857</td>
<td>805</td>
</tr>
<tr>
<td>Tennessee</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Texas</td>
<td>661</td>
<td>650</td>
<td>664</td>
</tr>
<tr>
<td>Utah</td>
<td>280</td>
<td>291</td>
<td>234</td>
</tr>
<tr>
<td>Virginia</td>
<td>247</td>
<td>236</td>
<td>234</td>
</tr>
<tr>
<td><strong>West Virginia Total</strong></td>
<td>1,860</td>
<td>1,801</td>
<td>1,540</td>
</tr>
<tr>
<td>Northern</td>
<td>821</td>
<td>836</td>
<td>743</td>
</tr>
<tr>
<td>Southern</td>
<td>1,039</td>
<td>965</td>
<td>797</td>
</tr>
<tr>
<td>Wyoming</td>
<td>6,067</td>
<td>5,972</td>
<td>6,135</td>
</tr>
<tr>
<td>Appalachian Total</td>
<td>3,875</td>
<td>3,731</td>
<td>3,315</td>
</tr>
<tr>
<td>Interior Total</td>
<td>2,686</td>
<td>2,586</td>
<td>2,485</td>
</tr>
<tr>
<td>Western Total</td>
<td>8,376</td>
<td>8,220</td>
<td>8,216</td>
</tr>
<tr>
<td>East of Miss. River</td>
<td>5,866</td>
<td>5,629</td>
<td>5,111</td>
</tr>
<tr>
<td>West of Miss. River</td>
<td>9,071</td>
<td>8,905</td>
<td>8,905</td>
</tr>
<tr>
<td>Bituminous and Lignite</td>
<td>14,901</td>
<td>14,507</td>
<td>13,986</td>
</tr>
<tr>
<td>Anthracite</td>
<td>36</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>U.S. Total</td>
<td>14,937</td>
<td>14,537</td>
<td>14,016</td>
</tr>
<tr>
<td>Railroad Cars Loaded</td>
<td>87,890</td>
<td>85,562</td>
<td>84,389</td>
</tr>
</tbody>
</table>

Source: EIA  © 2018 IHS Markit