LONDON COMMODITY NEWS

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COAL PRICES

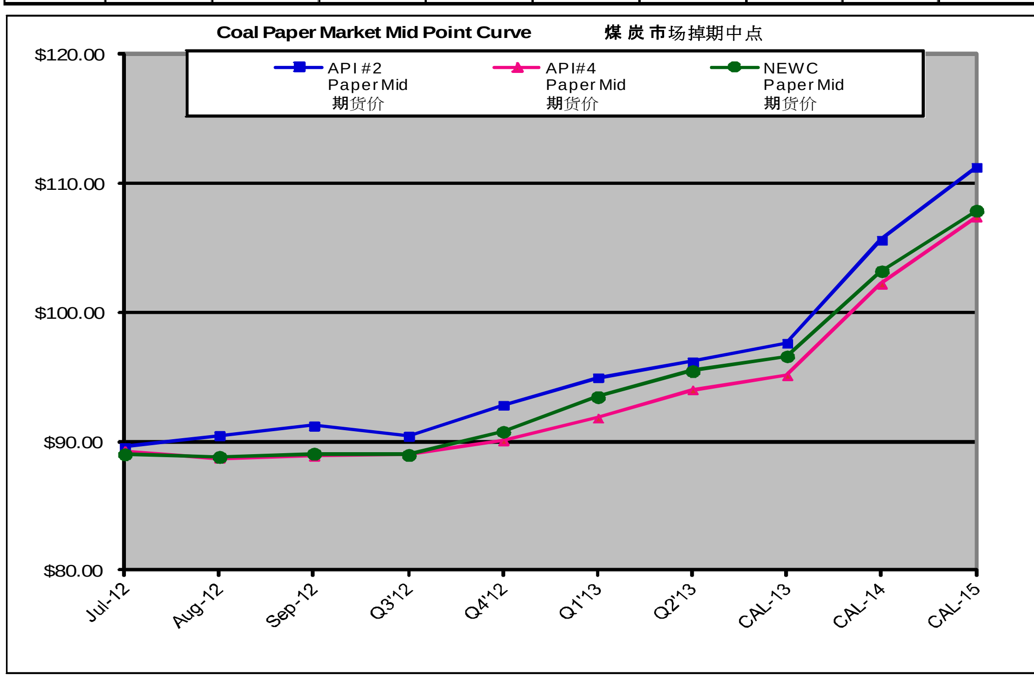
Coal Market Overview

Friday, 6th July, Poor US jobs date sent markets everywhere in to the red today, and considering all this it was quite remarkable coal swaps weren't down further. Low volumes and decent physical bids really gave coal swaps little reason to move except for jumping on the global macro bearish sentiment and finishing down a touch.
Physical markets saw a 50kt Sep'12 DES ARA trade at $90.25, and overnight Newcastle saw a 25kt Oct'12 trade at $90.00.
Macquarie Coal Newsletter

COAL MARKET PRICES

Below is a list of prices that we offered the market **Friday, 6th July 2012, t**he prices are fixed prices, the prices represented by # refer to those that are index based. The coal paper mid rate is the point between the bid and offer spread on coal derivatives.

	DES / CIF ARA 欧洲港口到岸价			FOB Richards Bay 理查湾 离岸价			FOB Newcastle 纽卡斯尔离岸价		
Date 日期	Bid 出价	Offer 供价	API #2 Paper Mid 期货价	Bid 出价	Offer 供价	API#4 Paper Mid 期货价	Bid 出价	Offer 供价	NEWC Paper Mid 期货价
Jul-12			$ 89.55	+#$0.00		$ 89.30			$ 89.00
Aug-12			$ 90.45	-#$0.60	-#$0.25	$ 88.70			$ 88.80
Sep-12			$ 91.20		+#$0.00	$ 88.85			$ 89.05
Q3'12			$ 90.40			$ 88.95			$ 88.95
Q4'12			$ 92.80			$ 90.05			$ 90.75
Q1'13			$ 94.95	-#$0.60		$ 91.80			$ 93.45
Q2'13			$ 96.15	-#$0.35 -#$0.50		$ 94.00			$ 95.45
CAL-13			$ 97.60		+#$0.00	$ 95.10			$ 96.60
CAL-14			$105.60			$102.20			$103.20
CAL-15			$111.25			$107.40			$107.90



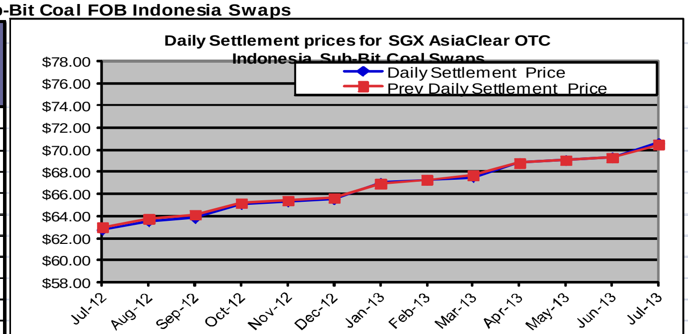
SGX AsiaClear OTC Sub-Bituminous Coal FOB China Swaps

Below are the Daily Settlement prices of SGX AsiaClear OTC Sub-Bituminous Coal FOB Indonesia Swaps as at 8.00pm Singapore times on **Friday, 6th July, 8pm Singapore time.**

Daily Settlement Prices of SGX AsiaClear OTC Sub-Bit Coal FOB Indonesia Swaps

Contract Period	Daily Settlement Price	Prev Daily Settlement Price	US$ Change	% Change
Jul-12	$62.78	$63.00	-$0.22	-0.35%
Aug-12	$63.53	$63.75	-$0.22	-0.35%
Sep-12	$63.83	$64.12	-$0.29	-0.45%
Oct-12	$65.10	$65.18	-$0.08	-0.12%
Nov-12	$65.33	$65.40	-$0.07	-0.11%
Dec-12	$65.55	$65.63	-$0.08	-0.12%
Jan-13	$67.02	$66.93	$0.09	0.13%
Feb-13	$67.28	$67.30	-$0.02	-0.03%
Mar-13	$67.53	$67.68	-$0.15	-0.22%
Apr-13	$68.82	$68.80	$0.02	0.03%
May-13	$69.07	$69.05	$0.02	0.03%
Jun-13	$69.32	$69.30	$0.02	0.03%
Jul-13	$70.60	$70.48	$0.12	0.17%

 # Above daily settlement prices are for market-to-market open positions on contract month basis



The Indonesian sub-bituminous FOB marker is an assesment of the price of this quality coal delivered into ocean going vessels from a range of East and South Kalimantan load-outs. It represents the types of coal currently supplied by Adaro, Kideco, Bumi Resources (Melawan), ABK (Loajanan) and Straits Asia (Jembayan) amonst others

Indonesian sub-bituminous coal specs: 4,900 NAR, 28% max Total Moisture, 40% Vols, 10% max Ash, 1.0% max Sulphur, 1,200C AFT (IDT), basis 20,000t / day loading
refer: http://cr.mccloskeycoal.com/

Below daily settlement prices are summarized below in quarterly and yearly basis and are for reference only

Period	Average DSP	Prev Averag DSP	US$ Change	% Change
Q312	$63.38	$63.62	-$0.24	-0.38%
Q412	$65.33	$65.40	-$0.08	-0.12%
Q113	$67.28	$67.30	-$0.03	-0.04%
Q213	$69.07	$69.05	$0.02	0.03%
Cal 13	$69.93	$69.88	$0.04	0.06%

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Source: www.sgx.com/asiaclear/commodities

Product Nam	**SGX OTC Sub-Bituminous Coal FOB Indonesian Swap**
Contract Size	1 lot = 1,000 metric tonnes
Trade Reg. hours (Sing Time)	8.00am - 4.00am Last Trading Day : 8.00am - 8.00pm
Last Trading Day	Last publication day (Friday) of IHS McCloskey Indonesian Sub-Bitumous FOB marker in the contract month
Final Settlement price	Cash Settlement using the arithmetic average of all publications of HIS MCCloskey Indonesian Sub-Bitumous FOB marker in the expiring contract month, rounded to 2 decimal places

http://www.sgx.com/wps/portal/marketplace/mp-en/products/asiaclear/commodities

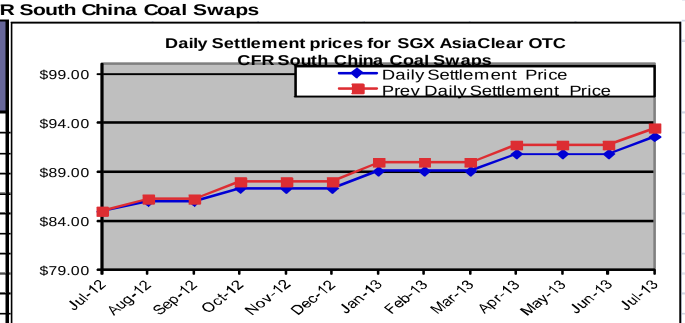
SOUTH CHINA SWAPS

Below are the Daily Settlement prices of SGX AsiaClear OTC CFR South China Coal Swaps as at 8.00pm Singapore times on **Friday, 6th July, 8pm Singapore time.**

Daily Settlement Prices of SGX AsiaClear OTC CFR South China Coal Swaps

Contract Period	Daily Settlement Price	Prev Daily Settlement Price	US$ Change	% Change
Jul-12	$85.00	$85.00	$0.00	0.00%
Aug-12	$86.00	$86.25	-$0.25	-0.29%
Sep-12	$86.00	$86.25	-$0.25	-0.29%
Oct-12	$87.35	$88.00	-$0.65	-0.74%
Nov-12	$87.35	$88.00	-$0.65	-0.74%
Dec-12	$87.35	$88.00	-$0.65	-0.74%
Jan-13	$89.10	$90.00	-$0.90	-1.00%
Feb-13	$89.10	$90.00	-$0.90	-1.00%
Mar-13	$89.10	$90.00	-$0.90	-1.00%
Apr-13	$90.85	$91.75	-$0.90	-0.98%
May-13	$90.85	$91.75	-$0.90	-0.98%
Jun-13	$90.85	$91.75	-$0.90	-0.98%
Jul-13	$92.60	$93.50	-$0.90	-0.96%

 # Above daily settlement prices are for market-to-market open positions on contract month basis



SGX OTC CFR South China Coal Swap is based on coal delivered into South China with base calorific value of 5,500 kcal/kg NAR. Each contract is equivalentto an exposure of 1,000 metric tonnes of physical coal into CFR South China. The contract is cash settled using artithmetic average of the IHS McCloaskey/ Xinhua Infolonk South China (5,500 kc NAR) CFR marker.

CFR South China coal specs: 5,500 NAR, 1.0% max Sulphur, min vessel size 50,000mt .
refer: http://cr.mccloskeycoal.com/

Below daily settlement prices are summarized below in quarterly and yearly basis and are for reference only

Period	Average DSP	Prev Averag DSP	US$ Change	% Change
Q312	$85.67	$85.83	-$0.17	-0.19%
Q412	$87.35	$88.00	-$0.65	-0.74%
Q113	$89.10	$90.00	-$0.90	-1.00%
Q213	$90.85	$91.75	-$0.90	-0.98%
Cal 13	$91.79	$92.69	-$0.90	-0.97%

For more information please contact Mr. Desmond Wan at desmond.wan@sgx.com (DID: +65 6236 8146) or Ms. Danielle Tan (danielle.tan@sgx.com, (DID +65 6236 8051).

Source: www.sgx.com/asiaclear/commodities

Product Name	**SGX OTC CFR South China Coal Swap**
Contract Size:	1 lot = 1,000 metric tonnes
Ticker Symbol	CF
Min Price Fluctuation	US$0.01 per tonne (US$10)
Trade Reg. hours (Sing Time)	8.00am - 4.00am Last Trading Day : 8.00am - 8.00pm
Last Trading Day	Last publication day (Friday) of IHS McCloskey / Xinhua South China (5,500kc NAR) CFR marker in the contract month

http://www.sgx.com/wps/portal/marketplace/mp-en/products/asiaclear/commoditi

SUMMARY OF CHINA COAL PRICES

Origin 产地	Brand of Coal 煤种	GAR/ NAR	NAR	Specification指标	Terms 价格类型	6-Jul-12	*CCIV US$	29-Jun-12	*CCIV US$	+/- from prev week	+/- on CFR US$
				CCIV - Comparative CFR Import Value							
Qinhuangdao FOBT - (refer China Coal Resources - Daily Market Watch)											
Qinhuangdao	Datong Premium Blend	NAR	>5,800	CV 5,800, V 25 - 28%, S 0.5 - 1%, M t 10 - 13%	FOBT	¥ 705.00	$ 84.29	¥ 760.00	$ 91.39	¥ -55.00	$ (7.10)
Qinhuangdao	Shanxi Premium Blend	NAR	>5,500	CV 5,500, V 25 -28%, S < 1%, M t < 12%	FOBT	¥ 620.00	$ 73.32	¥ 670.00	$ 79.77	¥ -50.00	$ (6.45)
Qinhuangda	**NDRC PRICE CAP**	**NAR**	**>5,500**	**NEW PROPOSED NDRC 2012 PRICE CAP**		**¥ 800.00**	**$ 96.55**	**¥ 800.00**	**$ 96.55**	**¥ -**	**$ -**
Qinhuangdao	Shanxi Blend	NAR	>5,000	CV 5,000, V 24 - 27%, S <1%, M t < 13%	FOBT	¥ 515.00	$ 59.77	¥ 565.00	$ 66.23	¥ -50.00	$ (6.45)
Qinhuangdao	Common Blend	NAR	>4,500	CV 4,500, V 25- 28%, S <1%, M t < 14%	FOBT	¥ 430.00	$ 48.81	¥ 470.00	$ 53.97	¥ -40.00	$ (5.16)
China Coastal Freight 中国沿海运费						5-Jul-12		21-Jun-12		Difference	
Qinhuangdao - Guangzhou, 40 - 50,000 DWT						¥ 33.40	$ 5.30	¥ 33.60	$ 5.33	¥ -0.20	$ (0.03)
Qinhuangdao - Shanghai, 20 - 30,000 DWT						¥ 24.90	$ 3.95	¥ 25.40	$ 4.03	¥ -0.50	$ (0.08)
Qinhuangdao - Ningbo, 15 - 20,000 DWT						¥ 26.60	$ 4.22	¥ 27.60	$ 4.38	¥ -1.00	$ (0.16)

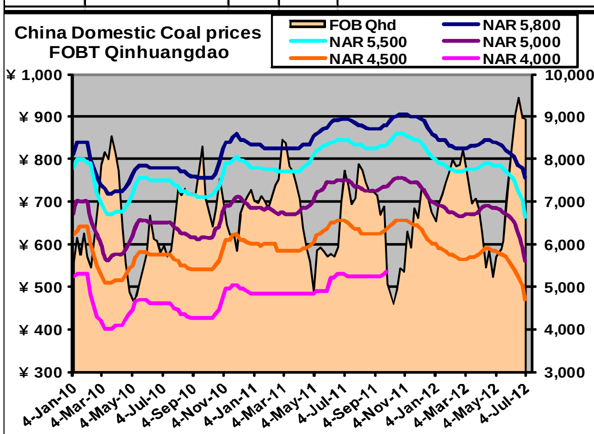
Notes:
From 21 June CCR has revised the specification of their NAR 6,000 Marker down to NAR 5,800 due to the continued deterioration of thermal heating value quality.
To determine landed cost of China coal to other China ports use FOBT Qinhuangdao rate + Local Freight + Allowance of RMB 50.00/mt (US$7.75) for Domestic Coal Port Handling Charges and stock pile rental

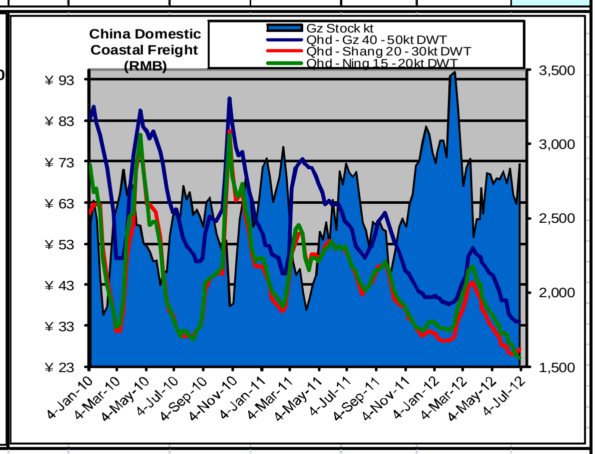
Indicative Guangzhou Stock Pile Price based on Ex Qinhuangdao FOBT						6-Jul-12		29-Jun-12			
Guangzhou	Datong Premium Blend	NAR	>5,800	CV 5,800, V 25 - 28%, S 0.5 - 1%, M t 10 - 13%	Exstock	¥ 788.40	$ 93.05	¥ 843.60	$ 100.17	¥ -55.20	$ (7.12)
Guangzhou	Shanxi Premium Blend	NAR	>5,500	CV 5,500, V 25 -28%, S < 1%, M t < 12%	Exstock	¥ 703.40	$ 82.08	¥ 753.60	$ 88.56	¥ -50.20	$ (6.48)
Guangzhou	**NDRC PRICE CAP**	**NAR**	**>5,500**	**PROPOSED NDRC 2012 PRICE CAP - EXSTOCK**		**¥ 883.40**	**$ 105.31**	**¥ 883.60**	**$ 105.33**	**¥ -0.20**	**$ (0.03)**
Guangzhou	Shanxi Blend	NAR	>5,000	CV 5,000, V 24 - 27%, S <1%, M t < 13%	Exstock	¥ 598.40	$ 68.53	¥ 648.60	$ 75.01	¥ -50.20	$ (6.48)
Guangzhou	Common Blend	NAR	>4,500	CV 4,500, V 25- 28%, S <1%, M t < 14%	Exstock	¥ 513.40	$ 57.56	¥ 553.60	$ 62.75	¥ -40.20	$ (5.19)
Guangzhou	Common Blend	NAR	>4,000	CV 4,000, V 25 - 28%, S < 1%, M t < 15%	Exstock	¥ 393.40	$ 42.08	¥ 433.60	$ 47.27	¥ -40.20	$ (5.19)

Note: To convert local China coal RMB prices to Comparative CFR Import Values we calculate as follows:
Local China RMB/mt / 1.035 Management Overheads including cost of LC - RMB 65.00* (Allowance for new imported coal Port Handling charges, load / discharge port inspection + stock pile charges) / 1.17 VAT / RMB 6.40 Exchange = CCIV US$/mt
CCIV represents the equivalent US$ CFR value for the coal currently available on stock pile.
Currently Chinese Buyers are bidding at a discount of between US$3.00 - 6.00 to these CCIV values)

SELECTED PORT STOCK PILE PRICES

Guangzhou Port - Domestic China Coal Prices						2-Jul-12		25-Jun-12			
Shaanxi	Shemu Lump	NAR	6,100	CV 6100, A 4%, V 28%, S 0.2%	Ex Stock	¥ 1,020.00	$ 122.93	¥ 1,100.00	$ 133.25	¥ -80.00	$ (10.32)
Shaanxi	Shemu Premium Blend	NAR	6,000	CV 6000, A 8%, V 28%, S 0.6%	Ex Stock	¥ 830.00	$ 98.42	¥ 890.00	$ 106.16	¥ -60.00	$ (7.74)
Shanxi	Shaanxi Premium Mix	NAR	6,000	CV 6000, A 8 - 10%, V 29 - 31, S 0.4%	Ex Stock	¥ 860.00	$ 102.29	¥ 900.00	$ 107.45	¥ -40.00	$ (5.16)
Shanxi	Shanxi Premium Blend	NAR	5,500	CV 5500, A 14%, V 28%, S 0.6%, M t 12	Ex Stock	¥ 740.00	$ 86.80	¥ 800.00	$ 94.54	¥ -60.00	$ (7.74)
Shanxi	Shanxi Blend # 1	NAR	5,500	CV 5500, A 12%, V 28%, S 0.3%, M t 15	Ex Stock	¥ 755.00	$ 88.74	¥ 795.00	$ 93.90	¥ -40.00	$ (5.16)
Guangzhou Port - Imported Coal Prices											
Indonesia	Indonesia Thermal	GAR	5,900	GAR 5,900 NAR 5600 V(ad) 35%, A (ad) 5%, S (tad) 0.31%, M (t) 28%	Ex Stock	¥ -		¥ 640.00	$ 75.90	¥ -640.00	$ (75.90)
Indonesia	Indonesia Thermal	NAR	5,500	NAR 5500 V(ad) 41%, A (ad) 10%, S (tad) 0.6%, M (t) 15%	Ex Stock	¥ 740.00	$ 88.81	¥ 760.00	$ 91.39	¥ -20.00	$ (2.58)
Indonesia	Indonesia Thermal	NAR	4,800	GAR 5900, NAR 4,800V(ad) 35%, A (ad) 5%, S (tad) 0.31, M (t)28%	Ex Stock	¥ -		¥ 640.00	$ 75.90		
Indonesia	Indonesia Thermal	NAR	4,800	GAR 5900, NAR 4,800V(ad) 38%, A (ad) 5%, S (tad) 0.31,	Ex Stock	¥ 620.00	$ 73.32	¥ -			
Indonesia	Indonesia Thermal	NAR	4,200	NAR 4200,8V(ad) 37%, A (ad) 8%, S (tad) 0.9%, M (t) 28%	Ex Stock	¥ 495.00	$ 57.19	¥ 515.00	$ 59.77	¥ -20.00	$ (2.58)
Indonesia	Indonesia Thermal	NAR	3,800	NAR 3,800, V(ad) 38%, A (ad) 3 - 5.%, S (tad) 0.8%,	Ex Stock	¥ 430.00	$ 48.81	¥ 450.00	$ 51.39	¥ -20.00	$ (2.58)
Vietnam	Vietnam 11A	NAR	4,800	NAR4800, V(ad)6%, A (ad) 33%	Ex Stock	¥ 680.00	$ 81.06	¥ 680.00	$ 81.06	¥ -	$ -
Australia	Australian Thermal	NAR	5,500	NAR 5500, V(ad) 28%, A (ad) 20%, S (tad) 0.7%, M (t) 10%	Ex Stock	¥ 730.00	$ 87.52	¥ 800.00	$ 96.55	¥ -70.00	$ (9.03)
Australia	Australian Thermal	NAR	5,000	NAR 5000, V(ad) 25%, A (ad) 25, S (tad) 0.4, M (t) 10%	Ex Stock	¥ 630.00	$ 74.61	¥ 720.00	$ 86.22	¥ -90.00	$ (11.61)
South Africa	South A Thermal	NAR	6,000	NAR 6000, V(ad) 25%, A (ad) 15, S (tad) 0.6, M (t) 7.8%	Ex Stock	¥ 750.00	$ 90.10	¥ 790.00	$ 95.26	¥ -40.00	$ (5.16)
Qingdao - Imported Coal Prices											
Australia	HCC		HCC	HCC, A 9%, V 25%, S <0.6%, G 85	Ex Wareho	¥ 1,600.00	$ 197.77	¥ 1,600.00	$ 197.77	¥ -	$ -





The above data available from China Coal Resource ("CCR") - refer http://en.sxcoal.com. CCR was founded in 1988 and is the only commercial English website in China's coal and coke industry. CCR has more than 360 staff throughout China. CCR provides current news and related data, consulting services as well as facilitating investments and joint venture arrangements between foreign and domestic enterprises.

COAL MARKET NEWS

INTERNATIONAL

Domestic coalminers feel the squeeze as China's demand slows

DOMESTIC coal producers are feeling the pinch and many new projects may be put on hold. That's the bottom-line message from ANZ's commodity man, Mark Pervan, after a tour of Queensland and NSW coalfields. Pervan found Chinese demand has slowed and not likely to improve until the December quarter. India is taking only coal covered by contracts and is largely absent from the spot market, while Japan is well covered for the remainder of the year. Queensland ports are operating at between 40 and 60 per cent coal capacity, well below normal levels. Slower demand for coking coal has cut shipping activity, but the prolonged mine strike is also taking its toll. A few weeks ago, Pervan reported that 10 per cent of Indonesian coal producers are selling at below cost. But the squeeze is also evident here in Australia: on this latest trip, he found operators in the eastern states reporting capital costs have risen almost fivefold over the past five years. Many in the industry believe junior developers will be delaying investment decisions.

And large projects, such as Xstrata's Wandoan mine in the Surat Basin, look marginal in present conditions. Many producers will be lucky to break even at current prices, Pervan says. Meanwhile, fixed labour costs are biting hard: dump truck divers are earning up to $150,000 a year and pilots guiding bulk carriers to their berths are taking home $350,000 a year (which is still less than their counterparts in Western Australia who get up to $500,000). Port access charges have jumped significantly over the past three years. How much will be left for the mining tax? Foster Stockbroking is taking a heartier view of the coal sector, noting China's imports will this year reach a record 285 million tonnes, with Indonesia and Australia the key sources. The shale gas revolution in the US has seen stocks in American thermal coal producers plummet. This, along with high mining costs in the Appalachia, could see as much as 25 per cent of that country's thermal coal capacity idled. This will be positive for other exporters. Newcastle thermal coal has crept back above $88 a tonne after hitting its lowest level in two years. Coking coal has managed to stay between $200 and $235 a tonne.

Foster has "buy" recommendations on three developers. Guildford Coal (GUF) is on track to become the next listed coal company to get into production with cash costs of $20/tonne at its Mongolian mine. Bandanna Energy (BND), with projects in the Bowen and Galilee basins, last week committed more money to its Springsure project where production is less than two years away. Foster's other pick is Acacia Coal (AJC) which closed at 2.9c on Friday. Its Comet Ridge project has 150 million tonnes of coking coal. Foster's explorer pick is Jameson Resources (JAL) with its five "outstanding" coal licences in British Columbia. IT is always interesting to see who is being dropped from -- and who is being added to -- the companies tracked by Warwick Grigor at Canaccord/BGF. He has just added the aforementioned coal pick Acacia, along with drill services provider Boart Longyear (BLY), Oklahoma oil and gas play Red Fork Energy (RFE), and new graphite darling Talga Gold (TLG) to what is now a list of 133 juniors Grigor charts daily.

But Grigor has dropped copper producer Aditya Birla Minerals (ABY) on the grounds of "lack of interest", rare earths hopeful Arafura Resources (ARU) due to project funding problems, gold-copper play Augur Resources (AUK) for "uninspiring drill results", while Australian Pacific Coal (AQC) and Guinea gold explorer Burey Gold (BYR) are out due to "lack of relevance". Grigor has knocked off Torrens Energy (TEY) because geothermal is out of favour, zinc producer Terramin Australia (TZN) due to continuing financial concerns, while South Africa coal play Universal Coal (UNV) also got the chop. Grigor believes the "disappointment cycle" has run its course, negative sentiment is dissipating and selling pressure abating. But there's been a fair bit of damage done. Just taking some of his 133 stocks, we see Ausgold (AUC) hit a 52-week low of 37.5c on Friday (down from $1.81 last August), as did Erongo Energy (ERN) closing at 5c, a fifth of what it was worth last September. Commissioning issues at its South Australian copper mine has seen Hillgrove Resources under heavy price pressure since May. THERE'S not much appetite out there for rolling the dice on highly speculative penny stocks, but one regular reader emailed to say he has not been able to resist taking a position in mobile phone marketer Motopia (MOT).

Motopia for not much longer, actually. The company is rebadging as AusBase Minerals and has acquired copper-nickel-gold in Cyprus. And even more recently, the former Oxiana drilled there in 2007 when it hit copper, zinc and gold. MOT stock is trading at 0.7c with a market cap of $4 million, which reflects the very long haul ahead for this junior. Probably not for the risk-averse. As Dirty Harry would say, you just have to ask yourself "Do I feel lucky?" IN the latest global petroleum survey, Canada's Fraser Institute rates Guatemala as the 77th most favourable jurisdiction. Clean Global Energy (CGV), which announced on Friday it had picked up oil and gas projects in the Central American nation, could have done worse. Bolivia came bottom at 147th, beaten only by Venezuela, Iran and Siberia.And what do the oil guys surveyed think are the best? Oklahoma, Mississippi, Texas and North Dakota. Here's a blow: New Zealand comes in 20th, while the most favoured part of this country -- South Australia -- can't do better than 29th. Queensland only made it to No 50.
Source: The Australian

Coking coal market in tug of war

Q3 knocking on the door its time for mill owners and miners to brace for breathtaking negotiation. Raw material and finished market is oscillating in uncertainty as the global economy passes through an obdurate and recalcitrant crisis. Mills have pruned production and consumption of both iron ore and coking coal has plummeted exerting on levels which have nearly touched the lows of post 2008 crisis. Some experts unequivocally declare it has repeat of 2008 crisis which is more corrosive in the sense that the agony refuses to recede with a dithering EU, US and Chinese economy. Uniquely the current crisis has engulfed BRIC nations - brand bearers of turnaround in the aftermath of 2008 when steel industry and its associates became rudderless. Chinese economy and steel demand has touched new lows with economic growth and investment being sacrificed for reining inflation by an anxious government.

Recently, murmurs of activity have been heard in the raw material market with improvement in coke and iron ore price. Just as monsoon is round the corner in the Asian mining hubs buyers seem to be letting go the waiting game. Moreover as inventory depleted over the Q1 and Q2, buying is inevitable. Unusually protracted labor unrest in BHP BMA mines in Australia has affected the availability of coking coal. Even with hugely depreciated domestic currency Indian buyers are rearing commence buying in Q3. In the backdrop of built up Anglo America and POSCO cracked deal at an astounding USD 225 per tonne FOB Gladstone for coking coal. Even though it is an HCC (High Grade Coking Coal) with low volatile matter and Ash content it certainly gave direction to the market. Coming as a cracker when the spot market was sulking in the low USD 190s shook a slumberous coke market. Initial astonishment led to resistance by buyers in other regions to swallow but gradually miners seem to be gaining advantage over the buyers.

Chinese buyers are interested in buying cheaper Mongolian coke about USD 10 per tonne to USD 15 per tonne less than Australian sources and with the emergence of US as a supplier with competitive levels market seems to be warming up. It is learnt the Indian mills despite a hugely depreciated INR v/s USD have started fishing in the market with tender for August delivery. However this can be tactics to have sense of the market rather than actual buying exercise. Some unconfirmed reports from market sources revealed that a US coking coal miner has put lowest bid for supply of coking coal in a tender last week by a PSU steel maker at about USD 200 per tonne, substantially lower that other suppliers. Even though Q3 is not going to culminate in windfall levels and booking it will certainly be improvement over Q1 & Q2. Moreover with global economy and demand slated for improvement in H2 it might just be the right time for both buyers and sellers to leverage their advantage.
Source: SteelGuru

Trade firms flock to coal mines abroad

General trading companies here have been scrambling to take possession of coal mines abroad as the mineral reemerges as an alternative source of energy to crude oil. The global nuclear phobia, following the explosion of Japan’s Fukushima nuclear power plants early last year, has also promoted traders to secure coal deposits, expecting its prices will continue to head upward on growing worldwide demand. LG International, the general trading arm of LG Group, announced on June 29 that it acquired a 60-percent stake in an Indonesian coal mine developer for 242.8 billion won ($229 million). ``We have secured an exclusive right to operate mines owned by PT. Ganda Alam Makmur and sell coal produced from them. We made a giant step toward becoming a leading global coal supplier,’’ an LG International spokesman said. He said the company will continue seeking to acquire more coal mines overseas.

The company also owns coal deposits in China, Australia and Russia. ``We think coal has emerged as a viable alternative energy source to crude oil as the value of black gold has surged in recent years. It makes more sense businesswise given the geopolitical sensitivity of crude oil. Coal is highly energy-efficient and cost-effective in generating electricity,’’ the spokesman said. Public concerns have grown over the safety of nuclear power plants following the meltdown of the Japanese nuclear power plant. Last year’s nuclear plant explosion has made governments around the world more nervous about relying on nuclear energy for generating electricity. ``Additionally, the use of solar and other renewable energy sources has largely remained in stalemate due to their low economic feasibility.

For the time being, we believe coal is the most reliable, cost-effective and environment-friendly energy for electricity generation,’’ the spokesman said. SK Networks, the general trading arm of SK Group, are also engaged in several coal mine development projects in Australia, China and Indonesia, while Daewoo International affiliated with POSCO are developing mines in India and Africa. Global coal consumption has expanded at an explosive pace in recent years. The world was found to have consumed a total of nearly 3 billion tons of coal in 2011, up from 701 million tons in 2007. According to the U.S. Energy Information Administration, countries will use more coals over the next two decades for power generation and other purposes. It forecast that coal will be responsible for producing 12.9 trillion kilowatts per hour in 2035, up 67.5 percent from 7.7 trillion kilowatts in 2008.
Source: www.koreatimes.com

U.S.A

CAPP coal prices little changed in quiet session

Central Appalachian thermal coal prices were assessed little changed Thursday, as few trades were seen or heard in the US over-the-counter coal market. Turnover in the CAPP market stayed at its noticeably low levels following Wednesday's US Independence Day holiday. Few trades were seen or heard in the two sessions leading up to the holiday. In CAPP barge, Q4 2012 was heard to have traded at $58.50/st for five barges. The price was assessed the same, down 15 cents/st. Q1 2013 was heard to have traded at $61.50/st for five barges, below Tuesday's trades of $61.75/st and $62/st. The contract was assessed 50 cents/st lower to $61.50/st.

Q2 2013 traded at $65/st for five barges twice, above Tuesday's trade of $64.75/st. The contract was assessed at $65/st, up 25 cents/st. The only other seen trade was in the CAPP rail (CSX) paper market, as Q1 2013 traded at $60.25/st for 5,000 st and 10,000 st. The physical price was assessed at $60.35/st, down 45 cents/st, as the contract was rebid at $60.25/st, according to a market source. No trades were seen or heard in the Powder River Basin for a third consecutive session. PRB 8,800 August prompt was assessed at $7.40/st, down 20 cents/st, based on broker information. The prompt quarter Q4 2012 contract was assessed 15 cents/st lower to $8.20/st and the Cal 2013 package was assessed at $10.50/st, unchanged.
Source: Platts

Coking Coal Exports From U.S. May Slow on BHP Labor Accord

Coking coal exports from the U.S. may slow after BHP Billiton Ltd. and labor unions in Australia reached an accord, according to Raymond James Financial Inc. U.S. shipments of the steelmaking component in the first quarter were about 17.5 million short tons, up 2.1% from a year earlier, Energy Department data show, as producers benefited from a void caused by rolling strikes at the world’s biggest coking coal exporter since June 2011. BHP and the unions, after beginning mediation July 3, agreed on a framework that will guide the finalization of an enterprise pact, the Melbourne-based company said. “There’s the fear that this has been keeping supply out of the market,” said Jim Rollyson, an analyst at Raymond James Financial Inc. in Houston. “You have to assume that slows down a bit.” Rollyson estimates that the global benchmark contract for coking coal could fall at least 6.7 percent to $210 a metric ton in the next quarter from $225 a metric ton for the July-to-September period, because of the increased supply.

Gerard McCloskey, chairman of Merlin Trade and Consultancy Ltd and founder of IHS’s McCloskey Group, a Petersfield, U.K-based coal-market research company, estimated June 21 that harmony between BHP and its unions could pour an additional 20 million tons of the steelmaking fuel into the global market. The BHP Billiton Mitsubishi Alliance, or BMA, is the world’s biggest exporter of steelmaking coal. About 3,000 miners at seven operations stopped work for a week in March and in April, BHP declared force majeure because of the strikes and inclement weather. Metallurgical coal represented 65 percent of the U.S.’s exports of the fuel in 2011, according to Energy Department data. In the U.S. the component is mined in Appalachia, which covers parts of Kentucky, Ohio, Virginia, West Virginia and Alabama. The BMA joint venture supplies about 18 percent of global coking coal exports, according to a March 22 report by Goldman Sachs Australia Pty.
Source: Bloomberg

SOUTH AMERICA

Colombian coal workers vote to strike at Glencore-owned mine

Colombian coal workers voted on Saturday to strike over pay and working conditions at the 3-million-tonne-per-year La Jagua mine of Glencore's Prodeco unit, a union said. Colombia is the world's fourth-largest coal exporter and Glencore's La Jagua - one of the mining concessions it owns in the nation - has some of the country's highest quality coal. After 40 days of negotiations with Prodeco, laborers voted unanimously to strike after the company failed to meet their demands over pay and improved working conditions, said Ricardo Machado of the Sintraminergetica union. Workers have 10 days to act on the strike vote but they cannot legally walk off the job for the first two days or the last two days of the period. If they do not carry out a strike during the allotted time, they must vote again. "We were relatively close to a deal but it couldn't be reached. On Monday, we'll continue negotiating with the company," Machado told Reuters by telephone.

The discussions involved workers at Carbones de La Jagua - one of five concessions that Glencore owns in the northern Cesar province - and Prodeco. Unions use the threat of strikes for leverage in bargaining talks with mining and oil companies, which have been returning to Colombia after a fall in guerrilla violence over the last decade due to a U.S.-backed military offensive. Any walkout would unlikely affect prices unless it drags on for several weeks, but the industry is watching closely because the quality of coal that the mine produces is in relatively tight supply. In 2010, laborers at La Jagua went on strike for five weeks before signing a two-year deal, and last year, they struck for eight days at the 5-million-metric tonne-per-year (5.51 million ton) Calenturitas mine. Prodeco is Colombia's third largest coal exporter behind Drummond and Cerrejon, which is a joint venture by BHP Billiton, Anglo American and Xstrata. Prodeco produced 4.2 million metric tonnes of coal in the first quarter this year, a rise of 10 percent from the first quarter of 2011. Source: Reuters

Minminas offers alternate route for coal export

BnAmercas reported that Colombia mining and energy ministry has offered to provide an alternate route for small coal producers in the central region to transport their production. Mr Mauricio Cárdenas Colombia mining and energy (Minminas) minister said "We've had discussions regarding Carare. We firmly support the project, and want the agreement to be under a public-private partnership (PPP). However given the scope of the project, it will take much more time to be a ready solution for the sector." Mr Cárdenas explained that the government solution in the meantime is to pave the route between the Chiquinquirá, Otanche and Puerto Boyacá municipalities, and the route known as the Transversal del Carare which connects the Barbosa, Landazuri and Cimitarra municipalities to reach the Magdalena river.

He said that "Upon arrival, the coal can go to the Atlantic ports along the Ruta del Sol by train or the Magdalena river." Mr Mauricio Cárdenas said there is an agreement between the Minminas and the national roads authority (Invias) to carry out works, and that the necessary funds are already available. He said that "For now the contract just needs to be signed and will have two years to carry out the plan, adding that the government's goal is to reach the informal mining sector and small to medium scale miners with a proposal that will solve the transportation issue and encourage them to formalize their operations and incorporate the norms offered by the government." Colombia central region also known as the Altiplano Cundi-Boyacense has coking, or metallurgical coal resources worth an average of USD 160 per tonne which has been difficult to export due to lack of infrastructure for shipments to port.
Source – BnAmericas

AUSTRALIA

BMA dispute looks to be over

The BHP Billiton Mitsubishi Alliance (BMA) and the unions representing its 3,500 workers in Queensland's Bowen Basin appear to have brokered an agreement in their long-running industrial dispute. After the latest round of talks between the two parties, mediated by former Australian Council of Trade Unions Bill Kelty, a framework agreement has been green-lighted by both sides as a step towards finalising the enterprise bargaining agreement. While the exact details of the agreement are being kept quiet at this stage, it is unclear whether key issues, such as the right for union members to have a greater say in management, have been decided upon. Both parties acknowledged the role federal Employment and Industrial Relations Minister Bill Shorten played in reaching this point in the negotiation process.
Source: coalportal.com

Australia sees drier conditions for coal regions

Australia is expected to experience drier conditions this summer, with only a very small chance of a repeat of the heavier-than-average rainfall that has disrupted coal supplies for the past two summers. Climate indicators show a shift towards the El Niño weather phenomenon, in line with most model predictions, Australia's Bureau of Meteorology said. El Niño conditions in large parts of eastern Australia are typically drier than normal during winter and spring, while southern Australian daytime temperatures tend to be warmer. But "El Niño does not guarantee widespread dry conditions," the bureau said. The past two Australian summers have experienced La Niña weather events, which tend to cause higher-than-average rainfall in Australia and drier conditions in the Americas. Australia is the world's largest coal exporter of thermal and coking coal combined.
Source: argusmedial.com

Australia miner BMA to sign framework agreement with worker's union

Australian mining giant BHP Billiton-Mitsubishi Alliance and the union representing employees at its central Queensland export coking coal mines have agreed to sign a framework agreement that "will guide the finalization of the BMA Enterprise Agreement," they said in separate statements Friday. BMA and the Single Bargaining Unit union started mediation talks Monday in an effort to resolve an industrial dispute that has been ongoing for 18 months. The industrial dispute at BMA's mines arose when union workers overwhelmingly rejected new workplace agreements offered by the miner in May and September last year.

"All parties are continuing to work in good faith to complete an agreement as soon as possible," BMA and the union said in their statements. "Further work is required to finalise local mine site details." The mines affected by the industrial dispute are Blackwater, Crinum, Goonyella Riverside, Gregory, Peak Downs and Saraji. Reacting to the news, a market source said: "Even though this is just a framework agreement, it shows that the actual resolution is in the near horizon." BHP Billiton is the world's largest exporter of seaborne coking coal.
Source: Platts

Australian Dalrymple Bay coal terminal expects 45 ships in June, receives 57

Australia's Dalrymple Bay terminal experienced a surge in demand for coal exports in June, with 57 ships calling at the Queensland coal-loading facility, but the upturn shows few signs of lasting, a source close to the terminal said Friday. The terminal's operator DBCT Management had been expecting 45 ships last month to load coal exports originating from 20 mines in Queensland's Bowen Basin. The average number of vessel arrivals is around 40 ships/month. "June was a hiccup in terms of 57 vessel arrivals at the terminal, but people are unsure what may have sparked this," the source said. Market sources speculated it could be connected to the end of the Australian fiscal year on June 30. Australian coal shippers that use Dalrymple Bay terminal, such as Anglo American, BHP Billiton, Peabody Energy and Xstrata, may have sought to load as many vessels as possible before squaring their books for the fiscal year.

Demand from international steel mills, the customers for Dalrymple Bay's main export, coking coal, has been patchy in 2012 and some Queensland coal mines are yet to return to full production after last year's floods. "There isn't much demand in the market and there seems to be some lingering problems with coal production in Queensland. Ships are arriving at the terminal, but coal is not always there for them," the source said. The Dalrymple Bay export facility loaded 4.25 million mt of coal on to 42 ships in June, up 6.7% on the terminal's May exports of 3.98 million mt in an undisclosed number of vessels, according to the source. Bowen Basin coal shippers utilized just over half of Dalrymple Bay coal terminal's 85 million mt/year capacity in the first half of the year, with coal shipments from the terminal running at a rate of about 4 million mt/month during this six-month period. "July's throughput is looking like it might be similar to the months in the first half of the year. The average throughput this year has been around 4 million mt/month," the source said.

The June total was down 4.7% year on year. The terminal shipped 4.46 million mt of coal in 43 ships in June 2011, at a time when the Bowen Basin coal field was recovering from disastrous flooding earlier that year that had engulfed many of Queensland's 50 mines for coal exports. DBCT is currently carrying out maintenance to its ship-loader No. 2, which operates on berth three of the terminal that has three ship-loaders. The maintenance is due to be concluded in August. "The maintenance is not affecting the throughput of the terminal whatsoever. Berth one and four are in use, as are ship-loaders one and three. "Two Capesize vessels were being loaded at the terminal Thursday," said the source close to the coal terminal. The shipping queue at the terminal, the number of ships waiting to load coal exports at the facility, totaled 19 Thursday, including the two Capesize ships already berthed, DBCT Management said. Coal cargoes were ready for only six of the 19 ships waiting. "We need 20 ships to get the maximum out of the coal supply chain, on the proviso that all coal is available for these ships," the source said.

Source: Platts

Queensland Backs Fortescue Challenge on Australia Tax

Australia's resource-rich Queensland state said it will support Fortescue Metals Group Ltd. bid to sue the federal government in the country's top court over a plan to tax iron ore and coal company profits. "We'll certainly have a go at intervening in this case,"Attorney General Jarrod Bleijie said. While cases in the high court are difficult to win, Queensland received legal advice that the Mineral Resource and Rent Tax, implemented July 1, may be unconstitutional as it discriminates between states, he said. Prime Minister Julia Gillard, who is meeting Queensland Premier Campbell Newman, needs revenue from the tax as she bids to turn the budget to surplus by next year, when she's due to hold an election that polls show she's on course to lose. Her minority Labor government's agenda has drawn criticism from mining companies including BHP Billiton Ltd. andRio Tinto Group and resistance from the leaders of the four states out of six ruled by the Liberal-National opposition.

"There's a stronger political game being played here than a legal one," Michael Adams, dean of law at the University of Western Sydney, said in a phone interview today. "It'll be very hard for Queensland to show it's been unfairly discriminated against." Adams said the legislation appears to have been carefully crafted to withstand constitutional challenges and seems to be "rock solid." The tax will reap about A$10.6 billion within three years from Fortescue, BHP, Rio Tinto and other mining companies, according to Treasury estimates in October. The challenge "will try to stop the Gillard government spreading the benefits of the mining boom to hundreds of thousands of Queensland households and small businesses who aren't in the fast lane" of the nation's economy, TreasurerWayne Swan said. He described the state's bid as "futile." Western Australian Premier Colin Barnett decided against joining Fortescue's challenge as it was unlikely to be successful, Swan said.

Fortescue, the nation's third-biggest iron-ore exporter, is seeking a ruling declaring the tax invalid because it discriminates between states, curtails their sovereignty and restricts their ability to encourage mining, the Perth-based company said. Newman, a former army lieutenant, lead his conservative Liberal-National Party to victory in March elections after pledging to cut the resource-rich state's unemployment rate to 4% from 5.7% and restore its AAA credit rating. Labor's defeat left Gillard with allies governing in just the two smallest of the nation's six states. Tony Abbott, head of the opposition Liberal-National coalition, has promised to scrap the mining tax if the Labor government is defeated in the election, scheduled for the second half of next year. Gillard's agenda, which includes a new tax on carbon emissions that will help fund cash handouts to lower- and middle-income voters, has prompted criticism by business leaders ranging from BHP Chairman Jacques Nasser to Rio Tinto CEO Tom Albanese to the Australian Chamber of Commerce and Industry.

Labor's primary vote fell 1 percentage point to 30%, while support for Abbott's Liberal-National coalition increased 2 points to 46%, according to a Newspoll published in the Australian newspaper on June 25. Miners in states with lower rates of royalties than other states will have to pay more federal tax, Fortescue said in its court filing last month. That would eliminate a state's competitive advantage, the company said. The federal tax will "have the effect of rendering illusory and inefficacious any determination by a state to differentiate itself from other states or countries," Fortescue said. The company plans to almost triple annual iron-ore output from its Western Australian mines to 155 million metric tons by June 2013. Last year, the High Court struck down Gillard's plan to send illegal immigrants who arrive by boat to Malaysia. Tobacco companies are challenging a law that would require cigarettes to be sold in plain packages. The case is between Fortescue Metals Group Ltd. and The Commonwealth of Australia. S163/2012. High Court of Australia (Sydney).
Source: Bloomberg

EUROPE

EUROPEAN COAL: CIF ARA trades higher in September

The European-delivered CIF ARA physical thermal coal prices remained relatively stable Friday, although a higher September trade was seen further out the 90-day window, as the market is in contango, sources said. A 50,000 mt generic-cargo September Rotterdam-delivery cargo traded via globalCOAL in the morning at $90.25/mt with exchange of futures for physical terms attached. This was followed shortly by a deal for a 50,000 mt generic-cargo September Rotterdam-delivery cargo deal at a $1.50/mt discount to the API2 (CIF ARA) index. Around the same time, a September 50,000 mt ICE Rotterdam Coal Future also traded via the globalCOAL screen at $91.75/mt. The fixed price trade was 65 cents above Platts 90-day assessed price of $89.60/mt Thursday, although within the parameters of the previous day's best onscreen bid-offer range of $90-91/mt.

The deal was also 25 cents above the last September-delivery trade carried out June 26, but $2.50/mt higher than the August-delivery trade of $87.75/mt the previous day. A Switzerland-based trader placed the September market discount to the API2 index at $1.75-2/mt Thursday, although another Swiss trader said Friday that the $1.50/mt discount was "reasonable." He said demand remains limited, with most of the recent deals seen merely traders filling positions. "Stocks are high in Europe and despite claims of the market being tighter, there is no shortage of supply. The $1.50/mt discount in September is indicative of where value is and I'd expect [the market] to remain stable," the trader said.
Source: Platts

COAL – Utility buying offers some support to prices

European coal prices have lost some marginal ground since the beginning of July, although utility restocking and perceived production cuts are offering some tentative support, players said on Thursday. The August API 2 contract last traded at USD 90.50/t, down from USD 91.25/t at the end of June, while the Cal 13 contract was last seen trading at USD 98/t, down by USD 0.80 from the end of last week, broker data showed. But both contracts are still somewhat higher than respective three-year lows of around USD 85-86/t and USD 95/t reached in early June. On the physical side, an August-loading 50,000t Colombian parcel, for delivery in Rotterdam, traded in the current session at USD 87.75/t, via brokers Global Coal. The deal was USD 1.50 lower than trades concluded at the end of June, for August loaders.

But again, the deal was still USD 3/t above trade levels in early June. "There's been some support," said a coal trader with a European investment bank. "Utilities, especially in the UK, have begun restocking, and we've seen some Indian buying." UK coal stocks have slumped to around 8m tonnes, the lowest level since April 2005, Montel reported earlier this week. "Indian demand for imported coal has picked up on the back of a stronger rupee against the US dollar and a weaker than expected monsoon season," said Diana Bacila, coal analyst with Oslo-based Nena. "In June, the monsoon was not so strong, so there has been lower hydropower production," she said, adding this resulted in greater coal-fired power generation. The Indian rupee was last seen at 55.05 against the dollar, 5% stronger than at the end of last month, making dollar-linked coal supplies more attractive to Indian importers.

Furthermore, the Indian government raised power prices by 20% at the beginning of July, giving added impetus to coal import demand, she said. Meanwhile, on the supply side, although high-cost producer Russia is still struggling to sell into Europe at current price levels, there are sufficient volumes from alternative sources, most notably Colombia, on offer, players said. "US and Russian supply is not pricing into Europe, so the only coal available for now is from Colombia," said Bacila. "So Colombian coal prices are receiving some support." "US producers are struggling [to export coal to Europe], but gas prices have also gone up, so they're burning more coal domestically anyway," said the trader. "I expect to see prices range-bound over the summer. The front will head down to USD 86-87/t, and stay at these levels," he said. "I'm not sure if we've hit the bottom, but I don't see prices going much lower than they have been," Bacila said, adding June lows of around USD 85/t for front month supplies "were close to the bottom".
Soruce: Montel

Germany plans moratorium on plant closures to next April

The German government is negotiating a voluntary delay to all planned plant closures to next April with gas and coal-fired generators to secure electricity supply this winter, Montel's German partner Powernews.org reported on Friday. Talks between the operators and the government on the issue are currently under way, the news organisation said, citing governmental sources. However, current negotiations will require more than 150 power plant operators to make a voluntary commitment, while it is unclear how they would be potentially compensated for keeping often unprofitable plants online, it said. "The power plant operators do not wish to incur a loss from continued operation," an anonymous source told Powernews.org. Germany is facing a second winter of squeezed power generation capacity, following the closure of 8 GW of nuclear plant last year, at the same time as operating margins at conventional power plants are being pressured by increasing renewables generation. The head of German network regulator BNA, Jochen Homann, told Montel in a recent interview that closures of conventional power plant capacity are exacerbating the need for contracting additional reserve capacity this coming winter in order to avoid blackouts on cold days with little renewable production.

Source: Montel

Coal's share in Spanish power mix doubles in H1

(Montel) A decline in Spanish hydropower production contributed to coal's increased share of the country's power generation mix to 19.6% in the first half of the year, from 11.3% in January- June 2011, players said on Thursday. Gross electricity demand over the six-month period was 127,473 GWh, 0.3% less than the same period in 2011, according to data released by TSO Red Eléctrica.. "It's a mix of everything, to be honest, but there was less water than expected," said a Madrid-based coal trader. Hydropower production made up just 7.6% of the power mix, against 16% last year, due to unusually dry weather conditions. Wind and nuclear power also played a greater role in the first half of this year, accounting for 18.5% and 21.6% of the mix, respectively, compared with 16.6% and 19.5% in January-June 2011.

Source: Montel

Gunvor JV finalizes 60% stake in Russian Kolmar met coal group

Commodities trader Gunvor Group said Friday it is finalizing the acquisition of a 60% stake in east Siberia-based metallurgical coal miner and processor Kolmar Group in a joint venture with investor Volga Resources. The transaction builds on a previously announced convertible loan being extended by the two partners to fund acquisition of a 51% stake in Kolmar by the main shareholder, who agreed on joint development of coal reserves. Kolmar's assets are located in Sakha Republic with mining activities within the Chulmakan and Denisovsky coalfields and reserves of more than 1 billion mt of "high-quality coking coal," Gunvor said in a statement. Kolmar owns licenses for open pit and underground mining production and is developing new projects within these exploration areas, it said. "Development of the Kolmar Group is aimed at bringing high quality coking coal reserves into production for export," the statement said.

Kolmar Management Company's new CEO, Andrey Churin, formerly senior executive at various Russian coal companies, will also serve as Gunvor's director of coal mining and infrastructure, starting in both positions as of Tuesday, it said. Churin will be responsible for development and growth of Kolmar's coal assets, the company's marketing in the Russian and foreign markets, and development and implementation of the company's overall strategy, among other areas, it said. Gunvor said last year it was confinancing with Volga Resources the acquisition of a 51% stake in Kolmar by Lonestate Assets through a loan convertible into equity. Anatoly Mitroshin controls Lonestate Assets, and the remaining 49% of Kolmar is owned by Bixcut Holdings, a company also controlled by Mitroshin, it said in July last year. The Gunvor and Volga Resources vehicle providing the loan had entered into a partnership agreement with Bixcut for future joint development of Kolmar to bring coking coal reserves into production for export and domestic markets, it said at the time.

Source: Platts

Polish Pulawy to tender for power plant contractor

Poliss fertiliser producer Pulawy expects to launch a tender in late July or early August for construction of an 840 megawatt gas-fired power plant that should help make it more competitive, its deputy chief executive said on Friday. The state-controlled group holds a 50 percent stake in the venture that will build the power plant, and top Polish utility PGE holds the other 50 percent. The partners want the plant to start operating in 2016 or 2017. "We have a link to the power grid and secured gas supplies. We will launch the tender for a general contractor very soon, at the turn of July and August," Marian Rybak told reporters. Pulawy is currently the target of a 1.96 billion zloty ($576. 1 million) bid from local synthetic rubber producer Synthos. Synthos said on Wednesday that if it succeeded in taking over Pulawy, it would switch the fuel for the future plant to coal from gas to cut costs. Poland produces around 90 percent of its energy from coal, which puts it at odds with the European Union over carbon pollution. The alternative is to run on gas, which the country mostly imports from Russia at high prices. Government hopes rest on Poland's shale gas deposits, which state-controlled companies are working to develop, but the first gas flows from them are not expected until at least 2016.

Source: Reuters

UK opt-out plants capitalise on wide dark power spread

German utility RWE's 2GW coal-fired Didcot A power plant in the UK ran almost continuously in May, depleting the number of hours it has left under the EU's large combustion plant directive (LCPD) opt-out scheme. As of the end of May, the plant had a total of 30 weeks on full-time burn available before it must close, compared with 34 weeks at the end of April, having used up 689 running hours during May. Market participants have speculated that UK plants that have continued to burn coal under the LCPD opt-out scheme, such as Didcot A, may try to use up their remaining hours before April next year, when the UK's carbon tax begins to be levied. Of the other coal-fired LCPD opt-out plants, German utility Eon's 2GW coal-fired Kingsnorth and UK utility Scottish and Southern Energy's (SSE's) 1GW coal-fired Ferrybridge used 243 hours and 164 hours, respectively (see table).

Dark spreads were unusually wide in May because of cheap coal prices, allowing plants to run profitably at a time of year when combined-cycle gas turbine plants (CCGTs) usually become base-load generators. The average day-ahead clean dark spread for May was £18.62/MWh, compared with £9.02/MWh in May 2011. Scottish Power's Cockenzie units 1 and 2, which have 12 days' full burn remaining and units 3 and 4, which have 12 weeks full burn left, did not run in May. Units 1 and 2 are listed as off line for maintenance until the end of this year, and units 3 and 4 can return to service with three days' notice, according to the company. ScottishPower, which is owned by Spanish utility Iberdrola, had previously informed National Grid that it intended to use all remaining hours at all four Cockenzie units by the end of April next year. All of the LCPD opt-out plants must close once they have used their allocated hours, or by 2015, whichever comes soonest. None of the LCPD opt-out plants that have been converted to burn biomass ran. Biomass-fired plants will not have to pay the extra tax on CO2 emissions from 2013. RWE's 750MW Tilbury biomass-fuelled plant remained off line in May after a fire on 27 February. Unit 8 at the plant, which was least affected by the fire, returned to service on 21 June while units 9 and 10 are expected back on line before the end of July.

UK opt-out plants					
	Capacity (MW)	Fuel	Full-time burn remaining before all credit used up as of end April	Full-time burn remaining before all credit used up as of end May	Hours used in May
Cockenzie LCP 1 units 1 and 2	590	Coal	12 days	12 days	0
Cockenzie LCP 2 units 3 and 4	600	Coal	12 weeks	12 weeks	0
Kingsnorth	2,000	Coal	16 weeks	14 weeks	243
Didcot A	2,025	Coal	34 weeks	30 weeks	689
Ferrybridge C units 1 and 2	1,000	Coal	36 weeks	35 weeks	164
Tilbury LCP 2 boilers 9 and 10	730	Biomass	39 weeks	39 weeks	0
Tilbury LCP 1 boilers 7 and 8	370	Biomass	40 weeks	40 weeks	0
Ironbridge	1,000	Biomass and coal	66 weeks	66 weeks	0

Source: argusmedial.com

INDONESIA

Indonesian HBA plunges US$9.09/t

The Indonesian Coal Reference Price or HBA for July 2012 has fallen by a further US$9.09/t month-on-month to $87.56/t FOB Vessel, and is about $2.50/t below the current Energy Publishing's NEX Index for Newcastle coal. The HBA has declined for the fourth consecutive month and is at its lowest level since April 2010. The HBA is the minimum price used by Indonesian producers for the calculation of royalties they pay for all future exports and domestic coal sales.

Source: coalportal.com

Indonesian Coal Swaps Climb a Second Day, China Contracts Fall

Indonesian lower-quality coal swaps rose for a second day yesterday, according to Ginga Petroleum Singapore Pte. The prices for shipments to China fell. The August contract for sub-bituminous coal with a calorific value of 4,900 kilocalories a kilogram for loading from Indonesia gained 10 cents to $63.85 a metric ton on a net as-received basis yesterday, the energy broker said. Swaps for the fourth quarter also climbed 10 cents to $65.60 a ton. Indonesia is the biggest exporter of thermal coal. Coal with a heating value of 5,500 kilocalories a kilogram for shipment to South China in August slid 25 cents to $86.25 a ton on a net as-received basis, Ginga said. The swap for the fourth quarter dropped 50 cents to $88 a ton. for the third quarter rose 25 cents to $86.25. A commodity swap is a financial agreement whereby a floating price is exchanged for a fixed rate over a specified contract period. About 60% of Indonesia's coal is classified as sub-bituminous. The grade is typically softer, with a dull, earthy appearance, according to the World Coal Association. Higher moisture levels and a lower carbon content reduce the heating value compared with grades with a better quality stock. Sub-bit coal has kilocalories of less than 6,100 per kilogram, according to the Indonesian energy ministry. Source: Bloomberg

Indonesian thermal coal producer Bumi posts net loss of $100 mil in Q1 2012

Indonesia's Bumi Resources, Asia's largest thermal coal exporter, posted a net loss of $100.4 million in the first quarter of 2012 due to "an adverse" global market environment, the worsening Eurozone situation and a weakening of the local currency, the company said. In the corresponding January-March 2011 quarter, Bumi had posted a net profit of $108.2 million. Results of the last quarter, October-December 2011, were not available for comparison. Bumi, which controls the Kaltim Prima and Arutmin coal mines in Indonesia and is the largest coal producer in the country, said it mined 15.9 million mt of coal in the first quarter of 2012 -- an increase of around 11% from the 14.3 million mt in the first quarter of 2011. The company intends to maintain its 2012 target production of 75 million mt, with an expected average selling coal price of $85/mt. Its average coal selling price in the first quarter of this year was $92.80/mt, up compared with $87.70/mt in the same quarter last year, it said. Bumi's first quarter revenue totaled $1 billion, up from $850 million in the same period last year.
Source: Platts

<u>INDIA</u>

NTPC may get back three mines this month

Power major NTPC has expressed hope of getting back three out of its five de-allocated mines from the government this month. "We may get these mines this month," Chairman and MD Arup Roy Choudhury told PTI. The Coal Ministry last year had deallocated five NTPC mines — Chatti Bariatu, Chatti Bariatu, Kerandari, Brahmani and Chichiro Patsimal — in Jharkhand following the power firm's failure to develop these within the stipulated time-frame. Earlier this year, the Coal Ministry had also said that in-principle it had given three deallocated coal blocks — Chatti Bariatu, Chatti Bariatu (S), Kerandari — back to NTPC. However, till date there is no written communication in this regard to NTPC. The remaining two of the five de-allocated coal blocks of the state-run PSU — Brahmani and Chichiro Patsimal — were recently allocated to Coal India Ltd. The ministry has asked CIL to appoint mine developers to begin the production from the blocks at the earliest.Both these blocks were allocated to the power PSU in January 2006 to be be jointly operated by a 50:50 joint venture between NTPC and CIL. Last year, the coal ministry had cancelled the allotment of 14 coal blocks and one lignite block to six PSUs, including NTPC, and three private firms for failing to develop mines. The decision followed recommendations by a coal ministry panel that reviewed progress made by steel, power, cement and other firms in developing 88 coal and lignite blocks allotted for captive use.
Source: Business Standard

SAIL to open bids for Tasra coal block tomorrow

Steel Authority of India Ltd will open the technical and commercial bids from the prospective mine developer cum operators (MDO) for Tasra coal block on July 10. This is latest of SAIL's several attempts to rope in an MDO for the coking coal block, which it obtained from BCCL in 1996. Intending contract miners submitted their bids by June 19 for the four-million-tonnes a year project. The proposed open cast mine project includes setting up a pithead coal beneficiation plant, rehabilitation and resettlement of people from the site and setting up a 200-300 MW thermal power unit in a joint venture with SAIL. The mine lease of Tasra block, including a part of contiguous Chasnalla block, in the Jharia coalfield of Jharkhand's Dhanbad district covers 4.5 sq km or 450 hectares (ha). However, the proposed project needs surface rights for 900.59 ha, of which SAIL has acquired 346.67 ha.

According to the bid document, the MDO will have to acquire 453.06 ha privately occupied land as also rehabilitate and resettle some 3,500 families in the proposed project area. SAIL is also in discussion with the State Government, DVC, Fertiliser Corporation for acquisition of 102.88 ha, including 20 ha needed for the planned (minimum capacity of 3.5 mt a year) beneficiation unit. The proposed project has a number of pluses too, according to sources in the mining circles. Apart from an approved mine plan, the mining lease is under deemed extension and the environmental clearance is in place. The selected MDO would, however, have to obtain environmental clearance for the beneficiation plant. The crucial but unimplemented captive project is estimated to have 28 years of life including two years of construction period. The block's projected "minable reserves" is 96.78 million tonnes. Source: The Hindu

Power crisis to get worse as coal stocks plunge

The state has plunged into a deeper power crisis with supplies virtually on the verge of a collapse. Almost all the thermal power stations are running with minimal or nil buffer coal stocks and any breakdown in the supplies is set to push the state into a prolonged dark spell. With diminishing gas supplies, the power generation has taken a further hit, sources in APTransco said. The authorities said the continuous dry spell in the state is leading to an increased demand from agriculture and domestic sectors. With no rains, thermal power stations are the only remaining source of energy generation and the authorities are walking a tightrope with coal stocks depleting fast. Power deficit touched a record 45 million units on Sunday and is likely to go up further if the monsoon continues to play truant. According to sources, generation at the coal-based units is now hanging on day-to-day imports. While 30,000 tonnes of coal is required per day for all the seven units at Narla Tatarao Thermal Power Station (NTTPS) to work round-the-clock and generate about 1,760 mw, the depleting stocks are a matter of concern.

"Against the buffer of 2.1 lakh tonnes at NTTPS, we are running the plant with only 40,000 tonnes. We are being made to wait for regular imports to keep the generation on," confirmed a senior official at the plant on condition of anonymity. Sources said the situation at other thermal units is no different as Rayalaseema TPC and Kakatiya TPC have just around 80,000 tonnes of coal stocks in all, which would just be enough for two days. The total generation is still hovering around 216 million units while the demand has gone up to 257 mu from 250 mu in the last two days alone. Authorities at both the distribution and generation companies are on tenterhooks, sources said. Coal-based power plants constitute more than 50% of existing installed capacity and any considerable change in supply of coal could seriously jeopardize power generation and supply, a senior official pointed out. "Presently, AP is importing coal to the tune of 1.6 million tonnes to meet the shortfall at its APGenco plants," sources said.

While authorities at supply companies are worried that frequent interruptions due to peak demand are tripping transformers on the field, those at the power stations are equally worried that coal shortages might force them to put the units on hold. Although the APGenco authorities claimed they have stopped generation at one unit each at RTPC and KTPC for overhauling, sources confirmed that shortage of coal had forced the authorities to stop the generation in two units. "Normally, overhauling is done with a prior designed schedule. Overhauling of these two units has not been on the cards and the decision was taken all of a sudden. We call it an unplanned overhauling," a senior official of Genco told TOI. Against the total installed capacity of 1760 MW at NTTPS, the supplies to grid were recording only around 1190-1203 MW in the last three months. Similarly, the RTPS is supplying just around 557-690 MW against the installed capacity of 1050 MW. The situation at KTPS (old) and KTPS (new) units is no different as the generation is just about 60%. Against the total installed capacity of 5092 MW from thermal stations, the state is getting only around 3311 MW leaving a shortfall of nearly 1500 MW.

With hydel and gas-based power generation dipping to an all-time low, the situation is turning grimmer than it was. There was an overall shortage of around 2200 MW on Sunday as the demand touched 11352 MW against the generation of 9142 MW. The production from gas-based units too has come down to 29 million units from 32 mu in the last couple of days due the shortage in supplies. "At present gas power plants are operating at 47% plant load factor (PLF) against 75% due to diminishing gas supplies," confirmed a Transco official. Transco is also weighed down by the shortfall in hydel generation because of water in all the reservoirs reaching dead storage levels. "Hydel generation has been only 5837 mu during 2011-12 as against 7048 mu in 2010-11. Hydel inflows are reducing due to the continuous dry spell," the Transco authorities pointed out. TDP leader Prathipati Pulla Rao said the government has failed to resolve the crisis faced by electricity generation and distribution companies. Source: Times of India

AFRICA

Mozambique: Vale Sets Weekly Coal Production Record

The Brazilian mining company Vale has announced that its open cast coal mine in Moatize, in the western Mozambican province of Tete last week achieved a daily production record of 25,564 tonnes of coal processed and ready for shipment. Cited in a Vale press release, the Vale-Mocambique director of operations, Paulo Horta, said the new record "reaffirms the success of the Moatize Coal Project, showing the operational capacity of a young team, trained and motivated to achieve increasingly significant results". "Moatize is strategically positioned to provide high quality coal", says the Vale release. Exports began in August last year, and in its first phase the Moatize mine will reach a production and export capacity of 11 million tonnes of coal a year.

The second phase will begin in 2014, and the release forecasts a doubling of production to 22 million tonnes a year. But Vale faces a serious logistical bottleneck. Currently the only way to transport the coal to the sea is along the 575 kilometre Sena railway from Moatize to the port of Beira. At best, the capacity of the Sena line is six million tonnes a year (although planned improvements might raise this to 12 million tonnes a year). This will be quite inadequate - particularly since Vale is just one of several companies mining coal in Tete. Vale's solution is to build a new railway across southern Malawi and a new coal terminal at Nacala-a-Velha. Although the Moatize-Nacala route is 912 kilometres long, Vale is confident that it will be able to handle 18 million tonnes of cargo a year. Source: All.Africa

South Africa $35 Billion Rail Plan to Unlock Minerals

South Africa is pumping 300 billion rand into expanding and improving its railways, ports and fuel pipelines, a catalyst to help unlock the world's greatest mineral wealth.Transnet SOC Ltd., the state transport company, is extending its rail network for the first time in four decades and replacing locomotives bought in the 1960s and 1970s. Championed by President Jacob Zuma, the plan will let Transnet double its freight capacity within seven years, boost the amount of coal it can carry by 44% and increase iron ore carriage by 57%. Kumba Iron Ore Ltd. the world's fourth-largest supplier of seaborne iron ore, and Xstrata Plc, the biggest producer of power-station coal, are just some of the mining companies set to benefit as production expands. The overhaul may enable South Africa to tap more of the mineral resources that Citigroup Inc. (C) (C) said in 2010 were worth $2.5 trillion, the most of any nation. "Capacity has been a major constraint," Asief Mohamed, who oversees 1 billion rand in assets as chief investment officer of Aeon Investment Management in Cape Town, said.

"With the committed expansion by Transnet, mining companies would be able to increase volumes, which would be good for earnings." Mohamed holds shares of Pretoria-based Kumba, which has gained 20% in the past 12 months, and Assore Ltd. (ASR), a Johannesburg-based iron ore and manganese producer that's surged 31% in the same period. Zug, Switzerland-based Xstrata has dropped 0.8% in London so far this year after declining 35% in 2011. Transnet will fund about a third of the program by selling bonds, including in foreign currency, with the rest coming from operating revenue. The utility may consider selling debt to Japanese investors or Islamic bonds to diversify its sources of funding, CEO Brian Molefe said on May 29. Molefe took office in February 2011, becoming the utility's first permanent appointee in the position for almost two years. Before that he was head of the Public Investment Corp., South Africa's largest money manager. South Africa has battled in the past to implement large investment projects.

This time, Zuma has set up a panel, which he chairs, to coordinate and monitor infrastructure spending as the government pushes to boost economic growth and create jobs for the one in four people in the country that's unemployed. "We are currently ramping up our capacity," Francois Louw, executive head of projects at Kumba, said in a June 1 phone interview from Pretoria. "We are absolutely reliant on Transnet. If Transnet doesn't expand then we are stuck. We are really excited about their plans." Kumba has committed to using 15 million metric tons of the new rail capacity. About 17 percent of South Africa's freight is transported on Transnet's rail network, with the rest reliant on roads that needs constant renovating because of damage caused by trucks. The total cost of transporting goods via road is about 75 percent more than on rail, according to the utility. Transnet plans to double freight capacity to 170 million metric tons over the seven-year period. Rail projects will account for 201 billion rand of the new investment and include the purchase of 1,317 new locomotives and the construction of 25,000 new rail wagons.

"We have to bring in better and modern equipment that will allow us to provide a professional service," Molefe told lawmakers in Cape Town. Over the past five years "67 percent of capital expenditure was going toward maintenance. With the 300 billion rand we are able to cover all the maintenance backlogs, continue current maintenance and have 58 percent of the money going towards new expansion." South Africa doesn't have the best track record on building infrastructure, with projects frequently delayed or costs running above projections. The government spent just 68% of its 260 billion-rand infrastructure budget in the year through March 2011, Finance Minister Pravin Gordhan said in his budget speech on Feb. 22. Logistics isn't the only impediment to faster expansion of mining in South Africa, where output declined in the 10 months through April due to strikes and electricity constraints. Eskom Holdings SOC Ltd., the state-owned power utility, is building coal-fired power plants as part of a 500 billion-rand expansion program to ease electricity shortages.

Aside from expanding existing iron ore and coal lines, Transnet will build new links to access coal and chrome in northern Limpopo province and construct a dedicated line to transport 16 million tons of manganese to the Coega port on the country's south coast. South Africa has about 80% of the world's best manganese reserves. "We would love to get more material on rail," Deon Dreyer, managing director of Zug, Switzerland-based Xstrata's South African chrome unit, said in a June 1 phone interview from Johannesburg. "We are using a lot of road transport, which is not the best way to do things, but we are coping. We will be expanding further next year. When we want to do more tons, we might run into transport bottlenecks." About 47 billion rand will be spent on expanding port terminals and modernizing them so that harbors can process 76 percent more cargo. Durban and Cape Town ports are being deepened to handle larger vessels and piers, while the new port at Coega is being built in three phases and will include four container berths. Transnet also plans to dig a new deepwater port in Durban, which has yet to be budgeted for.

"Our economic infrastructure is lacking," Richard Downing, an independent economist in Pretoria whose clients include the South African Chamber of Commerce and Industry, said in a phone interview on June 11. "It will take a few years, but this investment is going to make it cheaper and more efficient to do business."
Source: Bloomberg

Eskom to Gain From Lower Coal Prices, Chairman Tsotsi Says

Eskom Holdings SOC Ltd., which supplies 95% of South Africa's power, said it supports the government's proposal to declare coal a strategic resource and should benefit from slumping prices for the fuel. "We think companies are likely to move to single-digit price" increases in the next few years, Chairman Zola Tsotsi said in an interview in Pretoria, South Africa's capital, yesterday. State-owned Eskom, which depends on the fuel for more than 80% of power generation, paid 17% more for coal in the year through March and is building the world's third- and fourth-biggest coal-fired plants at about 4,800 megawatts each. Public Enterprises Minister Malusi Gigaba said the nation may consider export quotas and legislating the quality of coal allowed after shipments. South Africa has traditionally supplied high-quality coal to European power plants and kept lower-quality fuel for Eskom's specially designed facilities. In recent years, rising demand from India for low-quality coal has created competition for Eskom.

Coal prices at Richards Bay, South Africa's biggest export terminal for the commodity, have fallen 25% in the past 12 months to $75.17 a metric ton in the week through June 29, according to IHS McCloskey data. Shipments from the terminal climbed 14% to 5.45 million tons in June from a year earlier, it said on July 2. "We will likely benefit from the trend of declining international prices," Tsotsi said. Eskom's biggest cost is coal, and the Johannesburg-based company's largest suppliers of the fuel include Johannesburg-listed Exxaro Resources Ltd. , London-based Anglo American Plc and BHP Billiton, the world's biggest miner. Power prices have risen an average of 27% in each of the past four years to help Eskom fund a 340 billion-rand ($42 billion) expansion plan to overcome a scarcity that temporarily idled mines of companies including Anglo in 2008. Africa's biggest power utility last month completed a draft of its price application that will determine what it charges for electricity for each of the five years starting April 1, Eskom said on June 22.

The South African Local Government Association, which represents municipalities, and the National Treasury have 40 days to comment on the draft before Eskom submits a final pricing application to the National Energy Regulator. "One of the assumptions going into the next tariff framework is that over the next five years we would be able to keep coal-price" increases to "single digits," Gigaba, who has to table the pricing decision in parliament by March 15, said. Gigaba met with Mineral Resources Minister Susan Shabangu this week to discuss coal supply security for Eskom, as well as the impact of rising prices of the fuel on South Africa's electricity tariffs, he said. The ministers asked their directors-general to draw up a plan to secure affordable coal supplies for Eskom. It will take two months for the officials to compile "a detailed program"together with the Department of Energy and the govt-owned Council for Geoscience, Gigaba said. Dollar-based borrowing costs for Eskom, which plans to raise 60 billion rand through bond sales in the next five years, have declined 166 basis points, or 1.66 percentage points, to 4.26%, the lowest since the company sold its first dollar-denominated debt January last year.
Source: Bloomberg

Morupule Colliery starts coal shipments to SA

Morupule Colliery, the Namibia's sole coal producer, has sealed supply deals in South Africa and Namibia and is presently running 24 hour loading shifts to fullfil the contracts it has secured. Last week, the Colliery's marketing manager, Jonathan Vergeer, revealed that one of the deals was for the supply of Grade A coal to a power station under the Southern African Power Pool. Under its recently finalised expansion, Morupule Colliery increased its production from about one million tonnes of coal per annum to 3.2 million tonnes, although full capacity production can reportedly reach four million tonnes per annum. Approximately 2.8 million tonnes of this production is tied to a 20 year supply contract with the adjacent Morupule A and B power stations, owned and operated by the Botswana Power Corporation. The colliery is aggressively marketing the balance of its production.

Mr Vergeer told last week's resource conference that "We conducted a few trials in Namibia and South Africa which were successful and we have shipments of coal in full operation. We are on 24 hour loading for the market that we have managed to secure. We will issue further details in future, but I can say that we have managed to get involved with other power stations in terms of boosting the SAPP power shortage." Vergeer said the colliery had "done its sums" in terms of pricing and logistics, concluding that it would be able to supply grade A coal into the region. Grade A coal, an export grade classification, is of the highest quality in terms of energy value and is of the standard most sought after by power producers. South Africa represents the most lucrative market in southern Africa for existing and upcoming coal producers, as it offers competitive prices and is endowed with the reliable heavy haul rail infrastructure necessary. At present, overseas coal exports out of Botswana are limited by the lack of heavy haul infrastructure to sea ports, with the existing route through Zimbabwe and Mozambique unable to fully support the capacity of existing and upcoming coal mines.
Source - www.mmegi.bw

ASIA

S.Korea KOSEP buys 540,000 T coal for Sept-Nov

Korea South East Power Co Ltd (KOSEP) has bought 540,000 tonnes of steaming coal for delivery between September and November via tenders closed on July 3, a company source said on Friday. The utility bought 260,000 tonnes of coal from Xstrata PLC at about $81 per tonne on a free-on-board (FOB) basis, and 280,000 tonnes of coal from Glencore for around $76 per tonne on a FOB basis, the source said.

Details of the purchases are as follows:

TONNE SPECIFICATION(NAR) ORIGIN SHIPMENT

260,000 min 5,500 kcal/kg Australia Sept 13-Nov 30

280,000 min 4,600 kacl/kg Indonesia Sept 13-Nov 30

Source: Reuters

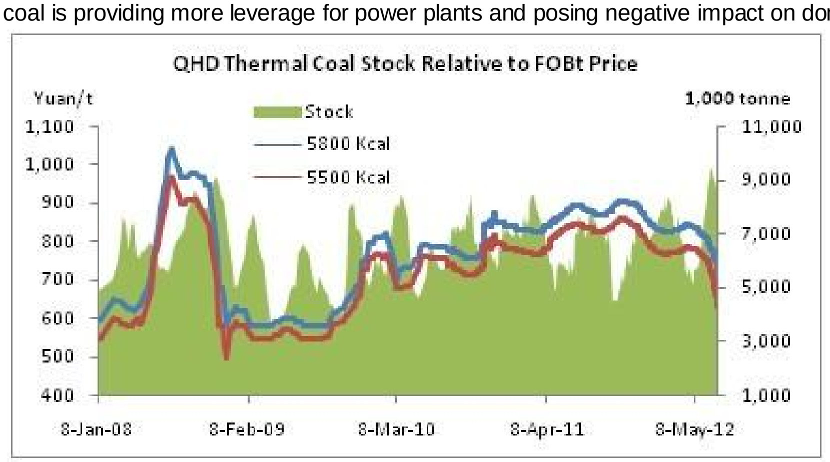
S.Korea KOSPO seeks 65,000 T coal for September

Korea Southern Power Co Ltd (KOSPO) is seeking 65,000 tonnes of steaming coal for delievery between September 1-30 via a tender, the utility said on its website (www.kospo.co.kr). The tender for coal of a minimum 4,700 kcal/kg will close at 11 a.m (0200 GMT) on July 11 and bidding will be conducted via its electronic tender system (ubicoal.kospo.co.kr), the utility said. The procurement is for Hadong power plant. (

Source: Reuters

QHD coal prices tumble again after being stable for 2 days

Prices of thermal coal traded at China's benchmark Qinhuangdao port plummeted again after keeping stable in the past 2 days, as the demand hasn't seen any signs of pick-up as coal stockpiles at power plants are yet to reduce markedly. As of Jul 5, thermal coal with calorific value of 5500 Kcal/kg NAR is quoted at around 630 yuan/t, inclusive of VAT, falling 20 yuan/t from a day ago and down 50 yuan/t from the week before, showed data from industry portal China coal Resource. The price has dropped 160 yuan/t from late Apr when this round of decline started. Coal stockpiled at the port was around 8.78 million tonnes, decreasing 7.2% from the recent high of 9.46 million tonnes, as outbound shipment was higher than inbound rail supplies following relevant authorities' destocking efforts. As power demand increases with the scorching summer, power plants are reporting an increase in daily coal consumption, but their socks are still staying at a relatively high level with coverage of 27 days or so, dampening their needs for further purchases in the short run. Additionally, cheap and ample imported coal is providing more leverage for power plants and posing negative impact on domestically produced coal.



Source: en.sxcoal.com

Powering down China's coal-fired economic growth

Slowing nationwide power demand and coal consumption, twin barometers for economic growth, suggest the Chinese economy may be sailing into the doldrums while at the same time changing its course. Electricity use in May rose a relatively mild 5.2% compared to the same month last year and just 1.5% over April's level to 406 billion kilowatt hours, the National Energy Administration (NEA) said. The January-May power consumption rate grew at a similarly gradual 5.8% pace in sharp contrast with a 12% growth rate posted not only for the same period 2011, the energy administration said, but for every calendar year over the past decade. The decline partially explains why demand for Chinese coal, half of which is burned in domestic power plants, has weakened, pushing stockpiles higher and prices lower. Coal inventories this year have risen to new heights month on month, particularly at storage-shipping facilities such as Hebei Province's Qinhuangdao, the nation's leading coal port. Qinhuangdao's stockpile of 9.5 million tons of coal on hand during the week of June 18 exceeded an all-time peak reported during the 2008 financial crisis and approached the port's maximum storage capacity, official data shows.

Power plants around the country have been building their own stockpiles, too, sometimes storing enough for 28 days worth of production. Meanwhile, coal prices have been falling — recently at an accelerating rate. Power plant-ready coal was selling in late June at northern ports for 702 yuan ($111) per ton, down from nearly 800 yuan per ton just two months earlier. Some analysts have linked these trends to the nation's slowing economy and more energy-efficient manufacturing. Wu Zhonghu, executive manager at the National Energy Research Association, said energy efficiency and “inevitable ... structural adjustment” for the nation's economy are putting the brakes on electricity consumption growth. Others analysts say domestic coal prices have fallen in response to significantly higher imports. Liu Huibao, a coal analyst at Haitong Securities, said China imported more than 20 million tons of coal every month so far this year, significantly affecting the market landscape. China imported 107 million tons of coal between January and May, up nearly 82% from the same period 2011, said Wang Xianzheng, president of the China Coal Industry Association.

That compared to domestic coal production of 1.6 billion tons for the five-month period, up 6% from last year. “Imported coal is having a more prominent impact on the domestic coal market,” Liu said. CITIC Securities coal analyst Li Junsong said since imports have risen at a time of slowing demand for coal, low prices on the international market “have in fact dragged down domestic coal prices.” On a broader scale, analysts generally agree that the economy's slowing growth rate has contributed to declining power and coal consumption growth. Han Xiaoping, chief information officer for the power industry data portal China5e.com, told Caixin that electricity consumption trends historically reflect short-term changes in the Chinese economy. And those trends are pointing to several structural adjustments. For years, China's industrial structure has been heavily reliant on power-hungry businesses including steelmaking, non-ferrous metal and chemicals production, and construction materials manufacturing. Strong growth in each of these sectors factored into soaring power consumption over the past decade, said Zhang Long, chief electricity analyst at Essence Securities. But now, China's economy is shifting toward service-sector growth and away from heavy industry expansion.

For that reason, non-residential demand for electricity has grown much faster in the service sector than in manufacturing, steelmaking, cement production and the like. Power consumption in the service sector grew 12.4% in the January-May period, said NEA, compared to 3.8% in the industrial sector overall and around 1.4% among major power-consuming industries. And while the industrial sector accounts for 73% of all non-residential power demand, NEA said, it now accounts for only 47% of gross domestic product. Moreover, light manufacturing growth has been outpacing heavy industry expansion during the first five months this year for the first time since 1999, said Li Xunwei, chief economist at Haitong Securities. Change is also affecting the power industry's supply structure thanks to, for example, heavier use of hydroelectric plants. NEA expects an increased emphasis on hydropower and other non-coal sources of electricity to reduce power plant demand for coal by about 8 million tons this year. Indeed, coal-fired power plant generating capacity fell 1.5% in May from the same month 2011. Meanwhile, nationwide hydropower generating capacity grew 31% in May over the same period 2011 and 52% over April's level. Source: Market Watch

Four Chinese Miners Rescued After 3 Days Underground

Rescuers on Sunday pulled to safety four of about a dozen miners trapped underground for more than three days in a flooded coal mine pit in central China, while seven workers in another mine were killed by an outburst of gas. A coal mine safety bureau official in central Hunan province said four miners were lifted to the ground early Sunday in Leiyang city. Rescuers in orange suits and helmets lifted out the man on a stretcher past an applauding crowd of workers and rescuers. At another coal mine in the same province, a gas explosion killed seven workers Sunday morning in the city of Lianyuan, the official Xinhua News Agency said. Thirty-nine other workers managed to escape and an investigation into the cause of the accident is under way, the report said. Calls to the Lianyuan city work safety bureau rang unanswered Sunday. The Leiyang mine flood had trapped 16 workers on Wednesday and 11 of them were confirmed alive on Saturday, said the provincial official who refused to give his name as is customary. Many of the miners still underground were injured and receiving first aid treatment from medical personnel who had entered the pit with stretchers and equipment, according to Xinhua.

The flood in the coal mine occurred when 40 miners were working underground, and two dozen escaped, Xinhua said. But managers of the mine failed to report the accident in the required time, causing rescue efforts to be delayed by at least 12 hours. Mine managers often do so to buy time and avoid punishment by either rescuing miners themselves or covering up the accident. The survivors have been sent to hospital while the mine owner, Liu Yaping, is under police custody, Xinhua said. Mine floods usually occur when miners drill through to an abandoned shaft that has been allowed to fill with water. Along with gas explosions and cave-ins, they make China's coal mines the world's deadliest, although the death rate has fallen. Safety improvements have cut annual fatalities by about one-third from a high of 6,995 in 2002. That improvement has come despite a tripling in the output of coal that generates most of China's electrical power. Technological advances, better training and the closing of the most dangerous, small-scale mining operations have also made rescues more successful, even after several days. In April 2010, 115 miners were pulled from a flooded mine in the northern province of Shanxi after more than a week underground. The miners survived by eating sawdust, tree bark, paper and even coal. Some strapped themselves to the walls of the shafts with their belts to avoid drowning while they slept.
Source: The Associated Press

Inconsistency of China's coal and electricity price

People may puzzle about two industries in China: coal industry and the thermal power industry. On one hand, thermal power, accounting for 80% of China's power source, and relying on coal supply, are complaining about high price level of coal. On the other hand, many ports have been blocked by excessive coal supply, and China coal price index, which has been enacted since 2006, reported that coal price have been decreasing since last November. Qinhuangdao, once honored "the largest coal port on earth", was reported had a coal stock swelled to 9.46 million tons on June 18th, the highest level since 2008 financial crisis, while normal stock is only around 6 million tons. Traditionally, summer would be the climax of coal demand, as well as power demand. Though coal overstock is caused by the whole economic downturn, inconsistency of the two industries can't be ignored. China Electricity Council, 10 million kilowatt electricity would be short in quater 2, and 30 million shortage in quater 3.

And analysts of coal industry said that coal price will still decrease since thermal power plants have accumulated coal stocks, and new coal mining projets may start, which may also press coal price into the downward trend. But actually thermal power industry insiders said that thermal power plants are not enthusiastic to generate more electricity. "Profits are not enough to cover expenses, intalled capacity increase is relatively slow, and hydropower electricity jump in quarter 1 is also imposing pressure on thermal power plants," said Zhou Xiuxing, an analyst of China Investment Co.'s Energy Research Center. The conflict between coal price and electricity price has existed for a long time, while coal price has adjusted to market demand, electricity price is administrated by government, Zhou said. "Multistep electricity price was implemented on July 1st this year, whether the policy can alleviate the situation is still to be seen," he added. Source: Morning whistle

Mongolia’s Coal Diplomacy

Mongolia’s coal resources have thrust the world’s least densely populated country into the midst of geopolitical diplomacy. Dealing with the current coking coal market downturn is just one concern for Mongolia’s national coal mining company, Mongolian Mining. MMC’s stock value has dropped 25% this year on slowing Chinese demand; coking coal prices have fallen as much as 15% in the last six months. But the fact that Mongolia is a landlocked country, located between Russia and China, adds a whole other dynamic to the development of its coal resources. MMC is confident that Chinese demand will return, and plans on investing US$800 million into a rail line that will help double coking coal exports to China by 2015. The company is looking to double 2011 output at its Ukhaa Khudag mine at the Tavan Tolgoi deposit by 2013. China’s influence over the country’s coal development is seen as a blessing and a curse by Mongolia’s government.

The country’s newly-minted foreign mining investment laws are aimed at limiting foreign shares in mining operations to 49% – unless parliamentary approval is received – due to fears that the country’s emerging democracy could be compromised by foreign powers; China, specifically. In mid-April, Vancouver-based miner Ivanhoe Mines announced that it reached a takeover bid for its subsidiary SouthGobi Resources from state-owned Aluminum Corporation of China for US$889 million. The deal will give CHALCO up to a 60% share of Vancouver-based SouthGobi, above the 49% threshold. At the end of June, Mongolian authorities asked SouthGobi to suspend production as they review CHALCO’s plan to acquire a majority stake in SouthGobi from Ivanhoe. The takeover bid deadline has since been bumped from July 5 to August 3, SouthGobi said in a news release. While China’s massive coal market appears to be a logical partner in developing Mongolia’s reported 5 billion tonnes of coal, the country’s political past has left it leery of leaning too heavily upon one country.

During the 20th century, the country yo-yoed between being dominated by the Soviet Union and being influenced by the Chinese Qing Dynasty. It is only in the last decade that the country has gained political autonomy, transparency and freedom through democratic reforms and lively elections. Current elections are illustrating that the world’s fastest growing economy wants to ensure that its mineral wealth – currently 80% of its exports – stays within the country. The table was set for a showdown over potential resource nationalism in October of last year, when the Mongolian government said it wanted a greater share of the massive Oyu Tolgoi project – considered one of the richest copper-gold deposits in the world. The mine is being built by Ivanhoe Mines, which owns 66%. Mongolia’s shared border with China has made its southern neighbor a fast friend again as all of its coal exports have gone to China through new and old paved highways and rail lines. The result so far has been increased integration of the two economies, not development of economic autonomy that Mongolia desires.

Chuluuntseren Otgochuluu, director of Mongolia’s Economic Policy told Reuters that mining has only made Mongolia “far more integrated with the Chinese economy than the domestic economy.” Efforts to diversify away from China have led the country to seek international suitors for its estimated 900 million tonne Tavan Tolgoi coal deposit, the world’s largest untapped source of coking coal. But, potentially reflecting Mongolia’s mining fate, the frontrunners thus far have been US-based Peabody Energy and Chinese state-owned Shenhua Energy. Both companies have received strong diplomatic support from their respective governments. Attempts have also been made to include Russian interests, and a Russian-Mongolian consortium headed by Russian Railways is another bidder for the rights to buy into Tavan Tolgoi. Mongolia’s northern neighbor is also aware of the influence it holds with the country, a reality not lost on Mongolia’s gov. Puntsag Tsagaan, a presidential advisor on mining in Mongolia, commented, “[w]e’re a small country sandwiched between two elephants. We can’t go to war and fight, so we have to secure our economic growth through diplomacy.” Source: Business Insider

FREIGHT

Port of Newcastle – Daily Performance Report (as at midnight of 6th July 2012)

There are currently 5 vessels assembled with 31 vessels currently in queue, coal stocks in the port are currently 1,314,000mt. The average waiting time last month was 11 days in June compared to 13 days in May. Actual volume shipped in June from PWCS was 9.153Mt and are currently on target to ship 111.7MTPA, the target volume throughput for July is 119.00 MTPA. Source: Hunter Valley Coal Chain Logistic Team

Richards Bay - Coal loading (as at 0600 on 6th July 2012)

There are 3 vessels alongside this morning. There are 4 vessels at anchorage. There are a total of 6 berths available for loading. Source: LBH South Africa

Price Indication:

Capesize – RBCT – Rotterdam $ 6.75	Previous – $ 6.75
Panamax – RBCT – Rotterdam $ 11.24	Previous – $ 11.24

Source: Clarksons Market Update – 6th July 2012

Dry bulk market not able to find solid ground say experts

With the second half of each, traditionally looking the most active one, especially in terms of newbuildings being delivered, it's highly unlikely that the dry bulk market will be able to avoid further falls in terms of freight rates. In its latest weekly report, Intermodal mentioned that dry bulk rates "don't seem to be able to find a solid ground for correction and are stagnating at low levels especially in the bigger sizes such as Panamaxes and Capesizes. Average spot earnings for Capesizes fell significantly and reached their lowest point since December 2008 at rgn $3,500/day due to the recent slowdown in coal imports from China and the lack of annual growth in iron ore exports from Brazil, which also have some impact on the Panamax sector, although to a smaller extent, which today stand at $7,910/day. "On the other hand, the Supramax/Handysize sector has seen some signs of recovery, since the rates have found support by the increased movements from Black Sea grain exporters and other Bulk cargoes which use geared units for the transportation, such as steel scrap, fertilizers and sugar.

At the time of writing, average earnings in Supramaxes and Handysizes stood at $13,218/day and $10,405/day respectively, which compared to the bigger size vessels, shows the unevenness and the uncertainty of the dry bulk market" said Intermodal's Yannis Olziersky. He went on to mention that "this current distorted pattern in sport market earnings, which as mentioned above, is partly a result of demand side factors of some commodities, is also explained by the fleet supply growth. Capesize and Panamax combined fleet has grown by 7.0% from the beginning of the year, as opposed to the Handy and Supramax combined fleet growth which has risen approximately by 3.5%. Poor freight market conditions and lack of interest on vintage second hand tonnage by further trading Buyers continue to push more units to be “beached”, despite the fact that prices have fallen substantially the last two months. This is good news for the industry as scrapping activity is necessary to continue unabated in order to be able to expect a recovery in the future.

However, as we have mentioned before, this is not enough as a sharp and protracted slowdown in the pace of new buildings is also a vital and significant condition for an eventual recovery" Olziersky noted. He added that "on the sale and purchase front, activity remains subdued in view of the poor charter market conditions, despite that prices are still falling. Opportunities on the second hand market are usually coming from Japanese owners who are genuine Sellers and disposing their units at the best obtainable prices. Additionally, other opportunities, in terms of price only, are coming from Chinese shipyards which are disposing their ppt resales for 20% less than a comparable vessel which has been built either in S. Korea or in Japan. Of course this disparity is linked to building quality, specification and consumption and is something which needs to be seriously taken into consideration prior to proceeding with such units. In general, the present market conditions and short term prospects are negative, however during these adverse times opportunities can be found around the corner; prudent and well placed decisions may lead to oncoming successful investments; after all shipping is not a simple and temporary investment for "easy money", it’s a long term investment which need time and patient in order to gain it's returns and benefits!" he concluded in the report.

In a report last week, DVB Bank mentioned that the BDI’s average during 2011 was 1,529 points, which in turn was 44% below the 2010 average of 2,758 points. So far in 2012, the average is below 950 points and is indicative of the dire position that the market has found itself, as oversupply has “drowned” freight rates. DVB sees a sustained downward trend, stating that even delays caused by port delays and congestions and an increase in demand for dry bulk commodities, haven’t been enough to help absorb the new tonnage which is entering the market at a frenetic pace. It’s worth noting that so far this year a total of of 529 vessels, representing 44.4 million dwt have already been delivered. Another 1,148 vessels of 93.5 million dwt are scheduled for delivery until the end of 2012. This is about 58% of the current orderbook, which stands at 2,001 vessels of 161.3 million dwt, which in turns represents about 25.8% of the current fleet. As a result, asset values as well as earnings are not expected to recover anytime soon. DVB stated that "we may see the markets bottom by the end of 2013 and remain flat thereafter. However, this is subject to owners not indulging in more newbuilding contracting if they see a seasonal spike in freight rates". Source: Hellenic Shipping News Worldwide

OIL

Oil Gains After Biggest Drop in Two Weeks as Norway Talks Fail

Oil rebounded on speculation the biggest drop in two weeks was excessive after energy companies and labor unions in Norway failed to reach a compromise to prevent a strike from escalating. Futures advanced as much as 0.7 percent after falling 3.2 percent on July 6, the biggest decline since June 21. Labor action by Norway's energy workers entered a 15th day yesterday after talks supervised by a state mediator failed.

There are no new discussions planned, according to Kristin Bremer Nebben, a spokeswoman for the Norwegian Oil Industry Association. Prices slid last week after a report showed the U.S., the world's biggest crude user, created fewer jobs than estimated in June. "I don't think upward momentum will be that powerful or sustained," Jarmo Kotilaine, the chief economist at Jeddah-based National Commercial Bank who forecasts Brent crude will trade in a range of $90 to $110 a barrel, said by telephone yesterday. "Norway is an issue."

West Texas Intermediate oil for August delivery climbed as much as 58 cents to $85.03 a barrel in electronic trading on theNew York Mercantile Exchange and was at $84.98 at 12:57 p.m. Sydney time. The contract slid $2.77 on July 6 to close at $84.45, the lowest settlement since July 2. Prices are 14 percent lower this year. Brent crude for August gained 78 cents, or 0.8 percent, to $98.97 a barrel on the London-based ICE Futures Europe exchange. The European benchmark's premium to WTI was at $13.99, from $13.74 on July 6.

Oil in New York has technical support along the middle Bollinger Band on the daily chart, at around $83.80 a barrel today, according to data compiled by Bloomberg. Futures halted their decline July 6 near that indicator. Buy orders tend to be clustered near chart-support levels. Norway's strike, which started June 24, is disrupting as much as 250,000 barrels of oil output a day, according toStatoil ASA (STL), the nation's largest energy company. Companies and unions met in Oslo after Norway's government encouraged new talks in an attempt to end the dispute that threatens to halt output from western Europe's largest crude exporter.

U.S. payrolls rose by 80,000 workers in June, compared with a forecast of 100,000 in a Bloomberg News survey of economists, Labor Department data on July 6 showed. The International Monetary Fund will cut its world-growth estimate for this year, Managing Director Christine Lagarde said the same day. Japan's machinery orders, an indicator of capital spending, fell 14.8 percent in May from the previous month, the Cabinet Office said in a report today. The decline is the biggest since comparable data were made available in 2005.
Source: Bloomberg

STEEL

Steel Demand in India Set to Grow Soon – So Are Prices

India's steel sector seems set to see some good times ahead though the news may not be so cheerful for steel consumers. A slew of upcoming investments in India, many of which will require large quantities of steel, is one of the main reasons for the country's steel industry positive outlook in the latter half of this fiscal year. About 74 investments worth a total Rs 508 billion (approx US $ 8.84 billion) have been identified, many of which will require a steady supply of steel. The largest in the 74 investments is incidentally a Rs 300 billion (approx US $5.30 billion) steel manufacturing plant in the Indian State of Karnataka by Tata Steel, clearly underlining the bullish behavior in this sector. The plant will eventually produce up to 6 million tons of steel.

The demand for steel in the next half of this fiscal year is expected to be led by automobile companies. Two-wheeler company, Hero Motocorp plans to invest Rs.5 billion in its existing plants in Dharuhera, Gurgaon in Haryana and Hardwar in Uttarakhand for renovation and modernization. All of which means a boost to the steel sector despite possibilities of a slowdown in the international markets. A report by one of India's leading private economy thinks tanks, the Centre for Monitoring Indian Economy (CMIE), released over the weekend said steel production in India was likely to grow by about 10.4 per cent this fiscal year due to growth in demand. In terms of supply, Indian steel producers continue to rely to a large extent on imported steel.

According to a study by the Joint Plant Committee, a body empowered by the Steel Ministry of the Govt. of India to collect data from the iron and steel sectors, India's steel imports had jumped by 69% to 1.528 million tons in the first two months of this year due to the firm demand from the automobile, consumer durables and manufacturing sectors. India's steel imports during the April-May period of the last fiscal year were at 0.907 million tons. Over the weekend, Indian newspapers also carried reports quoting excerpts from this report. One of them said despite the slowdown in domestic conditions in some of the end-use markets, demand remained firm from sectors like motor vehicles, transport equipment, basic goods, consumer durables and manufacturing.
Of the total imports during April-May this year, flats made up 1.329 million tons with non-flat products making up the balance. Consumer durables uses the former while the construction industry larges uses non-flat varieties.

Experts though warned that the weak rupee in the international currency markets as well as the fluctuating US dollar/rupee exchange rate, largely in favor of the dollar could underlie the high imports. End-consumers may see some bad news. Prices may not remain flat due to healthy demand. A rise in raw materials costs coupled with a hike in excise duties could eventually see steel prices increase by about 5.7% this fiscal as compared to the previous one, if one believes the CMIE report. In its monthly report, the agency said it expected steel companies to undertake a further round of price hikes in the coming months of 2012-13. Not long ago, in fact just this past April many of India's steel companies increased prices in the range of US $125 – $250 per ton, following a provisional change in prices indicated by state-run iron ore producer, NMDC, and the freight hike by Indian Railways.
Source: Metal Miner

Global ferrous scrap market roundup from Meps

Russian transaction values for 3A graded material declined in the central, southern and Ural federal districts in June. Local traders expect domestic selling figures to continue to move downwards in the short-term, at a slower rate though. Integrated pipe makers reduced their purchasing prices to minimise production costs. Difficult trading conditions persist in Ukraine. Purchase prices, denominated in the national currency, declined by 7.3 percent. Like their Russian counterparts, domestic mills are under pressure to reduce their production overheads, amid weak sales of finished steel products. Traders doubt there will be a significant rebound in activity next month. Purchasing prices for the three bellwether cut grades tracked in the United States fell sharply. The market's demand-supply imbalance and weak offshore demand has fuelled expectations of further reductions next month. Confidence has been further eroded by the mills' decision to reduce their buying programmes.

East Coast export yards adopted flexible pricing positions in week 24. The US dollar is extremely strong against a basket of currencies. Overseas buyers are expected to persevere with "strategic purchases" as a result. Turkish steelmakers acquired ferrous scrap sporadically in June, after finding it difficult to fill order books. MEPS' sources assert that the mills are in no immediate hurry to enter into negotiations with their foreign suppliers, amid the risk of further declines. Price support from other global markets remains limited. Ferrous scrap prices in the European Union declined in June for the three grades surveyed. Continental traders are pessimistic about the future trend for "domestic" transaction value in the upcoming summer months. European exporters are divided over the outlook for offshore trade in the near term. They have struggled to exploit the weakness of the euro against the US dollar.
Source: MEPS

More eastern Chinese mills cut scrap buying prices

More steelmakers in China's eastern regions have joined the latest round of domestic scrap buying cuts and prices could decline further in the next few days if rebar keeps sliding, market sources said July 5. In Jiangsu province, Baotong Iron & Steel -- a subsidiary of Baosteel -- shaved its scrap prices by Yuan 30/mt on July 5, taking its buying price for heavy melting scrap (over 6mm thick) to Yuan 2,960/mt ($466/mt) on a delivered-to-mill basis with 17% VAT. On the same day, Ma'anshan Iron & Steel, the largest scrap buyer in neighboring Anhui province, also announced a Yuan 40/mt cut, bringing its buying price for HMS to Yuan 3,090/, on a cash-payment basis with VAT. Major mills in Zhejiang province have retained scrap prices so far. But some small privately-owned longs producers have reduced buying prices by Yuan 20-30/mt over the past two days in a bid to lower costs amid the sluggish steel market, local sources told Platts SBB. "Both traders and mills are showing low interest in transactions. Larger mills are retaining buying prices just to ensure minimum supply," a Hangzhou-based trader said. Market prices for HMS were prevailing at Yuan 2,950-3,100/mt with VAT in the country's eastern regions, around Yuan 30/mt lower than prices at the end of last week.
Source: Platts

Angang Steel Expects First-Half Loss as Product Prices Drop

Steel Co. (347), China's largest Hong Kong-traded producer of the alloy, said it expects to swing to a loss in the first half after prices plunged. The loss was 1.98 billion yuan ($311 million) in the six months ended June 30, compared with a profit of 220 million yuan a year earlier, Liaoning province-based Angang said today in anexchange filing, citing unaudited preliminary figures based on Chinese accounting standards. Angang had a loss of 2.4 billion yuan in the six months ended Dec. 31, according to data compiled by Bloomberg. Weakening exports and China's curbs on property have eroded steel demand and prices. The economy in the second quarter probably grew 7.8 percent from a year earlier, the slowest expansion in more than three years, according to the median forecast of 15 economists in a Bloomberg survey last month. China cut its benchmark interest rates yesterday as the government moves more aggressively to revive the economy.

Steel prices in the first half fell more than 12 percent from a year earlier, squeezing profits even as the company took measures to cut expenditure, Angang said in the statement. The average price of hot-rolled coils, a benchmark product, has fallen for 12 straight weeks, the longest streak since January 2003, based on Beijing Antaike Information Development Co.'s first available data. Angang shares rose 1.1 percent to HK$4.49 today in Hong Kong, before the announcement, compared with a 0.04 percent drop in the benchmark Hang Seng Index. The stock has fallen 20 percent this year. Angang was the first major Chinese steelmaker to report preliminary results. Aggregate profit at China's steel industry dropped 57 percent in the first five months from a year ago, the China Iron and Steel Association said this week, without giving details.
Source: Bloomberg

Govt probing rising steel imports from China

Acting on a complaint by Jindal Stainless, the Finance Ministry has started a probe into the alleged market disruption due to increased Chinese imports of some intermediate products for making stainless steel. Seeking protection for domestic producers, the company recently complained to the Directorate General of Safeguards (DGS) that increased imports of 'Hot Rolled Flat Products of Stainless Steel of 300 series' from China is causing market disruption in India. DGS, under the Revenue Department, has powers to investigate existence of market disruption to domestic industry due to increased imports and recommend safeguard duty. The industry has requested for immediate imposition of safeguard duty -- a levy to protect a specific industry from an unexpected build-up of imports -- on the shipments of the raw material from the neighbouring country for four years.

After examining the complaint, the DGS found "prima facie" increased imports of Hot Rolled Flat Products of Stainless Steel of 300 series have caused and are threatening to cause market disruption to the domestic producers. "... And as such it has been decided to initiate an investigation...," DGS said in a notice. The imports from China have increased phenomenally from 5,364 MT in 2009-10 to 36,183 MT in 2011-12 - a jump of over seven times. Jindal Stainless' complaint said while domestic production increased due to setting up of a new unit in Odisha (which started functioning from July, 2011), the surge in imports was greater than the increase in production in 2011-12 over 2009-10. Capacity utilisation of the local industry also declined significantly from 91 per cent in 2009-10 to 58 per cent in 2011-12. However, inventories witnessed a massive surge from 4,257 MT in 2009-10 to 15,498 MT in 2011-12, "reflecting the plight of the domestic industry", it had said.
Source: Business Standard

LONDON
COMMODITY
NEWS

IRON ORE DAILY UPDATE

Swaps

The physical market on Friday ended relatively unchanged, even after news that China was cutting interest rates for a second time in a month. Despite the uncertainty of the physical market, BHP sold both Newman and Yandi cargos via tender, the Newman material was heard trading $138.50 and Yandi $124.50, both roughly down $2 on the last tender which was on the 25th June. Platts printed flat at $136.50.

铁矿石掉期

周五现货市场听闻bhp招标纽曼和扬迪分别在138.50和124.50位置成交，
比6月尾的同类招标价格低2美金左右。在全球各大央行相继降息的性况下，市场方向反复不定。。
TSI上涨0.30报收135.10，普氏保持不动报收136.50。

Physical

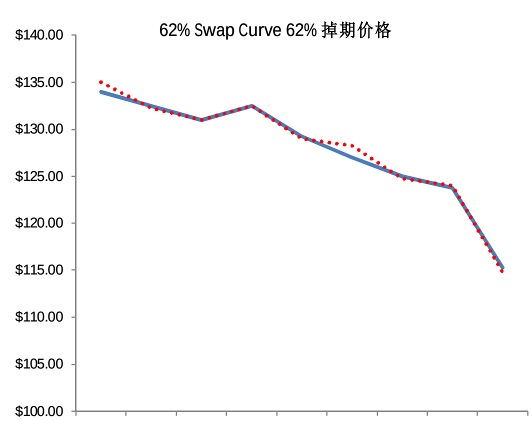
The swaps market eased slightly further on Friday, especially on the near months, spreads seem to attract better attention amidst the market uncertainty. On the world economy side, the U.S nonfarm payrolls in June underperform market estimates and the overall rate of unemployment remained steady at 8.2 percent. Commodity prices slump after the data was published as the economy recovery seems slower but not enough to trigger a QE. China published its consumer-price inflation early Monday morning and it eased to 29-months low, giving Premier Wen Jiabao more room to relax economic policies after the second interest-rate cut in a month. TSI up 0.30 at 135.10 and Platts remain flat.

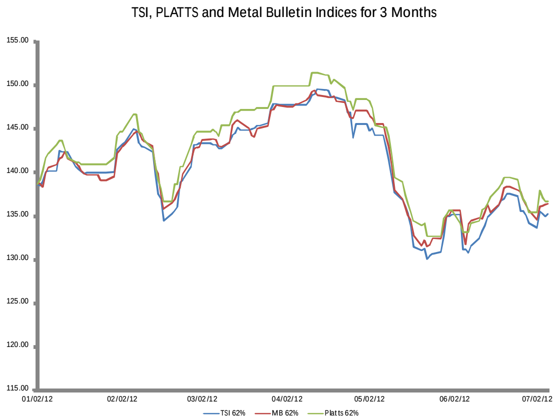
铁矿石现货

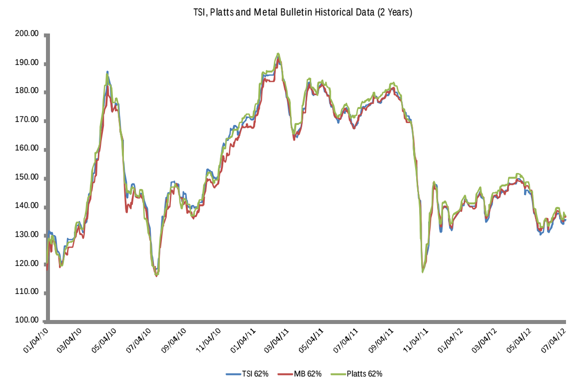
掉期市场周五疲软，近月合约小幅下跌。在方向混乱的情况下，差价表现相对活跃。晚间美国发布非农就业数据，由于数据略微低于预期而不足以引发第三轮量化宽松政策，市场风险偏好情绪再受打压，全球股市、大宗商品、风险货币承压回落。截稿前中国发布了6月居民消费价格（CPI）同比上涨2.2%，创29个月新低，由此给了货币政策进行预调微调更多的空间。
TSI上涨0.30报收135.10，普氏保持不动报收136.50。

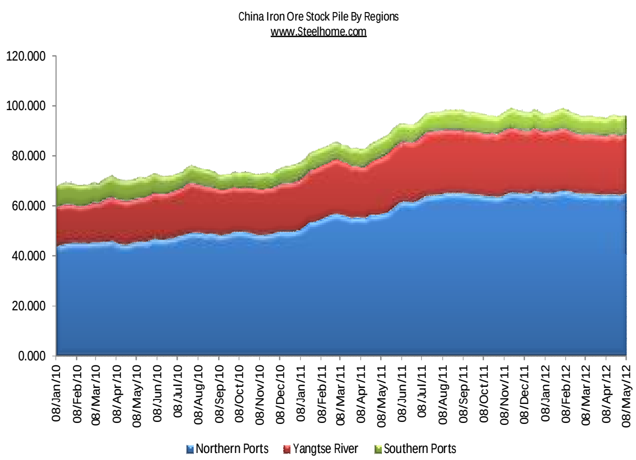
London Dry Bulk 62% Swap Curve

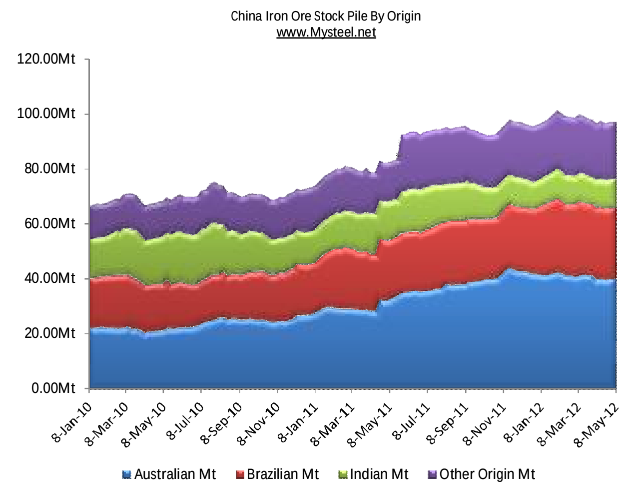
Contract	Daily Settlement Period (US$)	Daily Price Change (US$)	Previous Price (US$)	% Change Day-on-Day (US$)
Jul-12	134.00	-1.00	135.00	-0.74%
Aug-12	132.50	0.25	132.25	0.19%
Sep-12	131.00	0.00	131.00	0.00%
Q3 2012	132.50	0.00	132.50	0.00%
Q4 2012	129.25	0.25	129.00	0.19%
Q1 2013	127.00	-1.25	128.25	-0.97%
Q2 2013	125.00	0.25	124.75	0.20%
Cal-13	123.75	-0.25	124.00	-0.20%
Cal-14	115.25	0.50	114.75	0.44%
May/Jun	1.50	-1.25	2.75	
Jul/Aug	1.50	0.25	1.25	





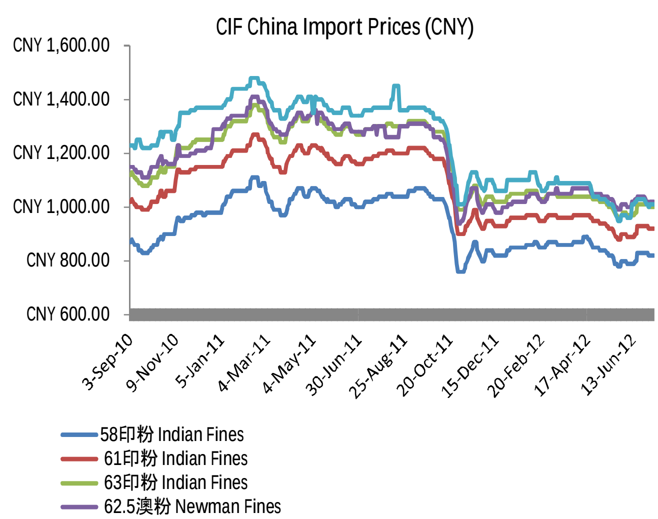






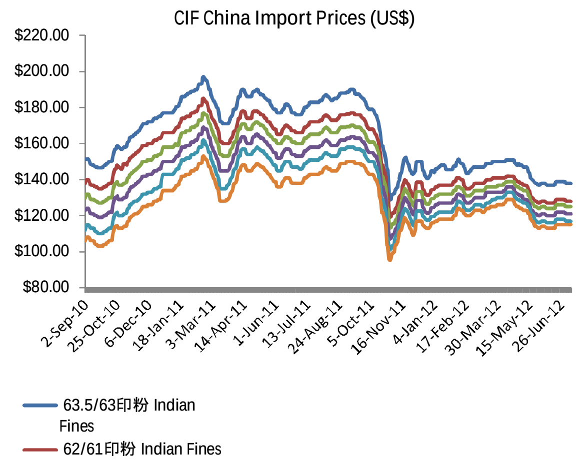
INDICATIVE IRON ORE PRICES IN CHINA
（铁矿石中国现货和期货价）

China Local Spot Prices 中国现货价	Grade品位 Fe %	9-Jul-12	2-Jul-12	WoW diff
58印粉 Indian Fines	58.0%	CNY 820.00	CNY 830.00	-CNY 10.00
61印粉 Indian Fines	61.0%	CNY 920.00	CNY 930.00	-CNY 10.00
63印粉 Indian Fines	63.0%	CNY 1,000.00	CNY 1,010.00	-CNY 10.00
62.5澳粉 Newman Fines	62.5%	CNY 1,020.00	CNY 1,020.00	CNY 0.00
64.5巴粉 Brazilian Fines	64.5%	CNY 1,010.00	CNY 1,010.00	CNY 0.00



LONDON COMMODITY NEWS

CIF China Import Prices 中国CIF进口价格	Grade品位 Fe %	9-Jul-12	2-Jul-12	WoW diff
63.5/63印粉 Indian Fines	63.5/63	$138.00	$138.00	$0.00
62/61印粉 Indian Fines	62/61	$128.00	$128.00	$0.00
61/60印粉 Indian Fines	61/60	$125.00	$125.00	$0.00
60/59印粉 Indian Fines	60/59	$121.00	$121.00	$0.00
59/58印粉 Indian Fines	59/58	$117.00	$117.00	$0.00
58/57印粉 Indian Fines	58/57	$115.00	$115.00	$0.00

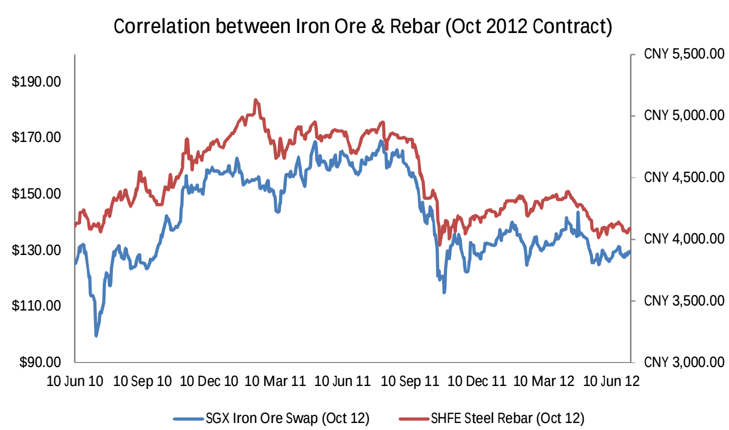


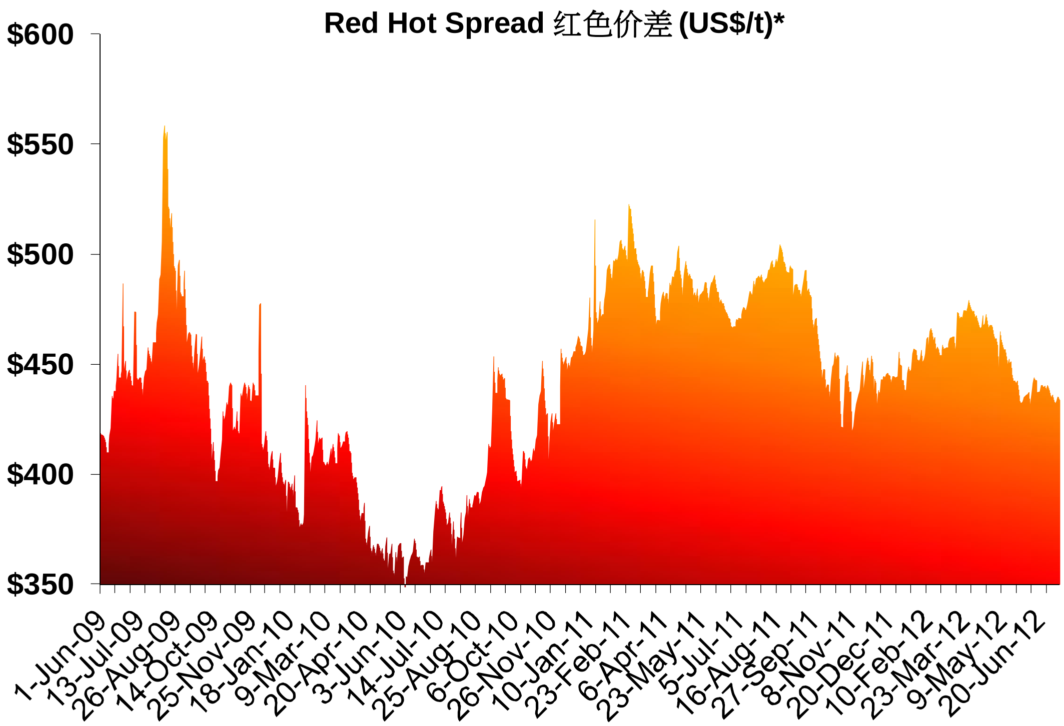
Capesize Freight Routes C3, C5, FFA (Cape C3,C5运费及远期远费协议)

FFA远期运费协议

Period 日期	Bid 买价	Ask卖价	Routes 航线	Cost 价格 (US$/t)	Movement 变动 (US$/t)
Jul 12	8,000	8,200	C3 - Tubarao - Qingdao, China中国青岛	18.536	0.304
Aug-Sep 12	9,850	10,150	C5 - W Australia 澳洲西岸 - Qingdao, China中国青岛	7.738	0.575
Q3 12	9,250	9,550			
Q4 12	13,300	13,600			
Q1 13	9,700	9,900			
CAL 13	11,200	11,500	*Source: Clarksons 5th July 2012*		
CAL 14	12,800	13,150			

London Dry Bulk Market Metric Date			7/9/2012
Maturity of Rebar Future 螺纹钢期货到期月			Oct-12
Maturity of Iron Ore Swap 铁矿石掉期到期月			Oct-12
TSI 62% Iron Ore Swap 铁矿石掉期价	US$/t	$	129.94
Implied Input Cost Iron Ore to Steel (1:1.6) 钢材隐含价	US$/t	$	207.90
Rebar Shanghai Futures Exchange 上海螺纹钢期货价（人民币）	CNY/t	CNY	4,087
Exchange Rate 汇率	CNY/USD		6.3733
Rebar Shanghai Futures Exchange 上海螺纹钢期货价（美金）	US$/t	$	641.27
London Dry Bulk Red Hot Spread LDB 红色价差	US$/t	$	433.37





IRON ORE NEWS

How Long Can Australia's Iron Ore Boom Last?

Since the global financial crisis, the Australian government has consistently referred to the domestic economy as a two-speed economy - sluggish growth in the East coast states dramatically contrasting a boom in resource rich Western Australia. Located several thousand kilometers north of the state capital Perth, is the Pilbara region, the world's biggest producer of iron ore, which alone accounts for around 2 percent of Australia's GDP. Big global miners like BHP Billiton and Rio Tinto operate dozens of iron ore mines in this area and say they're finding it hard to keep up with demand. Rio Tinto's Iron Ore division CEO Sam Walsh says the region, which provides 25 percent of the world's iron ore needs, is struggling to produce enough iron ore to cope with the demand. In fact Rio Tinto, which operates 14 mines in the Pilbara region, expects to mine 353 million tons of ore each year by 2015 and has a mine and marketing plan that extends beyond 2050.

"Our iron ore demand continues to be strong, with a number of ships waiting daily off the coast to access our ports." Walsh says. Despite Australia's close proximity to China and India and a heavily discounted shipping rate, the Rio Tinto iron ore boss remains cautious about the future of the commodity. "The world is currently a volatile place," Walsh told reporters at a recent Rio Tinto event in Perth. And analysts that track the price and demand of iron ore agree there could be storm clouds brewing. Jonathon Barratt, CEO and Founder of Barrett's Bulletin, tells CNBC he expects some softness for iron ore price and demand in the near term. "We often see peaks and troughs when it comes to iron ore prices. I think at the moment we could be about to see a trough as the economic woes in Europe continue," Barratt said. With China and India big trading partners with Europe, any further softening in economic activity on the continent could have ripple effects.

Morningstar Resource Analyst Mark Taylor is more bullish on the sector, telling CNBC that while Europe could impact the space, growth is still likely. "We expect revenues in the sector to hold up, with growth expected until at least the latter part of this decade." Evidence that the sector isn't fearful of a major slowdown could be found in Rio Tinto's recent announcements that it will automate technology in the Pilbara region, and operate trucks and trains without drivers to improve productivity.Sam Walsh says 80 percent of Rio Tinto's profits come from iron ore and it needs to invest in new technology to boost efficiencies. When asked directly about China's likely appetite for iron ore over the near term Walsh said, "Rio Tinto expects a soft landing in China, but we are cautious on the economic challenges in Europe. However, China's steel mills continue to witness 40 percent growth annually."
Source: CNBC

Australia's P.Hedland June iron ore shipments to China down

Iron ore shipments to China from Australia's Port H edland f ell b y 7 .6 p ercent in June from the previous month, according to port authority data. Shipments to China retreated to 16 . 09 million tonnes from 17.42 million tonnes in May, the data showed. Iron ore shipments were still up 16 percent on June last year. Total iron shipments from Port Hedland in June were 21.51 m illion tonnes against 22.5 million tonnes in May and 20.7 million tonnes in April, making it a record quarter. BHP Billiton is the port's biggest user, followed by Fortescue Metals Group Ltd. Japan imported 2.51 million tonnes in June versus 2.73 million tonnes in May the data showed. June shipments to South Korea totaled 1. 9 m illion to nnes against 1.8 million tonnes in May.
Source: Reuters

China's Hebei Steel gets approval to invest in Canada iron ore miner

Hebei Iron & Steel Group, China's largest steel producer, has been given the go-ahead to invest in Canadian iron ore developer Alderon Iron Ore Corp , the official Xinhua News agency quoted local authorities as saying on Sunday. Hebei Steel said in April that it would invest about C$194 million ($195 million) for a near 20-percent stake in Alderon and a 25-percent interest in Alderon's principal asset known as the Kami project, located in Canada's Labrador Trough.The deal would also give Hebei the right to buy 60 percent of annual iron ore produced from the Kami project. The investment has gained approval from the country's top economic planning body, the National Development and Reform Commission (NDRC), Xinhua said, quoting a statement released by the NDRC's branch in Hebei province. The Kami project has a proven reserve of about 1 billion tonnes, with an expected annual output of 8 million tonnes after it goes into production in 2015, Xinhua said. The deal is part of efforts by Chinese steel producers to gain more control over foreign iron ore supplies, dominated by a handful of global miners. China's steel mills have been urged to source at least half of their iron ore imports from Chinese-owned or invested projects by 2015, according to a government plan issued last year.
Source: Reuters

Kumba Iron Ore stocks falls after profit warning

Kumba Iron Ore Ltd. fell by the most in more than a week in Johannesburg trading after the Anglo American Plc unit said first-half earnings will probably fall by more than analysts estimated. The stock declined 2.5 percent to 565 rand as of 1:46 p.m. local time, the biggest drop since June 28. Earnings excluding one-time items are likely to be 7.1 billion rand ($864 million), or 22.10 rand a share, to 7.5 billion rand, or 23.40 rand, Kumba said in a statement today. Earnings on that basis were 28.23 rand a share a year earlier. The median estimate of four analysts surveyed by Bloomberg is for 23.84 rand. "The decrease in earnings is largely attributable to a decrease in export iron ore prices in the period," the company said. Full details of the earnings will be released on July 20, it said.
Source: mineweb

Iron Ore-Shanghai rebar slips on China growth worry

Shanghai steel futures fell on Friday, snapping a three-day rise, after China's second rate cut in less than a month raised concern of a sharper economic slowdown that is hurting demand in the world's top steel market. China's rate cut, announced on Thursday, comes ahead of the release of data next week forecast to show that the world's No. 2 economy grew an annual 7.6 percent in the second quarter, its slowest pace since the 2008/09 global financial crisis. The most-traded rebar contract for October delivery on the Shanghai Futures Exchange dropped 0.3 percent to 4,080 yuan ($640) a tonne by 0528 GMT. For the week, rebar is down less than half a percent. "People are worried that the GDP data next week will be much lower than expected," said an iron ore trader in Shanghai. "Also a rate cut will push up demand, but the effect will not be felt quickly."

Rebar is tracking losses across commodities and equities, as investors moved warily ahead of the U.S. nonfarm payrolls data due later in the day. Steel's weakness is also likely to sustain the decline in spot iron ore prices. Price offers for imported cargoes in China were steady for a second day on Friday, traders said. Benchmark iron ore with 62 percent iron content .IO62-CNI=SI slipped 0.2 percent to $134.80 a tonne on Thursday, its second straight day of decline, based on data from Steel Index. It was the fifth time that prices fell in six days as mills keep modest inventories of the raw material given sluggish steel demand. Steel prices in China are down more than 2 percent this year, reflecting weak demand that has prompted some steel mills to curb output to cut losses that reached about 1 billion yuan in the first quarter.

"The market's not encouraging. Our clients only want to buy at very low prices at the moment," said another trader in Shanghai, whose company has half a million tonnes of iron ore in hand and is waiting for prices to recover before selling cargoes. Miner BHP Billiton is selling 80,000 tonnes of 62.7-percent grade Australian Newman iron ore fines and 90,000 tonnes of 57.7-percent grade Yandi fines at a tender on Friday. Some traders expect prices at the tender to fall, as have most cargoes this week. A resale of Newman iron ore fines was done at $138.10 a tonne on Thursday, down from the last done deal for the same grade of $140.50 at the end of June, the second Shanghai trader said. Brazil's Vale sold 175,000 tonnes of 65-percent grade cargo at $147.16 per tonne, little changed from a previous sale of $147.05, he said.
Source: Reuters

New LME Iron Ore Contract Could Fail As Steel Billet Prices Increase

The Hong Kong Stock Exchange, recent buyer of the London Metals Exchange, wants to introduce a new LME iron ore contract to leverage China's seemingly insatiable iron ore hunger, reports Reuters — but that's unlikely to smooth over the problems that LME customers have had with the existing steel billet contract. On July 5, 2012, however, the day's biggest mover on our daily steel price index was the 3-month price of LME steel billet, which saw a hefty 7.5 percent increase to $393 per metric ton. At $383, the cash price of steel billet finished the market day up 5.1 percent on the LME. Chinese steel prices and raw materials inputs were mixed for the day. The high and low prices of iron ore 58% fines from India ranged between $130 and $135 per dry metric ton. Chinese slab closed 0.5 percent lower, and the price of Chinese HRC steadied below $650 per metric ton following two days of dropping prices. The US HRC futures 3-month price saw little change in its price yesterday at $620 per short ton. For the fifth day in a row, the US HRC futures contract spot price remained essentially flat at $620 per short ton.

Source: forex pros

Vale Looking to Mine Asian Markets Besides China, Globo Says

Vale SA, the world's largest iron-ore producer, must not limit itself to the Chinese market since other Asian markets are demonstrating important growth, President Murilo Ferreira told newspaper O Globo. Taiwan, Indonesia and Vietnam are among the countries Vale will focus on, Ferreira said, according to an interview published today in the Rio de Janeiro-based newspaper. The company will direct its investment to a smaller number of projects that require large amounts of capital, Ferreira said, according to Globo. Its iron-ore and steel project inGuinea will be delayed because of legislative uncertainties in that country, he said. The devaluation of Brazil's currency in the quarter ended in June will affect Vale's debt and profit levels because its debt and revenue are in dollars, Ferreira said, according to Globo.

Source: Bloomberg

CONFERENCES

en.sxcoal.com China Coal Resource

2012 China
Coking Coal Industrial Train Summit

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Key Highlights

- China economic performance in H1 2012 and H2 outlook
- Impacts of coking coal and coke futures on industrial chain
- China Western Development-----Construction of Coal Chemical Base
- Risk Control of Coal Enterprises and Market Trend
- Steel Market and Risk Control of Steel Mills Coking Coal Inventory
- Risk Management at Coke Plants in Steel-Coke Industrial Chain
- Analysis on 2012 China coal-coke-steel industrial chain and market trend forecast

  Capacity: fixed-asset investment in coal sector in 2011-2012

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- » **London** 12 Sep