Glencore tries for ‘green sheen’ even as it raises output

Glencore’s much-vaunted plans to cap coal production capacity at around 150 mt has been met with scepticism within the industry, with many viewing the proposal as more strategic than altruistic.

They point out the capacity cap will neither limit climate change nor drive “supplier discipline.” If anything, it could further consolidate Glencore’s position as the largest provider of sought-after higher c.v. coals.

In an announcement, made alongside the company’s 2018 preliminary results presentation, Glencore said it would focus investment on projects that can withstand risks stemming from climate change.

“We will limit our coal producing capacity to current levels... we have a capacity of 150 mt,” Ivan Glasenberg, chief executive officer of the Switzerland-based integrated miner said during a webcast on Wednesday.

The miner forecast coal output at 145 mt in 2019 from its assets around the world but reported output in 2018 of 129.4 mt. This means it gets a wiggle room to up its output by at least another 15 mt or 12% more from the 2018 levels.

It is understood that Glencore’s climate change posture stems from extended negotiations with the Climate Action 100+ group, an investor collective holding over $32 trillion of assets under management.

Industry watchers have variously characterised the Glencore pledge as “virtue signaling,” “lip service” and “greenwashing”.

But many also see the outcome as a compromise which allows Glencore to continue “business as usual” while fronting green credentials.

“It’s all about the show, not the go,” said one Australian producer source.

Other sources say this allows Glencore to further entrench its dominant position in the Newcastle market, where it already dominates.

“Glencore can withhold tonnes from the market and drive prices up all in the name of climate change,” said a second source.

Some in the industry suggest the move could allow Glencore to adopt the moral high ground to argue that other producers should...
## Contents

### Market round-up

#### Leads

- Glencore tries for ‘green sheen’ even as it raises output  
- China’s import controls intensify, Australia plays down ban  
- India may struggle to meet coal demand  
- South Korean sulphur cap brings pressure to Newcastle  
- Indonesian supply squeeze seen as quotas slashed  
- Russian 2019 thermal exports seen up 5%; logistics chain struggles  
- Rocky Hill ruling to have limited impact on project approvals

#### Key physical market commentaries 9

- Coking coal prices firm, shrugging off China port worries  
- USG petcoke prices caught between USG imports hit 5-year high  
- Escalating costs pressure miners’ bottom lines  
- South African this year  
- Limited impact on project approvals

#### Corporate

- CONSOL sees solid 2019 for export markets  
- Warrior reports record production, sales in 2018

### Electricity power generation 34

- Marubun utility sees 50% rise in 2019

### Freight

- Coal handling at Brazil’s Tubarão port resumes

### Steel

- Brazilian steelmakers to buy up 2% on year

### Trade

- Spanish steel imports 35% production growth

### People

- Australian steelmakers see growth

### Education

- Asia metal and steel market outlook

### Markets: Steam coal

- Asian thermal coal prices fall 5%  
- Asian coking coal prices fall 4%  
- Asian power coal prices fall 3%

### Markets: Metallurgical coal

- US coal prices fall 2%  
- Asian coking coal prices fall 3%  
- Asian met coal prices fall 5%

### Physical prices

- Coal price outlook

### Energy

- Coal power generation outlook

### Electric power generation

- Chinese power sector outlook

### Coal-fired power generation

- Chinese power sector outlook

### Carbon dioxide

- Chinese power sector outlook

### Markets

- Asian power coal prices fall 3%  
- Asian coking coal prices fall 3%  
- Asian met coal prices fall 5%
New South Wales will reach its economic end of life with no further potential for expansion. And the 12 mt/y Clermont operations are also expected to finish by 2024/25.

Sources close to Glencore say the capacity cap includes the United Wambo project, a joint venture with Peabody, which is scoped as a 10 mt/y ROM coal with a 23 year mine life. It is understood a capacity cap does not preclude Glencore from developing its major 22 mt/y Wandoan greenfield project in Queensland, for which the company has a mining license, but hasn’t greenlighted it largely due to global market conditions and Glencore’s own thermal portfolio.

So, despite the sheen of green that the company may have garnered with the cap, Glencore does not appear to be turning its back on coal, a commodity that’s been the biggest revenue spinner in the miner’s portfolio.

### China’s import controls intensify, Australia plays down ban

China appeared to ramp up controls on Australian coal this week, with reports that cargoes would be turned away from various northern ports.

However, Australia quickly played down talk of a ban, with politicians and market sources saying there was no evidence of one. The Chinese government also said there was no ban on Australian coals, however ports had increased environmental and safety checks on imported material.

Customs authorities in Dalian, in northeast China’s Liaoning province, were said to have introduced the measure at five ports, including Dalian, Bayuquan, Panjin, Dandong and Beiliang, sources claimed.

Imports from other all other origins were still being accepted, they added.

There were some suggestions though that only Indonesian and Russian will be allowed through the remainder of the year.

Dalian customs also ordered an annual collective import cap of 12 mt in 2019, sources said.

Quotas were said to have been given to each individual port, effective from 1 February, and sources suggested Dalian would get 0.95 mt, Bayuquan 6.50 mt, Panjin 0.75 mt, Dandong 3.00 mt and Beiliang 0.55 mt.

The cap is almost 30% less than these ports handled in each of the previous two years.
“Dalian customs handled around 16.86 mt and 16.87 mt in 2017 and 2018 respectively,” an east China trader said.

It is understood that coking coal imports from Australia accounted for nearly 40% of those annual imports at Dalian, equaling around 6.54 mt, sources said. Thermal tonnes from Australia were also handled, but were less than coking coal, although sources could not offer a volume.

Various ports in China have been slowing customs clearance of Australian coal imports since the end of January. But it is still unclear why Australian tonnage is being restricted.

Some have suggested it could be politically motivated. Beijing-Canberra relations have been turbulent of late, with issues such as Australia’s decision to ban 5G networks by Huawei, China’s telecommunication giant. The two sides have also clashed over Chinese investment and influence in some Pacific island countries.

While China has not addressed why Australian is being restricted, sources said the Chinese foreign ministry told a press conference on February 21 that China has been conducting risk analysis on the safety quality of its coal imports, to protect the environment.

**Australia quells fears**

Various market sources and players in Australia poured cold water on suggestions that there is a ban in place.

Trade Minister Simon Birmingham was among those leading the rebuttals.

“I want to provide reassurance that we have no basis to believe that there is a ban on Australian coal exports into China, or into any port in China,” he said Friday.

“We do understand that China applies in some locations, import restrictions and quotas in relation to the volume of coal, and the application of those quotas combined with different testing in terms of quality assurance of products and environmental testing and standards, may be slowing down the processing of coal in certain ports across China.

“We do not believe this is isolated to Australia but may be and is likely to be applicable to other coal exporters into China as well,” he added.

A number of Australian producers and traders with exposure to the ports named in media reports yesterday, concurred, saying the longer time it was taking to clear customs has been known to market participants for some months and there was no new development.

At the port of Dandong, a 90,000 t cargo of coking coal which sailed from BHP’s Hay Point coal terminal arrived yesterday, according to IHS vessel tracking data.

According to sources, authorities at Dandong have said they would be discharging the coal when its turn came and they said that no ban was in place.

Meanwhile, an Australian producer told IHS Markit his company had received an enquiry today from a Chinese steel mill for lower grade material.

“They wouldn’t be enquiring if they thought Australian coal was banned,” he said.

In addition, domestic coking coal in China continues to be tight, forcing prices higher and as one source observed: “The Chinese government is not going to stomach the steel industry slowing down because it can’t get seaborne coking coal.”

---

**India may struggle to meet coal demand**

India will have difficulty meeting its thermal and coking coal demand this year, with domestic supplies unlikely to keep pace, and logistics constraints curtailing imports, various market players said at the CoalTrans conference which took place in New Delhi from 18-20 February.

The country’s total coal demand is tipped to be around 985 mt this year, but domestic production is projected to hit just 700-710 mt.

This breaks down as 600 mt from Coal India Limited (CIL), another 65 mt from Singareni Collieries Company Limited (SCCL) and 35-40 mt from captive blocks.

While this bodes well for import opportunities, there are continuing concerns over the ability to distribute seaborne tonnes.

**Sustained rail inadequacy**

A lack of support from the country’s rail network is expected to continue to affect India’s coal importing potential.

“Those who have taken the decision of importing coal from Indonesia, Australia or South Africa are having a difficult time,” VK Arora of Karam Chand Thapar & Bros. (Coal Sales), India’s largest coal logistics company, said at the conference.

“Availability of wagons from Vizag, Gangavaram, Paradip and Dhamra to their plants have a waiting period of at least three-six months,” he said.

Sharing similar sentiments was AM Dharam, head of coal procurement at Tata Power.

“In the last 6-7 months the shortage of domestic coal has provoked imports. But the time lag makes it difficult for imports to make up for lack of domestic supply,” Dharam explained.

Despite efforts to improve coal rail networks, India’s rail ministry has admitted that the current set-up continues to fall short of demand.

HS Bajwa, executive director of traffic at the Ministry of Railways admitted, “At this point, railways are not able to meet huge demand especially from East Coast India ports. Priority is given to the power sector.”

He added that many plants designed to use domestic coal are still using imported coal as CIL has not been able to increase fulfil demand, though there are plans to improve this.

The government is working to ramp up railway capacity by an additional 200-250 mt in the next 2-3 years, Dr Anindya Sinha, project adviser at the Indian Ministry of Coal, said.

But conference participants questioned whether this will be sufficient.

“Pundits have predicted that total imports for the current year are likely to be around 215 mt but this will not be able to fill the gap,” Sinha said, outlining independent studies which point to a 60-70 mt shortage in coal supply over the next 12 months.

Sinha emphasised India’s lack of high quality coking coal for steel making and the design of some power plants make it challenging for the country to turn its back on imports.

“We have a draft for coal to account for 45-48% of the energy mix by 2030. So, the importance of coal will be there, but it will reduce in due course,” Sinha said. Coal accounts for 54% of the country’s energy mix at present.

Official data show India imported 208.27 mt of coking and non-coking material in the 2017-2018 financial year (April-March). From April-October 2018, imports reached 133.13 mt.
Future role of imports questioned

Further out, however, the Indian government appears hopeful coal imports can be kept stable, and eventually decrease.

Sinha said in the near term, coal imports could grow, but noted, “We need to increase domestic coal and restrict use of imported coal.”

Amid growing global concern for the environment, the future for imported coal for Indian power production was debated.

However, despite talk about the growth in renewable energy and its potential to replace coal, Sinha was quick to point out that the “cyclic behaviour of renewable energy calls for baseline capacity of coal-based generation for stability”.

Tata Power, one of the country’s biggest utilities, is betting on coal with plans to acquire 2-6 GW of stranded brownfield power generation assets in India over the next three years, Rajit Desai, Tata’s chief of engineering, contracts and projects said at the CoalTrans event.

He said both domestic and imported coal would be used to fuel those brownfield plants as part of India’s plans to bring electricity to its 1.3 billion people. However, Tata’s strategy would not extend to investing in new greenfield coal power plants.

“With coal reserves of close to 100 years, it will be a long haul before we can say there will be a death of coal. The Indian government is doing more to mitigate the environmental impact (from coal-fired power plants),” he said.

Financial constraints to discourage coal use

Though Desai’s sentiments were mostly echoed by Tim Buckley from the Institute of Energy Economics and Financial Analysis (IEEFA), he believes that a lack of financial support amid strengthening anti-coal sentiment may ultimately force India to rethink coal-fired power with global banks, funders and investors increasingly averse to coal-related projects.

“Recognising that India will be one of the last markets to exit coal, international pressure will mount for India to stop,” Buckley, the IEEFA director of energy finance studies said, forecasting that coal use may cease globally in three decades.

He added that while domestic coal will remain relevant to the country’s power generation, coal imports could lose relevance more quickly than expected.

“India’s domestic coal is not the problem – it is part of the equation to improve electrification. But India spends billions of dollars in imported fuel cost and this will double as India’s electrification does,” he explained.

“If you are building a coal-fired power plant in India today, you are looking at a 40-year life. Can you justify your cost from imports?” Buckley questioned, adding that current tariffs for fixed and variable renewable power generation can go as low as INR2.8/KWh, which is competitive to that of coal-fired power generation.

Renewables not enough

Desai though predicted that coal imports would still be needed to support India’s coal-fired power further into the future, even though the demand for coal will ultimately reduce globally.

“Most of the growth will be from renewables but in the next 10 years there will still be growth demand for thermal capacity. It is difficult to pin down an actual time frame as to when coal will not be required,” Desai explained, adding that environmental factors alone will not determine coal’s future role in India.

For one, the coal sector requires more manpower than the renewables sector, and is responsible for millions of Indian livelihoods. That, among other reasons, is a fact that Desai believes the government will have to consider before closing its doors on the industry.

South Korean sulphur cap brings pressure to Newcastle

South Korea is on the cusp of imposing a three-month cap on sulphur content, a move which already appears to be weighing on prompt Newcastle prices.

A threshold on the average amount of sulphur content in the coal burned by the five state-owned South Korean gencos will be applied in March-May.

The generators need to bring their average sulphur content under 0.4% across the whole timeframe, as part of government efforts to tackle pollution.

As it is an average, the gencos could freely accept cargoes with sulphur content well above 0.4%, but they would then have to find a means to offset that within the three months. However, there has been no evidence of them taking higher sulphur cargoes of late.

The cap follows on from a one-month trial in October, and the 2019 window is one month shorter than was originally expected.

Many had anticipated the cap would run from March-June.

A narrower timeframe was chosen to avoid impeding on peak summer demand, some sources suggest. Others say generators voiced their concerns about rising procurement costs.

While the cap will only run in March-May, it is understood the South Korean gencos are under a permanent push to improve their environmental efforts now, with some under more pressure than others.

Portfolio shuffle

This has seen gencos shuffle their portfolios considerably, with Russian and western United States suppliers being the notable beneficiaries during the trial.

The 0.4% threshold is less than half the traditional amount of sulphur acceptable in South Korea, with 1.0% max sulphur historically the standard in their coal requirements.

One genco’s portfolio in the October trial consisted of 43% Russian, up from 20% last October, and 16% US, up from 6%, allowing it to achieve a portfolio with a sulphur content average of 0.35-0.38%.

Russian and US coal made inroads largely at the expense of Indonesian, which was 28% of the mix in October 2017, but just 14% in October 2018. Typical Indonesian blends have a wide range of sulphur content, but generally struggle to get under 0.8%.

Australian, which typically has sulphur content of 0.6-0.8%, was expected to be impacted during the trial, but remained flat in this generator’s portfolio, at 27%.

While Australian came through the trial largely unscathed, a different story is emerging with the upcoming cap.

Signs of this appeared as Newcastle traded considerably down on 14 February, at $87.65/t and $87.90/t FOB, basis 6,000 kc NAR, each for 50,000 t loading in March, and both via globalCOAL.

This was significantly lower than previous March deals early in the week before, at $96.75/t FOB, same basis, but for 75,000 t. Many market participants said the upcoming sulphur cap was a factor in this decline.
South African falls

The Newcastle drop was compounded by a fall in comparable South African products. Richards Bay 6,000 kc NAR material traded twice in the week ending 15 February, at $76.60/t FOB, basis 6,000 kc NAR, both for 50,000 t loading in March, and down $8.40/t from the prior week’s transaction at $85.00/t FOB, same basis. The Richards Bay decline was also being attributed, at least in part, to South Korea’s tighter sulphur limits, by some market players. Even ahead of the cap, South Korean tenders for circa 6,000 kc NAR material throughout the fourth quarter of 2018 generally specified maximum sulphur content of no more than 0.4-0.5%, with rare cases of an upper limit of 0.65%. These limits have ruled out a good portion of 6,000 kc NAR coal supply from South Africa, as it is 1% max sulphur, while globalCOAL Newcastle sits higher too, with a spec of 0.75% max sulphur. Higher c.v. Russian coal has between 0.25-0.40% sulphur. Indonesian low-rank boasts ultra low sulphur levels, in some cases as low as 0.1%, with most of the ubiquitous 4,200 kc GAR material containing less than 0.4-0.6% sulphur. The west coast US material taken by the gencos typically has sulphur of around 0.4-0.5%. Nonetheless, some recent prompt Russian supply with 0.8% max sulphur rejection was also understood to have been seeking a destination other than South Korea, and was said to have been offered into China, Southeast Asia and South Asia, with destination restriction terms. It should also be noted that both Newcastle and Richards Bay showed higher trades outside the prompt month, with April and May respectfully trading up on 18 February, however prices remain volatile.

Koreans open to swing players

With the cap on the horizon, South Korean buyers are understood to be showing some reluctance to Newcastle, and are fully open to swing players, sources said. “Australian coal, particularly Newcastle, is no more attractive than Russian or other swing players such as South African and Colombian these days,” said one source. “Australian will still maintain some portion, especially when Queensland coals are offered at an attractive price,” they added. “Queensland coal does seem more attractive in terms of price and availability now, and has the quality in general, with lower ash, lower sulphur, and the capacity for bigger Capes.” In general, the gencos are not doing much business at this time anyway though, as stocks have been built-up to cover up to April-loading, another source said. “The gencos do not feel any urgency. They will start to review their plans soon,” the source said. Those plans are expected to be very much centered on spot opportunities, they indicated.

Indonesian supply squeeze seen as quotas slashed

An Indonesian supply squeeze is expected imminent after the government slashed the output quotas of various miners across its top producing provinces. Provincial governments in East Kalimantan, South Kalimantan and South Sumatra have been told to cut total production from IUP (Business Mining License) holders by 52%, 59% and 9% respectively this year (see previous story).

This comes as a sanction on the back of widespread failures by IUP miners to meet the Domestic Market Obligation (DMO) last year, which requires them to make 25% of their output available for use domestically.

The order came from the Ministry of Energy and Mineral Resources (ESDM) and has left IUP holders – which are generally smaller miners, but collectively account for 30% of national output – in a tizzy.

The measure looks set to tighten supplies at least to the end of the first quarter of 2019, with the potential to impede output further out, sources say.

Combined production by IUP holders from the three regions was almost 169 mt in 2018. This year, their production quota has been reduced to a collective 84 mt – in view of just 21 mt being directed to the domestic market last year. Indonesia’s larger CCoW (Coal Contract of Work) miners – who account for the other 70% of production – are collectively expected to produce 406 mt. The ESDM had set a national output target of 490 mt for 2019. But this is now expected to be above 500 mt this year, the Director General of Minerals and Coal has forecast.

This comes after officials revised the 2018 production figure to 548.5 mt, an all-time high for the country, from the provisional figure of 528.0 mt revealed in January. The final production figure means output was up 13% on the year.

IUP miners fall under the purview of provincial authorities, while the more established CCoW miners report directly to the central government.

Last year, the ESDM warned miners would only be able to mine four times the amount that they had sold into their DMO (see previous story). Several prominent medium-sized players in Kalimantan are now scrambling to get the government to approve requests for higher mining quotas.

A source from one affected miner, understood to have sold close to no tonnage domestically last year, said, “We hope to speak with the government about this soon. We are still a producing miner but we have not received approval on how much we can produce this year. And we hope to sort this out by the end of the week.”

A Jakarta-based shipping agent said, “There was a miner who complained to us that they do not have the go ahead to mine anything. Last year, they only sold a few barges to the domestic market. Without their RKAB (Work and Budget Plan) approved, miners cannot export any cargo.”

Calls to revise cuts

In 2018, Indonesia set out to mine 485 mt, but in August, the government pushed for miners to produce an additional 100 mt to export.

<table>
<thead>
<tr>
<th>Indonesian IUP Production (mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>East Kalimantan</td>
</tr>
<tr>
<td>South Kalimantan</td>
</tr>
<tr>
<td>South Sumatra</td>
</tr>
</tbody>
</table>

Source: Directorate General of Minerals and Coal Indonesia © 2019 IHS Markit
Official statistics show that ultimately, Indonesia produced 548.5 mt, and of that figure 115 mt was taken by domestic players from the power, cement, and paper industries, among others.

Depending on which base production figure is used, 21-24% went into the domestic market in 2018. And the Indonesian Coal Mining Association (ICMA) has argued that authorities should revise the reductions to production quotas to reflect this more accurately.

Since its introduction in 2010, Indonesian coal end-users have never collectively fulfilled the DMO to its full amount.

“We have voiced previously that the DMO requires miners to make available 25% but the domestic market never meets this target. This was brought up in a parliament hearing last year,” said Hendra Sinadia, executive director of the ICMA.

The ICMA is understood to be engaging the ESDM on this matter further.

**Russian 2019 thermal exports seen up 5%; logistics chain struggles**

Russian seaborne thermal coal exports are expected to increase by 5% this year, according to shipping sources.

Exports of all types of thermal coal are estimated will be 168 mt in 2019, up from 160 mt in 2018. Official government data showed that exports in 2018 were 148 mt, up from 140 mt in 2017. Russian sources indicated data from the shipping sector will include thermal crossover coals, such as semi-soft, PCI and some hard coking coals.

Russia has invested in its transport infrastructure at its ports in the west and east to accommodate rising production levels of 440 mt in 2018.

Kuzbass coal output is expected to increase to 268 mt this year, up from 255 mt in 2018, and 241.50 mt in 2017. The increase in production seen so far is already straining stockpiling capacity, especially in the Kuzbass region, as the railway system is struggling to cope with the higher volume.

At the start of 2019 Kuzbass mines had stockpiles of over 21 mt of unshipped coal, exceeding its capacity by at least 4 mt. The westbound export supply line all the way to Baltic ports is choked with coal.

There are plans to expand stockpiling capacity in Kuzbass to 25 mt and Russia is also investing in its transport infrastructure at its ports in the west and east.

At Ust-Luga terminal, in the Baltic, the installation of a new railcar tipping system will help export capacity increase to 27 mt/y, up from the existing 25 mt/y.

Exports in 2018 from the terminal were about 20 mt, due to the maintenance work, down from 25 mt in 2017. The Lavna coal terminal on Kola Bay in Murmansk is expected to start first loadings in 2020. It will have an initial capacity of 9 mt/y.

In the Black Sea, the new Taman port is expected to export its first cargo at the end of this month or in early March. Its export capacity will be about 20 mt/y.

On Russia’s eastern seaboard, there are several infrastructure projects in the pipeline. One of the main infrastructure developments is an expansion at Vostochny port in Nakhodka Bay on the Sea of Japan. It is scheduled to start operating this year, and will see its capacity increase by 18 mt to 40 mt/y.

**Large off-spec discounts to become the norm in South Africa this year**

The wide separation between benchmark 6,000 kc NAR Richards Bay and 5,500 kc NAR prices is expected to become more entrenched this year, as the driving forces behind the two markets become increasingly distinct.

The FOB discount for 5,500 kc NAR material swelled around six months ago reaching a record differential of above $20/t on a 6,000 kc NAR basis in September, more than double the typical differential over the past few years. The wide separation has stayed largely intact since then, with the gap at $19/t on Friday (8 February).

The blowout was driven by stiffening competition in South Africa’s main export market, India. Falling Chinese domestic prices, coupled with the uncertainty created by the evolving US/Chinese trade war forced Australian 5,500 kc NAR prices down by over $25 over the course of 2018.

This made Australian 5,500 kc NAR material competitive in the Australian power and industrial markets, eventually pressurising Richards Bay 5,500 kc NAR prices in August 2018 with the differential blowing out further in September and Q4. In the process this made 4,800 kc NAR South African exports unprofitable for some, with suppliers finding better prices on the domestic South African market.

But benchmark 6,000 kc NAR prices were largely unaffected by the situation in India and China. On the contrary, prices were being helped by production problems at Newcastle and Japan’s willingness to pay top dollar for limited high c.v. supplies.

The dynamics between these markets are unlikely to change dramatically over the next few months.

“It is increasingly becoming more important to look at these quality segments and understand the drivers,” an industry official said. “The more likely scenario is where we will see widening discounts for longer periods.”

Despite the high premiums being offered for 6,000 kc NAR material, producers said they were focusing more on the 5,500 kc NAR market since demand was stronger and more stable for the long term.

The Indian market is mainly a 4,800-5,500 kc NAR market, while Pakistan regularly buys a 6,000 kc NAR type material but at a discount.

Most of the 73.47 mt shipped out of South Africa’s Richards Bay Coal Terminal last year was 5,500 kc NAR. Only around 10-15% was of 6,000 kc NAR quality, according to South African sources.

Only a handful of major miners, like Glencore, Anglo American and Exxaro Resources, operate mines that produce 6,000 kc NAR quality coal.

“Some majors can easily wash up to 6,000 kc NAR with only a 10-15% yield loss, but how much will you be able to sell at those prices,” said a second industry official. “Washing up to 6,000 kc NAR material has now largely become an academic exercise.”

Exxaro Resources, South Africa’s largest coal producer, invested heavily over the last few years to expand its mining base to produce higher c.v. coal. But with the unexpected changes in the overseas market, it is understood that company is likely to blend down its 6,000 kc NAR material with its lower quality 4,200 kc NAR coal.

The large disconnect between the two markets has made producers and traders less willing to tie themselves into long-term API4-based discount deals.
The differentials are not hedgeable, making market participants less willing to commit to trades more than a couple of months out. As a result, this has made it more difficult to provide certainty on future price direction in the South African coal markets.

China’s January coal imports hit 5-year high

China’s total coal imports rose to 33.50 mt in January, the highest monthly volume since January 2014 when they reached 35.90 mt, the latest preliminary customs data show.

January’s imports were 19.5% higher year on year compared with 28.03 mt in January 2018. They were also more than triple the 10.23 mt imported in December 2018, which were directly affected by the stricter import restrictions imposed by the Chinese authorities for the last six weeks of 2018 (see separate story).

The surge in January imports was mainly down to expectations that the port restriction policies would be lifted, although no official announcement was made.

Included in the January total is a sizeable backlog of cargoes, estimated at around 8 mt, arriving December (and in some cases even November), that was being held up in the customs clearance process.

Imports were also supported by a price advantage for international coals over domestic, amid the seasonal increase in demand for winter re-stocking by end-users.

Chinese exports in January were 0.60 mt, which is up from 0.28 mt in January 2018 and 0.30 in December 2018.

A more detailed breakdown of the import/export data will be released later in the month.

Escalating costs pressure miners’ bottom lines

Escalating costs have been front and centre in coal earnings for Australian coal producers, which reported first half results for the 2018-2019 financial year in the past week.

BHP and newly listed Coronado Coal cited increased contractor activity and infrastructure issues, respectively, as adding to operational costs.

The only coal miner to somewhat buck the trend was South32, which reported a decline in first half cash costs as it ramps up output and sales at its Illawarra metallurgical coal complex. However, even there two planned longwall moves in the second half will see costs go up in that time.

South32 reported a 42% decrease in operating unit costs at Illawarra in the first six months of its 2018-2019 fiscal year to $87/t from $149/t in the same period last year. South32 only recently stabilised production at Illawarra, where the Appin longwall had long been beset by geological issues. It is worth noting that production issues at Illawarra had led to an exponential escalation in operating costs.

Saleable production increased by 106% in the first half to 3.8 mt as both Dendrobium and Appin longwalls performed well.

Consequently, the miner increased production guidance by around 7% to 6.5 mt for the full year.

However, production is more skewed towards the first half, with two longwall moves planned in the second half, which means cash costs are expected to inch up in that time. Full-year costs are guided at $105/t.

Improved performance and weakening Australian currency also boosted South32’s bottom line with the Illawarra operations achieving underlying EBIT of $195m in the first half of FY 2019, a turnaround of $279m from a loss of $84m last year.

Newly listed Coronado Coal, which bought the Curragh mine in Queensland from conglomerate Wesfarmers last year, reported a decline in net profits from the guidance provided in its float prospectus. It declared a statutory profit of $114.5m, around $51.5m below the prospectus guidance.

Curragh suffered operationally in the first half due to weather and rail availability issues, which led to sales volumes being a tad lower at 12.0 mt vs 12.2 mt guided in the prospectus and unit costs per tonne came in at $53.10/t compared to a forecast of $51.00/t.

But the miner reported productivity gains at Curragh, which saw an improvement in dragline efficiency by 8% and prime strip ratio by 10%. Coronado has booked an additional 82 mt of reserves at Curragh following the acquisition of the Stanwell Reserve Area last year, which could lead to a revised mine plan and uplift in output.

Metallurgical (met) coal behemoth BHP reported steady volumes for the first half, and while full-year cost guidance has been maintained at between $68-$72/t, the miner’s coal operations in Queensland and New South Wales saw escalating contractor and stripping activity which weighed down half yearly earnings by around $145m.

However, overall coal earnings were up 13%, largely due to higher realised met coal prices. Underlying EBITDA from its Queensland operations was $1.81bn, up from $1.50bn in the same period last year, while NSW energy coal business contributed to $229m, down from $304m in the prior corresponding half.

At its investor briefing, BHP chief executive Andrew Mackenzie said the miner had increased stripping, which had proved to be a bit more expensive, though over time the pre-stripping should “add incrementally to the production of met coal from the total system.”

BHP expects to hold production at around 48 mt/y with a medium-term cost target of around $57/t.

However, chief financial officer Peter Beaven noted much of the cost reduction to the $57/t target would come not only from productivity gains but also increased tonnage.

“We have probably got six or so of our share (of costs) out of Blackwater, out of Broadmeadow and out of Goonyella. That is off the back of more stripping and higher utilisation of gear.

“We are not at the bottleneck, which is the wash plants at the moment, so obviously as we get there that is where the bottleneck should be. That is really what should underpin the next three years,” Beaven said.

Commenting on the outlook for metallurgical coal, BHP noted China’s import policies remained a source of uncertainty though its customer base was well diversified with only 30% of its met coal going into China.

“Over the longer term, India is expected to sustain strong demand growth, while high quality metallurgical coals are expected to continue to offer steelmakers value-in-use benefits in mature markets,” the miner said.

But while Mackenzie said the miner was “for now” keeping its energy coal business, it offered a lesser value proposition than met coal.

“We are comfortable with our position in energy coal at the moment, but this is not something that we will seek to grow going forward, and we will continue to examine whether or not this is something to be competitive to remain in the portfolio,” he said.
Rocky Hill ruling to have limited impact on project approvals

The recent New South Wales Land and Environment Court’s decision to knock back the approval of a new coking coal mine on greenhouse gas emissions grounds is expected to have limited impact on other greenfield projects outside of the state, legal sources say.

They note, while the ruling itself could be far-reaching for some projects within NSW, in that projects would have to factor in third party emissions into environmental impact assessments, its ability to be precedent setting in the wider coal sector is minimal.

In what is seen a victory for environmental groups, the NSW Land and Environment Court recently upheld an earlier decision by the state’s Planning and Assessment Commission (PAC) to deny “development consent” to the proposed Rocky Hill coking coal project backed by Gloucester Resources.

In its ruling the Court said the proposed mine was in “wrong place at the wrong time” and its adverse environmental and social impacts fair outweighed its economic benefits, in that it would impede the rural and scenic character of the Gloucester Valley and affect preferred use of land around the mine.

It also noted that the proposed mine also came at a time when Australia had made commitments to reducing its emissions to meet the Paris climate target and to do so would require careful GHG emissions of all fossil fuel projects.

The judge wrote the project came at a wrong time “… because the GHG emissions of the coal mine and its coal product will increase global total concentrations of GHGs at a time when what is now urgently needed, in order to meet generally agreed climate targets, is a rapid and deep decrease in GHG emissions.

“These dire consequences should be avoided. The Project should be refused.”

While many project opponents have highlighted the inclusion of GHG emissions and its impact on climate change as “landmark,” the industry has sought to downplay concerns.

“We’ll take a close look at the judgement, including what appears to be a range of different reasons for the outcome. However, we don’t believe this is in any way a ‘landmark’ case given the Department of Planning had already recommended against the approval of the project,” NSW Minerals Council CEO Stephen Galilee said.

Legal sources also say the ruling was more an affirmation of the PACs decision to deny development consent to the project.

In fact, the judge himself noted that refusing consent to Rocky Hill would prevent “meaningful” amount of GHG emissions, it wouldn’t be more than emissions prevented from refusing a larger coal mine.

“However, the better reason for refusal is the Project’s poor environmental and social performance in relative terms. (…) the Project will have significant and unacceptable planning, visual and social impacts, which cannot be satisfactorily mitigated. The Project should be refused for these reasons alone.”

However, legal sources say even a refusal of a larger project on climate change grounds alone won’t be possible as each project will have to be evaluated on its merits.

“The industry doesn’t need to be too worried about it because each case has to be decided on its merit. If another coal mining company in NSW seeks a development consent, certainly the decision on Rocky Hill might be relevant to it but I don’t think it’s going to stand as a binding legal precedent on it,” said a legal source.

A second source concurs: “It won’t be legally binding, each case is looked at on its merit, might make it more difficult for the next coal mine that seeks a development consent, but it’ll just be incidentally relevant, it won’t stop anyone from making applications for development consent for a new coal mine in NSW.”

Sources explain the impact is likely to be contained to within NSW and not be applicable to either the federal or Queensland approval process as the legal and regulatory frameworks are very different.

“The NSW Land and Environment court undertakes a merits review of the PAC’s decisions, so they go over the merits all over again and do a finding of facts and they came to a decision,” said the first source noting the system is very different in Queensland and federally where the land courts only conduct judicial review of the approval process and not the merits of the arguments.

“Normally, government decision makers decide on the EIS which includes all types of emissions including Scope 3 and if an environmental group is unhappy it can appeal like they did with Adani.

“But in all of those cases, the court has said there’s been nothing wrong in the way the government has made the decision, whether they were federal or state government approvals,” said the first source.

Key physical market commentaries

Coking coal prices firm, shrugging off China port worries

Coking coal prices moved up strongly this week, despite ongoing worries about Chinese port clearances.

Australian government officials declared on Friday that no ban on Australian coal into China was in place, easing concerns.

During the week, two FOB transactions on a trading platform drove the prices to $210/t for prime hard material, with both buyers reportedly traders.

And according to some market participants, residual FOB demand ex-China could push prices up further. Interest is reported from Brazil, Europe and India.

Meanwhile, BHP awarded a tender for a March-loading Panamax of Peak Downs at $215.00/t CFR, with an option to take Saraji at $214.10/t CFR.

A cargo of Peabody’s Millennium produce was reported sold at around $181-183/t FOB.

Enquiries for semi-soft from Chinese buyers emerged late in the week at around $115-116/t FOB, sources said.

In the United States, buyers, sellers and traders continue to talk about ample demand from steel producers, tight coal supplies, and pricing that has recovered from recent lows.

Concerns over Australian supply constraints continue to push buyers into searching for alternatives, and that includes US coal when and where it is available.

Some producers were heard to be requesting index pricing
China import prices for Indonesia and Australia diverge

China has shown increased interest in Indonesian coal following the Lunar New Year break with a wave of tenders, while Australian prices are under pressure amid much policy uncertainty.

Tenders emerged from major power groups Huaneng and Guangdong Energy Group, seeking March-arrival Indonesian sub-bituminous and low rank material. Another power group, Huanian, issued tenders for Indonesian low-rank for April and May arrival shipments.

One tender was understood to have been awarded at RMB347/t, or $43.55/t CIF, basis 3,800 kc NAR, for a March arrival Panamax into south China. This was notably higher than the pre-Lunar New Year level, when a cargo of the same grade was awarded at RMB323/t, or $40.64/t CIF, basis 3,800 kc NAR, for a March arrival into east China.

The uptick tendering activity is likely to have been to meet expectations of a rise in industrial activity at the end of February and into March, which will push up consumption at coastal power generators.

At the same time, supplies could be constrained as the National People’s Congress, China’s parliament, will hold its annual meetings in the first half of March, which will increase the level of safety and environmental inspections on domestic production.

On a FOB basis, low rank materials were traded at $37.50-38.50/t FOB, basis 3,800 kc NAR for March arrival Panamax, compared with pre-Lunar New Year levels of less than $35.00/t FOB, same basis.

Meanwhile, Australian imports into China have faced difficulties following an escalation of controlling measures at the five ports under Dalian customs in northeast China.

Various Chinese importers are now adopting a wait-and-see stance towards Australian material as the customs clearance time for such coal could be 40-50 days. A major power group in south China has cancelled its tender for Australian 5,500 kc NAR material for March arrival, citing policy uncertainty, despite highly competitive prompt Australian high-ash prices on a China CIF basis.

However, there were still trades for high-ash material traded into China for March and April loading this week. Prices are understood to be at $60.00-60.50/t FOB, basis 5,500 kc NAR for capesize vessels, lower than the pre Lunar New Year level, which was around $62.00/t, same basis.

Indonesian coal prices firm further

Indonesian prices showed strong growth on the week with importing demand from China and India robust, amid tightened supply.

Heavy rain across Kalimantan challenged production and logistics activity, keeping output restrained, various mining and shipping sources said.

Sub-bituminous coal traded multiple times this week with prompt loading cargoes settling at $50.00/t FOB, basis 4,400 kc NAR, for a Panamax. A week back, similar grade coal loading in March traded at $50.50/t FOB, basis 4,400 kc NAR, also for a Panamax.

USG petcoke prices caught between firmer freight and coal

Atlantic petroleum coke prices were flat this week, as increases in freight rates offset the competitive advantage caused by a uptick in thermal coal prices.

There is a good flow of tender enquiries in the market, which should provide further direction in the market over the next week. A United States (US) oil refiner is offering a high-sulphur (5.5-7.0%) petroleum coke Supramax to the market for March loading out of the US Gulf (USG). The tender closes today.

A deal for a March-loading Supramax closed at $62.50/t FOB USG, basis 7,500 kc NAR recently.

The Indian spot market remains strong, but rising freight rates from the USG are becoming an issue for traders trying to secure delivered prices below $95/t CIF.

Indian buyers have bought nearly 2 mt so far this year, while prices were in a range of $88-92/t CIF, and higher numbers could deter activity.

Supramax rates have moved up from $28/t for March and April.

Saudi petroleum coke prices are assessed at $89-91/t CIF west/east coast India.

A South Korean cement producer dropped its recent tender for a high-sulphur US Gulf Supramax, citing higher-than-expected prices.

Another cement producer is seeking a US cargo for Malaysia for April delivery...

In Turkey, a cement producer had heard offers in the low $80s/t CIF Marmara, basis 7,500 kc NAR. The buyer did not make a purchase, as prices were too high, according to trading sources.

An enquiry for a shipment into Brazil is also still being negotiated.

IHS Markit’s weekly USGC high-sulphur marker is assessed at $63.00/t FOB USG, down $0.50/t from last week.

In the mid-sulphur market (4.0-5.5%), there is plenty of spot interest in the market.

Turkish cement producers that have plants located near the coast, and therefore able to export finished goods are in the market.

There are four tenders to be concluded and prices are assessed at $88-89/t CIF Marmara, also for a Panamax.

In northwest Europe, there is a request for a Handysize into France, while Egyptian buyers continue to source Illinois Basin thermal coals.

The weekly IHS USGVC mid-sulphur (4.0-5.5%) petcoke FOB marker, basis 7,500 kc NAR, was assessed at $70.00/t FOB, up $0.50/t from last week.

plus 5-6% during recent contract tonnage negotiations. Buyers are requesting index pricing minus 1-2% for spot volumes. So far, at least, there has not been a lot of meeting in the middle.

IHS Markit currently assesses US low-vol A coal at $194/t FOB, up $5/t from $189/t last week. US high-vol B is assessed at $166/t, up $6/t from last week’s $160/t.
A trade for May settled at $48.50/t FOB, basis 4,400 kc NAR, for a Panamax.

March loading Panamaxes traded at $57.75-59.00/t FOB, basis 4,800 kc NAR. This is up on where markets were heard in the week prior – bid at $54.00-56.00/t FOB, basis 4,800 kc NAR, against offers at $55.00-57.50/t FOB, same basis, for Panamaxes.

Higher c.v. material transacted at $60.75/t FOB, basis 5,500 kc GAR, for a March loading Panamax.

Low-rank material traded at $37.50-38.50/t FOB, basis 3,800 kc NAR, and at $39.25/t FOB, basis 4,150 kc GAR, all for March loading Panamaxes. Last week, transactions for the same loading period settled at $36.80-37.25/t FOB, same basis.

Another trade went through at $36.90/t FOB, basis 3,800 kc NAR, for a geared vessel loading in March, up from $34.50-35.50/t FOB, same basis 3,800 kc NAR, concluded last week.

Lower c.v. coal transacted upwards on the week to $29.50/t FOB, basis 3,400 kc NAR, for a geared vessel loading in March, compared with traded levels last week at $28.00-28.50/t FOB, same basis.

On a China delivered basis, March arrival Panamaxes into Guangdong traded at $44.00-44.70/t CFR, basis 3,800 kc NAR, growing from $39.80/t CFR, same basis, one week ago.

Mid-c.v. coal traded at $65.20/t CFR, basis 4,800 kc NAR, also up from last week’s transaction at $58.00/t CFR, same basis.

**Paper**

M42 values firmed this week, with trades reported at $35.45/t for February and $37.00-38.50/t for March. Last week, trades for March settled at $35.15-37.00/t.

**Atlantic thermal market recovers, as bearish clouds emerge**

Atlantic thermal coal prices are showing signs of recovery after recent falls, but strong renewable generation, weaker natural gas prices, together with concerns about Chinese import restrictions, threaten to cap recent gains.

In Northwest Europe, growth in renewable generation outpaced a rise in coal burn, and weighed on power prices, although weaker carbon prices have supported coal generation margins in Germany.

Interest in benchmark qualities in Europe was limited, however a German generator took advantage of low prices for US Illinois Basin and bought a Panamax at an API2 discount of around $9-10/t.

The generator is expected to seek additional ILB material over the next two weeks.

Russian coal is offered at a discount and if it can be blended with Illinois Basin material, it can provide a competitive generation fuel to compete against natural gas.

Russian coal is still well offered in the market, as a supply overhang that built up in early January continues to weigh on the price.

Rail car deliveries are still subject to delays, but it is providing terminals with an opportunity to lower inventory levels. Russian coal from the Kuzbass region is expected to post further increases this year, keeping the European market well-supplied.

In the South African FOB market, prices have fallen from $81.62/t on 8 February down to $78.30/t (21 February).

In terms of spot demand, Indian buyers continue to show a strong appetite for low c.v. coals.

Overall sentiment in Asia is being impaired by worries about Chinese import restrictions. Local sources told IHS Markit that the port of Dalian had effectively banned Australian cargoes. This was dismissed by Australian officials, while the Chinese government said that increased environmental and safety checks were slowing customs clearance of all imported coals into the country.
### DES ARA fixed price deals
11 February 2019 - 22 February 2019

<table>
<thead>
<tr>
<th>Date</th>
<th>Price Del</th>
<th>Origin</th>
<th>Port</th>
<th>Tonnes</th>
<th>Broker</th>
<th>EFP</th>
<th>Index setting</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-Feb-19</td>
<td>71.50</td>
<td>Apr-19</td>
<td>ACPRSU</td>
<td>50,000</td>
<td>Braemar Atlantic</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

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

Source: IHS Markit © 2019 IHS Markit

### Newcastle FOB fixed price deals
11 February 2019 - 22 February 2019

<table>
<thead>
<tr>
<th>Date</th>
<th>Price</th>
<th>Loading date</th>
<th>Tonnes</th>
<th>Broker</th>
<th>EFP</th>
<th>Index Setting</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-Feb-19</td>
<td>94.00</td>
<td>Apr-19</td>
<td>25,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>14-Feb-19</td>
<td>87.90</td>
<td>Mar-19</td>
<td>50,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>14-Feb-19</td>
<td>87.65</td>
<td>Mar-19</td>
<td>50,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>14-Feb-19</td>
<td>94.50</td>
<td>Apr-19</td>
<td>25,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>18-Feb-19</td>
<td>96.00</td>
<td>May-19</td>
<td>25,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>22-Feb-19</td>
<td>95.00</td>
<td>May-19</td>
<td>25,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

EFP - exchange of futures for physical

Source: IHS Markit © 2019 IHS Markit

### Richards Bay FOB fixed price deals
11 February 2019 - 22 February 2019

<table>
<thead>
<tr>
<th>Date</th>
<th>Price</th>
<th>Loading date</th>
<th>Tonnes</th>
<th>Broker</th>
<th>EFP</th>
<th>Index Setting</th>
</tr>
</thead>
<tbody>
<tr>
<td>14-Feb-19</td>
<td>76.60</td>
<td>Mar-19</td>
<td>50,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>18-Feb-19</td>
<td>82.50</td>
<td>Apr-19</td>
<td>50,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>20-Feb-19</td>
<td>76.25</td>
<td>Mar-19</td>
<td>50,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>21-Feb-19</td>
<td>74.60</td>
<td>Mar-19</td>
<td>50,000</td>
<td>Bilateral</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>21-Feb-19</td>
<td>82.00</td>
<td>Apr-19</td>
<td>50,000</td>
<td>globalCOAL</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>22-Feb-19</td>
<td>76.70</td>
<td>Mar-19</td>
<td>50,000</td>
<td>Tullett Prebon</td>
<td>N</td>
<td>Y</td>
</tr>
</tbody>
</table>

EFP - exchange of futures for physical

Source: IHS Markit © 2019 IHS Markit
IHS Markit Consultation Notice

Publication date: 22 February, 2019
To: Market Participants and Other Interested Parties
Re: Proposed Amendments and Additions to IHS Markit Coking Coal Index Methodology
Response deadline: 1700 BST, 15 March 2019

Request for Comments from Market Participants
In order to ensure the continued integrity of its price assessments and implement changes for good order of the market, IHS Markit has prepared this document detailing proposed changes to the methodology to allow interested parties to submit formal written comments.

Applicability
The proposed changes will affect the:

• Australian Prime Hard Coking Coal FOB marker
• North China Prime Hard Coking Coal CFR marker
• Australian Hard Coking Coal FOB (second tier) marker
• North China Hard Coking Coal CFR (second tier) marker

Summary of the Proposed Changes

1. Two new markers will be launched:

a. The MCC 1 (FOB) is a daily Australian prime hard coking coal FOB marker, which assesses the price of top quality Australian brands loaded into vessels at the main East Coast Australian ports. This marker will reflect the following specific band of typical qualities:

<table>
<thead>
<tr>
<th>CSR</th>
<th>Max fluidity (ddpm)</th>
<th>Volatile matter (ad)</th>
<th>Ash (ad)</th>
<th>Sulphur (ad)</th>
<th>Total moisture (ar)</th>
<th>Phosphorous (ad)</th>
<th>Vitrinite</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
<td>400</td>
<td>20.0%</td>
<td>11.0%</td>
<td>0.6%</td>
<td>10.0%</td>
<td>0.04%</td>
<td>68%</td>
</tr>
</tbody>
</table>

Source: IHS Markit

b. The MCC 4 (CFR) daily North China prime hard coking coal CFR marker, which assesses the price of a basket of top quality brands delivered into North China, basis Jingtang. It will reflect the following specific band of typical qualities:

<table>
<thead>
<tr>
<th>CSR</th>
<th>Max fluidity (ddpm)</th>
<th>Volatile matter (ad)</th>
<th>Ash (ad)</th>
<th>Sulphur (ad)</th>
<th>Total moisture (ar)</th>
<th>Phosphorous (ad)</th>
<th>Vitrinite</th>
<th>Delivery location</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
<td>400</td>
<td>20.0%</td>
<td>11.0%</td>
<td>0.6%</td>
<td>10.0%</td>
<td>0.04%</td>
<td>68%</td>
<td>North China import terminals (basis Jingtang)</td>
</tr>
</tbody>
</table>

Source: IHS Markit
2. The current Australian Prime Hard Coking Coal (PHCC) FOB marker will be renamed MCC 2 (FOB) and will reflect the following specific band of typical qualities, rather than a basket of qualities that fit into prescribed specification ranges.

<table>
<thead>
<tr>
<th>CSR</th>
<th>Max fluidity (ddpm)</th>
<th>Volatile matter (ad)</th>
<th>Ash (ad)</th>
<th>Sulphur (ad)</th>
<th>Total moisture (ar)</th>
<th>Phosphorous (ad)</th>
<th>Vitrinite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current PHCC (FOB)</td>
<td>67 minimum</td>
<td>100 (minimum)</td>
<td>26% (maximum)</td>
<td>10.5% (maximum)</td>
<td>0.70% (maximum)</td>
<td>10% (maximum)</td>
<td>Undefined</td>
</tr>
<tr>
<td>Proposed MCC 2</td>
<td>69</td>
<td>900</td>
<td>21%</td>
<td>8</td>
<td>0.50%</td>
<td>10</td>
<td>0.05%</td>
</tr>
</tbody>
</table>

Source: IHS Markit © 2019 IHS Markit

3. The Australian Hard Coking Coal FOB (second tier) marker will be renamed MCC 3 (FOB) and will reflect the following specific band of typical qualities, rather than a basket of qualities that fit into prescribed specification ranges.

<table>
<thead>
<tr>
<th>CSR</th>
<th>Max fluidity (ddpm)</th>
<th>Volatile matter (ad)</th>
<th>Ash (ad)</th>
<th>Sulphur (ad)</th>
<th>Total moisture (ar)</th>
<th>Phosphorous (ad)</th>
<th>Vitrinite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current HCC (FOB)</td>
<td>58-66</td>
<td>Undefined</td>
<td>20-28%</td>
<td>7.5-10.5</td>
<td>0.4-1%</td>
<td>Undefined</td>
<td>0.02-0.08%</td>
</tr>
<tr>
<td>Proposed MCC 3</td>
<td>62</td>
<td>120</td>
<td>21.5%</td>
<td>8</td>
<td>0.4%</td>
<td>11%</td>
<td>0.07%</td>
</tr>
</tbody>
</table>

Source: IHS Markit © 2019 IHS Markit

4. The North China Prime Hard Coking Coal CFR marker will be renamed MCC 5 (CFR) and will reflect the following specific band of typical qualities, rather than a basket of qualities that fit into prescribed specification ranges.

<table>
<thead>
<tr>
<th>CSR</th>
<th>Max fluidity (ddpm)</th>
<th>Volatile matter (ad)</th>
<th>Ash (ad)</th>
<th>Sulphur (ad)</th>
<th>Total moisture (ar)</th>
<th>Phosphorous (ad)</th>
<th>Vitrinite</th>
<th>Delivery location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current PHCC (CFR)</td>
<td>67 minimum</td>
<td>100 (minimum)</td>
<td>26% (maximum)</td>
<td>10.5% (maximum)</td>
<td>0.70% (maximum)</td>
<td>10% (maximum)</td>
<td>Undefined</td>
<td>North Chinese import terminals</td>
</tr>
<tr>
<td>Proposed MCC 5</td>
<td>69</td>
<td>900</td>
<td>21%</td>
<td>8</td>
<td>0.50%</td>
<td>10</td>
<td>0.05%</td>
<td>65 North China import terminals (basis Jingtang)</td>
</tr>
</tbody>
</table>

Source: IHS Markit © 2019 IHS Markit

5. The North China Hard Coking Coal CFR (second tier) marker will be renamed MCC 6 (CFR) and will reflect the following specific band of typical qualities, rather than a basket of qualities that fit into prescribed specification ranges.

<table>
<thead>
<tr>
<th>CSR</th>
<th>Max fluidity (ddpm)</th>
<th>Volatile matter (ad)</th>
<th>Ash (ad)</th>
<th>Sulphur (ad)</th>
<th>Total moisture (ar)</th>
<th>Phosphorous (ad)</th>
<th>Vitrinite</th>
<th>Delivery location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current HCC (CFR)</td>
<td>58-66</td>
<td>Undefined</td>
<td>20-28%</td>
<td>7.5-10.5</td>
<td>0.4-1%</td>
<td>Undefined</td>
<td>0.02-0.08%</td>
<td>Undefined North Chinese import terminals</td>
</tr>
<tr>
<td>Proposed MCC 6</td>
<td>62</td>
<td>120</td>
<td>21.5%</td>
<td>8</td>
<td>0.4%</td>
<td>11%</td>
<td>0.07%</td>
<td>50 North China import terminals (basis Jingtang)</td>
</tr>
</tbody>
</table>

Source: IHS Markit © 2019 IHS Markit
6. IHS Markit distinguishes that MCC 1, 2, 4 and 5 are all part of the first tier grouping of prime hard coking coals being transacted on the seaborne market. With MCC 1 and 2 representing those being exported out of Australia and MCC 4 and 5 representing any origin that meets the specification imported into China. These markers represent the high (MCC 1, 4) and average point (MCC 2, 5) within that grouping. Similarly, IHS Markit distinguishes MCC 3 and 6 are part of second tier group of hard coking coals being transacted on the seaborne market. With MCC 3 representing those being exported out of Australia and MCC 6 representing any origin that meets the specification imported into China. For IHS Markit to consider a coking coal as part of either grouping and for use in index setting it will typically need to meet the following quality specifications below:

<table>
<thead>
<tr>
<th>Typical prime</th>
<th>CSR</th>
<th>Max fluidity (ddpm)</th>
<th>Volatile matter (ad)</th>
<th>Ash</th>
<th>Total moisture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard coking coal qualities</td>
<td>67 (minimum)</td>
<td>100 (minimum)</td>
<td>26% (maximum)</td>
<td>10.5% (maximum)</td>
<td>10% (maximum)</td>
</tr>
</tbody>
</table>

Source: IHS Markit

<table>
<thead>
<tr>
<th>Typical hard</th>
<th>CSR</th>
<th>Volatile matter (ad)</th>
<th>Ash (ad)</th>
<th>Total moisture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard coking coal qualities</td>
<td>55-66</td>
<td>20-28%</td>
<td>7-10.5%</td>
<td>10% (max)</td>
</tr>
</tbody>
</table>

Source: IHS Markit

IHS Markit acknowledges that different geographical regions around the world can produce coking coals that have some quality properties that are slightly atypical to the above standard specifications of typical prime hard coking coal or typical hard coking coal, but are nonetheless able to achieve prices well within the first or second tier brackets. As such, typical specifications will not be the only determining factor in whether a coal qualifies as a first-tier coal. Ultimately, whether any coking coal product/brand will be included in the first tier for price formation will be dependent on how the market values the coal. This means that spot transactions achieve prices within the minimum and maximum being achieved in that group.

7. IHS Markit has developed a mathematical model to evaluate realised price differentials between different known brands of hard coking coal based on a series of typical material qualities identified as key value drivers. IHS Markit will use this in-house mathematical model to normalize market data inputs to its coking coal indices for use in these marker calculations. Material specifications evaluated in the model are Coke Strength after Reaction (CSR), Max Fluidity, Volatile Matter, Ash, Sulphur, Total Moisture, Phosphorous and Vitrinite. The price differential evaluations between the different types/brands of coal will be updated and published in Inside Coal quarterly.

8. The minimum cargo size accepted for inclusion in IHS Markit’s CFR coking coal marker assessments is 50,000 t though smaller parcels of a minimum 25,000 t may be considered, if there is a lack evidential transactional deals and the deals are logical and validated. In the FOB coking coal marker assessments, the minimum cargo size is 25,000 t – though smaller parcels of a minimum 12,500 t may be considered, if there is a lack of evidential transactional deals and the deals are logical and validated. The decision to include smaller parcels for both CFR and FOB assessments will be at the discretion of the Market Editor in consultation with the Market Reporters.
9. IHS Markit will emphasize transactional data in the formulation of the daily markers by giving verified and validated trades and certain prescribed bid/offer information precedence. This transactional data will be used to generate a volume-weighted average which will account for 100% of the index compilation data. Bid and offer in-puts are used in two specific ways:

a. In circumstances where there is ‘tight market’, a defined bid/offer midpoint (typically when prices are within 2% of each other). In circumstances where the bid and offer are for different volumes, the average volume between the two will be taken.

b. If there is no ‘evidential’ bid/offer midpoint, but there are offers at lower values to the previous day’s assessed marker, or bids at higher values to the previous day’s assessed marker, these data inputs will be as evidential transactional information and used to compile the markers. The ‘evidential’ bids and offers will have to be deemed by IHS Markit as being transparent and tradeable by a significant portion of the market.

c. In the absence of either trades or bids and offers that conform to the above standards, IHS Markit will roll over the previous day’s marker value. However, as IHS Markit is engaging the market each day and ascertaining their views on prices levels, in circumstances where the Markets Editor no longer has the confidence that the previous day’s number is reflective of current pricing despite a lack of liquidity, they will collect indicative bids and offers from an equal pooling of verified end users, traders and producers. The decision to use survey inputs will be contingent on an overall coalescence of values by market participants. The decision to do this will be at the discretion of the Market Editor in consultation with the Market Reporters.

Implementation
1 April, 2019

Previous Market Participant Consultation
There has been no previous formal consultation on the amendments.

Rules & Standards
Formal comments should be marked as such and must be made in writing. IHS Markit will publish comments received in its price assessment reports and/or on the public IHS Markit website (except where the commenter has requested confidentiality). To comment on the proposal please contact:

Eric Thorpe (Eric.Thorpe@ihsmarkit.com) or Marian Hookham (Marian.Hookham@ihsmarkit.com) and cc Andrew Thompson (Andrew.Thompson@ihsmarkit.com)

John Howland
IHS Markit
25 Ropemaker Place
London EC2Y 9LY
UK

Adherence to deadlines is essential to the integrity of the IHS Markit consultation on the proposed changes to methodology. Late submissions may not be considered or published.
Corporate

CONSOL sees solid 2019 for export markets

United States (US) miner CONSOL Energy executives said that export markets are expected to remain strong in 2019 even though international prices have fallen sharply.

CONSOL’s Senior Vice President of Coal Marketing, Jim McCaffrey, said that he and his team are targeting sales to a new power plant in the Dominican Republic and will travel to India in the coming weeks.

CONSOL – which typically partners with Xcoal Energy & Resources in the export business – supplied the Caribbean island nation’s new Punta Catalina plant with thermal coal on the plant’s recent startup.

“It’s the newest, most state-of-the-art power plant in the Western hemisphere today,” McCaffrey said of Punta Catalina. “It’s a 770-megawatt unit. We expect it to burn 2.5 mst (short tons)/year. And we were awarded the commissioning order to have our coal commissioned at the plant. (CONSOL President and CEO Jimmy Brock) and I visited the DR just last week and we’re very optimistic about that in the future. So we think that there will be further opportunities.”

As for India, Brock said: “The demand for Northern App (NAPP) coal in India’s brick kiln markets has traditionally been seasonal. We are pursuing more consistent demand from other industrial and utility customers. Large industrial customers in India are willing to commit to purchase of Pennsylvania Mining Complex coal on term basis.”

He added: “While international indices have declined, we are still seeing strong demand for our high-Btu product with mine netback prices at over $50/st. In Europe, during the fourth quarter of 2018, we saw some temporary pause in the imports of high-Btu coal due to the water levels of the Rhine River and some penetration of low-Btu coal” from other international sources.

“However, more recently, we are seeing European buyers becoming more active in the high-Btu coal market,” Brock continued, adding that “we believe there are opportunities for the long-duration contracts with European utilities.”

For instance, McCaffrey said that Germany, a major thermal coal importer, “is starting to realize the cost of moving away from coal to renewables and it’s driving considerable debate” in that key EU nation.

“Europe and India are our key export destinations and we’re not seeing any meaningful slowdown in demand for our coal,” Brock said. “From a pricing standpoint, I would like to remind everyone that for the first half of 2019, we got fixed prices for our export shipments of approximately 4.7 mst, so we are insulated from the pullback we saw in the fourth quarter of 2018. For the second half of 2019, we are expecting about 3.5 mst of exports, which have a pricing floor in place. Therefore, I think we are in good shape as far as the export markets are concerned.”

McCaffrey has noted strong prices for CONSOL’s NAPP coal netting back to the mine “with a five handle,” when one considers hedging as part of the portfolio against currently lower API 2 prices. As well, CONSOL has fully locked up first-half prices and some second-half prices firmly in the $50s/st FOB mine, he said.

While the API 2-based netback for NAPP coal currently is in the $43/st FOB mine range, CONSOL is well-hedged and “we anticipate some recovery in the market by (mid-year),” McCaffrey said. “We expect second-half export tons to be north of $50 as well ... On a spot basis, prices are in the low-$50 to mid-$50 range; I don’t think that’s available on a term basis.”

“We exported a little over 8 mst” in 2018, McCaffrey said, and in 2019 he foresees exports in the 8.5-9.0 mst range. Of that, 2.0-2.5 mst of the PAMC coal is high-sulphur, high-vol met coal used for blending and sell at about a 10% premium to the thermal price.

McCaffrey also said that CONSOL is filling in some supply shortages due to competitors’ production issues and a lack of Central App coal for blending, even as PAMC engineers head toward mining some lower-sulfur product this year.

“I think there have been some production difficulties out there with some of our competitors and that’s going to create some opportunity for us,” he said. “And we’ll have a step change in our sulphur – actually two step changes in our sulphur – during 2019. One will occur midyear and one will occur at the end of the year. And we think that that will allow us to pursue business with customers that we have that currently blend our coal with CAPP coal to lower the sulphur some. We’ll be able to deliver a lower-sulphur product, which will give us a larger part of the blend, which will enable our customers to no longer have to spend a lot of money on CAPP coal that is either starting to go away or chasing the export market.”

CONSOL is guiding 2019 production in a range of 26.8-27.8 mst, in an average revenue/st sold range of $47.70-$49.70 and average cost/st sold range of $30.40-$31.40.

Warrior reports record production, sales in 2018

United States-based Warrior Met Coal reported 2018 coking coal sales reached a record high 7.6 m short tons (st), up 17% year on year as the company took advantage of continued strong market fundamentals.

Full-year production also hit a company record high of 7.7 mst as the company said it “ramped up its operations and maximised efficiencies” at its mines.

Warrior, which produces some of the highest quality coking coal in the US at its Alabama operations, reported an average 2018 selling price of $175.74/st, up from $172.31/st in 2017. Average costs were $93.76/st, bringing the average margin to almost $90/st.

Fourth-quarter sales of 2.0 mst were up 45% year on year “reflecting the strength of both continued production and demand from customers,” the company said. Net income in the quarter was $374.2m, compared with a net income of $97.2m in the fourth quarter of 2017.

The company reported full-year 2018 adjusted EBITDA of $601.0m, up from $517.7m in 2017. As previously reported, Warrior also continues to weigh its options on bringing its Blue Creek project online.

“We are currently studying the feasibility of a single longwall operation that could produce up to 3.0 mst/y,” Warrior said in its earnings statement. “While Warrior continues to optimise project parameters, preliminary engineering studies have estimated that initial capital expenditures of approximately $550-600m would be required to be spent over five years in order to develop this project.”
Whitehaven Coal achieves record profit in latest half year

Higher coal prices brought record profits for New South Wales producer, Whitehaven Coal, in the first half of its current financial year.

Whitehaven’s net profit rose 19% on the year in July-December, to A$305.8m ($217m) from $256.2m ($182m). Average realised coal prices in the half were A$155/t ($110/t), up from A$124/t ($88/t) in the first half of the prior fiscal year.

Thermal coal from the Maules Creek mine typically achieved an average price 7% higher than the globalCOAL Newc index price in the period, Whitehaven said.

Thermal prices from the Narrabri, Rocglen and Tarrawonga mines were broadly in line with the index price for the period.

Whitehaven's average price received from both its quarterly benchmark linked and index based metallurgical coal contracts during the half was US$124/t, up from $111/t in the prior corresponding quarter.

Met coal sales during the half accounted for 18% of total sales. FOB costs rose to A$69/t ($49/t) from A$57/t ($40/t), partly due to an increase in focus on high quality thermal product to take advantage of the price spread between high quality thermal coal and lower quality thermal coal.

This resulted in increased washing and lower yield compared with the half year prior.

Operating earnings before interest, taxes, depreciation and amortisation were A$550.8m ($391m), up 12% on the year.

Whitehaven has revised its saleable coal production guidance for the full fiscal year to 21.5-22.5 mt.

It has also shifted its full year cost guidance to A$67/t ($48/t), excluding royalties, from the previous guidance of A$64/t ($45/t), due to lower production in the September quarter and higher diesel prices.

Rolleston stake sold to Winfield Energy

Privately owned Australian company, Winfield Energy, has picked up a 12.5% interest in the Rolleston thermal coal mine in Queensland’s Bowen Basin for an undisclosed sum.

The company bought the stake from Japan’s Itochu Corporation which has been reducing exposure to thermal coal as part of its response to climate change. The sale of the Rolleston stake follows the sale of its interest in Australia’s NCA coal mine in September 2016.

Winfield was started by former Peabody Energy Australia executive, Rob Hammond.

“This acquisition sets a solid foundation for our company, and will enhance our future growth and performance in the Australian mining industry,” Hammond said.

Rolleston has capacity of 14 mt/y of thermal coal production.

South32 eyes Eagle Downs met coal project

Global miner South32 has begun a feasibility study of the Eagle Downs Metallurgical Coal project in Queensland’s Bowen Basin and expects to make a final investment decision in the first half of 2020.

South32 expects to complete a review of its existing development plan in the first half of this year.

Subject to the final investment decision and requisite approvals, it aims to construct a 4.5 mt/y multi-seam underground longwall met coal mine and processing plant with a dedicated rail spur and train load out facility.

Eagle Downs is 25 km south east of the town of Moranbah and adjacent to the BHP Mitsubishi Alliance (BMA) Peak Downs mine.

South32 acquired its 50% share in the project from China BaoWu Steel Group on 14 September for $133m and a coal price linked production royalty capped at $80m. The remaining 50% interest in the project is held by BaoWu subsidiary Aquila Resources.

The mine is fully permitted and partially developed, with about 40% of the dual 2 km drifts constructed, but has been under care and maintenance since late 2015.

It hosts a coal resource estimated at 1.12 bnt, of which 233 mt is in the inferred category.

Mining

Fatality halts production at Anglo’s Moranbah North mine

Anglo American’s Moranbah North hard coking coal mine in Queensland’s Bowen Basin has halted production following an accident that left one miner dead and 10 others injured.

It is understood there was a collision between a grader and a personnel carrier in the access drift to the underground mine at about 4.15 pm Wednesday (20 February) which resulted in the death of the grader driver, who has not yet been named.

Four employees were transported by helicopter to Mackay and Rockhampton hospitals for treatment, but have since been released, an Anglo American spokesperson said. Other miners were treated at the scene.

Anglo American executive head of underground operations, Glen Britton, said, “We are devastated by the tragic loss of one of our employees in the incident that occurred yesterday at Moranbah North.”

“We are working with the relevant authorities to understand how this incident occurred.”

The mines inspectorate investigation is underway and production will remain shut down until the incident site is released by the department and the mine can safely resume operations, the spokesperson said.

Anglo American’s 88%-owned Moranbah North underground longwall mine produced 6.76 mt of metallurgical coal on an equity share basis in 2018.

Stanmore’s half year production and sales reach record level

Queensland semi soft coking coal producer, Stanmore Coal, hit record half year coal production of 0.98 mt in July-December, up 91% on the year.

The miner also achieved record half year sales of 0.88 mt, rising 49% year on year.

Of its total sales, 74% was semi soft coking coal and the remainder was thermal coal. The average coal price Stanmore received for the half year was A$168/t ($119/t).

Underlying FOB costs were A$104/t ($74/t), excluding state royalties of $15/t, but Stanmore expects this to improve to A$86/t.

Stanmore achieved record half year coal production of 0.98 mt in July-December.
($61/t) in the full financial year due to the migration of operations from Isaac Plains to Isaac Plains East.

Isaac Plains East has a lower strip ratio and more favourable geological conditions to Isaac Plains, the miner said.

Stanmore reported profit after tax of A$21.28m ($15.11m) for the half, a 165% increase on the year from A$8.04m ($5.71m).

Underlying earnings before interest, taxes, depreciation and amortization (EBITDA) were A$41.62m ($29.55m), in line with guidance for the half year. On the back of the Isaac Plains East move, Stanmore expects an even stronger second half, and says it is on track to meet guidance of A$140-155m for the full financial year 2019.

Stanmore has maintained its coal production guidance of 2.15 mt for its full financial year, which ends in June.

Adaro aims for 54-56 mt in 2019

Adaro Energy, one of Indonesia’s largest miners, is set to mine 54-56 mt in 2019, similar to its production 2018 level.

Last year, Adaro grew output by 4% compared with the 51.8 mt it mined in 2017, largely due to a strong fourth quarter in 2018.

“Adaro Energy produced a total of 15.06 mt of coal in the fourth quarter of 2018 and sold 15.12 mt, a 21% and 22% increase year on year, respectively,” the miner explained in a company statement.

However, seasonally wet weather prevented it from growing output further.

“We experienced a normal rainy season in our operational area at the beginning of the quarter. While in November and December, we experienced higher rain days and rainfall volume compared with the long-term average,” the miner added.

The growth in production supported a rise in Adaro’s sales volume last year. In 2018, the miner sold 54.39 mt, up 5% from the 51.82 mt it sold in the year prior.

Some 40% of its coal was directed to the Southeast Asian market – with Indonesia understood to be the biggest consumer for the region. Outside Southeast Asia, Adaro’s top markets were China and India.

New Hope’s quarterly production up 28% on year

Australian miner, New Hope Corporation, produced 2.66 mt of saleable coal in the three months ended 31 January 2019, a 28% increase from 2.07 mt in the corresponding period a year earlier.

The Queensland operations produced 1.18 mt in the quarter, slightly down on the prior corresponding quarter when 1.19 mt was produced due to lower wash plant yield at the new Acland mine as a result of the recovery of remnant coal associated with the old underground mine workings.

In New South Wales, New Hope’s Bengalla operations produced 1.48 mt of saleable coal on an equity basis, up 67% from 0.89 mt in the January 2018 ended quarter.

This was primarily the result of New Hope’s purchase of an additional 30% in the Bengalla Joint Venture at the beginning of December 2018 to raise its equity stake to 70%.

New Hope sold 2.40 mt of coal in the January 2019 quarter, up 6% from the 2.27 mt sold in the January 2018 quarter.

New Hope’s QBH export facility at the Port of Brisbane had a throughput of 1.55 mt in the quarter, a decrease of 19% on year from 1.92 mt.

Colombia coal output to rise 4-7% in 2019

Colombian coal output is forecast to total between 88-90 mt in 2019, up 4-7% from an estimated 84.3 mt produced in 2018, according to preliminary data from the National Mining Agency (ANM).

Exports in 2019 are forecast to reach between 81.7 mt and 84.4 mt, up 2-6% from 80 mt in 2018.

Production of mostly metallurgical (met) coal from Colombia’s interior departments of Boyacá, Cundinamarca and Norte de Santander is expected to rise from a combined 5 mt in 2018 to 7 mt in 2019.

The main reasons attributed for the nation’s total expected production increase in 2019 are higher demand for coking coal for exports and coke oven feed, as well as for thermal power generation at Colombia’s 1.3 GW of coal fired plants.

India’s January coal output up 2% on year

Despite country-wide industrial action, Indian coal production in January rose 2% year on year to touch a nine-month high, driven by a 24% rise in captive mine production.

January output at 68.75 mt was up 1.44 mt on the same month last year and up 5% or 3.36 mt on the month, from 65.39 mt, according to provisional data compiled by IHS Markit.

The rise in output came despite a two-day strike at the beginning of the month that affected production by around 2 mt.

Coal India (CIL)’s January output rose 1% or 0.53 mt on the year to 57.21 mt, from 56.68 mt and 7% or 3.70 mt on the month, from 53.51 mt.

Singareni Collieries Company Ltd (SCCL), another state-run miner, saw a 2% year on year dip in production at 6.29 mt, but its January production was up 4% on the month, from 6.04 mt.

Captive mines reported output of 5.25 mt, up 24% or 1.02 mt on the year, from 4.23 mt as some of them continued to streamline production to achieve their rated capacities.

Several new captive mines came into operation in 2016 and 2017 and they are slowly moving towards attaining peak production rates.

The country’s mine dispatches were flat on the year in January at 63.87 mt but were down 1% or 0.41 mt on the month, from 64.28 mt, due to constrained winter demand for electricity generation.

Dispatches were also impacted by restricted rail car movements due to fog in some parts of the country.

The constrained demand and logistics issues resulted in a build-up of stocks, both at power plants and at mines.

Stocks at Central Electricity Authority (CEA) monitored plants rose to 20.21 mt as of 31 January, from 16.61 mt on 31 December. Mine stocks are estimated at 28.28 mt on 31 January, up from 23.40 mt on 31 December.

Higher stocks at mines and power plants are likely to have impacted India’s January thermal coal imports, which have been falling from October 2018 highs. Indian thermal imports fell from 17.00 mt in October to 15.09 mt in November and 14.16 mt in December due to a combination of factors such as volatile international prices and high port stocks.
Arch Coal begins development of new high-vol A mine

United States (US) producer Arch Coal is commencing development of a new metallurgical (met) coal mine.

The Leer South high-vol A mine is expected to begin production in 2021 and produce 3 million short tons (mst) per year of high-vol A coal. Arch said the coal will be marketed primarily into the seaborne market.

“With the addition of Leer South, Arch will greatly enhance its portfolio of world-class coking coal assets, and cement our position as the premier global producer of high-vol A coking coal,” Arch CEO John Eaves said in a statement.

“We believe there is significant, unfulfilled global demand for high-vol A coking coal generally, and our Leer brand specifically, and are already engaged in discussions with leading steel producers around the world that are eager to secure additional volumes of our Leer-brand products.”

Arch expects to invest $360m-$390m in the new operation – located in Barbour County, West Virginia – which will operate in the same 200 mst reserve base as Arch’s existing Leer longwall mine. Leer South will utilize the preparation plant and select other facilities at the company’s Sentinel Mine, which is also located in Barbour County.

Arch also announced it would be transitioning its Mountain Laurel operation from longwall to room-and-pillar mining at the beginning of 2020, and moving the Mountain Laurel longwall equipment to Leer South at that time. Mountain Laurel is expected to produce approximately 1.3 mst annually of high-vol B coking coal, roughly 20% lower than the mine’s 2018 production.

Arch expects to produce between 6.6 and 7.0 mst of coking coal in 2019 – of which nearly 60% will be high-vol A quality – and to maintain a similar level of production through 2021. In 2022, Arch’s total met is expected to approach 9 mst annually, with 75% of that total expected to be high-vol A coal.

Corsa Coal forecasts 33% production growth

United States-based coking coal producer Corsa Coal is projecting total sales of 2.0-2.4 m short tons (st) in 2019 with about 30% going to the domestic market and 70% into the seaborne global arena.

Total sales in 2018 were 1.87 mst.

“Our company’s growth story continues to produce results and has a positive outlook,” Corsa CEO George Dethlefsen said in the company’s full-year 2018 earnings release.

“2018 marked the second consecutive year of over 20% metallurgical coal production growth for Corsa. We are forecasting 33% growth in met coal production levels in 2019, as the Horning and Schrock Run mines add to our volumes and as we get a full year of run-rate production levels from the Casselman and Acosta mines.”

Corsa sold 0.47 mst of low-vol Northern Appalachian coal in the fourth quarter at an average realized price of $116.27/st FOB mine.

Teck Q4 coking sales up 5%

Canadian diversified miner Teck Resources reported fourth quarter 2018 coking coal sales of 6.6 mt, up 5% year on year and helped by record high monthly sales in November.

Fourth quarter production also set a quarterly record of 7.3 mt, up 6% from the fourth quarter of 2017. Average realized price for the fourth quarter was US$191/t, compared to US$168/t in the year ago quarter.

“This strong performance resulted from a combination of robust demand in all market areas led by continued steel production capacity growth in India and Southeast Asia and steelmaking coal supply concerns, mainly in Australia,” the company said in its earnings statement.

Teck is now guiding 2019 total coal production of 26.0-26.5 mt, in line with the 26.2 mt produced in 2018. Teck said it expects first quarter 2019 sales of 6.1-6.3 mt, but logistics continued to challenge at times in late 2018 and earlier this year.

“In December, we experienced poor performance across the supply chain due to underperformance in rail, material handling issues and high wind events in Vancouver,” the company said.

“Logistical challenges continued in January, including unplanned dumper outages at Westshore Terminals, which affected train unloading and negatively affected supply chain performance. Performance has improved since late January, but these factors continue to present a risk to our quarterly sales guidance.”

The company also foresees probable higher unit costs of C$62-$65/t in 2019, primarily due to the impending closure of its Coal Mountain operation and the company’s desire to increase production at other mines to compensate.

Teck, the world’s second largest supplier of seaborne coking coal behind BHP, recorded a fourth quarter gross profit of C$819m in its steelmaking coal business, up from C$625m in the fourth quarter of 2017.

Power

Colombia coal demand for generation seen up 67% in 2019

Thermal coal demand for Colombia’s electricity generation in 2019 is forecast to return to at least 2 mt, similar to the annual volumes in 2015 and 2016, according to the Ministry of Mines’ Mining Energy Planning Unit (UPME).

Colombia’s thermal coal demand in 2018 totalled 1.2 mt, a rise of 33% from 0.9 mt in 2017, when high hydro generation kept most of the country’s 1.3 GW of coal-fired power generation out of the merit order.

The main reasons for the expected increase in coal generation are lower hydro availability from lack of rain and the postponement of the commissioning of the new 2.4 GW Hidroituango hydroelectric power project until mid 2022 due to construction delays.

Colombia’s installed generating capacity is 17.7 GW, of which 69.2% is hydro, 9.8% coal, 9.6% gas, 7% diesel oil and the balance a combination of biomass, wind, solar and other liquid fuels.

In 2018, hydro generation accounted for 85% of Colombia’s total electricity generation. In January 2019, hydro generation has fallen to 65% of the total due to current drought conditions.

EDF’s thermal output falls 32% in 2018

French state-run energy major EDF said its thermal coal generation fell by around 5.1 TWh to 11.0 TWh last year compared with 16.1 TWh in 2017.
The drop is the equivalent of around 1.7 mt of coal burn. Coal generation declined while nuclear and hydro output jumped. Nuclear power rose by 14.1 TWh to 393.2 TWh in 2018 from 379.1 TWh in 2017 due to fewer incidents of reactor outages. Hydropower rose by 25% to 46.5 TWh last year compared with 37.4 TWh in 2017. Hydropower rose due to good rainfall and optimised availability of hydropower assets.

EDF’s French coal fleet comprises the 1.20 GW Cordemais and 0.60 GW Le Havre plants.

Coal prices for front year delivery into Europe rose by 18% to average $87.00/t last year compared with $71.34/t in 2017, the company said.

Overall electricity consumption in France was flat year on year at 478.2 TWh. The average temperature in the country rose to 13.4°C last year compared with 12.8°C in 2017, EDF said.

In terms of EDF’s financial performance in France, sales from generation and supply activities were EUR26.1m, up 4% compared with 2017.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) was EUR15.25bn, up 11%.

Coal-fired co-gen plants in Stuttgart and Kiel replaced by gas

EnBW’s 22.6 MW Stuttgart-Gaisburg hard coal unit was closed at the end of last year, doing away with around 40,000-60,000 t of annual coal burn. It was replaced with three MAN 20V35/44G gas generators totalling 30.0 MW with heat take-off for district heating.

The new equipment has efficiency of up to 90%, and operates alongside a hot water thermal storage facility and six gas-fired hot water boilers with 210 MW of thermal capacity for district heating.

In Kiel, the 354 MW coal-fired co-gen unit, commissioned in 1970, will close at the end of March, eliminating around 0.26 mt of coal use per year, and will be replaced with 20 General Electric Jenbacher J920 FleXtra gas-fuelled generators, which have a combined 190 MW of electricity capacity alongside an electric boiler and a hot water storage facility. The new equipment will reduce annual CO2 emissions by 70%.

Transport & logistics

Delays linger at Queensland terminals

Queues and delays at Queensland terminals remained elevated this week following a mine accident at Moranbah North and slow recovery at the Abbot Point coal terminal from weather damage earlier in the month.

Delays at Abbot Point remain close to four weeks, with the terminal understood to be still suffering issues with conveyor belts and machinery.

However, logistics sources expect queues and delays to fall before the end of February, with the under-utilised terminal now dual loading from its twin berths.

Meanwhile, sources say Hay Point is preparing for another significant shutdown of a berth in March. It is understood Berth 2 has been having some issues recently that will need to be rectified.

At the Dalrymple Bay Coal Terminal, delays remain elevated despite the queue maintaining below 30 vessels.

Sources expect there will be an increase in delays on vessels waiting to load coal from the Moranbah North mine in coming weeks. Lineups show 0.64 mt of Moranbah North coal was booked to be loaded at Dalrymple Bay between Wednesday 20 February and 18 March.

In New South Wales, a three-day shutdown of the Hunter Valley Rail Network ended this morning local time.

The Hunter Valley Coal Chain Coordinator (HVCCC) has estimated inbound capacity was reduced by 2.32 mt over the course of the shutdown.

The output from Newcastle terminals remained steady during the maintenance period, but will likely be slowed over the next week due to reduced stockpiles at the terminal.

Meanwhile, Port Waratah Coal Service’s Dyke 4 and 5 Berths at Carrington will be shut from Friday (22 February) to 6 March. HVCCC estimates a total of 1.36 mt of outbound capacity will be lost over the period.

Kalimantan coal loading curbed by rain and rough seas

Coal loading activity in Indonesia’s coal-rich Kalimantan region continues to be impeded by rain and rough seas, industry sources say.

A Jakarta-based shipping agency explained that activity was most challenging during the late afternoon ahead of heavy bouts of rain.

“The high swell at sea has not eased. That, coupled with strong winds, has made it very difficult for coal transhipment activity,” the shipping source explained.

Combined coal loading volumes out of major ports/anchorages in Kalimantan namely Samarinda, Taboneo, Tanjung Bara, Bunati, Muara Pantai, Adang Bay, Satui, Tanjung Pemancingan and Balikpapan fell 18% on the week to 6.55 mt as of 19 February,
from 8.02 mt on 12 February, IHS Markit Maritime data show. It is unclear if recent announcements on the reduction in production quotas (see here) have brought about any impact in export tonnage.

However, coal loading volumes plunged significantly at the Muara Berau anchorage in Samarinda where 1.15 mt was recorded on 19 February, compared with 2.02 mt in the week prior.
Australian weekly coal shipments recover from weather impact

Australian coal shipments from east coast terminals increased 23% to 7.53 mt from 6.11 mt in the week to 17 February as the North Queensland ports recovered from heavy rains and high seas that impacted loading in the previous week.

The weekly export volume was above the long term average of 7.43 mt despite a series of 24-hour rolling stoppages by members of the Rail, Tram and Bus Union (RTBU) and other unions in support of new enterprise agreements with rail operator Aurizon.

Throughput at Abbot Point, Dalrymple Bay and Hay Point coal terminals increased 67%, 49% and 105% week on week respectively.

At Dalrymple Bay, Berth 4 will be closed for maintenance on 21 February and will reopen on 4 March while Berth 3 will be closed from 20 February to 11 March.

At the RG Tanna coal terminal in Gladstone, Shiploader 1 will be closed for maintenance for three days from 5 to 7 March.

In New South Wales, the reopening of the Ulan rail line following a derailment in the previous week allowed for additional volumes to be exported through the NCIG terminal at the Port of Newcastle with weekly throughput increasing by 45% to about long term average weekly volume.

However, throughput at the Port Waratah Coal Services (PWCS) terminals fell by 14% but remained above the long term weekly average.

The Hunter Valley coal rail network was closed 6.30am today for 72 hours of scheduled maintenance, during which time PWCS will undertake maintenance on reclaimers and a shiploader. PWCS will also undertake structural repairs to a dyke from 22 February to 5 March.

Queues and coal loadings at major Indonesian terminals and transhipment areas

<table>
<thead>
<tr>
<th>Terminals and transhipment areas</th>
<th>Loadings WE 19/02 (t)</th>
<th>Loadings WE 12/02 (t)</th>
<th>Change w-o-w (t)</th>
<th>Weekly average YTD</th>
<th>Vessel Queue 19/02</th>
<th>Average Wait 19/02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samarinda</td>
<td>1,147,887</td>
<td>2,027,734</td>
<td>(879,847)</td>
<td>1,563,765</td>
<td>52</td>
<td>9</td>
</tr>
<tr>
<td>Taboneo</td>
<td>1,400,219</td>
<td>1,672,859</td>
<td>(272,640)</td>
<td>1,366,885</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>Tanjung Bara</td>
<td>1,266,399</td>
<td>1,400,613</td>
<td>(134,214)</td>
<td>890,418</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Bunati</td>
<td>337,954</td>
<td>550,074</td>
<td>(212,120)</td>
<td>500,166</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Muara Pantai</td>
<td>570,798</td>
<td>619,173</td>
<td>(48,375)</td>
<td>503,840</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Adang Bay</td>
<td>352,086</td>
<td>134,496</td>
<td>217,590</td>
<td>398,398</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Satui</td>
<td>410,379</td>
<td>685,686</td>
<td>(275,307)</td>
<td>331,197</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Tanjung Pemancingan/Senakin</td>
<td>274,249</td>
<td>198,520</td>
<td>75,729</td>
<td>341,064</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Balikpapan</td>
<td>790,662</td>
<td>734,768</td>
<td>55,894</td>
<td>404,088</td>
<td>4</td>
<td>30</td>
</tr>
</tbody>
</table>

Note: Figures are calculated estimates based on AIS shipping data tracked by IHS Markit maritime software and may not necessarily represent all vessel or shipments. *Average based on year to date weekly average

Source: IHS Markit

Australian weekly coal shipments (t)

Confidential. © 2019 IHS Markit®. All rights reserved.
First export cargo expected soon from Taman port

Russia’s Taman dry bulk terminal, located in the Black Sea region, is expected to export its first thermal coal cargo at the end of February or early March, according to regional shipping sources.

The Handysize cargo will be exported to the Turkish market. One source said Taman will focus mainly on handling thermal coal. Rail car deliveries to the port started in October 2018, as part of an inventory build process.

The new 20 mt/y deep water port will be ice-free and is able to receive vessels over 100,000 DWT, unlike terminals in the Baltic Sea. It will have a storage capacity of 1.45 mt for coal.

The developer of the port, Oteko, was not available for comment.

OVET coal imports fall 2% on year, transhipment rises

OVET handled 10 mt of combined coal stocks last year at the Vlissingen dry bulk terminal in the Netherlands, a 2% drop from 2017, according to an OVET official.

However, transhipment operations at the terminal rose by nearly 5% last year due to low water levels on the Rhine in September-October. During this time, OVET customers are understood to have shipped coal to the port of Wilhelmshaven in north Germany to avoid surcharges and delays.

OVET expects to handle more Capes this year, thanks to dredging operations last October that increased the draft at the terminal to 17.1 metres from 16.5 metres. OVET can now take full-sized Capes without having to partially offload cargo at another terminal.

As a result, more Colombian Capes are expected to be shipped to OVET, with four already arriving since October.

The terminal has storage capacity of 1.50 mt of dry bulk, primarily coal and iron ore.

Aurizon’s rail volumes down in half year

Australia’s major rail operator, Aurizon, saw a slight decline in the volumes it hauled in the first half of its current financial year, spanning July-December.

Aurizon handled 106.5 mt of coal in the period, a 1% drop on the year from 107.8 mt.

The volume railed on the Central Queensland Coal Network (CQCN) fell 2% on the year, to 76.4 mt from 77.8 mt, despite strong demand and the start of railing for QCoal’s Byerwen mine.

This was the result of increased supply chain constraints, weather impacts late in the half and protected industrial action in December, Aurizon said in its half yearly report.

The volume hauled in New South Wales and South East Queensland was almost flat on the year at 30.1 mt, compared with 30.0 mt.

Higher volumes from AGI, Macquarie and BHP were largely offset by other customer specific production issues, a derailment at Newdell in the Hunter Valley in September and protected industrial action in New South Wales in August, and South East Queensland in December.

Aurizon’s underlying earnings before interest and taxes (EBIT) for its coal business declined 5% year on year, or A$12.2m ($8.7m), to A$210.3m ($149.3m).

The fall was because of increased maintenance costs for installing capacity for future volume growth, as well as the lower rail volumes.

Aurizon’s overall net profit after tax decreased 19% on the year to A$227m ($161m) from A$282m ($200m), in line with the decline in EBIT.

Mozambique coal exports up 5% in 2018

Total coal exports from Mozambique grew by around 5% in 2018, to 13.5 mt, compared with an estimated 12.8 mt in 2017, according to shipping sources and IHS Markit vessel tracking data.

Significantly, the ratio of thermal coal exported is estimated to have increased in 2018, accounting for 55% of the total volume, compared with an estimated 45% in 2017, according to estimates by trading and shipping sources.

As in previous years, Brazilian major Vale is by far the dominant shipper, exporting an estimated 11.0-11.5 mt, or 85% of the country’s total export volumes from its dedicated Nacala port.

Vale’s thermal coal fraction is anticipated to account for 47% of total exports, about double the estimate from last year.

Of Vale’s total coal exports, 5.3 mt, or around 45%, is estimated to have been exported to India. But only around 1mt of the total was reportedly coking coal.
Indian-owned International Coal Ventures (ICVL) is the main shipper through the port of Beira, exporting around 1.55 mt, the vast bulk of which goes to Indian buyers.

Metallurgical coal is thought to make up around 35% of ICVL’s total volumes and is at best semi-hard/semi-soft product, sources in India said, where the coal is used in coke ovens in very small quantities, blended with Australian hard coals.

Jindal Steel and Power Limited (JSPL) is the other exporting producer, shipping around 0.5 mt in 2018, with all the coking coal sent to India and thermal elsewhere.

Meanwhile, sources said Vale is currently undertaking a massive geological programme at its Moatize project, thought to be an attempt to optimise the mine plan for better quality.

Several sources questioned whether Vale may dilute its focus on coking coal as it deals with current problems in Brazil with a major dam failure and the fall-out that’s incurred.

Vale has already exited its Australian coal developments and while that does not appear likely in the near-term, capital could be squeezed going forward

### Coal handling at Brazil’s Tubarão port resumes

The Brazilian port of Tubarão, in Vitória, Espirito Santo state, resumed coal handling and production of iron pellets from 13 February after mining major Vale reached an agreement with local authorities.

Some market watchers had initially expected the court-ordered suspension, from 7 February, to last up to six months.

But less than a week after the suspension, a US Capesize vessel, the Corinthian Phoenix, carrying metallurgical coal was discharging its cargo at the port, according to IHS Markit shipping data. The vessel arrived at the port a week earlier.

The port is expected to receive three coal vessels from 13 February until 10 March from Australia.

Besides Vale, Tubarão port is used by steel majors. ArcelorMittal has import capacity totalling 5.7 mt/y at the port, Gerdau has 1.8 mt/y and Usiminas 1.7 mt/y.

### Steel

#### Brazil’s January crude steel output up 11%

Brazil’s crude steel output rose 11% to 2.93 mt in January 2019 from 2.64 mt in December 2018, according to the Brazilian Steel Institute.

January 2019 crude steel production was up 2% from 2.87 mt a year earlier. The rise is seasonal, according to sources.

January 2019 output annualises to 35.2 mt, up 1% on the 2018 total output of 34.7 mt. Production during 2019 is forecast to reach between 34.7-34.8 mt.

### German steel demand seen shrinking

The German steel sector faces a challenging year, with domestic demand seen falling by 1.8%, according to the RWI-Leibniz Institute for Economic Research.

### Markets: Steam coal

#### South Korean tendering slows

South Korea’s generators have slowed their tendering activity, as they are well-stocked through to April.

The country’s state-owned generators are also occupied with their annual evaluation reports, which will keep tendering on the back burner through to early March.

However, some awards did emerge in the latest fortnight, with Australian, Russian, Indonesian and South African coal purchased.

South Korean independent power producer GS Donghae (GSDEP) awarded two-part spot tender, SP03, which was for five 60,000 t shipments, covering two 5,100 kc NAR min and three 4,700 kc NAR min material cargoes, for loading in April-May.
Korean tender results

<table>
<thead>
<tr>
<th>Genco</th>
<th>Origin</th>
<th>Min c.v. NAR</th>
<th>Winners</th>
<th>Price (6,080 kc NAR FOB)</th>
<th>Volume Loading</th>
<th>Terms</th>
<th>Moisture*</th>
<th>Ash*</th>
<th>Sulphur*</th>
<th>Tender #</th>
<th>Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS Donghae</td>
<td>Indonesia</td>
<td>4,700</td>
<td>cancelled</td>
<td>0.12</td>
<td>Mar-Apr</td>
<td>Spot</td>
<td>30</td>
<td>17</td>
<td>a.d.</td>
<td>1</td>
<td>SP02</td>
</tr>
<tr>
<td>GS Donghae</td>
<td>Russia</td>
<td>4,700</td>
<td>STX</td>
<td>~48.25</td>
<td>Mar-Apr</td>
<td>Spot</td>
<td>30</td>
<td>17</td>
<td>a.d.</td>
<td>1</td>
<td>SP03</td>
</tr>
<tr>
<td>GS Donghae</td>
<td>Australia</td>
<td>5,100</td>
<td>GS Global</td>
<td>~50.25</td>
<td>Mar-Apr</td>
<td>Spot</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>1</td>
<td>SP03</td>
</tr>
<tr>
<td>Kospo</td>
<td>South Africa</td>
<td>5,800</td>
<td>Flame</td>
<td>~66.25</td>
<td>Mar-Apr</td>
<td>Spot</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>1</td>
<td>EST01</td>
</tr>
</tbody>
</table>

Source: IHS Markit © 2019 IHS Markit

Trader GS Global was awarded four shipments. It will provide the two higher c.v. cargoes, supplying coal from Glencore’s Rolleston mine in Queensland, at around $66.25/t FOB, basis 6,080 kc NAR.

GS Global is also providing two shipments into the lower c.v. requirement, and will supply coal from Sakhalin, Russia, at around $50.25/t FOB, basis 6,080 kc NAR.

STX was awarded the fifth shipment in the tender, and will provide Indonesian blended coal at around $48.25/t FOB, basis 6,080 kc NAR.

This tender, which closed 14 February, was in part a reissue of tender SP02, which was for March-April loading 4,700 kc NAR min material.

That tender was cancelled as all offers were above the price ceiling, which was understood to have been below $45.00/t FOB, basis 4,700 kc NAR.

GSDEP’s prior purchase of 4,700 kc NAR min coal via tender was in December, with Flame winning SP01, for the supply of one 58,000 t shipment of Indonesian material for loading in 27 December to 10 January, at around $53.75/t FOB Samarinda, basis 6,080 kc NAR.

Elsewhere, Korea Southern Power (Kospo) bought an April loading Cape (0.13 mt) of South African 5,800 kc NAR min coal through a tender.

Flame was understood to have been awarded at around $71.00/t FOB, basis 6,080 kc NAR.

The tender, EST01, called exclusively for South African or Colombian material, and closed 15 February.

It was a rare tender from the Korean market. The last time a Korean buyer was seen pursuing material specifically from these two origins via open tender was back in November, when Kospo cancelled a three-year term tender exclusively for Colombian thermal coal supplies, after attracting just one participant.

German generator awards April US cargo

A German generator has awarded a tender for a Panamax of Illinois Basin (ILB) high-sulphur thermal coal for April delivery to a United States (US) producer-trader.

The US material will be delivered to Rostock in north Germany, trading sources said.

The price of the deal is understood to be at an API2 discount of around $9-10/t, according to a trading source.

Another trading source added, “the discount is certainly below $10/t.”

It was unclear whether the discounts were given on a CIF Amsterdam-Rotterdam-Antwerp basis or CIF Rostock. If the latter, the discount could be $2/t greater on a delivered ARB basis.

Based on current API2 April paper prices around $74.00/t, freight from the US Gulf to ARB of around $10.50/t and a discount of $9.50/t, the cargo nets back to around $52-54/t FOB depending on the delivery basis.

The generator sought coal of a maximum 3% sulphur, with an energy content around 6,000 kc NAR.

Last week’s IHS Markit US Gulf FOB Marker was assessed at $56.83/t, basis 6,000 kc NAR basis, down $3.32/t from the previous week.

CDEEE tenders for up to 0.79 mt for Punta Catalina

Dominican Republic’s state owned Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE) is tendering for up to 0.79 mt for test burns to be used at the new 752 MW Central Termoeléctrica Punta Catalina (CTPC) coal plant between July and November 2019.

Prospective bidders must register at CDEEE from 21 February until 23 March 2019. Interested parties may download the specific terms at www.cdeee.gob.do Transparency Section, or www.comprasdominicana.gov.do from Dirección General de Contrataciones Públicas.

The tender asks for up to 308,000 t of type A coal and up to 480,000 t of type B coal. Typical quality specifications on an as-received basis of type A coal are 10,749 Btu/lb (5,972 kc/kg), 2.2% sulphur, 10% moisture, 13.1% ash, 27% volatile matter and 45 HGI and type B coal are 11,408 Btu/lb (6,338 kc/kg), 0.8% sulphur, 11% moisture, 10% ash, 32% volatile matter and 45 HGI. Offers can be FOB fixed price or indexed price based on the API2 index.

Bids deadline is 24 April 2019. Only prospective suppliers that are qualified can participate in a reverse tender process to take place on 31 May 2019. Awards will be made on June 5, 2019.

CDEEE’s first tender for up to 0.2 mt of type A coal and up to 0.26 mt of type B coal for test burns between November 2018 and March 2019 was won by United States (US) coal exporter Xcoal Energy & Resources, supplying coal loaded at US East Coast (USEC) ports.

Annual coal demand at CTPC will range between 2.8-2.9 mt once in full operation, scheduled by mid-2019, and will supply between 40-44% of Dominican Republic’s total electricity demand.
US Illinois Basin cargo trades

An Illinois Basin (ILB) Supramax traded at $54/t FOB United States Gulf (USG), basis 6,000 kc NAR recently for a prompt loading laycan.

The cargo is understood to be heading to Mediterranean markets, with the most likely destination being Egypt. The coal is understood to have 2.80% sulphur content.

Freight costs between the US Gulf and Alexandria are assessed at $18/t, leaving a delivered cost of $72/t. Egypt was a key market for US suppliers in 2018, shipping nearly 3 mt, up from 1.10 mt in 2017. ILB was the dominant coal followed by Northern Appalachian (NAPP) material.

Russian thermal cargoes for delivery into the Mediterranean markets such as Turkey are assessed at $82-83/t CIF, basis 6,000 kc NAR, while South African coal is assessed at over $95/t CIF.

Last Friday’s (15 February) IHS Markit weekly high sulphur USG marker price was assessed at $56.83/t FOB USG (c.v. adjusted to a 6,000 kc NAR basis. The material has a min. c.v. of 5850 kc NAR, max 3% sulphur, FOB basis New Orleans).

Indonesian miner among five in fray for Tangedco’s 2 mt

Five companies, including an Indonesian miner, have submitted offers into Tamil Nadu Generation and Distribution Corporation’s (TANGEDCO) two tenders totalling 2 mt.

This is understood to be the first time that an Indonesian miner is directly participating in an Indian government-owned power plant supply tender. Indonesian miners typically supply to traders as most of the government-owned power plants seek offers on a plant delivered price basis.

Adani Enterprises, Maheswari Brothers and Knowledge Infrastructure are reportedly participating in TANGEDCO’s 1 mt tender to supply 6,000 kc GAR coal to Ennore port for its 1.83 GW North Chennai and 1.44 GW Mettur plants. The supply period is March to July.

For the second 1 mt tender, to supply 5,000 kc GAR material through Tuticorin port for its 1.44 GW Tuticorin plant, a total of five companies are in the fray. These include the three suppliers who are participating in the Ennore tender, plus an as yet unknown Indonesian miner and another company named SmartGen. Supply is between March and September.

The tender was floated in January with a 23 January deadline for offers, but this was extended to 31 January and then to 7 February and again to 11 February. The generator will shortly ask the suppliers to participate in a reverse auction to hopefully find a winner.

Eren awards tender for two Capes to Colombia

Turkish generator Eren Enerji awarded a tender for a pair of Capes of multi-origin thermal coal to a Colombian shipper, although details are still being finalised.

It is understood that Eren paid $1.00-2.00/t above the physical API2 index, for 5,700 kc NAR min Colombian material, for delivery in the second half of April and first half of May, according to market sources.

The cargoes will be delivered to Eren’s port to feed its five units totalling 2.79 GW at Zonguldak, on the Black Sea in northern Turkey. The last deal the Turkish generator closed was late last year totalling 30 Capes, to be delivered through to end-2019.

The tender was split between Colombian and South African origins, with Colombian cargoes understood to have been settled at a premium of $4.00-5.00/t to the physical API12 index.

That equated to around $104-105/t at the time, against the latest deal at $75.00-76.00/t based on prices in the week to 8 February.

Pakistan traders buy Indonesian cargo, while South Africa prices fall

A Pakistan trader has purchased a Supramax of Indonesian thermal coal for early March delivery.

The Supramax of 6,300 kc GAR material traded at around $90.00/t CFR Karachi, down from $93.00-95.00/t a month ago, a market source said. With freight at $13.00-14.00/t, that translates to an FOB price of around $76.50/t, basis 6,300 kc GAR.

“Traders were expecting this drop off and were rushing to sell at $90/t,” the source said, adding that the coal will be sold on to industrial users in Pakistan.

The country’s demand for South African cargoes is also seeing a revival due to a fall in prices in recent weeks.

The market source said off-spec RBl, which is believed to be similar to IHS Markit’s marker for 5,700 kc NAR min material, was being offered at around $85.00/t CFR Karachi, basis 6,000 kc NAR. With freight at around $13.00-14.00/t, that translates to an FOB price of around $71.00-72.00/t, basis 6,000 kc NAR.

A second Pakistan source said offers were even lower than that.

“The market for high c.v. coal is going south,” the second source said.

IHS Markit’s Richards Bay (5,700 kc NAR min) FOB weekly marker was assessed on 8 February at $78.39/t, basis 6,000 kc NAR, from $82.69/t the previous week.

Prices have since weakened, with the benchmark daily Richards Bay FOB marker, which assesses 5,850 kc NAR min material, falling to $75.41/t FOB on Thursday (14 February), from more than $85.00/t FOB a week earlier.

Afghan prices have not fallen as sharply as South African or Indonesian cargoes.

On a delivered basis, including taxes and transport, Afghan 6,300 kc GAR cargoes were trading at around $148-150/t for cement plants in Khyber Pakhtunkhwa and other northern provinces. That is down slightly from last month's trades at $152-153/t.

Markets: Metallurgical coal

Brazil’s CSN tenders for twelve met coal Panamaxes

Brazil’s largest integrated steel producer, Companhia Siderúrgica Nacional (CSN) has tendered for twelve Panamaxes of metallurgical (met) coal for delivery over the course of 2019.

The tender was launched late last month and closed on 13 February. Offers needed to be valid for ten days.

The deliveries are expected from April, according to a coal agent from southern Brazil.

The company is understood be seeking United States (US), Canadian or Australian material.

CSN is understood to have received offers from suppliers from...
US and Australian shippers, but price details are not yet known. Falling freight costs could open up the tender to Australian shippers. Australian Panamax freights have dropped to just $8.50/t from the Australian East Coast to Praia Mole, Brazil, compared with $9.25/t to the same destination from the US East Coast, according to a London ship broker.

The US accounted for around 40% of Brazilian met coal imports last year.

CSN could also launch a PCI tender next month, the agent said. Last year CSN signed a PCI supply agreement with Russian trader Carbo One for an unspecified volume.

It is understood that the contract will end in June, but has a renewal clause for another two or three years, according to a Brazil industry source.

Trade

South Korea’s thermal imports hit 16-month high

South Korea’s thermal coal imports climbed to a 16-month high in January, with a considerable surge in tonnage from Australia and Indonesia, the country’s latest customs data show.

The country imported 10.78 mt in the month, up 13% on the year from 9.58 mt and rising 29% on the month from 8.33 mt. The increase may be reflective of an improvement in buying opportunities at the end of last year, as China’s tightening of import restrictions put downward pressure on international spot prices. Seasonal stock building could have been another contributing factor.

Indonesia was the largest supplier in the month, but only just, providing a mere 8,000 t more than Australia.

The volume from Indonesia was 4.12 mt, rising 13% from 3.66 mt in January 2018, and up 25% from 3.29 mt in December 2018. Australian into South Korea almost doubled on the month in January, hitting 4.11 mt, compared with 2.18 mt in December 2018, and comfortably up on 2.69 mt in January 2018.

The stellar performance of Indonesia and Australia – the traditional dominant suppliers of thermal coal to South Korea – bucks a trend in which the pair have been shedding market share to competitors such as Russia and South Africa.

Russia was slightly up on the month, providing 1.32 mt in January, compared with 1.18 mt in December 2018, and 1.22 mt in January 2018. South African was halved on the month, to 0.26 mt from 0.52 mt in December 2018, and was similarly down from 0.59 mt in the January prior.

Elsewhere, South Korea’s coking coal imports dropped on the month, to 1.74 mt from 2.21 mt in December, and 2.18 mt in January 2018.

Notably, volumes from Australia, the largest supplier of coking coal to South Korea, slumped to a near six-year monthly low, at 0.48 mt in January. By comparison, supplies from Australia averaged 0.84 mt per month in 2018.

The full South Korean import data can be found here.

Vietnam’s monthly imports hit all-time high

Vietnam’s total coal imports reached an all-time monthly high in January, topping 3 mt for the first time, the country’s latest customs statistics show.

The total intake was 3.12 mt in the month, up 10% from 2.84 mt in December, and rising 93% from 1.61 mt in January 2018.

Vietnamese market players explained towards the end of last year that they were anticipating a big uptick in imports, with power demand in the country rising rapidly (see earlier story). Indonesia was the largest supplier in January, but was only slightly ahead of Australia.
The tonnage from Indonesia in the month was 1.26 mt, a 30% increase from 0.97 mt in December and doubling the 0.59 mt of January 2018.

<table>
<thead>
<tr>
<th>Vietnam import volumes (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Indonesia</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Russia</td>
</tr>
</tbody>
</table>

Source: Vietnam customs, IHS Markit © 2019 IHS Markit

Polish coal imports hit seven-year high at 20 mt in 2018

Polish coal imports reached a seven-year high of 20.00 mt in 2018, an increase of around 50% compared with 13.24 mt in 2017, according to data from the state-run Industrial Development Agency (ARP).

Thermal coal imports totalled 16.20 mt last year, an increase of 74% compared with 9.30 mt in 2017. Coking coal imports steadied year on year at 3.50 mt.

Russia continued to be the dominant supplier. Total imports from Russia reached 13.35 mt in 2018, an increase of 54% compared with 8.66 mt in 2017. Colombia supplied around 1.50 mt, an increase of 50% compared with 1.00 mt in 2017, while the United States shipped 1.60 mt, almost double 2017’s 0.83 mt.

Coal imports have risen due to stronger domestic demand for heating and lower Polish production. Domestic production in 2018 fell to 64 mt, from 66 mt in 2017.

Spanish Nov thermal coal imports fall by more than a quarter

Spain’s imports of steam and other coal dropped 28% year on year in November as a result of the first coal-fired power station closures and high hydro levels.

Steam coal imports stood at 1.03 mt in November, from 1.43 mt in November 2017 and were down 16% month on month. In January to November, bituminous and other imports were 12.12 mt, down 20% year on year from 15.21 mt.

Spain imported 16.42 mt of thermal coal in 2017, the highest level since 2012, when coal generation was called upon to make up for a reduction in hydropower due to an extended period of drought.

The extended dry spell broke in January last year, allowing hydropower generation to resume at more normal levels, and at the same time, a new government set about the dismantling of the country’s coal-fired capacity, starting with the 350 MW Anllares unit.

Poland, one of the main thermal coal suppliers to the country, saw the biggest losses, accounting for 0.17 mt in November from 0.47 mt in November 2017 and also down from 0.39 mt in October.

In the first 11 months of last year, imports of steam and other coal from Colombia were 3.08 mt, down 27% from 4.21 mt in the same period a year earlier.

Tonnages from Russia halved year on year in November to 0.26 mt, but rose compared to 0.14 mt in October. In the January to November period, Russia shipped 2.68 mt of thermal coal, 37% lower than the same period in 2017.

Indonesia did not provide any coal in November but delivered 0.16 mt in November 2017 and 0.32 mt in October. Year to date, Indonesia shipped 3.84 mt of thermal coal, steady compared to 2017.

Chile thermal imports up 2% in 2018

Chile’s thermal coal imports rose 2% year on year in 2018 with an increase in tonnage from Colombia and the United States (US) at the expense of Australia volumes.

---

Colombia thermal coal exports down 34% in January

Colombia’s thermal coal exports in January 2019 totalled 5.03 mt, down 34% compared with 7.60 mt shipped in January 2018 and down 16% compared with 5.99 mt in December 2018, according to IHS Markit data.

Thermal exports in 2019 are forecast to reach between 84.0-86.6 mt, compared with 80.0 mt in 2018 and 83.2 mt in 2017.

Cerrejón, with 2.16 mt, was the largest shipper in January 2019, followed by Drummond with 2.08 mt and by Glencore with 0.55 mt. The balance included shipments from Murray Energy’s CNR and smaller exporters.

In January 2018, Cerrejón shipped 2.67 mt, Drummond 2.99 mt and Glencore 1.36 mt, with the balance again filled by CNR and smaller exporters.

January 2019 shipments to Europe totaled 3.39 mt, compared with 4.41 mt in January 2018, while deliveries to the Americas were 1.42 mt in January 2019, from 2.81 mt a year earlier. Exports to Asia were 0.22 mt in January 2019, compared with 0.38 mt in the year-ago month.

Turkey was the largest destination for Colombian thermal coal exports in January 2019 with 1.48 mt, followed by Israel with 0.51 mt and by Portugal with 0.48 mt. Other destination countries included the Netherlands, Italy, Spain and Denmark.

In the Americas, Chile was the largest destination country with 0.32 mt in January 2019, followed by United States (US) with 0.28 mt and Mexico with 0.20 mt. Other shipments went to Canada, Guatemala, Puerto Rico, Brazil, Peru and Guadeloupe.

In Asia, January 2019 exports went to South Korea (0.16 mt) and Japan (60,740 t).
Imports rose to 10.54 mt in 2018 from 10.36 mt in 2017, according to National Customs data. Imports of thermal coal from Colombia increased 14% year on year to 7.89 mt from 6.92 mt in 2017 while imports from the US rose 29% to 1.96 mt in 2018 from 1.52 mt in 2017. Deliveries from Australia fell 63% year on year to 0.68 mt in 2018 from 1.85 mt in 2017. The balance of imports during 2017 was filled by New Zealand and Canada.

The market share of imports into Chile in 2018 was 75% from Colombia, 19% from the US and 6% from Australia. The 2017 market share was 67% from Colombia, 18% from Australia, 14% from the US and the balance (less than 1%) shared by New Zealand and Canada.

Thermal coal imports in 2019 are expected to remain flat compared with 2018. Higher availability of renewables and gas (LNG and natural gas from Argentina) generation might reduce coal imports, but the startup of Engie’s IEM (Infraestructura Electrica de Mejillones) 375 MW coal fired power plant as well as lower hydroelectric availability are expected to increase coal demand.

People

Nathaniel Drummond named president of Drummond Coal Sales

United States (US) based Drummond Company, Inc. has appointed Nathaniel Drummond to the positions of chief commercial officer of Drummond Company and president of subsidiary Drummond Coal Sales, Inc.

Drummond will succeed George Wilbanks as president of Drummond Coal Sales, who has held the position for the past 19 years. Wilbanks will serve as board chairman of Drummond Coal Sales at least through the end of 2019.

Prior to joining Drummond, Nathaniel Drummond started his professional career with Vitol in its London office, later transferring to Vitol's Houston office, where he helped start the US coal trading desk. He was responsible for Vitol's North American coal operations from 2009 to 2013. He joined the Drummond organization in May 2013, as vice president of Drummond Coal Sales.

Drummond was promoted to senior vice president of Drummond Company in 2017 where he has been involved with all aspects of the company’s business units. He will report to Mike Tracy, president and chief executive officer of Drummond Company, Inc. as he heads the sales and marketing efforts for both Drummond and subsidiary coal sales as well as ABC Coke sales.

Wilbanks has been with Drummond for over 40 years. As Drummond Coal Sales board chairman, he will “provide transitional guidance to that organization by applying his many years of experience, marketing knowledge and deal-making expertise,” the company said.

Jim Griffin to head up Australia’s Bounty Mining

Jim Griffin has been appointed chief executive officer of Australia’s Bounty Mining, effective 18 February. Bounty is an underground coking coal mine operator that is developing further projects in Queensland.

Griffin was formerly a senior executive with Chase Manhattan, Rothschild, Westeros Coal, Walter Energy, African Mineral and FBR. His appointment to the Bounty role follows the resignation of Gary Cochrane as CEO. The latter had been on board since 2008.

At its Cook operation, Bounty has an operating underground coking coal mine and also a central Coal Handling and Process Plant (CHPP). Bounty also has an agreement to acquire the underlying mining leases from Glencore.

Bounty also has three coking coal projects including the Cook North and Minyango projects, located in Central Queensland near the township of Blackwater and the Wongai project located in Far North Queensland.
Physical prices

IHS Coking coal marker prices ($/t)

<table>
<thead>
<tr>
<th>Monthly</th>
<th>Incoterm</th>
<th>Ash</th>
<th>Feb-17</th>
<th>Feb-18</th>
<th>Aug-18</th>
<th>Jan-19</th>
<th>Feb-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian prime hard *</td>
<td>FOB</td>
<td>10.5% max</td>
<td>163.41</td>
<td>223.48</td>
<td>181.44</td>
<td>199.62</td>
<td>204.57</td>
</tr>
<tr>
<td>N. China prime hard *</td>
<td>CFR</td>
<td>10.5% max</td>
<td>168.92</td>
<td>225.59</td>
<td>186.34</td>
<td>197.31</td>
<td>204.79</td>
</tr>
<tr>
<td>US low-vol **</td>
<td>FOB</td>
<td>9% max</td>
<td>154.50</td>
<td>195.94</td>
<td>173.95</td>
<td>190.75</td>
<td>188.88</td>
</tr>
<tr>
<td>US high ash, high-vol **</td>
<td>FOB</td>
<td>9% max</td>
<td>163.13</td>
<td>141.38</td>
<td>152.20</td>
<td>161.13</td>
<td>159.75</td>
</tr>
<tr>
<td>ULV PCI **</td>
<td>FOB</td>
<td>10% max</td>
<td>109.13</td>
<td>157.19</td>
<td>123.70</td>
<td>119.75</td>
<td>126.25</td>
</tr>
<tr>
<td>Coke Rizhao **</td>
<td>FOB</td>
<td>12% max</td>
<td>227.43</td>
<td>330.00</td>
<td>316.00</td>
<td>348.75</td>
<td>335.00</td>
</tr>
<tr>
<td>ARA Coke **</td>
<td>CIF</td>
<td>12.5% max</td>
<td>242.03</td>
<td>320.63</td>
<td>286.00</td>
<td>340.00</td>
<td>315.75</td>
</tr>
</tbody>
</table>

* 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 weeks. Weekly prices are available to subscribers of the metallurgical coal package.

Source: IHS Markit

© 2019 IHS Markit

IHS Steam coal marker prices ($/t)

<table>
<thead>
<tr>
<th>Daily</th>
<th>Incoterm</th>
<th>Basis CV</th>
<th>104 weeks ago</th>
<th>52 weeks ago</th>
<th>4 weeks ago</th>
<th>2 weeks ago</th>
<th>22 Feb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwest Europe</td>
<td>CIF</td>
<td>6,000 kc NAR</td>
<td>72.96</td>
<td>71.48</td>
<td>73.16</td>
<td>73.61</td>
<td>72.95</td>
</tr>
<tr>
<td>Richards Bay</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>81.05</td>
<td>79.00</td>
<td>77.78</td>
<td>78.30</td>
<td>78.02</td>
</tr>
<tr>
<td>Northwest Europe</td>
<td>CIF</td>
<td>6,000 kc NAR</td>
<td>70.90</td>
<td>71.00</td>
<td>71.19</td>
<td>72.05</td>
<td>72.11</td>
</tr>
<tr>
<td>Richards Bay</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>80.75</td>
<td>79.43</td>
<td>77.13</td>
<td>75.41</td>
<td>74.35</td>
</tr>
</tbody>
</table>

Weekly

<table>
<thead>
<tr>
<th>Weekly</th>
<th>Incoterm</th>
<th>Basis CV</th>
<th>104 weeks ago</th>
<th>52 weeks ago</th>
<th>4 weeks ago</th>
<th>2 weeks ago</th>
<th>22 Feb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petcoke mid-sulphur</td>
<td>FOB</td>
<td>7,500 kc NAR</td>
<td>67.50</td>
<td>87.00</td>
<td>70.00</td>
<td>69.50</td>
<td>70.00</td>
</tr>
<tr>
<td>Petcoke high-sulphur</td>
<td>FOB</td>
<td>7,500 kc NAR</td>
<td>54.50</td>
<td>75.00</td>
<td>61.00</td>
<td>62.50</td>
<td>63.00</td>
</tr>
<tr>
<td>Northwest Europe**</td>
<td>CIF</td>
<td>6,000 kc NAR</td>
<td>82.81</td>
<td>86.52</td>
<td>79.77</td>
<td>74.25</td>
<td>72.83</td>
</tr>
<tr>
<td>Northwest Europe (5,700 kc NAR min)</td>
<td>CIF</td>
<td>6,000 kc NAR</td>
<td>-</td>
<td>-</td>
<td>77.35</td>
<td>72.40</td>
<td>71.65</td>
</tr>
<tr>
<td>Richards Bay**</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>82.37</td>
<td>98.36</td>
<td>89.31</td>
<td>84.21</td>
<td>78.83</td>
</tr>
<tr>
<td>Richards Bay (5,700 kc NAR min)</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>83.20</td>
<td>96.65</td>
<td>82.72</td>
<td>78.39</td>
<td>76.18</td>
</tr>
<tr>
<td>~South China*</td>
<td>CFR</td>
<td>6,000 kc NAR</td>
<td>80.57</td>
<td>108.43</td>
<td>85.35</td>
<td>85.36</td>
<td>83.59</td>
</tr>
<tr>
<td>Newcastle</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>80.95</td>
<td>106.21</td>
<td>97.30</td>
<td>95.99</td>
<td>93.38</td>
</tr>
<tr>
<td>Colombian (Bolivar)</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>79.00</td>
<td>83.00</td>
<td>75.00</td>
<td>70.50</td>
<td>68.50</td>
</tr>
<tr>
<td>Russia East (Vostochny)</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>80.75</td>
<td>105.00</td>
<td>97.13</td>
<td>96.75</td>
<td>91.42</td>
</tr>
<tr>
<td>Russia West (Baltic)</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>78.50</td>
<td>81.50</td>
<td>74.75</td>
<td>70.00</td>
<td>68.00</td>
</tr>
<tr>
<td>US East Coast</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>79.48</td>
<td>90.48</td>
<td>87.00</td>
<td>87.00</td>
<td>83.30</td>
</tr>
<tr>
<td>US Gulf high-sulphur</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>55.94</td>
<td>59.56</td>
<td>63.17</td>
<td>60.15</td>
<td>55.11</td>
</tr>
<tr>
<td>China domestic (Qinhuangdao)</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>95.07</td>
<td>123.64</td>
<td>96.44</td>
<td>97.45</td>
<td>100.68</td>
</tr>
<tr>
<td>ARA FOB barge</td>
<td>FOB</td>
<td>6,000 kc NAR</td>
<td>84.85</td>
<td>88.60</td>
<td>82.30</td>
<td>76.75</td>
<td>75.33</td>
</tr>
<tr>
<td>China export (Qinhuangdao)</td>
<td>FOB</td>
<td>5,800 kc NAR</td>
<td>94.66</td>
<td>125.28</td>
<td>96.03</td>
<td>97.03</td>
<td>100.24</td>
</tr>
<tr>
<td>~South China*</td>
<td>CFR</td>
<td>5,500 kc NAR</td>
<td>72.30</td>
<td>96.50</td>
<td>71.97</td>
<td>70.60</td>
<td>68.70</td>
</tr>
<tr>
<td>Australian</td>
<td>FOB</td>
<td>5,500 kc NAR</td>
<td>64.67</td>
<td>85.41</td>
<td>62.91</td>
<td>61.40</td>
<td>60.06</td>
</tr>
<tr>
<td>China domestic (Qinhuangdao)</td>
<td>FOB</td>
<td>5,500 kc NAR</td>
<td>88.38</td>
<td>113.34</td>
<td>86.62</td>
<td>86.80</td>
<td>89.87</td>
</tr>
<tr>
<td>China domestic (Qinhuangdao)</td>
<td>FOB</td>
<td>5,000 kc NAR</td>
<td>79.44</td>
<td>103.69</td>
<td>75.44</td>
<td>76.11</td>
<td>78.86</td>
</tr>
<tr>
<td>South African</td>
<td>FOB</td>
<td>4,800 kc NAR</td>
<td>53.15</td>
<td>65.85</td>
<td>47.22</td>
<td>45.51</td>
<td>43.89</td>
</tr>
<tr>
<td>~South China*</td>
<td>CFR</td>
<td>4,700 kc NAR</td>
<td>65.58</td>
<td>78.44</td>
<td>56.97</td>
<td>57.00</td>
<td>63.67</td>
</tr>
<tr>
<td>Indonesian sub-bituminous</td>
<td>FOB</td>
<td>4,700 kc NAR</td>
<td>59.50</td>
<td>72.99</td>
<td>52.95</td>
<td>54.02</td>
<td>56.39</td>
</tr>
<tr>
<td>Indonesian sub-bituminous</td>
<td>FOB</td>
<td>3,400 kc GAR</td>
<td>-</td>
<td>30.62</td>
<td>20.13</td>
<td>20.97</td>
<td>21.50</td>
</tr>
</tbody>
</table>

Monthly

<table>
<thead>
<tr>
<th>Monthly</th>
<th>Incoterm</th>
<th>Basis CV</th>
<th>Feb-17</th>
<th>Feb-18</th>
<th>Aug-18</th>
<th>Jan-19</th>
<th>Feb-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal UK’s Aire Valley Marker</td>
<td>CIF</td>
<td>6,000 kc NAR</td>
<td>94.30</td>
<td>103.58</td>
<td>118.18</td>
<td>95.91</td>
<td>87.48</td>
</tr>
<tr>
<td>Asian steam coal marker</td>
<td>CIF</td>
<td>6,080 kc NAR</td>
<td>96.37</td>
<td>109.46</td>
<td>118.77</td>
<td>108.45</td>
<td>102.36</td>
</tr>
<tr>
<td>Japan steam coal marker</td>
<td>CIF</td>
<td>6,080 kc NAR</td>
<td>83.13</td>
<td>113.66</td>
<td>122.56</td>
<td>105.42</td>
<td>100.17</td>
</tr>
</tbody>
</table>

Yearly

<table>
<thead>
<tr>
<th>Yearly</th>
<th>4 years ago</th>
<th>3 years ago</th>
<th>2 years ago</th>
<th>1 year ago</th>
<th>FY 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese reference price</td>
<td>FOB</td>
<td>6,322 kc GAR</td>
<td>81.80</td>
<td>67.80</td>
<td>61.60</td>
</tr>
</tbody>
</table>

* China CFR prices are exclusive of Chinese taxes

** Northwest Europe and Richards Bay weekly prices are averages of dailies. All other weekly prices are set weekly.

> Japanese Fiscal Year contract price (1 April - 31 March) settled annually

Note: More prices are available to subscribers of the IHS McCloskey Fax

Source: IHS Markit (except those marked ~ which are IHS McCloskey/Xinhua Infolink South China CFR markers)

© 2019 IHS Markit

Confidential. © 2019 IHS Markit®. All rights reserved.

22 February 2019
Asian freight rate rebound continues

Recovering chartering interest for coal shipments after Chinese New Year has pushed up Asian freight rates.

Supramax rates rebounded most steeply among the various vessel sizes, receiving support from spot chartering demand for sand and nickel shipments.

The relatively stable Cape rates give Australian material a further price advantage into China, compared with domestic and Indonesian.

Panamax voyage charter rates for South Kalimantan-South China were assessed at $5.80/t, up from $4.90/t a week ago. Spot Supramax rates on the route were also up on the week to $7.00/t, from $6.00/t.

Voyage chartering rates on the South Kalimantan-Yangtze River port route increased to $9.50/t, from $8.10/t on 13 February.

Panamax rates from Indonesia to western India were assessed at $8.00/t, climbing from $7.00/t last week.

The Supramax voyage chartering rate for the same route was $9.25/t, up from $7.90/t last week.

Panamax rates for the Newcastle to South China route were around $10.50/t, increasing from $9.75/t last week.

Capesize voyage chartering rates for the same route were assessed at $8.00/t, slightly up from $7.80/t last week.

The Baltic Exchange (BE) average time chartering rate for Capes on Transpacific round voyage, route C10_14, was $5,746/d on 19 February, up from $5,350/d on 12 February.

The BE Panamax average time chartering rate for South China-Indonesia round voyage, P5, was $5,000/d, up from $3,978/d a week ago.

The BE average time charter rate for South China, via Indonesia, to East Coast India, S8_58, was $7,056/d, climbing from $4,619/d one week ago.

The time chartering rate for South China to Indonesia and back to South China was $7,233/d, up from $4,759/d a week ago.
<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Cargo</th>
<th>Cargo Size</th>
<th>Laycan</th>
<th>Load Port</th>
<th>Discharge Port</th>
<th>Rate</th>
<th>Terms</th>
<th>Charterer</th>
</tr>
</thead>
<tbody>
<tr>
<td>8-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>75,000</td>
<td>24 Feb/5 Mar</td>
<td>Dalrymple Bay</td>
<td>Visakhapatnam</td>
<td>$12.45</td>
<td>fio 35000sshex/20000sshex</td>
<td>SAIL</td>
</tr>
<tr>
<td>8-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>150,000</td>
<td>5/14 Mar</td>
<td>Dalrymple Bay</td>
<td>Gangavaram</td>
<td>$7.90</td>
<td>fio 50000sshex/20000sshex</td>
<td>RINL</td>
</tr>
<tr>
<td>11-Feb</td>
<td>Tata NYK TBN</td>
<td>coal</td>
<td>150,000</td>
<td>20/30 Mar</td>
<td>Richards Bay</td>
<td>Krishnapatnam</td>
<td>$8.90</td>
<td>fio scale/25000sshex</td>
<td>IMR</td>
</tr>
<tr>
<td>11-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>75,000</td>
<td>22 Feb/3 Mar</td>
<td>Gladstone</td>
<td>Visakhapatnam</td>
<td>$13.25</td>
<td>fio 35000sshex/20000sshex</td>
<td>SAIL</td>
</tr>
<tr>
<td>12-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>38,000</td>
<td>27 Feb/4 Mar</td>
<td>Beira</td>
<td>Gangavaram</td>
<td>$16.55</td>
<td>fio 18000sshex/25000sshex</td>
<td>RINL</td>
</tr>
<tr>
<td>12-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>75,000</td>
<td>1/10 Mar</td>
<td>Dalrymple Bay</td>
<td>Visakhapatnam</td>
<td>$12.85</td>
<td>fio 35000sshex/20000sshex</td>
<td>SAIL</td>
</tr>
<tr>
<td>13-Feb</td>
<td>CCL TBN</td>
<td>coal</td>
<td>170,000</td>
<td>1/10 Mar</td>
<td>Richards Bay</td>
<td>Kandla</td>
<td>$5.50</td>
<td>rate basis free d/as at disport, fio scale/18000sshex</td>
<td>Oldendorff</td>
</tr>
<tr>
<td>13-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>75,000</td>
<td>6/15 Mar</td>
<td>Dalrymple Bay</td>
<td>Visakhapatnam</td>
<td>$13.45</td>
<td>fio 35000sshex/20000sshex</td>
<td>SAIL</td>
</tr>
<tr>
<td>13-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>140,000</td>
<td>1/10 Mar</td>
<td>Gladstone</td>
<td>Liuheng</td>
<td>$6.30</td>
<td>fio 50000sshex/40000sshex</td>
<td>Zhejiang Energy Group</td>
</tr>
<tr>
<td>14-Feb</td>
<td>Cargill TBN</td>
<td>coal</td>
<td>75,000</td>
<td>14/25 Mar</td>
<td>Dalrymple Bay</td>
<td>Visakhapatnam</td>
<td>$13.10</td>
<td>fio 35000sshex/20000sshex</td>
<td>SAIL</td>
</tr>
<tr>
<td>14-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>75,000</td>
<td>1/10 Mar</td>
<td>Muara Pantai</td>
<td>Haimen</td>
<td>$4.50</td>
<td>fio 15000sshex/15000sshex</td>
<td>Leading Resource</td>
</tr>
<tr>
<td>15-Feb</td>
<td>Ionic Kibou</td>
<td>coal</td>
<td>70,000</td>
<td>3/13 Mar</td>
<td>Mobile</td>
<td>Rotterdam</td>
<td>$10.30</td>
<td>fio 25000sshex/25000sshex</td>
<td>TKSE</td>
</tr>
<tr>
<td>15-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>75,000</td>
<td>14/24 Mar</td>
<td>Gladstone</td>
<td>Visakhapatnam</td>
<td>$12.90</td>
<td>fio 35000sshex/20000sshex</td>
<td>SAIL</td>
</tr>
<tr>
<td>18-Feb</td>
<td>MG Hammond</td>
<td>coal</td>
<td>75,000</td>
<td>5/8 Mar</td>
<td>Gladstone</td>
<td>Qingdao</td>
<td>$9.60</td>
<td>fio 40000sshex/30000sshex</td>
<td>Xcoal</td>
</tr>
<tr>
<td>18-Feb</td>
<td>Panocean TBN</td>
<td>coal</td>
<td>165,000</td>
<td>5/14 Mar</td>
<td>Hay Point</td>
<td>Kwangyang</td>
<td>$5.27</td>
<td>fio 55000sshex/50000sshex</td>
<td>POSCO</td>
</tr>
<tr>
<td>18-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>75,000</td>
<td>20/29 Mar</td>
<td>Dalrymple Bay</td>
<td>Visakhapatnam</td>
<td>$13.45</td>
<td>fio 35000sshex/20000sshex</td>
<td>SAIL</td>
</tr>
<tr>
<td>19-Feb</td>
<td>KSC TBN</td>
<td>coal</td>
<td>125,000</td>
<td>6/15 Mar</td>
<td>Newcastle</td>
<td>Hadong</td>
<td>$6.97</td>
<td>fio 45000sshex/25000sshex</td>
<td>KEPCO</td>
</tr>
<tr>
<td>21-Feb</td>
<td>Lotus Ocean TBN</td>
<td>coal</td>
<td>65,000</td>
<td>17/20 Mar</td>
<td>Tanjung Bara</td>
<td>Xinha</td>
<td>$5.50</td>
<td>fio 15000sshex/20000sshex</td>
<td>CNBM</td>
</tr>
<tr>
<td>21-Feb</td>
<td>TBN</td>
<td>coal</td>
<td>75,000</td>
<td>1/10 Mar</td>
<td>Newport News</td>
<td>Paradip</td>
<td>$25.90</td>
<td>fio 40000sshex/11500sshex</td>
<td>MMCC</td>
</tr>
</tbody>
</table>

Source: SSY © 2019 IHS Markit
Electricity power generation

Falling EU carbon prices underpin German clean-dark spreads

European carbon offset prices dropped by 12% over the past fortnight, offsetting weaker power prices and higher fuel costs to push coal power margins back into the black.

Power prices in Germany fell by 5% to EUR 45.25/MWh on 22 February compared with EUR 47.85/MWh two weeks ago, under pressure from increased renewable generation and milder weather, German wind generation over the past fortnight was at 9.78 TWh compared with 4.77 TWh of hard coal generation. Gas generation was at 3.48 TWh. In the previous fortnight renewable's 6.77 TWh, coal 3.75 TWh and gas generation was 2.72 TWh.

But even with the rise in the contribution of renewables, coal-based power plants turned positive with average clean dark spreads of EUR 0.79/MWh on 22 February from minus EUR 0.14/MWh two weeks ago.

Carbon prices fell on a fortnightly basis averaging EUR 20.12/t on 22 February compared with EUR 22.88/t two weeks ago.

Coal prices also fell over the past two weeks by 6% to average $72.05 over the fortnight. However the IHS McCloskey NW European Steam Coal marker did show signs of recovery in the past week, averaging around $72.78/t in the week ending 22 February from $71.45/t a week back.

Fuel availability in Europe remain strong. “There are plenty of coal supplies available from the United States, Russia and South Africa,” a London-based trader said, adding that he did not expect prices to rise much further, despite an uptick in tendering activity. It’s understood that European buyers are seeking mostly US volumes for deliveries into the ARA hub in April.

German gas-fired Combined Cycle Gas Turbine (CCGT) profits also rose, due to falling fuel prices. Over the past fortnight they averaged EUR 17.83/MWh from EUR 19.14/MWh in the two week ending on 8 February.

Clean-spark spreads rose to an average of EUR 1.51/MWh for the week ending 22 February compared with an average of EUR 0.43/MWh two weeks ago.

Moving to the UK, power prices fell by 8% to an average of £49.11/MWh for the week ending 22 February from £53.55/MWh two weeks ago.

Gas prices in the UK fell by 8% to an average of 46.61 pence per therm (ppt) on 22 February from 50.91 ppt two weeks ago. The UK’s CCGT clean-spark spread rose by 6% to an average of £3.55/MWh for the week ending 22 February, from £3.36/MWh two weeks ago.

The clean-dark spread was negative, averaging minus £6.88/MWh from minus £6.51/MWh over the two-week period. UK carbon prices fell by 6% to EUR40.80/t on 22 February from EUR43.43/t on 8 February.

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.

Source: Marex Spectron © 2019 IHS Markit
Global Coal News & Analysis
McCloskey Key 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.

Chinese Coal Market News & Analysis
The service, which comprises analytical reports and daily intelligence updates, brings together IHS Markit's 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.

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 Markit's 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 Markit's experts. The publication is included in IHS Markit's Energy's North American Coal suite.

Coal Price Data and Indexes
IHS Markit 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 developing steam coal indexation, 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 Connect™.

Coal Capability
Publication products and services

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.

APAC and African Coal Market News and Analysis
Australian Coal Report
In-depth weekly coverage on 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.

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.

https://ihsmarkit.com/coal