

International Coal Report

Issue 1030 / July 11, 2011

Newcastle cargoes lose luster for Chinese buyers as Richards Bay trades at a discount

China-led buying interest for Australian thermal coal slowed considerably last week, as Chinese customers lowered their sights on prices for Newcastle cargoes, and turned their focus to cheaper capesize shipments of South African spot coal.

Buyers from China have adjusted their price expectations for imported cargoes in response to an apparent end to the heady upward

rush in Chinese thermal coal prices of recent months, improved stockpiles at domestic power plants and higher Australian thermal coal prices.

"I don't think Chinese buyers are going to raise their bids [for imported thermal coal] as China's domestic coal prices have stopped rising, and because of monetary tightening in China," said one market participant.

(continued on page 2)

Australian coal industry rails against carbon tax price of \$24.60/mt: reports

The price for the Australian government's carbon tax began to leak out in media reports July 7, with newspapers speculating authoritatively that the tax might start at A\$23/mt (\$24.60/mt) in July 2012 and apply to 500 of Australia's largest carbon-emitting businesses such as power stations and coal mines.

Australia's Prime Minister, Julia Gillard is due to reveal the finer points of the government's carbon

tax including its price on July 10, however detailed reports setting out the scope and price of the tax have started to appear in the Australian press this week.

The Prime Minister declined to answer questions on the level of the carbon tax ahead of the government's official announcement on July 10, according to a transcript of a radio interview posted on the Australian Prime Minister's website.

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Platts Weekly 90-day Forward Benchmark Coal Price Assessments

	08-Jul (\$/mt)	08-Jul (Eur/mt)
Atlantic		
FOB Barge ARA (6,000 kcal/kg)*	126.57	88.08
FOB Bolivar (6,300 kcal/kg)	114.25	79.51
FOB Bolivar (6,450 kcal/kg)	114.75	79.85
Poland Baltic (6,300 kcal/kg)	118.25	82.29
Russian Baltic (6,400 kcal/kg)	119.25	82.99
Pacific		
FOB Gladstone (6,500 kcal/kg)	123.75	86.12
FOB Qinhuangdao (6,200 kcal/kg)	141.00	98.12
Russia Pacific (6,300 kcal/kg)	117.25	81.59
CIF Japan (basket price)	134.50	93.60
CIF Korea West (6,080 kcal/kg)	135.75	94.47

*Weekly average

(For complete specifications, including sulfur & ash, consult methodology at www.platts.com)

Market News Summary

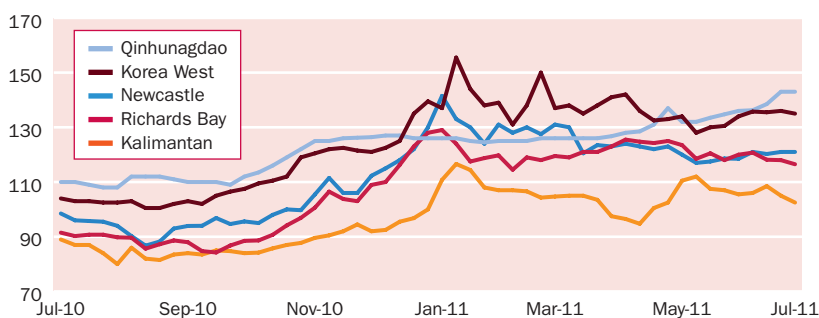
Pacific Summary

Buying interest from China dried up last week causing Indonesian prices to soften. Australia coal prices held steady above \$121/mt, although some traders complained that it was not representative of market levels. Others expressed skepticism about whether trades were being done at those levels. Tokyo Electric and Xstrata were said to have settled an annual price of \$127.50/mt FOB for Australian term contracts whose deliveries begin in July. Two spot thermal coal tenders launched by Korea Western Power and Taiwan Power are to close on July 12.

Atlantic Summary

The CIF ARA physical thermal coal market firmed last week despite reduced liquidity, with utility buyers seeking material for August and September delivery. Meanwhile, prompt discounts at Richards Bay were seen rolling into August. Sources said Richards Bay would have to fall by around \$3/mt to price into ARA or China. Jorf Lasfar awarded its 180,000 mt steam coal tender for Q3-Q4 2011 delivery "in the region of \$124/mt", sources said.

Coal Price Trends – Physical (\$/mt)



FOB Richards Bay (6,000 kcal/kg NAR); FOB Newcastle (6,300 kcal/kg GAR); FOB Kalimantan (5,900 kcal/kg GAR); CIF Korea West (6,080 kcal/kg NAR); FOB Qinhuangdao (6,200 kcal/kg GAR)

STEAM COAL MARKET ROUND-UP

Newcastle cargoes lose luster for Chinese...

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"I wouldn't have thought that Chinese demand will increase again until October for the winter period, and July and August are likely to be quieter months," he stated.

In the Asia-Pacific market, off-screen bids from Chinese customers for July and August cargoes of Richards Bay coal were heard at \$113-\$115/mt on a 5,500 kcal/kg net as-received basis CFR South China, which was a notch lower than the previous week.

"There is plenty of interest [from China], however, they have moved their bids lower for Richards Bay coal and they are looking for capesize cargoes," said the first market participant.

South African 6,000 kcal/kg NAR thermal coal was changing hands at Richards Bay port last week at \$116/mt FOB for August-delivery cargoes, putting it at a \$5/mt price advantage to equivalent calorific value Newcastle, Australian thermal coal.

Indian interest in prompt-delivery Richards Bay cargoes has cooled with the on-set of seasonal monsoon weather conditions, creating a temporary lull in the sub-continent market.

"India is still quiet and stable, though the monsoon market lull should be ending soon," said a second market participant.

Chinese prices level off

Thermal coal prices in China have stalled over the past week or two, having risen at a hectic pace since March this year as power shortages gripped the Asian country.

At Qinhuangdao port in north-eastern China, cargoes were trading at Yuan 895/mt (\$138/mt) FOB for 5,800

kcal/kg net as-received heating value domestic coal and at Yuan 845/mt (\$130.50/mt) FOB for 5,500 kcal/kg NAR product, said market sources.

These prices are inclusive of the Chinese government's value added tax charged at a rate of 17%, and without VAT 5,800 kcal/kg NAR domestic thermal coal would be priced at \$115/mt FOB Qinhuangdao.

Lower heating value 5,500 kcal/kg NAR domestic thermal coal would be priced at about \$108/mt FOB basis if VAT was excluded.

Sea freight charges to move Qinhuangdao coal down to ports in southern China was quoted by market sources at \$9/mt last week.

This would indicate a landed price net of VAT for Chinese thermal coal delivered to south China of \$117/mt for 5,500 kcal/kg NAR, and \$124/mt for 5,800 kcal/kg NAR, CFR China.

Chinese traders have for the most part stopped quoting prices for 6,000 kcal/kg net as-received domestic thermal coal, as they claim availability of this grade has reduced sharply with a deterioration in the quality of coal supplied from China's Shanxi province.

Australian producers raise prices

Chinese buying interest for Newcastle thermal coal was put at \$102-\$103/mt FOB on a 5,500 kcal/kg net as-received basis, and at about \$113/mt FOB Newcastle for 6,000 kcal/kg NAR export coal, excluding VAT, by a third market participant.

Vessel freight to bring Australian coal to southern China was at \$17/mt last week, meaning that Chinese coal buyers were willing to pay a maximum of \$120/mt CFR China for 5,500 kcal/kg NAR Newcastle coal.

"The Chinese are still taking tons, mainly from Indonesia. But Australian prices have gone back up slightly and producers are looking for higher numbers," he said.

Newcastle screen-traded cargoes of 6,000 kcal/kg NAR thermal coal were slightly better offered at \$122/mt for

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International Coal Report

Issue 1030 / July 11, 2011

0260-4299

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International Coal Report is published 51 times yearly by Platts, a division of The McGraw-Hill Companies, registered office: 20 Canada Square, Canary Wharf, London, E14 5LH.

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August and September delivery during last week, following a screen trade at \$124.50/mt for October July 4 on globalCOAL.

“Chinese coal buyers are essentially after pretty much any kind of thermal coal. They are taking qualities of between 4,000-6,000 kcal/kg NAR,” the third participant stated.

He gave emphasis to reports last week that 17.6% of coal exports from Port Waratah Coal Services’ two Newcastle coal terminals in June were shipped to China, representing about 1.48 million mt that month.

“There has been a lot of business done for the end of the [June 30-ended] financial year. A significant amount of trade was done under the radar and at lower prices, roughly \$3-\$4/mt lower than where screen-trades were at the time,” he said.

China preference for higher-ash Australian coal

Prices for prompt-delivery Newcastle 6,000 kcal/kg NAR thermal coal traded on-screen at between \$118-\$121/mt FOB during June 2011.

Chinese customers have shown a strong preference for higher-ash Australian coal recently, with an average ash content of about 20% on a net as-received basis.

“Japanese buyers are taking a small amount more coal but not on a spot basis,” said the third market participant, meaning that Japanese customers were preferring to purchase Newcastle thermal coal through their term contracts with suppliers.

Two other market sources said they believed that buying interest from China in Newcastle thermal coal had abated last week.

“There are still some on-and-off enquiries from China, but they have been coming off as Chinese buyers are quite comfortable with their stockpile levels now,” said a fourth market participant.

“Everyone in the market is watching China and speculating on when its buyers will come back to restock for the winter period,” the participant added.

Japanese buyers were expected to make up some of the Australian tonnage they have skipped since events in the Asian country in March.

“Traders and suppliers are holding on for Q4 2011 and are still bullish about winter demand,” the fourth market participant added.

Another market source said he did not believe that China-related buying activity was driving the Newcastle spot thermal coal market to any large degree currently.

He also downplayed the October screen trade at \$124.50/mt FOB on July 4, saying it was for a relatively small amount of tonnage: “The deal was for just 25,000 mt.”

This fifth market participant said it was noteworthy that Japan’s Tokyo Electric had settled its July annual contract price at \$127.50/mt FOB Newcastle, a few dollars lighter than for March 2011 Japanese financial year contracts.

“Already reports say the July contract price would be less than April at \$129.85/mt. So, someone might think it reasonable to take a lower price than that,” he said.

— Mike Cooper, Perth

Monthly and Quarterly Averages for Platts 90-day Forward Benchmark Coal Price Assessments (\$/mt)

	Jun-11	May-11	Apr-11	Q2-11	Q1-11
CIF ARA (6,000 kcal/kg)	122.80	122.52	128.25	124.34	123.32
FOB Richards Bay (6,000 kcal/kg)	119.01	120.46	124.03	121.00	120.48
FOB Newcastle (6,300 kcal/kg)	120.09	119.12	122.50	120.49	128.85
FOB Gladstone (6,500 kcal/kg)	123.56	120.44	127.75	124.21	134.23
FOB Kalimantan (5,900 kcal/kg)	106.35	109.36	97.40	104.67	107.30
FOB Kalimantan (5,000 kcal/kg)	85.31	87.15	76.51	83.28	80.36
FOB Bolivar (6,300 kcal/kg)	113.88	114.50	119.30	116.15	114.00
FOB Bolivar (6,450 kcal/kg)	114.38	115.00	119.80	116.65	114.50
Poland Baltic (6,300 kcal/kg)	117.00	118.00	123.05	119.63	116.00
Russian Baltic (6,400 kcal/kg)	118.00	119.00	124.05	120.63	117.00
Russia Pacific (6,300 kcal/kg)	116.19	115.50	122.10	118.25	123.17
FOB Qinhuaingdao (6,200 kcal/kg)	138.44	133.06	130.25	133.63	125.54
CIF Korea West (6,080 kcal/kg)	135.31	130.63	136.90	134.48	140.04
CIF Japan (basket price)	134.06	131.06	139.25	135.13	142.65

CIF ARA firms on utility interest, RB discounts roll into August

The CIF ARA and FOB Richards Bay physical thermal coal markets diverged last week, with support returning to the former as northwest European utility buyers sought cargoes in advance of the autumn restocking period. However, a general lack of fixed-price trades saw liquidity idling at low levels.

Meanwhile, an ongoing sell-off in July-delivery Richards Bay cargoes saw prompt discounts rolling forward into August, despite uncertainty that traders could price South African coal into other regions.

“There is little demand for coal in Europe; China has passed the peak of its buying cycle, and all things being equal there is an excess of physical coal in the market at the moment,” one trader noted.

The European-delivered CIF ARA benchmark peaked at \$124.75/mt July 5, before falling to \$124/mt – up \$1.10/mt versus June 30. The Richards Bay FOB market meanwhile edged down steadily over the week to end at \$115.90/mt July 7 – down \$1.60/mt on-week.

Richards Bay close to pricing into China, ARA

An investment banking source said some ‘long’ traders were still targeting China with South African coal, with Chinese buyers always willing to pick up material at the right price.

“There are not too many homes for Richards Bay, and there is quite a bit of coal around. At a \$4-5/mt discount to the API2 [swaps market], South African coal could go to China... [the arbitrage] would make sense at \$116/mt FOB,” the source said.

However, a Switzerland-based trader noted that with Chinese bids at \$126-128/mt and freight around \$13/mt, Richards Bay was still some way from pricing into China –

although with implied freight between South Africa and Europe now around \$8/mt on a physical basis, the market could theoretically start to price into CIF ARA.

“Some utilities need South African coal, so they will top up... Two years ago, 70% of South African coal went to Europe, and [utilities] can divert or roll other tonnages,” an investment banking source said.

He added that there was demand for Richards Bay, not just in ARA, but also in the Mediterranean and Turkey, with South African coal likely to come into Europe “at decent levels” if the arbitrage was there.

However, with freight for capesize vessels between Richards Bay and Rotterdam currently reported at \$10.50/mt, the markets would still need to diverge by around \$3/mt for the arb to open to Europe, sources said.

An investment banking source said there was a “generally bullish tone feeding into physical [CIF ARA],” but noted that people still appeared “desperate to dump really prompt Richards Bay [second-half July cargoes].”

“I think some physical traders were or are really long Richards Bay... If you are a massive producer you can think big picture and long-term, and it’s not the end of the world, but for some of these physical guys with massive offtake contracts and in some cases equity in mines, they need to be making money now,” the source said.

Rotterdam EMO stocks fall

Meanwhile, a source at Rotterdam’s EMO dry bulk terminal confirmed that stocks had dipped by 200,000 mt on-week to 3.2 million mt, but declined to elaborate on reasons for the fall. On June 24, stocks at the terminal were reported at 3.2 million mt, with the increased volume resulting from a high level of arrivals in June.

A Switzerland-based trader said the fall in stocks had nothing to do with demand, however, being more the result of increased traffic on the Rhine following an improvement in water levels.

Vattenfall Amsterdam coal plant offline

Bearish news emerged July 6 with confirmation that Vattenfall’s Nuon-run Hemweg 8 coal-fired Amsterdam power station would be offline for several weeks following a fire June 29, which damaged a 150 KV cable connecting the unit with the main electricity grid.

“If this cable is broken, we cannot transport our power to the grid, so that’s why Hemweg 8 is offline,” the spokeswoman told Platts.

She added that the cause of the fire was still unknown, with the company currently investigating the possible cause, but added that Vattenfall hoped to bring the unit back online “in the next couple of weeks.”

Market roundup

The European-delivered thermal physical coal market edged up marginally July 4 amid a general lack of liquidity, with at least one utility said to be bidding the market up for hedging purchases, according to market sources.

No trades were seen in the CIF ARA market, although by the end of the day August bids had risen as high as \$123.25/mt, with an offer reported earlier in the day at \$123.50/mt. A September bid-offer range was also seen at \$124.15-125/mt.

The Richards Bay FOB market was quieter still, with few bids seen throughout the day. By close, July bids had emerged around the \$114.50/mt mark, while an August range was reported at \$115-117.75/mt.

On the FOB Newcastle market, an October deal went through on the globalCOAL screen close to midday, given at \$124.50/mt for 25,000 mt. A bank was said to have bought from a trader.

Platts assessed the July 4 90-day CIF ARA price at \$123.35/mt, up \$0.10/mt, FOB barge (ARA) at \$125.85/mt, up \$0.10/mt, FOB Richards Bay unchanged at \$116.50/mt, and FOB Newcastle at \$121.50/mt, up \$0.50/mt.

Traders look to dump prompt Richards Bay

The European-delivered physical thermal coal market continued to firm on the back of strong bids July 5, with movements contrasting with the Richards Bay FOB market where sellers still appear keen to offload excess material with lower offers.

No CIF ARA fixed-price trades were reported during the day. An August bid-offer range was reported as firm as \$124.50-125.25/mt, while a September range was reported at \$125-126/mt at close of assessment.

Meanwhile in the Richards Bay FOB market, an August range was seen at \$115.50-118/mt, while July indications persisted in a lower range of \$115-116.50/mt – although one source pointed out that the offer was for non-SCOTA standard material with a calorific value of 5,800/mt kcal/kg NAR.

Platts assessed the July 5 90-day CIF ARA price at \$124.75/mt, up \$1.40/mt, FOB barge (ARA) at \$127.25/mt, up \$1.40/mt, and FOB Richards Bay and FOB Newcastle both unchanged at \$116.50/mt and \$121.50/mt respectively.

Richards Bay discounted into August, China arbitrage ‘closer’

The European-delivered physical thermal coal market edged down July 6 on the back of limited trade, while Richards Bay was confirmed at discounted levels as some liquidity returned to the market.

At midday a trade went through via globalCOAL, given at \$124.50/mt DES Rotterdam for 50,000 mt of generic-origin material, with exchange of futures for physical (EFP) terms. The deal was said to have been done between two utility traders.

Meanwhile, discounts previously seen in the July Richards Bay FOB market appeared to have rolled forward into August, after an August deal went through via globalCOAL, given at \$116.50/mt for 50,000 mt. A utility trader was said to have bought from a bank.

The trade came as a surprise to other participants, however, with a firmer range reported elsewhere at the time of the deal at \$116.65-117/mt.

Platts assessed the July 6 90-day CIF ARA price at \$124.50/mt, down \$0.25/mt, FOB barge (ARA) at \$127/mt, down \$0.25/mt, FOB Richards Bay unchanged at \$116.50/mt, and FOB Newcastle up \$0.25/mt to \$121.75/mt.

Richards Bay moves down as traders eye China

The Richards Bay physical thermal coal sell-off continued July 7, after two deals went through during the late afternoon in the region of \$116/mt FOB.

London Commodity Brokers executed an August FOB trade at \$116.25/mt for 45,000 mt, with a utility trader said to have bought from a producer.

The GFI Group also brokered a deal at \$115.75/mt for 75,000 mt, with EFP terms attached. A utility trader was said to have sold to a producer.

No deals were seen in the CIF ARA market, although an August bid-offer range of \$123.50-124.25/mt placed the market at marginally lower levels on-day.

The FOB Newcastle market also weakened a touch, with an August bid-offer range reported at \$120.50-122/mt.

— Mark Selby, London

FINANCIAL COAL MARKET ROUND-UP

Deferred swaps supported by bullish energy complex despite weak euro

European-traded thermal coal swaps continued to track related energy markets for much of the week ended July 7, with values rebounding on the back of crude oil and German power to see much of the strength reflected in deferred API2 (CIF ARA) contracts.

Prices ticked up following a July 6 slump when sellers dominated the market following a drop in the euro and the downgrading of Portugal's credit rating reignited euro zone worries.

Weak prompt physical sentiment was reflected in the nearby contracts meanwhile, a continuing sell-off at Richards Bay was reflected by the lackluster move in the API4 (FOB Richards Bay) Q4-11 price.

One source said that, generally speaking there was "a lot of uncertainty, whether it be coal, oil, gas, stock markets or the health of the European banking system."

Platts assessed the API2 Q4-11 at \$127/mt June 7, rising \$1.15/mt over the week, while the Cal-12 jumped \$1.45/mt to \$129.55/mt.

The API4 (FOB Richards Bay) Q4-11 was meanwhile assessed at \$122.40/mt versus July 1, a modest rise of \$0.65/mt, with the Cal-12 up \$0.90/mt to \$125.40/mt.

Given the upward trend in the energy complex, a northwest European utility source said people were "trying to catch the bullish momentum on coal," with hopes that Brent crude prices would break the psychologically important \$115/barrel mark.

One source said the market was seeing the recovery people had been expecting the previous week, with the Cal-12 API2 contract showing the most strength on the whole.

An investment banking source noted that risk was "back in fashion for the moment," adding, "The economists are less worried about Greece. Also, I think that people are seriously looking at much larger demand for coal as we come into Q4."

A producer source also noted July 5 that utilities were taking advantage of a more positive dark spread – the profit margin from coal-fired power generation – with perceptions that strength could be slowly returning to the market in the run up to the autumn.

Weekly wrap-up

European-traded thermal coal swaps firmed following a slow start July 4, with the market moving up across the curve on the back of a firmer energy complex despite a general lack of liquidity.

Some selling interest was reported during the early morning, with crude oil, gas and power said to be largely unchanged. One source suggested that the lack of movement was also related to Independence Day celebrations in the US, with only around 12 deals going through during the morning.

However, the market held firm despite a slight drop in the euro during the early afternoon, with values moving up as the day progressed. One source noted that the physical market seemed "quite well bid today, which seems to be supporting the front of API2."

Platts assessed the API2 Q4-11 at \$126.90/mt July 4, rising \$1.05/mt on-day, while the Cal-12 firmed \$0.90/mt to \$129/mt.

The API4 Q4-11 was meanwhile assessed at \$122.60/mt, up \$0.85/mt, with the Cal-12 at \$124.85/mt, edging up \$0.35/mt on-day.

German baseload power Cal-12 contracts closed at €57.40/MWh, up €0.50/MWh on-day.

Swaps continue to firm up

European-traded thermal coal swaps extended gains July 5 after the market opened firm versus the previous day, with values rising steadily throughout the session on utility buying interest.

With bullish German power exerting a bullish effect on the API2 during the morning, a rise of around \$2/mt in crude oil and a firmer CIF ARA physical market were also seen supporting the contracts during the afternoon.

Platts assessed the API2 Q4-11 at \$127.55/mt July 5, rising \$0.65/mt on-day, while the Cal-12 jumped \$1.10/mt to \$130.10/mt.

The API4 (FOB Richards Bay) Q4-11 was meanwhile assessed at \$123.20/mt, up \$0.60/mt, with the Cal-12 at \$125.70/mt, gaining \$124.85/mt on-day.

German baseload power Cal-12 contracts closed at €57.85/MWh, up €0.45/MWh.

Swaps slump with euro and energy complex

European-traded thermal coal swaps reversed direction July 6 following a slump in the euro, with one source noting that the API2 contracts had been “up and down all day long with [crude] oil.”

An investment banking source echoed the sentiment, noting that weak physical was weighing on the front quarter, while a bearish energy complex was taking its toll throughout the curve – resulting in a more pronounced fall in deferred API2 contracts.

Values were seen on a downward slope as the day progressed, with a struggling euro and bearish movements in crude, gas and German power all leading coal paper prices lower.

Platts assessed the API2 Q4-11 at \$126.50/mt July 6, falling \$1.05/mt on-day, while the Cal-12 slumped \$1.45/mt to \$128.65/mt. The API4 Q4-11 was meanwhile assessed at \$121.90/mt, sliding \$1.30/mt, with the Cal-12 at \$124.40/mt, also down \$1.30/mt on-day. German baseload power Cal-12 contracts closed at €57.70/MWh, down just €0.15/MWh after recovering during the late afternoon.

Swaps rebound with crude oil

European-traded thermal coal swaps rebounded July 7 on the back of crude oil and German power, with the markets unaffected by bearish intraday movements in the value of the euro.

The Cal-12 and Cal-13 contracts were said to be receiving more attention and support throughout the day, with utilities buying the Cal-13 as the contango widened, while less movement was seen in the prompt months due to lackluster physical activity.

A producer source agreed that the day had been driven by German power and crude oil at close of assessment, with bullish energy lifting deferred contracts and widening the time spreads. The implied freight (API2 – API4) was consequently seen holding firm at \$4.60/mt.

German baseload power Cal-12 contracts closed at €58.40/MWh, up €0.70/MWh with the market largely taking its lead from Brent crude oil, which ended the day up by almost \$4/barrel at \$117.50/barrel.

— Mark Selby, London

STEAM COAL

Australian coal industry rails against carbon...

...from page 1

Queensland Resources Council chief executive, Michael Roche, said July 7 that sentiment among chief executives of its coal and resource company members had plunged to record negative levels in June, and he blamed much of this on the proposed carbon tax.

Roche referred to research carried out for the coal industry by ACIL Tasman which showed that a carbon tax

set at A\$20/mt and rising to achieve a 5% reduction in carbon emissions by 2020 would cause “premature mine closures” among Queensland’s 41 current export-focused coal-mining operations.

“By 2017-18 it is estimated that 2,700 Queensland coal workers would be out of a job, with total job losses of more than 13,000 after taking account of the flow-on impacts to people who rely on the coal industry for their livelihood,” Roche said in a statement on the QRC’s website.

Anglo American, BHP Billiton, Peabody Energy, Rio Tinto and Xstrata are some of the companies that belong to the QRC.

Tax could ‘close 18 NSW, Queensland mines’

Ralph Hillman, executive director of the Australian Coal Association told a press gathering in Canberra, July 6 that his industry group supported a price on carbon in principle as a means of reducing carbon emissions, but it would contest the level of the tax.

“The coal industry is faced with an A\$18 billion tax over nine years under the government’s current proposal. This tax will raise the cost of Australian coal mining vis-a-vis its overseas competitors and ultimately lead to premature mine closures and the loss of thousands of jobs,” said Hillman in a transcript of his July 6 speech on the ACA’s website.

The ACIL Tasman research report said a carbon tax starting at A\$20/mt in 2012 and indexed to rise at 4% per year could put at risk of premature closure 18 coal mines in New South Wales and Queensland by 2020, resulting in 4,700 job losses and A\$22 billion of lost revenue.

There are currently 67 operating coal mines in New South Wales and 62 in Queensland, or 129 in total, employing 46,600 people and these mines produced 345 million mt of saleable coal in the year ended June 2010, according to the ACIL Tasman report.

Coal mines in Australia will have to pay the carbon tax on ‘fugitive emissions’, that is carbon dioxide and other gases that are released during the coal-mining process.

Fugitive emissions from coal mines represented about 5 to 6% of Australia’s total greenhouse gas emissions, compared with methane emissions from livestock at 11%, Hillman stated in his speech.

Chief executives of some of Australia’s largest coal producers had told the government there was almost no way to abate fugitive gas emissions from coal mines except to close them.

Hillman emphasized the enormous contribution of Australia’s coal industry to the national economy, saying that it exported A\$46 billion worth of coal exports in the year to June 2011, employed 40,000 people directly, and an additional 100,000 people indirectly.

Coal companies also paid A\$8.4 billion in taxes and A\$4.5 billion in coal royalties to Australian federal and state governments, added Hillman.

— Mike Cooper, Perth

Indonesia's Bayan signs 100 million mt supply deal with Indian firm

Indonesia's Bayan Resources has signed a conditional sales and purchase agreement with India's Universal Crescent Power Private Ltd to supply 100 million mt of coal over 15 years from 2015, a company executive said July 8.

The source said pricing for the coal will be linked to a Newcastle coal index.

In a statement, Bayan said the deal involves "low sulfur coal" to three power plants with a combined capacity of 6,000 MW which will be constructed by Universal Crescent, a wholly owned subsidiary of Universal Success Enterprises Ltd (USE).

Bayan said these power plants are Saurashtra super thermal project, Gujarat unit no. 1; Saurashtra thermal power project, Gujarat unit no. 2 and Sagar super thermal power project.

Bayan produced 11.9 million mt of coal last year and expects production of 14.5-15.5 million mt this year.

Bayan, Indonesia's eighth-largest coal producer, said in its website it is engaged in open cut mining various coal quality from mines in the Indonesian provinces of East Kalimantan and South Kalimantan.

In the statement, Bayan said it has exclusive rights to mine eight mines with a total concession area of 81,265 hectares with coal reserves of approximately 458 million mt and over 1 billion mt of resources.

Bayan is 20% owned by Korea Electric Power Corp, with Low Tuck Kwong, an Indonesian mining magnate, holding a 51% stake, according to Bayan's website.

— Cecilia Quiambao, Manila

Jorf Lasfar awards Q3-Q4 steam coal tender at around \$124/mt

Moroccan generator Jorf Lasfar Energy Company awarded its tender to buy 180,000 mt of steam coal for Q3-Q4 2011 delivery "in the region of \$124/mt," according to a market source close to the matter Thursday, July 7, following previous suggestions that the price had settled at or below \$127/mt Wednesday, July 6.

A Northwest European utility and Australian bank were understood to have won the tender to supply the volumes, with a second source suggesting that the tender would be partially supplied with US high-sulfur coal.

Bidders had originally hoped that the tender would settle closer to \$128/mt, although a utility source noted that weak values seen recently in the Richards Bay, South Africa FOB market were likely to have a bearish impact on price expectations.

This followed an August Richards Bay trade via the globalCOAL screen Wednesday, given at \$116.50/mt for 50,000 mt, with one trader noting that the weak premiums previously seen in July appeared to be rolling forward into August.

JLEC sought three Panamax in the Q3-Q4 tender, with maximum 1.5% sulfur and calorific value of 5,800-7,000 kcal/kg.

The cargoes were requested for September, October and November delivery, with the deadline for submission of bids closing Monday. Price offers remained valid until Wednesday.

Platts reported previously that JLEC had awarded a tender for 180,000 mt of 6,000 kcal/kg NAR steam coal for August, September and October delivery in a range of \$125-127/mt CIF Jorf Lasfar.

JLEC regularly tenders for spot shipments for its coal-fired plant, which has an installed capacity of 1,372 MW, providing around one third of Morocco's electricity supply.

— Mark Selby, London

India's MMTC invites bids to import 600,000 mt of thermal coal

Indian state-run trading firm MMTC Limited has invited bids to import 600,000 mt of non-coking steam coal, to be delivered at the city of Bhilai during FY 2011-12 and 2012-13.

MMTC is importing the material on behalf of NSCPL, a joint venture company of NTPC Limited and Steel Authority of India Limited (SAIL). The coal will be supplied to NSCPL's Bhilai plant in the east Indian state of Chhattisgarh.

"The scope of work includes supply of imported non-coking steam coal to an Indian port, arranging vessels, stevedoring, handling, storage, port clearances, and arranging railway rakes, loading, transportation and delivery at NSPCL Bhilai," MMTC said in the tender.

The tentative allocation of quantity will be in the range of 40-80,000 mt/month, commencing in September 2011.

Imported coal supplies should have a gross calorific value (air-dried basis) of 5,800-6,300 kcal/kg, and can be of any origin.

Total moisture (as-received basis) should be at 10-20%, while ash (ADB) and sulphur (ADB) should be 8-20% and 0.70-0.90% respectively.

The last date for bid submission is July 27, 2011.

Tender dates extended

Meanwhile, Tamil Nadu Electricity Board (TNEB), which invited bids from government trading companies to import 2 million mt of non-coking thermal coal, has extended the bid submission date to July 11 from the earlier date of June 30.

Madhya Pradesh Power Generating Company (MPGENCO) has also extended the bid submission date to July 25 from July 4 for its global tender to import 800,000 mt of non-coking thermal coal, for its thermal power stations in Madhya Pradesh, central India.

— *Sapna Dogra, New Delhi*

Kowepo solicits spot offers in bituminous, sub-bit tenders

Korea Western Power (Kowepo) has July 5 launched two tenders for 260,000 mt of bituminous coal (specification A) and 390,000 mt of sub-bituminous coal (specification B).

Kowepo is seeking coal with a minimum calorific value of 5,600 kcal/kg NAR for specification A, for August-October shipping, and 4,600 kcal/kg NAR for specification B for September-November shipping. Bids close July 12.

Kowepo invited bidders to offer cargoes in panamax or capesize vessels. The generator added that it could, at its discretion, purchase an additional panamax cargo for trial burning at Taean power station from new bidders.

Additional information about the tender can be obtained at <http://www.iwest.co.kr/english>.

— *Cecilia Quiambao, Manila*

Tepco settles annual contract for Australian coal at \$127.50/mt

Tokyo Electric (Tepco) and Xstrata have settled an annual contract price of \$127.50/mt FOB for Australian term contracts with deliveries beginning in July, two north Asian sources told Platts July 5.

A Japanese source interviewed July 4 previously stated that Tepco and Xstrata had settled annual July contracts at prices "a few dollars lower" than the fiscal 2011 Australian steam coal settlement of \$129.85/mt FOB between Xstrata and Chugoku Electric. The Japanese fiscal year begins April 1.

Chugoku stood in as the lead FY 2011 Japanese negotiator following the Japan's March 11 natural disasters, which damaged major coal-fired power plants belonging to Tohoku Electric and other similar coal facilities jointly owned by Tohoku with Tokyo Electric (Tepco).

Several Japanese power utilities refused to follow the original fiscal year price settlement of \$129.85/mt, however, as it was considered too high, and did not fix prices for all tonnage under their FY 2011 contracts.

Platts understands that a few of those JPUs are now in talks with Xstrata to settle prices for outstanding unpriced FY 2011 tonnages at levels similar to those Tepco recently achieved.

— *Cecilia Quiambao, Manila*

Nearly one-fifth of Newcastle June coal exports go to China

China was the destination for 17.6% or 1.48 million mt of the 8.45 million mt of coal that Port Waratah Coal Services' terminals at Newcastle port shipped to export customers in June, which is China's highest export share at the Australian port to date, according to Platts analysis of the latest export data report posted on the PWCS website Monday, July 4.

The PWCS export statistics validate market reports during June of aggressive China-related buying at the Newcastle trading hub, particularly for higher ash thermal coal, that is coal with an ash content of between 17% to 25% on a net as-received basis.

China-destined export tonnage from PWCS' coal terminals has been increasing steadily since China's market share at Newcastle hit a low of 1.2% in February 2011 which was equivalent to only one Panamax cargo.

In May 2011 the two PWCS coal terminals at Newcastle shipped 11.3% of their exports to China, about 858,000 mt.

In April 2011, China accounted for a 6% share of PWCS' coal exports, or around 530,000 mt, according to the coal terminal operator's export data reports.

China's share of exports at PWCS' Newcastle coal terminals got to 16%, or about 1.1 million mt in November 2009, when rail transport problems due to extremely cold weather reduced coal supplies to Chinese power stations. This drove Chinese coal buyers to seek alternative supplies, including Australian thermal coal, in the seaborne-traded spot market.

China's dramatic upswing in market share at PWCS in June 2011 is connected to rising demand for coal-fired electricity during the northern hemisphere summer. Also, higher prices for domestic Chinese thermal coal have provided an arbitrage opportunity for discounted, off-spec imported thermal coal into China.

Japan still number one buyer of Newcastle coal

Japan maintained its place as the premier destination for coal export tonnage from the Newcastle coal terminals operator in June, when 52.6% of PWCS exports, equivalent to 4.4 million mt was put on ships destined for Japanese customers.

In the preceding month of May 2011, Japan had booked 3.4 million mt of coal exports from PWCS, giving it a market share that month of 45.9%.

South Korean customers appear to have relaxed their purchases of June-delivery export cargoes in recent weeks, as only 12% of PWCS' June coal exports or 1 million mt went to South Korea in June, compared with 20% and 1.5 million mt in May.

Taiwan, another top buyer of Newcastle coal took 11.7% of PWCS' export tons in June, or 990,000 mt which was down on its market share of 15% and 1.1 million mt in May.

Mexico, Malaysia and Thailand were destinations for 1.38%, 2.36% and 1.59% of export tons from the PWCS terminals in June respectively, or a combined total of 450,000 mt.

Exports of semi-soft coking coal at PWCS' two Newcastle terminals which usually account for about 20% of export tons in any given month, fell to just 14% in June, meaning that 86% of last month's PWCS coal exports was thermal coal.

PWCS is the operator for the Carrington and Kooragang coal terminals at Newcastle port which ship the bulk of the port's coal exports, and statistics for the Newcastle Coal Infrastructure Group terminal's exports are not currently available.

— Mike Cooper, Perth

June exports from Richards Bay Coal Terminal jump 34% on-month

Thermal coal exports out of South Africa's Richards Bay Coal Terminal (RBCT) jumped 34% on-month in June 2011 – up by around 1.21 million mt versus May's levels, according to the terminal's latest operating report.

RBCT shipped 4.78 million mt of coal during June, versus exports of 3.57 million mt in May. Railings to the terminal meanwhile fell by 1.19 million mt in June, with RBCT receiving 3.22 million mt of coal from national freight carrier Transnet Freight Rail (TFR) versus 4.41 million mt in May.

Year-on-year, exports were up 19%, with June 2010 shipments seen 760,000 mt lower at 4.02 million mt. By contrast, on-year railings were down almost 2 million mt versus the June 2010 figure of 5.16 million mt.

Stocks were seen at 2.99 million mt at the end of June – down 1.42 million mt from May's closing level.

The increased export volumes accompanied a sell-off in prompt July-delivery cargoes during the second half of June. With FOB Richards Bay 90-day prices trading as low \$115.75/mt July 7, prompt discounts are rolling forward into August it would appear.

Following two July deals done at \$116/mt on June 15, a Switzerland-based trader said people were “challenging the complex” to make Richards Bay price into China, with Richards Bay overstocked due to poor demand.

With the prompt July market trading as low as \$114.50/mt on June 27, sources said the deal was further evidence of prompt cargoes pricing into Asia, with a Singapore-based trading company said to have been on the buy-side.

On July 7, an investment banking source noted that some long traders were still targeting China, with Chinese buyers always willing to pick up material at the right price. However, a Switzerland-based trader noted that with Chinese bids at \$126-128/mt and freight around \$13/mt, Richards Bay was now some way from pricing in.

— Mark Selby, London

South Africa's NUM warns utility Eskom over pension changes

South Africa's National Union of Mineworkers on Wednesday, July 6, reiterated its threat of possible strike action at state-owned power generator Eskom over proposed changes to the company's pension system.

NUM, in a statement, criticized Eskom's board and management over what it described as “unilateral push” to convert the company's defined benefit pension fund into a defined contribution provident fund.

“The Commission for Conciliation, Mediation and Arbitration ruled three years ago in the NUM's favor that issues of retirement funds are issues of mutual interests and thus no single party can act unilaterally without consultation and agreement with the other party,” the NUM said.

The union added that it was “disappointed” by Eskom's apparent determination to move away from a pension to a provident fund, warning of “dire catastrophic consequences through planned mass action” if the change is pushed through without union agreement.

“They are forcing us to act and strike and we will do that,” said Job Matsepe, the NUM's energy sector coordinator, in the statement. “There is absolutely no need for a fight, but Eskom is applying for one as there is no World Cup this year and we will deliver,” he added.

— Andy Blamey, London

China's domestic thermal coal prices move sideways

For the second consecutive week, China's domestic thermal coal prices were relatively stable in the week to July 7, market sources told Platts.

One Shanghai-based trader, purchasing about 3 million mt/year of 5,000-5,500 kcal/kg NAR thermal coal, told Platts that the market has recently levelled off.

“We had some price rises for about two months but over the last two weeks things have been pretty steady,” he said, adding that he is now in the market for 5,500 kcal/kg thermal coal at prices around Yuan 850/mt to ensure he has comfortable stockpile levels.

A Shandong-based trader said that downstream coal consumers are expecting coal prices to weaken in the short term.

“Power plants in Shandong Province and Jiangsu Province are offering purchase prices [delivered to power plant] of Yuan 840-850/mt for 5,500 kcal/kg coal, which are similar to the FOB prices for 5,500 kcal/kg thermal coal at Qinhuangdao Port,” he added.

He said that most utilities are sitting on enough stocks to last about 20 days, and are therefore prepared to wait for some downward price movement.

Traders expressed concern that prices reported by China's Ministry of Coal were off the mark.

"The monitor is a little off, I've not seen prices fluctuating as much as the MOC monitor shows," a source in China's Sichuan Province said.

Market prices for domestic 5,000 kcal/kg thermal coal in Sichuan Province have stabilized in the range of Yuan 500-520/mt (free carrier, including 17% VAT) for the past two weeks, he insisted.

A July 6 price monitor by China's Ministry of Commerce (MOC) indicated that domestic crude coal prices edged up 0.2% in the week to July 3, for the sixth week in a row. It did not provide an actual thermal coal price.

According to a July 6 price monitor by Qinhuangdao Port, FOB prices of 5,500 kcal/kg coal have traded in a range of Yuan 840-850/mt (\$129.91-131.46/mt, including 17% VAT) for three weeks. FOB prices of 5,000 kcal/kg coal ranged Yuan 745-755/mt.

— Reggie Le, Huaihua, Hunan

Korea may soon kick off 2012 price talks with Australian suppliers

An independent Australian coal producer has approached South Korea's thermal power utilities to begin 2012 contract price negotiations, a Korean source said July 8.

After the approach was made, certain Korean gencos asked their other Australian coal shippers to start similar 2012 contract price negotiations to enable them to have a basis for comparing prices during the price negotiations, the source said.

There has been no response as yet to the Korean request for early contract price negotiations, although several gencos are already preparing to negotiate Q4 2011 spot prices and 2012 term contract prices with the Australian supplier which signified its desire to begin price talks.

— Cecilia Quiambao, Manila

Planned nuclear stress test in Japan will not increase coal imports

Japan's coal imports will not dramatically increase even if a planned "stress tests" to gauge the safety of the country's nuclear power plants push ahead, two Japanese power utility (JPU) sources said July 8.

Press reports said that on July 6, the government made a surprise announcement that it would conduct "stress tests" on all of the country's nuclear plants to regain public confidence.

Japanese Prime Minister Naoto Kan explained the rationale for the tests on July 7 in an upper house budgetary committee meeting, press reports said. He was quoted as saying that "the current safety protocol is not enough to gains the trust of the public over (nuclear) safety."

A JPU source contacted by Platts on July 8 said "everybody was surprised" by the stress tests announcement, adding that no specific timetable has been issued when the tests will begin.

"We cannot see the entire picture. We don't know any specifics," the JPU source said.

Press reports said local government officials criticized the Japanese prime minister and his cabinet for giving mixed signals over the resumption of nuclear power plants shuttered since the March 11 earthquake.

The JPU source said Japan's coal importation is not expected to increase dramatically even if the nuclear power plants are shut down for testing.

"For most JPUs, coal has become almost baseload in Japan" after the March 11 disaster, the JPU source said, adding that any additional nuclear power plant shutdown "will not increase the purchase of overseas coal."

"I don't think it will have a big impact on coal imports," the JPU source said.

However, the JPUs will most likely increase their importation of oil and LNG to compensate for any future idling of nuclear firing capacity, the JPU source said.

A second JPU source said "coal-firing is already baseload in Japan," adding that "the room to import coal is very limited."

"We are not worried" that the stress tests will increase Japanese coal imports in the future, he said.

The first JPU source said that prior to the March 11 disaster "most" JPUs operated their coal-fired power plants on a baseload capacity basis, while "some" ran their coal units on a mid-load basis.

A South Korean power utility source said his company is monitoring the developments about the planned stress tests in Japan and its possible impact on Japan's coal importation.

The *Wall Street Journal* has reported that officials at the Nuclear and Industry Safety Agency said they have received no detailed instructions regarding the tests.

The newspaper added that of Japan's 54 nuclear reactors, 35 are currently out of service. More will eventually be shut down for maintenance, and if none are restarted, all 54 will be out of service within year. That would deprive the country of 30% of its power supply.

— Cecilia Quiambao, Manila

Dalrymple Bay's coal exports down 13.5% on-year after floods

Coal mines in the Dalrymple Bay coal chain continue to experience problems in getting enough coal to the Queensland coal terminal for arriving vessels due to the lingering effect of severe wet weather in Queensland's Bowen Basin coalfield earlier in the year, according to a source for DBCT Management, the terminal's operator July 5.

For the month of June 2011, Dalrymple Bay coal terminal loaded 4.46 million mt of coal exports into 43 ships, said Jesse Knight, operations analyst at DBCT Management in a July 5 telephone interview.

In the corresponding month last year, June 2010, the terminal loaded 6.09 million mt of coal exports into 66 ships – a monthly export record at the terminal that still stands.

“The weather has been pretty dry after we had a fair amount of rainfall in April. This had set some of the mines back a bit after they had started to recover from rainfall earlier in the year,” explained Knight.

In the June 30-ended year, Dalrymple Bay coal terminal exported 54.7 million mt of coal, a 13.5% decline on the 63.3 million mt of coal the terminal exported in the year ended June 2010.

Scheduled maintenance to Dalrymple Bay coal terminal and its coal transportation chain in central Queensland was suspended in June to enable coal exporters to maximize their output in the last four weeks of the Australian financial year to June 30.

“For the whole coal chain they tried to defer maintenance to after the end of the financial year,” said Knight.

“We are hoping that by August things will improve and coal producers have indicated stronger demand in September [in terms of vessel nominations for the terminal],” he said.

Vessel queue at terminal – 12 ships

Dalrymple Bay coal terminal is supplied coal exports by around 20 coal mines in the Bowen Basin coalfield owned by companies such as Anglo American, BHP Billiton, Macarthur Coal, Peabody Energy, Rio Tinto, Vale and Xstrata.

The number of coal trains arriving at the terminal has fluctuated widely in the past few weeks, ranging from as high as 24-25 trains/day and then going down to as low as 11-12 trains/day when “stocks are exhausted at mines” in the 300 km-long coal chain, said Knight.

“The terminal’s utilization rate has been going down, and the coal loaders are not working as hard,” he said.

Coal availability has been a pressing problem for the terminal, in that producers have not been able to provide sufficient coal cargoes required by vessels waiting off the terminal in its vessel queue.

The coal terminal had 572,000 mt of coal on its port-side stockpile on July 4, compared with 998,500 mt on June 8, according to the Dalrymple Bay coal chain coordinator.

“Especially in the last two weeks, we have had up to 15 ships in the queue, but only one or two vessels have had coal available at the mine,” said Knight.

Dalrymple Bay coal terminal which is located in the port of Hay Point had 12 vessels in its shipping queue at midnight Australian Eastern Standard Time July 4 (3pm GMT July 3), according to the Dalrymple Bay coal chain coordinator.

A year ago on July 5, 2010, the coal terminal had 50 ships in its offshore queue waiting to load coal.

— Mike Cooper, Perth

Fewer ships loaded coal exports at Gladstone port in past 12 months

Gladstone port suffered a slump in four out of five of its top destinations for coal exports in the financial year ended June 30, 2011, as customers in China, Japan, South Korea and Taiwan wound back their volumes of coal shipments from the port in the year period, according to Platts’ analysis of export data posted on Gladstone Port Corp’s website.

The end of the Australian financial year on June 30, 2011, is a good cut-off point for assessing the weather-related disruption impact on Queensland port’s thermal and coking coal exports, falling as it does in the middle of the calendar year.

Gladstone port authority export data shows the Queensland port’s coal shipments dipped to 53 million mt in the June-ended year, a 12% decline on the 60 million mt that the Australian port exported in the June 2010-ended year.

The same export data reveals that 120 fewer ships arrived at Gladstone port to load coal exports in the year ended June at 637 vessels, compared with 758 vessels in the June 2010-ended financial year.

Customers may have had less incentive to send vessels to collect coal cargoes from certain Queensland ports following heavy rainfall in the Australian state in late 2010 and in the early part of 2011, according to market sources.

This was because an extensive number of Queensland’s export coal mines were at the time experiencing rainfall-related production difficulties that had the knock-on effect of reducing the availability of coal exports at some ports.

A vessel forced to wait at port for unavailable cargoes can incur demurrage costs. These are payable by the ship’s charterer, which is usually the customer for cargoes booked on a free-on-board basis.

India increases Gladstone coal shipments on-year

India was alone in Gladstone’s top five export destinations in increasing its volume of coal exports from the Queensland port in the June-ended year, compared with a year earlier.

Indian customers took delivery of 10 million mt of coal exports loaded into 170 ships at Gladstone port in the June 2011-ended year, up 5% from 9.5 million mt shipped to India in 168 ships in the year to June 2010.

Japan retrenched its volume of Gladstone coal exports by 18% to 18.8 million mt exported in 198 vessels in the June-ended financial year, down from 22.3 million mt shipped to Japan in 237 vessels in the preceding financial year.

Customers in China booked 5.7 million mt of Gladstone coal exports in 62 ships in the June 2011-ended financial year, down 29.8 % on the 7.4 million mt of Gladstone coal exports taken to China in 105 ships in the June 2010-ended year.

South Korea imports from Gladstone fell by 1 million mt in the 2010-11 financial year at 7.4 million mt loaded

into 60 ships, and Taiwan was a customer for only 4.5 million mt of Gladstone coal exports in 51 ships, down 27% on the preceding year period's tonnage.

— Mike Cooper, Perth

India coal traders see poor value in Kalimantan prices

Thermal coal traders and consumers in India are content to sit on their hands and wait for Indonesian prices to soften, market players told Platts on July 7.

Sources spoke, echoing other Asian traders' opinions, that Indonesian prices are inflated and not good value for money at the moment.

Some said they were in a comfortable stocks position to hold out for the next couple of months. A couple of traders felt strongly that prices would come down "by the end of August or early September".

"The market is confused right now because even though South African prices have softened, Indonesian coal prices are showing no big signs of coming down," said one coal trader, adding: "There has been a 6-7% correction in Indonesian prices" but it's not enough to tempt people to buy.

The first trader said that prices will soften when Chinese demand completely disappears. He added that Indian power sector is also facing problems as state utilities are strapped for cash adding that "there are huge stocks lying at the ports, but no one is ready to buy".

Coal demand from utilities in the southern states of Karnataka, Andhra Pradesh and Tamil Nadu has been affected by the slashing of power tariffs, a third market participant said.

In Karnataka, for instance, the tariff has come down to Rupee 3.81/unit from Rupee 5/unit, he said, adding that many of the coal-fired cogeneration plants, supplying about 300 MW to the grid, have stopped production completely. Karnataka also has hydropower, possibly benefiting from the monsoon, that has also reduced demand at power plants, he added.

Cement sector still hungry for coal

Utility demand aside, Indian traders have not totally abandoned the coal market with the cement sector still active.

Chettinad cement imported 400,000 mt coal during the April to June quarter and is reportedly in the market again for 300,000 mt of coal.

Cement company ACC has also tendered for 130,000 mt of RB2 coal – 6,000 kcal/kg net calorific value – as per SCoTA specs.

According to a fourth market participant, FOB Richards Bay 6,000 kcal/kg is now available at around \$116/mt FOB, down about \$2/mt in recent weeks. Platts assessed FOB Richards Bay at \$116.50/mt on July 6. On July 7, sources said Richards Bay traded at \$116.25/mt (45,000 mt) and as low as \$115.75/mt (75,000 mt).

Another market official said the market had a great interest in off-spec Australia material.

"The market is optimistic about off-spec coal from Australia. It may not be priced less than Indonesian coal but it is competitively priced," he said.

Traders are expecting good competition for the state-run MMTC's tender to import 600,000 mt of thermal coal, which was issued on July 5.

Other utilities, which are in the market like Tamil Nadu Electricity Board (TNEB) to import 2 million mt of non-coking thermal coal, Madhya Pradesh Power generating Company (MPGENCO) to import 800,000 mt of thermal coal have extended their submission dates and traders are expecting about \$110-\$115/mt CIF India basis.

— Sapna Dogra, New Delhi

China's Bohai Sea coal prices slip for the first time since March 2011

Coal prices at six major Chinese ports in the Bohai Sea Rim slipped marginally for the first time since mid-March 2011, signalling a slowdown in market activities, according to a July 6 release on the Qinhuangdao Port Seaborne Coal Exchange website.

Statistics showed that FOB prices at the six coal ports in the Bohai Sea Rim averaged Yuan 842/mt (\$130.2) for 5,500 kcal/kg thermal coal during the week ended July 6, with the Bohai Sea Rim Steam Coal Price Index, or BSPI, consequently slipping Yuan 1/mt on-week to Yuan 842/mt.

The BSPI, calculated on the basis of FOB prices for 5,500 kcal/kg steam coal at the six coal ports, was officially launched on October 13, 2010 and is updated every Wednesday.

— Reggie Le, Huaihua, Hunan Province

Purchase prices of thermal coal for Chinese power plants trend lower

Purchase prices of thermal coal paid by a number of power plants in eastern China slipped slightly for the first time in three months, according to price monitors at Qinhuangdao Port July 5.

Purchase prices had previously been on the rise for 80 days, before stabilizing in mid June.

Huaneng Group's three subsidiaries, one in Nantong City (Jiangsu Province), one in Taicang City (Jiangsu Province), and one in Shanghai Municipality, cut their prices by Yuan 15 to Yuan 895/mt (\$138.37/mt, delivered to power plants) for 5,500 kcal/kg thermal coal.

The subsidiaries' purchase prices for 5,000 kcal/kg coal were meanwhile fell Yuan 10/mt to Yuan 800/mt. The price of 5,800 kcal/kg thermal coal was also eased Yuan 10/mt to Yuan 930/mt.

Guodian Corp's Xiagan Power Plant and Huadian Corp's Yangzhou No. 2 Power Plant, both located in

Jiangsu Province, also cut their purchase prices by Yuan 10/mt. The price for 5,500 kcal/kg thermal coal dipped Yuan 10/mt to Yuan 905/mt, while the purchase price for 5,000 kcal/kg coal was also Yuan 10/mt lower at Yuan 805/mt.

In comparison, FOB prices of 5,500 kcal/kg thermal coal stabilized in the range of Yuan 840-850/mt at northern China's Qinhuangdao Port during the week ended June 29.

FOB prices of 5,000 kcal/kg coal meanwhile stood at Yuan 745-755/mt, while FOB prices of 5,800 kcal/kg coal stood at Yuan 890-900/mt.

Meanwhile, thermal coal stocks at key power plants in eastern China totalled 2.10 million mt June 27 – down from 2.17 million mt on June 20 and 2.12 million mt June 13, but up from 1.98 million mt May 27. These levels compare to a norm of 2 million mt.

— Reggie Le, Huaihua, Hunan Province

Jizhong Energy's Jan-Jun output up 37%, 2015 target 150 million mt

Hebei Jizhong Energy Group mined 56 million mt of crude coal during January-June 2011, up 15.3 million mt or 37.5% on-year, according to a release by the Chinese producer July 6.

Jizhong Energy's January-June 2011 sales revenue meanwhile totalled Yuan 105 billion (\$16.24 billion), representing 73% of the annual total for 2010.

The producer expects its annual coal output to exceed 100 million mt during 2011, and achieve annual sales revenues of over Yuan 200 billion.

Jizhong Energy also plans to increase its coal output to 150 million mt/year by the end of 2015, with supply comprising 40 million mt from Hebei Province-based coal mines, 50 million mt from Shanxi Province, and 60 million mt from Inner Mongolia.

Currently, Jizhong Energy possesses coal reserves of 26 billion mt.

— Reggie Le, Huaihua, Hunan Province

Ukraine's January-June coal output up 10% on-year

Ukraine's coal output increased by 10% on the year to 40.69 million mt in the first six months of the year, up from 36.93 million mt in January-June 2010, the energy and coal industry ministry reported Tuesday, July 5.

Output of thermal coal, which is used in power generation, increased 16% to 27.91 million mt, from 23.99 million mt in January-June 2010. Ukraine also produced 12.77 million mt of coking coal, which is used in steel making, down 1.5% from 12.96 million mt extracted a year ago.

Ukraine extracted 6.72 million mt of coal in June, down from 6.95 million mt a month before, but up from 6.13 million mt produced a year ago, the ministry said.

Output of thermal coal fell to 4.56 million mt in June from 4.95 million mt the previous month. At the same time, Ukraine produced 2.16 million mt of coking coal, up from 2 million mt extracted in May.

In 2010, Ukraine's coal output increased 4.1% year-on-year, or by 2.95 million mt, to 75.17 million mt, up from 72.22 million mt produced in 2009.

Ukraine produced 51.19 million mt of thermal coal in 2010, up 9.6% year-on-year, while output of coking coal fell 6% to 23.98 million mt.

— Alexander Bor, Kiev

Turkey January-May coal import figures up 19.4% on-year

Turkish coal imports for the first five months of the year reached 9.84 million mt, up 19.4% on the 8.24 million mt imported over the same period in 2010, figures passed to Platts by Turkey's state statistics office show.

Overall coal imports for May reached a total 1.59 million mt down 36% on the 2.48 million mt imported in April.

Imports of sub-bituminous coal for the first five months of 2011 hit 7.84 million mt with a value of \$1.08 billion, up 29% on the 6.087 million mt imported over the first five months of 2010 at a value of \$714 million.

Imports for May reached 1.21 million mt with a value of \$175 million, down 11.7% on the 1.37 million mt imported in the same month in 2010 at a value of \$163 million. The May figures were down 36% on-month, with 1.88 million mt imported in April 2011 at a value of \$245 million.

Imports of bituminous hard coking coal for the first five months of this year reached 1.53 million mt with a value of \$358 million, 13.2% down on the 1.76 million mt imported over the first five months of 2010 at a value of \$295.4 million.

May imports were reported at 303,000 mt with a value of \$73.8 million down 14.5% on the 355,000 tonnes imported at a value of \$71 million in May 2010 and down 40% on the 509,000 mt imported in April 2011 at a value of \$127 million.

Imports of anthracite over the first five months of the year reached 383,000 mt at a value of \$61.3 million, up 18% on the 325,000 mt imported over the first five months of 2010 at a value of \$41.64 million.

Imports for May were reported as reaching 77,000 mt at a value of \$12.7 million, up 11.6% on the 69,000 mt imported in May 2010 at a value of \$9.4 million, and 19% down on the 95,000 mt imported in April 2011 at a value of \$15.3 million.

— David O'Byrne, Istanbul

Kompania Weglowa aims to reverse 8 years of falling coal output in 2011

Europe's largest hard coal producer, Poland's Kompania Weglowa (KW) will increase its expenditure in 2011 to enable it to increase production for the first time in eight years, chief executive Joanna Strzelec-Lobodzinska said Thursday, July 7.

"The additional expenditure allows us to increase production by about 300,000 mt and thus the company's revenues," Strzelec-Lobodzinska told the state news agency PAP. "This decision is a response to the growing need for coal, which we have seen through additional orders from institutional and individual customers."

KW plans to increase this year's investment to Zloty 966 million (\$353 million), up Zloty 38 million on better financial results so far this year.

The company has earned Zloty 245 million in profit in the first five months of 2011. The company plans to start mining a new seam in its Ziemowit colliery.

Currently, KW, based in Katowice, Upper Silesia, south Poland, produces around 40 million mt of coal a year, about 15 million mt less than eight years ago.

— Adam Easton, Warsaw

Coal stocks at four major Chinese ports climb for third week running

Combined coal stocks at four major ports in the Bohai Sea rim, including Qinhuangdao, Caofeidian, Jingtang, and Tianjin ports have continued to climb for the third consecutive week, to stand at 15.96 million mt July 4 – up 1.52 million mt or 10.53% week-on-week, according to a July 5 release by Qinhuangdao Port.

Combined coal stocks stood at 14.44 million mt on June 28, 11.68 million mt June 14 and 11.47 million mt May 31.

Coal stocks at Qinhuangdao Port stood at 7.74 million mt July 4, up 715,000 mt or 10% on-week, while stocks at Jingtang Port rose 760,000 mt or 28% on-week to 3.48 million mt. Tianjin Port meanwhile held 3.1 million mt of coal July 4 – up 166,000 mt or 5.66% on-week. Stocks at Caofeidian Port slipped by 40,000 mt or 2.38% on-week, however, to 1.64 million mt July 4.

Meanwhile, coal stocks at southern China's Guangzhou Port stood at 2.93 million mt July 4, up from 2.87 million mt on June 30 and 2.7 million mt June 24. Stocks at Guangzhou Port stood at 2.85 million mt on June 17, 2.71 million mt June 9, and 2.42 million mt June 3.

— Reggie Le, Huaihua, Hunan Province

Qinhuangdao Port's incoming coal railings up, Guangzhou stocks climb

Qinhuangdao Port received 5.18 million mt of coal by rail in the the week to July 3, up 0.5% week-on-week – the second seven-day increase in a row, according to a release by Qinhuangdao Port July 4.

Despite foggy weather on June 29 and June 30, coal shipments from the port were seen at 4.35 million mt during the week period, also up 11.18% on-week.

The port held 7.74 million mt of coal July 3, slightly down from 7.88 million mt July 2, which was the highest level for stocks since mid-March. Stocks were seen at 7.04 million mt on June 25, 5.72 million mt on June 14, and 5.73 million mt on May 29.

Meanwhile, at southern China's Guangzhou Port, coal stocks stood at 2.87 million mt June 30 – up from 2.70 million mt June 24. Stocks were previously reported at 2.85 million mt on June 17, 2.71 million mt on June 9, 2.42 million mt June 3 and 2.69 million mt May 31.

— Reggie Le, Huaihua, Hunan Province

COKING COAL / COKE / STEEL

Weak Asian demand drags seaborne coking coal slightly lower

Weak appetite from traditional spot coking coal buyers in China and India, together with steadily recovering Australian supply exerted downward pressure on seaborne spot prices Friday, July 8.

Improved contract uptake from Japanese customers and some demand in the Atlantic failed to support prices, and Premium Low Vol slipped by \$0.50/mt to \$305.50/mt FOB Australia. HCC 64 Mid Vol lost \$1.50/mt to \$268.50/mt FOB, reflecting declining EU demand.

In India, indicative buying interest for a premium coal such as Oaky Creek could be found at \$300/mt FOB Australia, and for a 60-63% CSR Rangal HCC such as Carborough Downs at \$250/mt FOB. Indonesian mid-vol HCC was confirmed offered into India at \$275/mt CFR.

In China, top-quality premium Australian coals could find buyers at \$265-285/mt FOB Australia, and second-tier HCCs at \$220-235/mt FOB. "The Chinese market is very weak," a Beijing trader said.

Europe and Brazil remained the marginal buyers for Australian HCC, following recent supply disruptions at US low-vol mines including Cliffs'

Pinnacle, though indicative bid levels were hard to gauge.

Several steelmakers said they had already bought alternatives, and were comfortable for now, while others remained open to the idea of buying spot.

A source at a European steel mill said he felt European coking coal demand was currently decreasing, citing declining steel output in the region as the main reason.

Another EU mill said he had received quite a number of offers from traders in the past few days, mostly for US coals, including a high-priced 26-27% VM blend at \$295-300/mt FOB.

On the sell-side, Australian offers were few and far between, sources reported. "Nobody is offering openly. For the last six months, buyers have been calling suppliers, and making offers would be giving signals that the market will fall," a trader in India said.

An Australian mining source said he had no spot availability, adding that as supply came back on, the market could soften.

North Asian mills resisting BMA monthly system

Some steelmakers in Japan, South Korea and Taiwan were still voicing opposition BHP Billiton-Mitsubishi Alliance's shorter-term pricing mechanism, while European and Indian customers have largely agreed to the new system.

A range of reasons were cited, the most common being the difficulty in transferring price volatility to customers downstream.

"The prices themselves are okay. Short-term pricing is the problem, passing it on to automotive steel customers who buy six-monthly or quarterly," one Japanese steelmaker said.

Others said that the contracts gave BMA too much power, allowing the miner to reduce allocated tonnages if steel makers do not take coal on a given month. "There's no security of supply," one said. This appeared to be particularly true for customers most dependant on BMA coals.

Under the system, larger customer are to have 50% of their hard coking coals (including Gregory) priced quarterly, and the other half monthly, while smaller customers only have monthly pricing.

A London spokesman for BHP Billiton declined to comment.

— *Julien Hall, Singapore*

Industrial action at BMA export coking mines goes into fourth week

BHP Billiton-Mitsubishi Alliance faces another round of 12-hour work stoppages at two of its flagship coking coal mines in Queensland, Australia, July 6, amid claims from unions that it was not taking talks seriously to end the damaging industrial action, which has entered its fourth week.

"Further industrial action is planned for tomorrow [July 6] at BMA's Norwich Park and Saraji mines during the day, which will be shift-length work stoppages lasting in excess of 12 hours. Workers will also be setting up a protest line outside these two mines," said an official for

the Construction, Forestry, Mining and Energy Union (CFMEU) in a July 5 telephone interview.

Approximately 3,500-4,000 union-affiliated workers at BMA's coking coal mines, including Blackwater, Gregory-Crinum, Peak Downs and Goonyella Riverside are involved in the dispute. Workers began industrial action with six-hour work stoppages on June 14.

The union official said BMA was sticking persistently to its agenda of introducing longer work periods at its Queensland export coking coal mines in preference to the current four-days-on, four-days-off working pattern.

"All BMA want to keep bringing up is the seven-days-on, seven-days-off shift system. Most BMA miners already work more than 12 hours in a shift; some work up to 12 and three quarter hours in a shift, and they don't want seven days on and seven days off to occur," the union official said.

Longer shift working is strongly opposed by the unionized section of BMA's workforce, as they believe it will damage their family life and lead to workers suffering extreme fatigue.

Union claims BMA not taking talks seriously

Progress in talks to settle the dispute has been extremely slow to date, with union sources saying they believed BMA was not taking seriously negotiations aimed at ending the dispute.

Union sources claim that BMA is going through the pretense of negotiating, or engaging in so-called "surface bargaining."

"Surface bargaining means sitting down with the other side but not making any progress in negotiations," explained the union official. "We have talks coming up on July 11 and 12, and we are looking to have some meaningful negotiations."

The official added that the CFMEU was not planning any further industrial action before these talks, except for the July 6 stoppages.

Unions are obliged to give employers three days' notice of their intention to take industrial action, according to the website of Fair Work Australia – the Australian government's employment relations agency.

There have not been any further talks between CFMEU officials and BMA since they last sat down together a week ago, on June 27-28.

When asked to respond to the union's claim that BMA was not taking seriously talks to resolve the industrial dispute, a spokeswoman for BHP Billiton declined to comment.

"We have no update on our previous statement," the spokeswoman said in a July 5 emailed response to questions.

Spot prices for premium-grade hard coking coal exports from Queensland traded at \$306/mt FOB Australia July 5, having risen from \$298/mt FOB on May 28 – a week before the market became aware of the looming industrial action – according to Platts data.

— *Mike Cooper, Perth*

Cockatoo Coal, Mitsui consolidate Surat Basin projects

Japanese trader Mitsui has bought 49% of Cockatoo Coal's Woori coal project in Queensland for A\$37.25 million (\$40 million) and the parties have agreed to consolidate their Surat Basin projects into a single joint venture managed by Cockatoo Coal, said the Australian company July 8.

Cockatoo Coal is the operator for the Baralaba export PCI mine in Queensland, and its deal with Mitsui Coal for Woori represents a sale price of A\$0.90/mt on a measured resource basis compared to Cockatoo's enterprise value for the project of A\$0.30/mt.

Mitsui also gains through the Woori transaction an interest in Cockatoo's applications for export capacity in the proposed Wiggins Island coal terminal at Gladstone port and in the Surat Basin Railway.

The transaction equalizes Mitsui's interest across Cockatoo's Collingwood, Taroom and Woori projects in the upper Surat Basin near Wandoan at 49%, and consolidating the three projects into one joint venture will facilitate their orderly development, said Cockatoo.

The companies' North Surat joint venture is to start work on a feasibility study to assess all three Mitsui-Cockatoo projects and determine an optimum development schedule based on infrastructure availability by the end of 2013.

"As a front-runner in the development of coal mines in the Surat Basin, the North Surat joint venture holds the company's two development projects which are closet to the Surat Basin Rail corridor, and the large defined resources hold significant opportunity to maximize economies of scale," said Cockatoo.

Mitsui is to be appointed as the exclusive marketing agent for coal produced by the three North Surat joint venture projects worldwide, except for in South Korea, where Cockatoo is to retain its marketing partner SK Corp.

— Mike Cooper, Perth

Aston gears Maules Creek's output to semi-soft coking coal

A final feasibility study for Aston Resources 85%-owned Maules Creek project in New South Wales' Gunnedah Basin has confirmed its "highly attractive economics" as a large-scale metallurgical open-cut mine lasting 30 years, the Australian company said July 7.

After carrying out exploration drilling and independent analysis on the coal deposit purchased from Rio Tinto unit Coal & Allied for A\$480 million in 2009, Aston Resources has revised Maules Creek's output to being 84% low ash, semi-soft metallurgical coal instead of export thermal coal in the first 20 years of its production.

Aston Resources chief executive, Todd Hannigan, said in a July 7 statement: "The quality upgrade positions Aston as a pre-eminent semi-soft coking coal market player, enabling shareholders to capitalize on attractive coking coal market dynamics."

Semi-soft coking coal prices are currently drawing support from the tight fundamentals of the coking coal market, and increased production of metallurgical coal from Maules Creek is expected to boost Aston Resources' profits, the company said.

Maules Creek cash cost 'around \$62.90/mt'

As part of the feasibility study, design work was undertaken on a coal handling and processing plant for Maules Creek and mine infrastructure, and the study estimated Aston would need to spend A\$553 million to bring the project into production.

The average cash cost of a mine at Maules Creek over an initial 20-year period is estimated at \$62.90/mt excluding coal royalties payable to the government, placing it in the first quartile of Australian metallurgical coal producers, said Aston.

The company has a planning application pending with the New South Wales government for its Maules Creek project and the company is expecting to be granted environmental approval by the end of this year, enabling production to start in 2013.

Aston said in a presentation that it expects to sign a coal haulage contract for initial rail capacity of 5 million mt/year and notes that Australian Rail Track Corp has agreed to integrate a section of the Gunnedah railway into the Hunter Valley coal network.

In terms of port capacity at Newcastle for its coal exports, Aston said it in its presentation that it believed "there to be significant spare port capacity at Newcastle from 2011 onwards."

Japanese trading firm Itochu purchased a 15% stake in the Maules Creek project for A\$345 million in May.

— Mike Cooper, Perth

FREIGHT / RAIL / PORTS

Surge of interest for new coal terminal capacity at Abbot Point port

The port authority for Australia's Abbot Point has been inundated with expressions of interest from 30 international and Australian companies wanting to build A\$6.2 billion (\$6.6 billion) of new coal export capacity at the port in northern Queensland, according to the Australian state's ports minister Craig Wallace in a July 5 statement.

Queensland's ports minister met with 60 executives from some of the interested companies July 5 while on a tour of Abbot Point port as part of the expressions of interest process which closes in four weeks' time on August 1.

“Australia’s and the world’s top coal companies are showing a huge interest in being part of the development of terminals 4 to 7 at the port of Abbot Point,” said Wallace.

“Once all submissions are received, the North Queensland Bulk Ports Corp will evaluate the submissions to see which parties are best placed to participate in the next phase of design and environmental approvals,” explained the minister in his statement.

Capacity of 300 million mt/year in 2017

After the four new coal terminals are built at Abbot Point, the port’s export capacity for coal will rise to 300 million mt/year in 2017, from 25 million mt/year and one terminal at present.

“Subject to these approvals, the first coal could be exported from these terminals as early as 2017,” said the minister.

Minister Wallace told the gathering of coal industry executives that the “Terminals 4-7 project will make the port of Abbot Point the world’s largest coal export terminal.”

Although the ports minister did not name any of the interested companies in the statement, firms such as Adani Enterprises, Hancock Coal, Resourcehouse and Vale have indicated they require port capacity at Abbot Point.

All these companies are developing coal mines in Queensland’s Galilee Basin coalfield, a new frontier for coal mining in the Australian state, and these projects will need port capacity on the Queensland coast.

North Queensland Bulk Ports Corp has already given the go-ahead to BHP Billiton and Australian company Hancock Coal to each build one new coal terminal at Abbot Point port.

In May this year, the Queensland government sold the lease to operate Abbot Point’s existing coal terminal for 99 years to Indian coal trader Adani for A\$1.8 billion (\$1.9 billion).

— Mike Cooper, Perth

Queuing times jump at Newcastle port as vessel demand recovers

Waiting times for ships held in Newcastle’s vessel queue have risen to 10-11 days, levels last seen at the end of March this year, just after an earthquake and tsunami struck Japan’s eastern coastline and caused a temporary decline in the country’s demand for Australian coal exports.

The 28 vessels that loaded 2.42 million mt of coal exports at Newcastle port in the seven-day period to 7 am AEST July 4 had waited an average of 10.48 days in the port’s offshore queue, according to a report posted on Newcastle Port Corp’s website July 6.

In the preceding seven-day period to June 27 the same number of ships – 28 – had loaded 2.35 million mt of Newcastle coal exports, but each ship had waited an

average of only 7.3 days in Newcastle’s vessel queue prior to loading their cargoes.

Rainfall-related production losses at some Hunter Valley coal mines during June may have resulted in some coal availability issues at Newcastle port, leading to vessels waiting longer periods for cargoes to become available, market sources said.

The average vessel waiting time at Newcastle port last stood at more than 10 days in the week ended March 28, according to NPC export data.

Queue forecasts indicate “stronger off-take volumes”

In addition to production issues at New South Wales coal mines, demand for Newcastle coal shipments appears to be rising, as indicated by the number of vessels in the port’s vessel queue.

Port Waratah Coal Services was forecasting that its two export terminals at Newcastle port would have 22 ships in their vessel queue at the end of the month based on a ship-loading target of 8.8 million mt for July, according to a performance report published by the Hunter Valley coal chain coordinator.

“The Newcastle port ship queue is now back to levels associated with stronger off-take volumes. And Japan’s imports of thermal coal in May rose 14.1% over April’s levels, but still remained 17.7% lower than a year ago,” said commodity market analysts at Australia’s Commonwealth Bank in a July 6 report to clients.

“A number of offline thermal coal power stations plan to restart in July and August which is also likely to support coal off-take volume growth through the second half of 2011,” the CBA analysts added.

Japan is Newcastle’s largest customer for coal and accounted for 57% of the 95 million mt of coal shipped from PWCS in the 2010 year.

Coal stocks at the PWCS coal terminals at Newcastle were 1.16 million mt on July 5, a slight dip on their stock level of 1.28 million mt on June 26.

— Mike Cooper, Perth

China’s ocean freight rates drop, coal prices stable

Chinese Ocean freight rates between Qinhuangdao and Guangzhou Port dropped Yuan 5/mt to Yuan 75/mt for vessels with a carrying capacity of 20-30,000 mt, compared to a high of Yuan 124-125/mt on October 26, 2010, according to an ocean freight monitor at Qinhuangdao port.

Between Qinhuangdao and Shanghai ports, coal freight rates dropped Yuan 2/mt to Yuan 48/mt (\$7.42/mt) for vessels with a carrying capacity of 20-30,000 mt. This compares to a high of Yuan 88/mt on October 26.

However, ocean freight rates between Qinhuangdao Port and Zhangjiagang Port, Jiangsu Province remained unchanged at Yuan 52/mt for vessels with a carrying capacity of 20-30,000 mt, compared to a high of Yuan 94-95/mt on October 26.

Meanwhile, FOB prices of 5,500 kcal/kg coal at Qinhuangdao Port stabilized in the range of Yuan 840-850/mt during the week to July 6 (including 17% VAT) for the third week in a row. FOB prices of 5,000 kcal/kg coal also remained stable at Yuan 745-755/mt, while FOB prices of 5,800 kcal/kg coal were unchanged in a range of Yuan 890-900/mt for a third consecutive week.

— *Reggie Le, Huaihua, Hunan Province*

Xinjiang to connect Naomao Lake with Lanzhou-Urumqi railroad

China's Xinjiang region has decided to build a 445 km dedicated coal railroad connecting Naomao Lake coal field with the existing Lanzhou (Gansu Province) – Urumqi (Xinjiang) railroad, with a view to facilitating outbound coal supplies, according to a July 4 release on the Chinese State Council website.

Construction work will start later in 2011, and will be completed in 2013 with a design coal raiing capacity of at least 40 million mt/year. Naomao Lake coal field is located in Yiwu County of Hami City, and boasts coal reserves of around 22.3 billion mt – mainly comprising bituminous coal.

Covering a distance of 1,903 km, the Lanzhou-Urumqi railroad is the only line connecting the Xinjiang region with other parts of China.

— *Reggie Le, Huaihua, Hunan Province*

M&A / CORPORATE ACTIONS

Shenhua, Peabody, Russian group to develop Tavan Tolgoi coal project

China's Shenhua, US-based Peabody Energy and a Russian-led consortium have been selected to develop Mongolia's Tavan Tolgoi coking and thermal coal field, according to July 5 reports by China's state media including *Economic News*, citing a July 4 announcement by the Mongolian government.

Shenhua is reported to have won a 40% share in the project, Peabody a 24% stake, with the remaining 36% held by a Russian-led consortium, according to reports. However, the development scheme has yet to get the nod from Mongolia's national congress.

Late Tuesday, July 5, Peabody confirmed that the Government of Mongolia selected it as part of the "global energy consortium to develop the Tavan Tolgoi coking coal reserve".

It highlighted that it was still in the early stages of negotiations regarding potentially huge project.

"Peabody continues to work with the government and other parties to reach agreement on definitive terms and conditions. Agreements would then be submitted for

consideration and approval by government agencies and parliament," Peabody said in a statement.

Originally, Shenhua had a joint venture partner in Japan's Mitsui. However, Mitsui was not listed as a successful bidder in the Mongolian government document.

The Tavan Tolgoi coal field is located 270 km from the Chinese border and houses 6.4 billion mt of coal, including about 1.8 billion mt of coking coal and around 4.6 billion mt of thermal coal.

Peabody Energy reported 2010 sales of 246 million short tons and nearly \$7 billion in revenue.

— *Reggie Le, Huaihua, Hunan Province*

Korea protests Tavan Tolgoi bidding process as "unclear and unfair"

South Korea's Ministry of Knowledge Economy (MKE) has described the bidding process involving Mongolia's Tavan Tolgoi coking and thermal coal mine as "unclear" and "unfair," an MKE statement said.

The statement, issued in the Korean language, said MKE will explore the possibility of clarifying with Mongolian authorities the Tavan Tolgoi bidding process which it said was not transparent or fair.

MKE said in the statement, which was not dated but which was apparently issued on July 4, that Mongolian authorities identified in March six preferred bidders for the Tavan Tolgoi project: a Korean-Japanese-Russian consortium, a tie-up of China Shenhua and Japan's Mitsui, Peabody Energy, ArcelorMittal, Vale and Xstrata.

The Korean-Japanese-Russian consortium involved Korean firms Korea Resources Corp. (Kores), Posco, Kepeco, LG Corp., Daewoo International, STX, Keong Nam Corp.; Japanese firms Sumitomo, Itochu, Sojitz, Marubeni; and Russia National Railway Co. and SUEK of Russia, MKE said.

In April, Mongolian authorities asked the six preferred bidders to form a "grand consortium" for the Tavan Tolgoi project. ArcelorMittal was not included in the subsequent talks to form the "grand" consortium, MKE said.

It said the Mongolian government announced on July 4 that the winning bidders included Shenhua, which will have a 40% stake, Peabody a 24% share, with the remaining 36% held by a Russian-Mongolian consortium.

MKE said Mongolia announced the names of the winning bidders even while talks regarding the formation of the "grand consortium" was still ongoing, adding that no consultation was made with the bidders before it announced the winners for the "final development" of the Tavan Tolgoi project.

Russia-Mongolia consortium not a preferred bidder: MKE

MKE said the Russia-Mongolia consortium which bagged the 36% stake was not in the original list of the six preferred bidders and was different from those involved in the Korea-Japan-Russia consortium which was one of the original six preferred bidders.

It said an MKE official flew to Mongolia on June 30 and met with officials of Mongolia's ministry of natural resources and energy to inquire about when Mongolia will decide about the Tavan Tolgoi project award.

MKE said the Mongolian energy and natural resources authorities informed the visiting MKE official that the Mongolian government will internally discuss the issue in July and consult its parliament during the autumn.

MKE said its official had been informed by resources and energy authorities of Mongolia, a country locked in by China and Russia, that they cannot simply disregard the Chinese and the Russians in their evaluation of the winning bidders for the Tavan Tolgoi project.

MKE said it and Korea Resource Corp. (Kores) will inquire about the composition of the Russia-Mongolia consortium and investigate the reasons for the abrupt project award decision.

MKE and Kores, along with its Japanese partners in the consortium, will then pursue discussions with the Mongolian government, MKE said.

MKE said the Tavan Tolgoi project will involve investments of \$7.3 billion, of which \$1 billion will be spent on mine development and \$6.3 billion for railway construction and other related infrastructure, including a 600 MW power plant, a dimethyl ether plant and coke ovens.

The Tavan Tolgoi coal field is located 270 km from the Chinese border and houses 6.4 billion mt of coal, including around 1.8 billion mt of coking coal and 4.6 billion mt of thermal coal.

— Cecilia Quiambao, Manila

SPD agrees to pay \$102 million for Queensland, Canadian coal assets

Strategic Pooled Development Limited has become the latest listed Australian company to move into the coal sector by signing a deal to acquire a portfolio of coal assets in Queensland, Australia and British Columbia, Canada for A\$95.5 million (\$102 million) paid for in 111 million of its own shares.

Trading in SPD's shares was halted at A\$0.08/share on July 5 shortly after the deal was announced to the Australian Securities Exchange, as the company also revealed plans for a A\$20-25 million capital raising at A\$0.60/share.

The assets SPD intends to acquire include five granted Queensland coal exploration licenses prospective mostly for thermal coal, and four pending applications for Canadian coal licenses in the Peace River coalfield prospective for coking coal that are being transferred to Resolve Coal from Resolve Geo.

Resolve Coal is conducting due diligence to acquire some additional coal tenements from another company Resolve Geo in the Bowen, Galilee and Eromanga coalfields in Queensland.

Resolve's coal tenements will eventually cover a total of 1,957 square km of exploration ground in "premier coal basins in Queensland and British Columbia," said SPD in a July 5 statement.

SPD's new board of directors will be led by managing director, Gordon Saul, the owner and founder of Resolve Geo with an industry background in coal for the past 20 years. Saul was a founding shareholder of Galilee Basin coal company Bandanna Energy.

SPD is to issue 111 million of its shares to Saul Geological, the owner of Resolve Coal and Resolve Geo, and SPD has lodged a share prospectus with the ASX on which it intends to raise A\$20-25 million in new share capital to develop its coal tenements.

As part of the capital raising SPD, which hitherto has been operating as an investment fund, plans to consolidate its number of existing shares on a one-for-five basis.

SPD said it plans to exit its existing line of business by selling its investment fund interests to Fisher Graham Wealth for a nominal sum of A\$1 and SPD will receive a cash payment from Fisher Graham of A\$620,000 in lieu of any debt.

SPD recorded a net loss after tax of A\$118,400 in the half-year ended December 2010, according to a company report.

— Mike Cooper, Perth

Lanco Infratech agrees to truce in supply dispute with Griffin Power

Sumitomo Corp and Japanese power utility Kansai Electric have agreed to extend the completion date for their purchase of West Australian power generator Griffin Power to September 30, in order to reconcile a dispute with their coal supplier Griffin Coal, said the administrator for both Griffin companies KordaMentha in a recent report.

Griffin Coal was taken over by Lanco Infratech in March 2011 for A\$750 million, and two months later the India-based company sent notices informing Griffin Power it would cease supplies of coal to its Bluewaters coal-fired power station from June 1, said KordaMentha in a July 1 update to Griffin creditors.

"Griffin Coal's threat to suspend coal supplies is a significant issue for the proposed sale of Griffin Power to Sumitomo Corp and Kansai Electric. However, the purchasers have agreed to extend the period in which the sale can complete to September 30, although finalizing the sale is contingent on implementing an appropriate resolution to the coal supply threat," KordaMentha said in the report posted on its website.

The administrator said that after meeting with senior executives of Lanco Infratech in India during June the company had agreed to suspend its notices for three months to August 30.

In turn, Griffin Power has agreed to suspend any legal action against its coal supplier while both parties discuss

whether any grounds exist for amending Griffin Power's coal supply contracts.

The administrator is still looking at contingency coal supply measures for Griffin Power, as it said Griffin Coal's threat to halt its coal supplies had created "uncertainty" in respect to the sale process for the power station operator.

'Exploring alternative fuel supplies'

"In conjunction with discussions with Lanco regarding a negotiated settlement, we continue to explore a number of alternative fuel supply options and to consider these scenarios with a range of stakeholders," said KordaMentha.

Wesfarmers' Premier mine located next to Griffin Coal is the only other coal producer in the Collie coalfield of Western Australia, and the company is considering third party applications to purchase the Premier mine, or to turn it into an export operation.

Sumitomo and Kansai Electric agreed an in-principle deal to buy Griffin Power in April 2011. Griffin Power was formerly part of the Griffin group of companies that included Griffin Coal, but both businesses were sold separately by the administrator.

A trading statement for Griffin Coal reveals the coal producer made a loss of A\$74.2 million in the six-month period ended May 2011 on a sales income of A\$245 million.

Griffin Coal owes A\$760 million to its creditors which include its bondholders and the Australian tax office and there are claims for a further A\$500 million, bringing the coal producer's total debts to A\$1.2 billion, according to the administrator's report.

Lanco paid over to KordaMentha A\$500 million in February 2011 as the first installment of its purchase price for Griffin Coal, and two more installments of A\$100 million and A\$150 million fall due in 2013 and 2015, respectively.

— Mike Cooper, Perth

MetroCoal's Wandoan coal assets get swept up in acquisition talk

Australia's MetroCoal announced a maiden inferred thermal coal resource of 540 million mt for its Columboola project in Queensland's Surat coalfield on July 7, just days after it had played down reports of acquisition interest from India in the company's Wandoan coal deposits.

China's SinoCoal Resources has a 51% stake in MetroCoal's Columboola project, and their exploration activity has been concentrated on down dip extensions to coal seams comprising the Cameby Downs thermal coal deposit currently being mined by Syntech Resources.

Responding to news reports in the Indian media claiming that local firms Aditya Birla, Reliance Power and RPG Group had been in talks to acquire stakes in some of MetroCoal's Wandoan coal assets, MetroCoal stressed July 5 that any talks were at a very early stage.

"MetroCoal has not shortlisted any of these interested parties," its statement said.

The Indian companies were reported to be interested in MetroCoal's Wandoan coal exploration permit areas 1164 and 1251 in the Surat coalfield which contain an inferred coal resource of 767 million mt, according to MetroCoal's July 5 statement.

MetroCoal did confirm in the statement that it had received expressions of interest in EPC's 1164 and 1251 from a range of overseas third parties in China, India, Japan, South Korea and the US.

Bundi 5 million mt/year output from 2015

MetroCoal's Bundi project on exploration license permit area 1164 is due to go into production as an underground mine in 2015 with an export capacity of 5 million mt/year, the same time as the Columboola project.

MetroCoal's adviser Caldrex Capital has been running an expressions of interest process for the company's 100%-owned Wandoan coal tenements since March, and non-binding indicative offers for a stake in the company's assets are due by the end of July.

"We are very encouraged with the initial response to the expressions of interest stage of this process, however, we must highlight that while the marketing of this investment opportunity is to be undertaken in a competitive bidding process, it is in a very early stage," said MetroCoal chief operating officer, Theo Psaros, in the July 5 statement.

Australian resource company Metallica Minerals is MetroCoal's largest shareholder at 45.3%.

MetroCoal has an exploration target for coal of 2.5-3.5 billion mt which is to be achieved by the end of this year, and it has identified 923 million mt of coal to date, according to a recent company presentation.

— Mike Cooper, Perth

United Tractors acquires 20% stake in South Sumatra concession

A unit of Indonesia's United Tractors (UT), Pamapersada Nusantara, has acquired a 20% stake in a coal concession in South Sumatra for \$21 million, the fifth such coal concession within its portfolio, a UT executive said July 7.

At full commercial operation, the five mines will produce up to 20 million mt/year of coal, the company source told Platts in a telephone interview.

The latest acquisition, the Bukit Enim Energi (BEE) concession in South Sumatra, is said to have coal reserves of up to 110 million mt, the source told Platts in a telephone interview.

Commercial production of 500,000 mt/year is slated to start in 2013. Output will eventually ramp up to 7 million mt, the source said.

United Tractors also controls and/or has equity in four other producing and development coal projects in Indonesia:

Dasa Eka Jasatama (DEJ) in South Kalimantan province, Tuah Turangga Agung (TTA) in Central Kalimantan province, Agung Bara Prima (ABP) in Central Kalimantan and Asmin Bara in Central Kalimantan, the source said.

Of the five coal projects, only DEJ and TTA are currently producing coal.

In 2011 DEJ and TTA are expected to produce 2.5 million mt and 1.5 million mt, respectively. In 2012 TTA will up its production to 2.5 million mt and ABP will begin production with initial output of 500,000 mt.

Full commercial production totals for DEJ, TTA, ABP, Bukit Enim and Asmin are: 2.5 million mt/year, 2.5 million mt/year, 1 million mt/year, 7 million mt/year and 7 million mt/year, respectively, the source said.

— *Cecilia Quiambao, Manila*

Queensland coal explorer International Coal to list on ASX

International Coal, a company aiming to construct two new mines in Queensland, Australia, is aiming to list 45 million of its shares at A\$0.20/share on the Australian Securities Exchange in August to raise A\$9 million (\$9.6 million).

In its prospectus for the share issue, International Coal said it planned to spend the proceeds of the capital raised on a two-year exploration program for its two coal projects, for which it has been granted three exploration permits.

International Coal is looking to develop its Maryborough Basin hard coking coal project, located 50 km north of Bundaberg on the Queensland coast, and its South Blackall thermal coal project in the Eromanga Basin, south-western Queensland.

Previous drilling activity at Bundaberg has identified thin seams of the Burrum coal measures outcropping close to the surface, which may be conducive to open-cut mining, the company said in its report.

Meanwhile, Northern Energy Corp, an explorer with coal projects in Queensland and New South Wales that was recently acquired by New Hope Corp, is planning to build a hard coking coal mine at its Colton project, also located in the Maryborough coal field.

— *Mike Cooper, Perth*

AMCI earns 50% stake in South Galilee export project

US-based coal investment fund AMCI has exercised its contractual right to earn a stake of 50% in Australian coal explorer Bandanna Energy's South Galilee export thermal coal project by paying the last \$8.2 million (\$9.9 million) installment in its A\$25 million contribution to the project's development, said Bandanna Energy in a July 8 statement.

To date, AMCI has spent A\$16.8 million on exploration and feasibility studies for the South Galilee coal project.

A farm-in and joint venture agreement with Bandanna allows AMCI to earn a 50% interest in the South Galilee Basin coal project by contributing a total of A\$25 million toward development expenditure before the deadline of September 5 this year.

"AMCI's decision to vest to its full 50% participating interest in the South Galilee coal project demonstrates its confidence in the viability of the project," said Bandanna Energy managing director, Dr Ray Shaw in a July 8 company statement.

AMCI's A\$8.2 million contribution will be used to fund ongoing activities for the South Galilee joint venture which is managed by AMCI, and Bandanna is to retain its 50% in the project.

Separately, the two South Galilee joint venture participants have applied for a mining lease covering the northern section of the South Galilee project, directly to the south of Clive Palmer's China First export thermal coal project.

The mining lease covers an area of the South Galilee project where exploration, concept and feasibility studies indicate a JORC-compliant coal resource of 1.17 billion mt lies, enough to support a mine producing 15 million mt/year of thermal coal for 33 years, said Bandanna in its statement.

Bandanna Energy and AMCI intend to export South Galilee's thermal coal through new coal terminal capacity at Abbot Point port in Queensland, using rail infrastructure proposed by other Galilee Basin coal producers to which it would have access under third party access agreements.

Bandanna Energy is currently reviewing proposals from third parties to acquire interests in its other Queensland coal projects, or an equity stake in the Australian-listed company.

— *Mike Cooper, Perth*

Churchill says East Kutai partners have broken agreements

The Alternative Investment Market-listed (AIM) Churchill Mining, said July 4 that some of its partners in the East Kutai coal project in East Kalimantan province in Indonesia, have broken investor agreements and it may ultimately pursue a legal solution.

Churchill on behalf of its subsidiary, PT Indonesia Coal Development, delivered a notice of dispute on July 4 to its Indonesian minority partner, the Ridlatama group, as well as to several related individuals, it said July 5.

The dispute centres on the validity of the licenses that make up the East Kutai coal project licenses which has 2.73 billion mt of coal resource as defined by JORC standards.

According to Churchill, Ridlatama has 30 days to resolve the dispute or it will pursue legal action in

Singapore against the Ridlatama Group, its shareholders and its principals.

The AIM-listed miner announced June 6 that it raised \$12.7 million through the sale of 19.345 million ordinary shares with the proceeds to fund its East Kutai Coal Project in Kalimantan, Indonesia.

— *Cecilia Quiambao, Manila*

Cokal increases stake in two Indonesian coking coal projects

The ASX-listed Cokal Ltd. said July 5 it has entered into an arrangement to purchase additional equity in the Bumi Barito Mineral (BBM) and Borneo Bara Prima (BBP) projects in Indonesia, bringing its total equity in each of the projects to 60% from 50%.

Under the arrangements, the local partner will be paid a combination of cash and shares at a cost broadly in line with the price the company paid for its original 50% equity position in 2010.

Cokal chairman Peter Lynch told Platts that Indonesian authorities have already agreed to the conversion of BBM and BBP as companies with foreign equity.

Lynch said the acquisition of the additional 10% for each of the companies will require normal regulatory approvals, which he described "as mere formalities."

In late June, Cokal confirmed high quality premium metallurgical coal at the BBM project in Central Kalimantan province. It said BBM covers an area of approximately 20,000 hectares and is immediately adjacent to BHP Billiton's Juloi tenement, straddling the Barito River.

Cokal has also signed a joint venture to explore for coal in Tanzania with Tanzoz Resources, which currently holds interests in Tanzania for uranium, gold and coal. Cokal recently announced the commencement of drilling activity on its 50% owned Manda project in Tanzania.

— *Cecilia Quiambao, Manila*

EXPLORATION

ASX newcomer Attila Resources starts exploration drilling in WA

Attila Resources, a newcomer to the Australian-listed stock market, has started exploration drilling at its coal project in Western Australia's Mid-West region approximately 650 km north of Perth, the Australian state's capital.

During the two-week drilling program 25 exploration holes will be drilled to a depth of 120 meters and spaced 2 km apart at the company's Talisker North coal project located in the Byro sub-basin on the eastern flank of the Carnarvon Basin coalfield, said Attila in a July 4 statement.

"Previous exploration in the 1970s and 1980s by companies such as BHP, CRA and Griffin Coal intersected Permian coal seams up to 2 meters thick similar in age and quality to coal measures in the southern basins of Western Australia (e.g. Collie and Irwin River)," said Attila in its statement.

There has been a flurry of investor interest in Western Australia's coal resources arching from Rey Resources Duchess-Paradise project to Griffin Coal due to their proximity to the Indian coal market.

Attila Resources joined the Australian Securities Exchange in December 2010 as a gold explorer focused on the Paddington-Kalgoorlie belt when it floated 11 million shares to investors priced at A\$0.20/share and raised A\$2.2 million of capital.

The company recently acquired some coal tenements in Western Australia's Perth Basin – its Talisker North project – which covers 577 square km of an area 300 km north-east of Geraldton on Western Australia's western coast.

When the Talisker North project area was previously explored, a series of coal occurrences extending over 30 km of strike length were identified.

Attila's share price rose 14% during trading July 4 on the ASX to close at A\$0.40/share.

— *Mike Cooper, Perth*

CoAL's Vele semi-soft coking coal project gets environmental approval

The Australian Securities Exchange-listed miner and explorer Coal of Africa Limited (CoAL) has received environmental permission to recommence mining at its Vele semi-soft coking coal project in Mozambique.

CoAL shares on the ASX rose to A\$1.26/share (\$1.346/share) July 6 on the back of the news – up 15% on its previous close according to CoAL's website.

In August 2010, the miner stopped all major construction at Vele to comply with an order from South Africa's Department of Environmental Affairs (DEA), stating it had not complied with environmental legislation.

Commercial production at Vele was originally due to start in Q3 2010, which will be developed as an opencast and underground semi-soft coking coal mine.

"The construction phase at Vele is expected to be completed within six to nine months from the restart date, and will ultimately ramp up to an initial production profile of 1 million mt per annum. Re-employment of staff and contractors will be phased in line with the production ramp-up," CoAL said in a statement July 6.

The granting of the environmental permission comes on the back of clearance from South Africa's Department of Water Affairs (DWA), which granted CoAL its integrated water use licence April 4.

'Production in six to nine months'

CoAL chief executive John Wallington said the company welcomed the decision by the DEA, "which acknowledges the company's efforts in achieving compliance under [South Africa's] National Environmental Management Act," adding that the development was "a further significant step towards the re-opening of the mine."

A source close to the company told Platts that CoAL was hopeful that production could recommence "in the coming months."

"We expect to be in production six to nine months from the restart date, and then ramping up to production of 1 million mt/year," he said, adding: "There are some internal administrative procedures to satisfy with the DEA."

It is expected that these details will be made available in the next day or two.

Platts previously reported market suggestions that CoAL might abandon the project due to opposition from environmental organizations and poor coordination between government departments, with the miner allegedly telling local media that the DEA and DWA were not communicating or working together.

CoAL reported April 28 that run of mine production at its Woestalleen and Mooiplaats thermal mines rose 14% to 1.109 million mt during the quarter ended March 31 – up from the December 2010 quarter's 954,915 mt. Total coal sales during the quarter dropped 9.5% to 735,680 mt from the previous period's 812,923 mt.

— James O'Connell, London

Kewespo identifies East Kalimantan thermal coal project

South Korean utility, Korea East-West Power (Kewespo), said July 7 that it has identified a mine in East Kalimantan province, Indonesia, in which it intends to investigate as a possible investment opportunity, a utility source told Platts.

The Kewespo source said his company intends to conduct a technical and due diligence on the mine and has not made any decision just yet whether to invest in the coal project.

On its website, Kewespo has called for interested parties which may be interested to bid for two contracts to separately conduct technical and legal due diligence.

The Kewespo source declined to give additional information about the project, saying his company's involvement is still "exploratory."

On its website, Kewespo said "In an attempt to reduce the fuel cost and to ensure a reliable supply of fuel, EWP has also focused its effort to tap overseas natural resources development market. EWP will be engaging in mine investigations and operation with a long-term perspective, and to create synergy effects by linking coal mine business with other overseas power plant development projects."

It also said it owns a 3% stake in Australian coking coal and thermal coal explorer, Cockatoo Coal.

— Cecilia Quiambao, Manila

Hodges Resources hits coal seams during drilling at Botswana project

Botswana-focused coal explorer Hodges Resources has intersected coal seams at open-pit mineable depths at its Moiyabana coal project in the center of the country, the company said in a statement to the Australian Securities Exchange July 6.

Hodges said its first exploration drill hole had intersected 32 meters of coal in two seams measuring 16.5 and 16 meters in thickness, at a depth of 24 meters below the surface.

A second drill hole located 1 km away also intersected 51 meters of coal in three seams, starting at a depth of 38 meters.

Visual inspection of the drilled coal samples by company executives indicated the "coal has significant bands of bright, hard, lustrous and bituminous characteristics, which are embedded with more dull coal and carbonaceous sedimentary sequences," Hodges said.

The area of the Moiyabana project was partially explored by Shell Coal in the 1970s and by another company, Jaguar Ventures in 2009-2010.

"The results of these initial inferred drilling holes are very encouraging and confirm that coal identified by the historical exploration within the area is present at shallow depths," said Hodges Resources managing director Mark Major in the company statement.

Further inferred drilling at the project is planned by Hodges Resources, and is expected to take up to three months.

The company's Moiyabana project in the south-central Kalahari sub-basin is located 90 km from Botswana's Morupule colliery, and 50 km from existing rail infrastructure in east Botswana.

Hodges Resources has a coal exploration target for the project of 1.4-1.6 billion mt, of which 660 million mt might be suitable for open-cut mining and sale to domestic markets – though some might also be upgraded for export markets, the company said.

Hodges's share price closed 4.6% higher at A\$0.45/share on the ASX, July 6.

— Mike Cooper, Perth

Guildford commences stage 2 drilling at South Gobi project

Guildford Coal said July 4 it has commenced stage 2 exploration drilling on its South Gobi project in Mongolia.

It said the drilling on an adjacent tenement EL5264X has intersected approximately 21 meters of apparent thickness of net coal at potentially open cut mineable depths.

This included a seam of 13.7 meters of apparent thickness in the Permian Deliin Shand formation which is known to have potential for coking properties, Guildford said.

In its Middle Gobi coal project, Guildford said it has set an exploration target range of 29 million mt – 149 million mt, adding that the coal is likely to suit thermal markets and is potentially amenable to open cut mining methods.

It said the exploration target for the Middle Gobi project brings the total exploration target range for Guildford's Mongolian subsidiary to 29 million mt – 609 million mt which is made up of zero to 460 million for the South Gobi project and 29 million mt to 149 million mt for the Middle Gobi project.

— Cecilia Quiambao, Manila

COMPANY & GENERAL

Italy's Enel expects conversion of Porto Tolle to start June 2012

Italian utility Enel Thursday said it expects to start work on the conversion of its 2 GW Porto Tolle power plant from fuel oil to coal by June 2012, despite a court ruling blocking the project.

Speaking in Porto Tolle, Enel head of external relations Gianluca Comin said the company had previously planned to start construction in October 2011 but now expects to start in June the following year "considering the complications on the legislative front and possible appeals."

Italy's state council, the country's highest administrative court, overturned government approval for the project in May after WWF, Greenpeace and local trade and tourism associations challenged it on legal and environmental grounds.

But the northeastern Veneto region, where Porto Tolle is based, in late June announced the approval of a draft law to allow the possibility of the conversion going ahead. And the Italian government's draft austerity package made public this week includes a law enabling the conversion of oil-fueled plants to coal.

Comin said Enel respects all opposing views on the project but plans to move forward quickly as it is supported by many institutions. Enel expects ministry approval of the project's environmental impact assessment by the beginning of autumn, Comin said, despite probable appeals to the regional court and state council.

Comin added that conversion of the plant will, in part, bridge the energy deficit in northeast Italy, enabling the Veneto region, in particular, to become self-sufficient.

His views were echoed by Veneto governor Luca Zaia, who said the plant's conversion from oil to coal would reduce pollution from sulfur dioxide by 88%, nitrogen oxides by 61% and carbon dioxide by 26%.

The €2 billion (\$1.43 billion) conversion project proposal includes a carbon capture and storage demonstration facility on one of Porto Tolle's three 660 MW units.

The CCS project had been awarded €100 million by the EU's economic recovery funds in December 2009. The Italian government also had selected the project for funding under the EU's New Entrant Reserve Program.

— Branislav Pekic, Rome

Eskom locks in 80% of supplies to 2020, new plants need 2 billion mt

South African state power utility Eskom is looking to secure 2 billion mt of thermal coal to supply two new power stations due online from 2012 and 2014 respectively, with the company preferring to secure coal through cost-plus contracts disconnected from international price indexes, according to a company spokeswoman July 4.

Eskom said the construction of the two new coal-fired stations – Medupi and Kusile – was making good progress, with the first unit of Medupi scheduled to come online late in 2012, while Kusile's first unit was due to start at the end of 2014.

"Approximately 80% of Eskom's coal supply has been contracted for the period up to 2020. The challenge is beyond that period. Eskom requires over 2 billion mt of new coal supplies to see it through the operating lives of its current power stations and the new power stations it is building," said Eskom spokeswoman Hilary Joffe via email.

"Much of this is at a quality specification that competes directly or indirectly with low-grade exports, so the challenge is to attract private sector investment into the industry that will ensure sufficient supplies of coal for power generation, at prices that South Africa can afford."

Joffe added that Eskom was working with the coal mining industry and South African government to look at different options.

"We believe a framework is needed that will strike a balance between developing the coal export industry and ensuring a secure and affordable coal supply for domestic power generation," Joffe said.

Joffe noted that cost-plus mines – mines with cost directly linked to the price of production – were the cheapest and most predictable source of coal for Eskom's power stations, although production had dropped in recent years.

Eskom revealed in a presentation to the Investment Analyst Society July 1 that 47% of its coal purchases were made on a cost-plus basis, with 24% fixed price or indexed contracts, and 29% short to medium-term contracts.

The generator also reported having consumed 124.7 million mt of thermal coal during 2011, compared to 122.7 million mt in 2010 – a 1.6% increase on-year. Eskom reported average coal stocks of 41 days, with stocks projected to continue at these levels.

— Mark Selby, London

Queensland government slims down state's power utilities

A rationalization of Queensland's electricity generation sector has reduced the number of government-owned power utilities in the Australian state from three to two, said Queensland's finance minister Rachel Nolan in a July 5 statement.

Tarong Energy which operates the 1,400-MW Tarong coal-fired power station north-west of Brisbane became a wholly-owned subsidiary of Stanwell Corp on July 1, and the Australian state's other government-owned generation company CS Energy remains.

The reorganization was undertaken following a review of Queensland's power sector and is expected to yield savings of A\$60 million (\$64 million) over the next four years.

"The previous three generator sector structure was introduced in 1997 and since then we have seen private investment in Queensland change the sector," said minister Nolan in the statement.

"In recent years, the government's share of the [Queensland] electricity generation market has fallen from over 80% in 2000 to approximately 58% this year," the minister said, adding that it was the government's target to reduce its share of the state's power market to 50% without specifying a time period for this.

Stanwell Corp operates the 1,430-MW Stanwell coal plant in central Queensland, the Tarong coal plant and Tarong North super-critical power station, and the 480-

MW Swanbank coal plant which is due to close next year.

The 195-MW Collinsville coal plant in northern Queensland was transferred to Stanwell Corp from CS Energy July 1. CS Energy operates two coal-fired power stations in Queensland in Callide (1,720-MW) which is powered by coal from Anglo American's Callide coal mine, and Kogan Creek (750-MW) near Chinchilla which receives its coal supply from its Kogan Creek captive coal mine.

CS Energy also has 100% power purchase rights to Gladstone (1,680-MW) power station which is 42%-owned by Rio Tinto.

— Mike Cooper, Perth

Australian state shuts Cougar's underground coal gasification plant

The Queensland state government has permanently shut down Cougar Energy's underground coal gasification pilot plant at Kingaroy in eastern Australia.

The Department of Environment and Resource Management said it had advised Cougar that only "rehabilitation and monitoring" could be conducted at the project. "No further underground coal gasification will be permitted at the site," the DERM added.

The Kingaroy underground coal gasification pilot plant was ordered closed in July 2010 after water quality tests found two isolated readings of 2 parts per billion of benzene in a nearby groundwater monitoring bore.

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The McGraw Hill Companies

According to Cougar, the bore subsequently recorded levels below the detection limit for more than six months. The company has also subsequently tested more than 300 water samples from bores inside and outside the pilot plant area, none of which have shown any detections exceeding Australian drinking water guidelines.

Cougar was planning to use gas produced at its Queensland project to fire a 400 MW power station.

"Ultimately Cougar has not been able to satisfy the department that it could recommence its operations without an unacceptable risk of causing environmental harm," the DERM said.

Under the order, Cougar must treat and dispose of any contaminated water in surface storages and clean up groundwater at the project site.

"Cougar is required to continue groundwater sampling until the department is satisfied that rehabilitation has been completed," said DERM Acting Director General Terry Wall. "The department will also continue to regularly conduct its own sampling to ensure Cougar complies with requirements."

The DERM last week charged Cougar with breaking the conditions of its environmental approval when the contaminants were released into groundwater last year.

Cougar has the right to have the decision reviewed and appealed. In a statement, the company said it was receiving legal advice in relation to the recent actions of DERM and the shutdown of the Kingaroy project.

"Cougar Energy maintains that the Kingaroy project has not caused any environmental harm to the operating site, surrounding landowner properties nor the Kingaroy township," the company said. "This is supported by DERM acknowledgment that 'contaminants have not been detected outside the Cougar Energy site'."

White Energy reduces moisture at Indonesia briquette plant

White Energy said July 4 its 51% owned Indonesian subsidiary company PT Kaltim Supacoal (KSC) is currently in the process of completing a number of engineering modifications to its binderless coal briquette plant in Tabang, Indonesia.

During a schedule plant shutdown in June 2011, an extension of the drying column was completed successfully and on time, adding that this "key modification" will enable the pre-briquetting moisture content of the coal to be reduced to 6% – 7% from approximately 35% on a consistent basis and will allow the plant to run at "varying operating capacities."

Operations at the plant were said to have recommenced on July 1.

It said the delivery of the project equipment to the site is expected by end-August 2011, necessitating a further shutdown of up to one month to complete the remaining modifications.

— Cecilia Quiambao, Manila

Current Petcoke Spot Price Assessments

Origin	Sulfur	HGI	Current price range (US\$/mt, FOB Vessel)
US Gulf	6% - 6.5%	40	102.00-122.00
	5% - 6%	-50	120.00-140.00
	4% - 5.5%	50	120.00-140.00
US West Coast	4%	50	155.00-190.00
Venezuela	4%	45	120.00-135.00

Source: Platts

Current Typical Spot Freight Rates

Origin/ Destination	Volume (mt)	Rate (\$/mt)	Discharge terms
Australia-Queensland			
Load:Cape-35,000 SHINC/Panamax-25,000 SHINC			
Rotterdam	150,000	\$16.80	25,000 SHINC
	70,000	\$26.10	20,000 SHINC
Iskenderun	70,000	\$17.35	20,000 SHINC
Japan	150,000	\$10.00	25,000 SHINC

Australia-New South Wales

Load:Cape-30,000 SATPMSX/Panamax-20,000 SATPMSX			
Rotterdam	150,000	\$18.55	25,000 SHINC
	70,000	\$23.45	20,000 SHINC
Korea	150,000	\$11.90	20,000 SHINC

Colombia-Puerto Bolivar

Load:45,000 SHINC			
Rotterdam	150,000	\$12.15	25,000 SHINC
	70,000	\$18.40	25,000 SHINC

South Africa-Richards Bay

Load:Cape-50,000 SHINC/Panamax-34,000 SHINC			
Rotterdam	150,000	\$10.65	25,000 SHINC
	70,000	\$16.60	25,000 SHINC
Spanish Med.	70,000	\$15.40	10,000 SATPMSHEX
Jorf Lasfar	60,000	\$15.95	15,000 SHINC

Canada-Roberts Bank

Load:Cape-35,000 SHINC/Panamax-20,000 SHINC			
Rotterdam	70,000	\$25.60	20,000 SHINC
Japan	150,000	\$10.85	30,000 SHINC
	70,000	\$16.15	20,000 SHINC

US-Mobile

Load:Panamax-20,000 SHINC			
Rotterdam	70,000	\$21.35	20,000 SHINC
Italy	70,000	\$26.65	15,000 SHINC

Data supplied by Simpson, Spence & Young. Freight rates estimated on spot rates believed fixable at time of submission. Explanation of load discharge terms: SHINC-Sundays & holidays included; SHEX-Sundays & holidays excluded; FHINC-Fridays

Current Vessel Fixtures

Vessel	Quantity (Mt)	Origin/Destination	Loading Dates	Rate	Charterer
Australia					
TBN	80,000	Port Kembla/Taiwan	August 13-26	\$13.98	Taipower
TBN	125,000	Newcastle/Samcheonpo	June 16-25	\$10.39	Kepco
TBN	125,000	Gladstone/Kojeong	June 5-15	\$9.29	Kepco
TBN	75,000	Dalrymple Bay/Ecind	May 18-28	\$20.28	SAIL
Mineral Star	75,000	Hay Point/Vizag A/O Gangavaram	May 25-June 3	\$21	RINL
TBN	150,000	Newcastle/Kwangyang	May 21-30	\$12.23	Posco
Nord Mariner	50,000	Gladstone/Paradip	May 16-26	\$26.50	MMTC
TBN	125,000	Newcastle/Taiwan	May 18-31	\$12.40	Taipower
TBN	125,000	Newcastle/Dangjin	May 10-19	\$10.95	Kepco
Orsola Bottiglieri	155,000	Dalrymple Bay/Rotterdam	May 1-15	\$14.30	TKS
Canada					
Prabhu Das	60,000	Roberts Bank/Taranto	May 8-15	\$27	Ilva
Colombia					
TBN	150,000	Puerto Prodeco/Carboneras	July 15-29	\$11	Endesa
Vogerunner	150,000	Drummond/Rotterdam	July 5-14	\$11.25	Clearlake
Spartia	70,000	Santa Marta/Rotterdam	June 21-30	\$21	J Aron
TBN	150,000	Drummond/Rotterdam	May 10-20	\$9.50	Clearlake
TBN	150,000	Bolivar/Hadera	May 1-15	\$10.80	NCSC
Indonesia					
TBN	70,000	Samarinda/Taiwan	August 21-30	\$6.51	Taipower
TBN	80,000	Samarinda/Taiwan	August 5-14	\$6.20	Taipower
TBN	80,000	Muara Satu/Taiwan	August 10-19	\$6.63	Taipower
TBN	80,000	Samarinda/Taiwan	August 10-19	\$6.45	Taipower
TBN	80,000	Samarinda/Taiwan	July 21-30	\$6.08	Taipower
TBN	125,000	Taboneo/Samcheonpo	June 26-July 1	\$6.30	Kepco
TBN	40,000	CIS Pacific/EC India	June 10-20	\$35	Avani Resources
TBN	80,000	Maura Pantai/Taiwan	May 1-10	\$5.75	Taipower
TBN	80,000	Maura Pantai/Taiwan	May 16-25	\$6.05	Taipower
TBN	125,000	Banjarmasin/Taiwan	May 6-15	\$5.84	Taipower
TBN	70,000	Maura Pantai/Taiwan	May 13-22	\$6.13	Taipower
TBN	70,000	Samarinda/Taiwan	May 30-June 8	\$6.95	Taipower
South Africa					
Guo May	160,000	Richards Bay/China	June 20-30	\$14.35	Traxys
Glorius	150,000	Richards Bay/Rotterdam	July 10-19	\$9.90	BHP Billiton
Grand Clipper	125,000	Richards Bay/Krishnapatnam	July 6-19	\$13.5	Noblechart
Brilliance	150,000	Richards Bay/Lianyungang+Rizhao	July 5-20	\$13.25	Minmetals
CIC Elli S	150,000	Richards Bay/Qingdao+Options	June 26-July 7	\$13.40	DHL
C. Royal	140,000	Richards Bay/China	June 20-30	\$13.50	RGL
Empress	150,000	Richards Bay/Antwerp	May 10-19	\$10	BHP Billiton
TBN	150,000	Richards Bay/Hadera	May 5-15	\$10.50	NCSC
TBN	160,000	Richards Bay/Tarragona	Apr 29-May 9	\$10.40	Endesa
United States					
TBN	65,000	Norfolk/Swinoujscie	June 1-10	\$18.70	US Steel
TBN	75,000	Newport News/Vizag	June 23-July 2	\$40.50	SAIL
Riruccia	70,000	Newport News/Rotterdam	June 25-30	\$21.50	Vitol
Medi Hong Kong	60,000	Roberts Bank/Taranto	June 21-30	\$27	Ilva
TBN	60,000	Roberts Bank/Hansaport	June 15-30	\$26	Salzgitter
TBN	70,000	Davant/Immingham	June 12-21	\$19.50	Cobelfret
Atlanta	75,000	Baltimore/ARA	June 11-20	\$15.25	SKS
TBN	65,000	Hampton Roads/Civitavecchia	May 20-29	\$17.80	Enel
TBN	70,000	Norfolk/Rotterdam	May 20-30	\$14.85	Bunge

Recent Coal Trade Transactions

Following is a table of recent international steam coal trade transactions. Date noted is the date of reported trade. Quantity in metric tons. Prices in US \$/mt, unless stated otherwise.

Date	Buyer	Supplier	Tonnage	Price (mt)	Details
Steam coal					
08-Jul-11	NW Europe utility-trader	NW Europe utility-trader	50,000 mt	\$123.50/mt DES AR (EFP)	Multi-origin coal, August
07-Jul-11	NW Europe utility-trader	Producer	45,000 mt	\$116.25/mt FOB	South African coal, August
07-Jul-11	Producer	NW Europe utility-trader	75,000 mt	\$115.75/mt FOB (EFP)	South African coal, August
06-Jul-11	NW Europe utility-trader	NW Europe utility-trader	50,000 mt	\$124.50/mt DES R (EFP)	Multi-origin coal, August
06-Jul-11	NW Europe utility-trader	Bank	50,000 mt	\$116.50/mt FOB	South African coal, August
01-Jul-11	NW Europe utility-trader	Producer	50,000 mt	\$123.25/mt DES R (EFP)	Multi-origin coal, August
01-Jul-11	Bank	Trader	25,000 mt	\$121/mt FOB	Australian coal, August
01-Jul-11	Trader	NW Europe utility-trader	50,000 mt	\$124.25/mt DES AR	Multi-origin coal, October
30-Jun-11	Trader	Bank	75,000 mt	\$117.50/mt FOB (EFP)	South African coal, August
30-Jun-11	Trader	Trader	25,000 mt	\$123/mt FOB	South African coal, Q1-12
30-Jun-11	Trader	Trader	25,000 mt	\$123.25/mt FOB	South African coal, Q1-12
30-Jun-11	Trader	Trader	25,000 mt	\$121/mt FOB	South African coal, Q4-11
28-Jun-11	NW Europe utility-trader	Bank	50,000 mt	\$121.25/mt DES R (EFP)	Multi-origin coal, August
27-Jun-11	NW Europe utility-trader	Producer	50,000 mt	\$118/mt FOB	South African coal, August
27-Jun-11	Trader	Trader	150,000 mt	\$114.50/mt FOB	South African coal, July
27-Jun-11	Trader	NW Europe utility-trader	50,000 mt	\$120.50/mt DES AR (EFP)	Multi-origin coal, September
24-Jun-11	NW Europe utility-trader	Trader	50,000 mt	\$118/mt FOB (EFP)	South African coal, August
24-Jun-11	NW Europe utility-trader	Trader	75,000 mt	\$121/mt DES AR (EFP)	Multi-origin coal, August
23-Jun-11	Trader	Trader	75,000 mt	\$118.80/mt FOB	South African coal, September
23-Jun-11	Trader	Bank	75,000 mt	\$118.80/mt FOB	South African coal, September
23-Jun-11	Unknown	Unknown	50,000 mt	\$118/mt FOB	South African coal, August
22-Jun-11	Unknown	Unknown	75,000 mt	\$119.15/mt (EFP)	South African coal, September
22-Jun-11	Unknown	Unknown	75,000 mt	\$118.40/mt (EFP)	South African coal, August
22-Jun-11	Bank	Producer	50,000 mt	\$122.50/mt	Australian coal, July
21-Jun-11	NW Europe utility-trader	NW Europe utility-trader	75,000 mt	\$118/mt FOB (EFP)	South African coal, August
20-Jun-11	Unknown	Unknown	25,000 mt	\$123.50/mt FOB	South African coal, 2012
20-Jun-11	Unknown	Unknown	25,000 mt	\$122/mt FOB	South African coal, Q4
20-Jun-11	NW Europe utility-trader	NW Europe utility-trader	50,000 mt	\$121.40/mt DES AR (EFP)	Multi-origin coal, September
17-Jun-11	Unknown	Unknown	50,000 mt	\$116.25/mt FOB	South African coal, July
17-Jun-11	Unknown	Unknown	75,000 mt	\$119.25/mt FOB (EFP)	South African coal, September
17-Jun-11	NW Europe utility-trader	Trader	75,000 mt	\$117.75/mt FOB (EFP)	South African coal, August
16-Jun-11	Bank	NW Europe utility-trader	25,000 mt	\$118.50/mt FOB (EFP)	Australian coal, July
16-Jun-11	Trader	Producer	75,000 mt	\$119.25/mt FOB	South African coal, September
16-Jun-11	NW Europe utility-trader	Producer	75,000 mt	\$119.25/mt FOB	South African coal, September
16-Jun-11	Unknown	Unknown	50,000 mt	\$116/mt FOB	South African coal, June 24-July 7
16-Jun-11	NW Europe utility-trader	NW Europe utility-trader	50,000 mt	\$123/mt DES AR (EFP)	Multi-origin coal, August
15-Jun-11	NW Europe utility-trader	NW Europe utility-trader	50,000 mt	\$123.85/mt DES AR (EFP)	Multi-origin coal, August
15-Jun-11	Trader	Trader	25,000 mt	\$126.25/mt FOB	South African coal, 2012
15-Jun-11	Trader	Trader	75,000 mt	\$120.25/mt FOB	South African coal, September
15-Jun-11	NW Europe utility-trader	Bank	75,000 mt	\$120.40/mt FOB (EFP)	South African coal, September
15-Jun-11	Trader	Producer	75,000 mt	\$116/mt FOB	South African coal, July
15-Jun-11	Trader	Bank	25,000 mt	\$116/mt FOB	South African coal, July
14-Jun-11	Trader	Trader	25,000 mt	\$127.50/mt FOB	South African coal, 2012
14-Jun-11	NW Europe utility-trader	Trader	75,000 mt	\$121.50/mt FOB (EFP)	South African coal, September
14-Jun-11	NW Europe utility-trader	Producer	75,000 mt	\$120/mt FOB (EFP)	South African coal, August
14-Jun-11	Trader	Trader	50,000 mt	\$125.75/mt DES AR	Multi-origin coal, September
14-Jun-11	Unknown	Unknown	50,000 mt	\$125.25/mt DES AR (EFP)	Multi-origin coal, August
14-Jun-11	Unknown	Unknown	50,000 mt	\$124.75/mt DES AR	Multi-origin coal, August
13-Jun-11	Unknown	Unknown	25,000 mt	\$124/mt FOB	South African coal, Q4
13-Jun-11	NW Europe utility-trader	Trader	50,000 mt	\$125.50/mt DES AR (EFP)	Multi-origin coal, August
13-Jun-11	Trader	Producer	50,000 mt	\$125.25/mt DES AR	Multi-origin coal, August
10-Jun-11	Unknown	Unknown	50,000 mt	\$124.75/mt DES R (EFP)	Multi-origin coal, August
10-Jun-11	Unknown	Unknown	50,000 mt	\$124.25/mt DES R	Multi-origin coal, August