EURACOAL
European Association for Coal and Lignite
AISBL

EURACOAL Market Report 3/2008

November 2008

WORLD MARKET

Some figures are preliminary. Nevertheless, the general tendencies described are correct.

World Market Coal

	1 – 9 2008	1 - 9 2007	Difference
Mio t=t			
Steam coal	427	434	- 7
Coking coal	156	146	+ 10
Total	**583**	**580**	**+ 3**

The world seaborne coal market increased by 3 Mio. t compared to the first three quarters 2007.

In the period 1-9 2008 the steel industry was running well, steam coal demand in Europe was weak, in Asia stable.

1. Steam Coal (see table 2)

a) Pacific Market supply

The supply side was weak in the first quarter of 2008. Australia could increase its steam coal exports by 10 mill. t, Indonesia failed to achieve its export targets because of heavy rainfalls. Vietnam stopped the illegal export of coal to China. The amount of this trade is estimated at 6-8 Mio. t/a.

On the demand side, Japan and South Korea were demanding more coal than in 2007. Supply and demand are balanced in Asia and prices are falling.

	1 - 9 2008	1 - 9 2007	Difference
Exporting countries	Mio t=t		
Australia	92	82	+ 10
China[1]	33	36	- 3
Indonesia	118	120	- 2
Russia	8	9	- 1
Vietnam	17	24	- 7
Canada	3	3	0
Total	**271**	**274**	**- 3**

1 incl. Anthracite

b) Atlantic Market supply

The Atlantic supply side is also decreasing. South Africa, Poland, Venezuela and Russia exported less coal – Colombia and the USA increased their exports.

The demand side in Europe is weak and in many countries less coal is being demanded than in 2007.

	1 – 9 2008	1 - 9 2007	Difference
Exporting countries	**Mio t=t**		
Colombia	51	49	+ 2
Poland	2	4	- 2
Russia	41	44	- 3
South Africa	45	49	- 4
Venezuela	5	6	- 1
USA/Canada	10	6	+ 4
Norway	2	2	0
Total	**156**	**160**	**- 4**

2. Coking coal supply (see Table 3)

The situation for coking coal has improved. Australian production was heavily affected by massive flooding, port quotas and delayed rail improvements in spring time but now succeeded in overcoming these problems.

The Australian exports reached the same level as in 1-9 2007. Ukraine and India were showing strong demand for additional coking coal from the world market. The USA and Canada exported more coking coal.

The worldwide steel demand also stayed high in 1-9 2008, but the fourth quarter is being weaker.

	1 – 9 2008	1 - 9 2007	Difference
Exporting countries	**Mio t=t**		
Australia	102	102	0
Canada	21	18	+ 3
China	3	2	+ 1
Russia	3	4	- 1
USA	26	19	+ 7
Others	1	1	0
Total	**156**	**146**	**+ 10**

3. Price evolution (see Table 1)

a) Steam Coal Prices

The cif ARA spot price for South African steam coal (6000 kcal/kg NAR) exploded in the first quarter of the year. From August 2007 onwards, a steep increase occurred. Since September 2008, prices are falling extremely down.

	August 2007	December 2007	March 2008	November 2008
US$/tce	98.00	149.00	170.00	126.00
€/tce	72.00	102.00	110.00	98.00

The financial crisis and a worldwide reduction of growth rate had turned the commodity products to a downward trend.

b) Coking Coal and Coke Prices

Coking coal prices increased dramatically in the period 2008/2009 (hard coking coal):

2005 / 2006	125 US$/t fob
2006 / 2007	115 US$/t fob
2007 / 2008	95 US$/t fob
2008 / 2009	300 US$/t fob

Semi-soft coking coal and PCI-coal prices have risen at the same rate and will of course be much higher-priced than steam coal.

Coke prices (12.5% ash content) are on the background of production cuts in the steel industry in a steep fall. Fob prices are still high, but fell from almost 800 US$/t to 450 US$/t in November.

3. Freight rates

The freight rates were at extremely high levels. Despite big increases in the bulk-carrier fleet and nearly no scrapping, the prices for freight remained high. Longer distances per ton, demurrage situations and higher fuel-prices pushed the freight rates up.

This has come to an end now. The Richards Bay benchmark freight rate for capesize vessels fell from 50 US$/t to 6.50 US$/t in November.

EUROPEAN MARKET (EU-27)

European Coal industry

	2008 (1-6)	**2007 (1-6)**
	Mio t (t = t)	
Domestic hard coal	78.6	77.5
Hard coal imports**	105.6	106.0
Lignite	206.4	210.9
Total	**390.6**	**391.8**

** including coke

Hard coal

United Kingdom

Coal burn went down again compared to the same period in 2007. Due to a warm autumn, the improvement of the gas pipeline connecting the UK to Norway and also due to the new requirements for power plants set up by the LCPD, gas is more and more replacing coal. If the winter is cold, coal burn could slightly grow.

Indigenous coal production stayed stable compared to 2007 and could even increase in the 3rd quarter. Imports on the other hand are still dropping.

DRAX announced the construction of a low-carbon power plant, using large proportions of biomass.

Germany

Hard coal consumption for the first nine months represented 46.8 Mio. tce, 5% less than in 2007. 1.2 Mio. tce were sold to the heat market and 13.6 Mio. tce to the steel industry. The power industry consumed 34.4 Mio. tce of hard coal, 7% less than in 2007, due to the recovery of nuclear energy and to new gas-fired power plants. The very high coal prices of course also influenced the consumption decrease.

Indigenous production reached 13.8 Mio. tce for the first three quarters 2008, 20.2% less than in 2007 and imports amounted at 33.5 Mio. tce, 2% less than in 2007. The total domestic sale of hard coal reached 14.3 Mio. tce. The decline of domestic production was due to further mine closures in Walsum and a partial closure of the Saar mine. Germany still has 7 operating mines. For the whole year 2008, production should reach 17.3 Mio. t.

Manpower currently represents 31.160 men.

Poland

Due to the increasing coal prices, Poland produced some 3 Mio. t of hard coal more than in the same period 2007.

	2008 (1-6)	**2007 (1-6)**
	Mio t = t	
Bulgaria	1.4	1.4
Czech Republic	6.7	6.5
Germany	10.2	12.1
Poland	45.1	42.0
Romania	1.5	1.3
Spain	5.4	5.8
United Kingdom	8.3	8.4
Total	**78.6**	**77.5**

Lignite production

Germany

In Germany the average temperatures were lower than in past years, wind and rain stayed similar. Due to the cold weather, energy consumption increased for the first three quarters by 2.4%. Total oil consumption increased by more than 4%, the heating oil consumption increased by 26%. Obviously, many consumers completed their oil supplies, expecting further price increases. Coal consumption decreased slightly, hard coal sales dropped by 5%, lignite sales by 3.4% because of less delivery to power stations.

Lignite production for the first three quarters reached 128.9 Mio. t, some 3% under the result of last year which is essentially due to less deliveries to power plants. Refined products such as briquettes (+20%), dust/fluidised bed coal (+8%) and coke (+6%) were higher than in the previous year.

The manpower in the lignite industry has remained stable since 2006 at approximately 22,500 workers. Altogether, lignite mining and lignite-based power generation employ some 50,000 persons.

Bulgaria

During the first half of 2008, nuclear had the largest share in electricity production with 36.9%, followed by indigenous coal with 36.4%. The use of imported coal for electricity production increased to 10.2% and the share of renewables rose to 8.4%.

Lignite output for the first half 2008 increased by 10.4% and reached 11.9 mill. t. The output of Mini Maritsa Iztok, which represents 95% of total indigenous production, reached 17.3 Mio. t for the first nine months, representing an increase of 3.2% compared to the same period in 2007. 15.1 Mio. t were sold to power stations and 2.1 were used for briquetting purposes. For the year 2009 an output of 28 Mio. t is expected, due to an expansion of the Mini Maritsa Iztok power plant complex. In the years to come production shall reach 35 Mio. t.

	2008 (1-6)	**2007 (1-6)**
	Mio t=t	
Bulgaria	11.9	10.8
Czech Republic	24.5	24.7
Germany	85.7	88.0
Greece	30.7	31.7
Hungary	4.5	3.9
Poland	28.6	27.9
Romania	15.6	16.3
Slovak Republic	2.5	2.3
Slovenia	2.4	2.3
Spain	0	3.0
Total	**206.4**	**210.9**

Carbon prices

Carbon permit prices were increasing in the first half year and reached a peak in July at almost 30 €/t CO_2. They now are falling down again.

EURACOAL	World Market Price evolution (Coal, Coke, Freight, Crude Oil)											TABLE 1
MCIS Steam Coal Marker Price (7000kcal/kg)												
		Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
cif-NW Europe													
Steam Coal	**2007**	77.83	81.69	81.18	85.86	84.00	86.68	89.08	97.88	107.68	120.52	151.38	148.63
(US$ / tce)	**2008**	150.38	160.77	170.57	150.56	170.98	201.83	255.92	218.75	222.95	176.28		
Steam Coal	**2007**	59.87	62.48	61.29	63.52	62.16	64.59	64.94	71.85	77.49	84.70	103.09	102.00
(EUR / tce)	**2008**	102.17	109.00	109.85	95.58	109.91	129.78	162.29	146.08	155.15	132.32		
Source: VDKI, Mc Closkey													
fob-China					**Coke (12.5%)**								
USD / t	**2007**	172	175	182	208	233	276	272	265	294	341	387	392
	2008	445	490	526	569	572	641	694	747	620	480		
Source: China Coal Report													
					Freight Rates (USD /t)								
R Bay/Rotterdam	**2007**	22.85	22.56	23.36	28.10	31.18	23.50	25.85	30.85	38.58	48.00	48.25	44.83
(Capesize)	**2008**	29.49	30.70	34.80	38.40	52.19	50.45	41.70	36.75	25.55	11.93		
Newcastle/Rotterda	**2007**	35.76	35.56	38.05	45.23	48.89	39.44	43.20	47.31	63.64	75.58	76.15	72.43
(Capesize)	**2008**	49.04	51.50	56.60	62.79	59.31	84.45	68.70	61.54	43.54	22.47		
Bolivar/Rotterdam	**2007**	21.06	22.90	26.76	29.19	29.94	25.88	29.29	33.44	39.20	46.30	51.45	47.17
(Capesize)	**2008**	28.76	29.80	33.70	40.70	59.31	53.35	49.75	39.25	24.34	11.38		
Source: VDKI													
					Currency Rates								
EUR/USD	**2007**	0.77	0.76	0.75	0.74	0.74	0.75	0.73	0.73	0.72	0.70	0.68	0.69
	2008	0.68	0.68	0.64	0.63	0.64	0.64	0.63	0.67	0.70	0.73		
ZAR/USD	**2007**	7.18	7.18	7.35	7.1	7.02	7.15	6.98	7.22	7.10	6.76	6.70	6.84
	2008	6.99	7.66	7.99	7.76	7.61	7.94	7.62	7.67	8.05	8.95		
AUD/USD	**2007**	1.28	1.28	1.26	1.21	1.21	1.19	1.16	1.21	1.18	1.11	1.11	1.15
	2008	1.13	1.10	1.08	1.07	1.05	1.05	1.04	1.13	1.22	1.41		
Source: Exchange rates download center													
					Crude Oil (USD/Barrel)								
Crude Oil	**2007**	50.73	54.45	58.47	63.39	64.36	66.77	71.89	68.71	74.18	79.36	88.99	87.19
	2008	88.35	90.64	99.03	105.16	119.39	128.33	131.22	112.41	96.85	79.05		
Source: OPEC Basket Prices													

EURACOAL	WORLD SEABORNE COAL TRADE - STEAM COAL			TABLE 2

Exporting Countries	Period in 2008 (1-9) mill t	Period in 2007 (1-9) mill t	Diff. 2007/08 mill t
PACIFIC			
Australia	92	82	10
China	33	36	– 3
Indonesia	118	120	– 2
Russia	8	9	– 1
Vietnam	17	24	– 7
Canada	3	3	0
SUB-TOTAL	**271**	**274**	**– 3**
ATLANTIC			
Colombia	51	49	2
Poland	2	4	– 2
Russia exc. CIS	41	44	– 3
South Africa	45	49	– 4
Venezuela	5	6	– 1
USA	10	6	4
Norway	2	2	0
SUB-TOTAL	**156**	**160**	**– 4**
TOTAL	**427**	**434**	**– 7**

incl. Anthracite and PCI-Coal
Source: VDKI

EURACOAL	WORLD SEABORNE COAL TRADE - COKING COAL (inc. PCI-Coal)			TABLE 3
	Exporting Countries	**Period in 2008 (1-9) mill t**	**Period in 2007 (1-9) mill t**	**Diff. 2007/08** mill t
	Australia	102	102	0
	Canada	21	18	3
	China	3	2	1
	Russia excl. CIS	3	4	– 1
	USA	26	19	7
	Others	1	1	0
	TOTAL	**156**	**146**	**10**
	Source: VDKI provis. Figures			
	COKE EXPORTS			
	China	11	12	– 1
	Coke World Market	**20**	**24**	**– 4**

* preliminary figures
Source: VDKI

EURACOAL	CRUDE STEEL PRODUCTION IN EU-27 (in mill.t)			TABLE 4
	COUNTRY	2008 (1-9)	2007 (1-9)	
	Austria	5.9	5.7	
	Belgium	8.8	7.8	
	Bulgaria	1.1	1.4	
	Czech Republic	5.3	5.3	
	Finland	3.5	3.3	
	France	14.6	15.0	
	Germany	36.2	33.0	
	Greece	2.0	1.9	
	Hungary	1.7	2.1	
	Italy	24.3	23.2	
	Luxembourg	2.3	2.3	
	Netherlands	5.7	5.7	
	Poland	8.3	8.2	
	Romania	4.4	4.7	
	Slovakia	3.8	3.8	
	Slovenia	0.5	0.5	
	Spain	14.3	14.2	
	Sweden	4.1	4.2	
	United Kingdom	10.9	11.0	
	Others	1.5	1.6	
	EU-27	159.2	154.9	
	Turkey	21.3	19.0	
	TOTAL	180.5	173.9	
	Source: IISI			

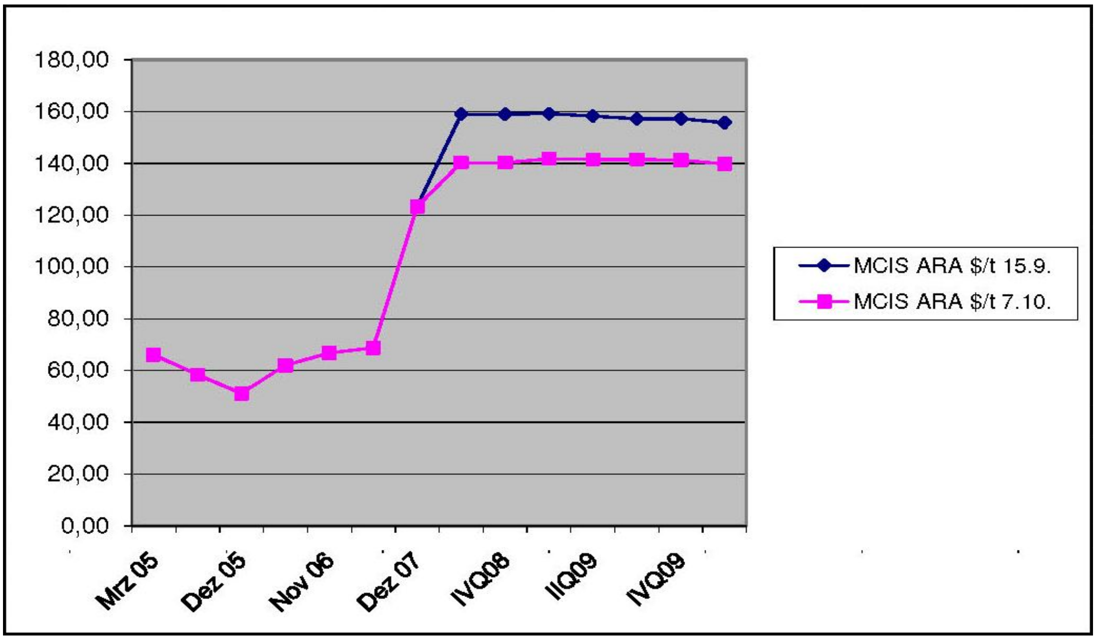
EURACOAL	MARKET FIGURES EU-27			TABLE 4A
		2008 (1-6)	2007 (1-6)	
	Crude Steel Production (Mt)	**108.6**	**107.9**	
	Hard Coal Production (Mt)	**78.6**	**77.5**	
	Hard Coal and Coke Imports (Mt)	**105.6**	**106.0**	
	Lignite Production (Mt)	**206.4**	**210.9**	
	Sources: World Steel Org., CEMBureau, EURACOAL Members,			

EURACOAL	COAL BALANCE EU-27 (mill. t)						TABLE 5

COUNTRY	2008 (1-6)			2007 (1-6)		
	H. C. Prod.	Lign. Prod.	H.C. Imports	H. C. Prod.	Lign. Prod.	H.C. Imports
Austria	–	–	1.8	–	–	1.9
Belgium	–	–	3.0	–	–	3.4
Bulgaria	1.4	11.9	1.4	1.4	10.8	1.2
Czech Republic	6.7	24.5	1.1	6.5	24.7	1.1
Denmark	–	–	2.5	–	–	3.0
Finland	–	–	2.5	–	–	3.0
France	–	–	7.0	–	–	8.5
Germany	10.2	85.7	23.0	12.1	88.0	20.0
Greece	–	30.7	0.4	–	31.7	0.4
Hungary	–	4.5	1.0	–	3.9	1.1
Ireland	–	–	2.0	–	–	2.0
Italy	–	–	13.5	–	–	13.5
Netherlands	–	–	6.3	–	–	6.5
Poland	45.1	28.6	4.8	42.0	27.9	3.0
Portugal	–	–	2.0	–	–	2.0
Romania	1.5	15.6	0.3	1.3	16.3	0.2
Slovakia	–	2.5	2.5	–	2.3	2.5
Slovenia	–	2.4	–	–	2.3	–
Spain	5.4	–	8.5	5.8	3.0	9.6
Sweden	–	–	1.1	–	–	1.1
United Kingdom	8.3	–	20.9	8.4	–	22.0
EU-27	**78.6**	**206.4**	**105.6**	**77.5**	**210.9**	**106.0**

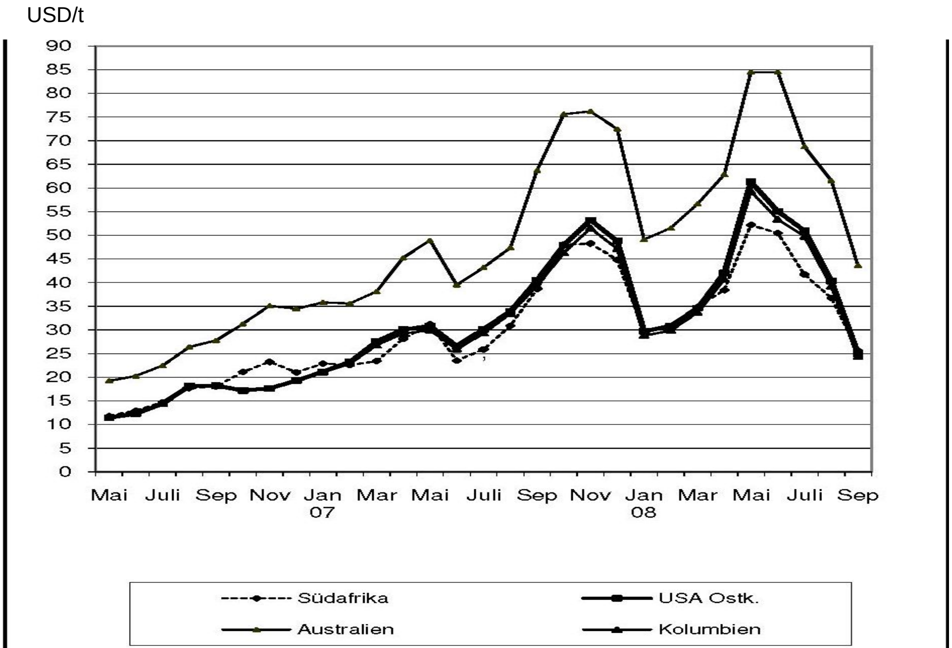
Source: EURACOAL Members, VDKI; Import figures still preliminary

EURACOAL	Forward Prices	GRAPHIC 1



source: VDKI

EURACOAL	Freight rates Capesize to ARA (USD)	GRAPHIC 2

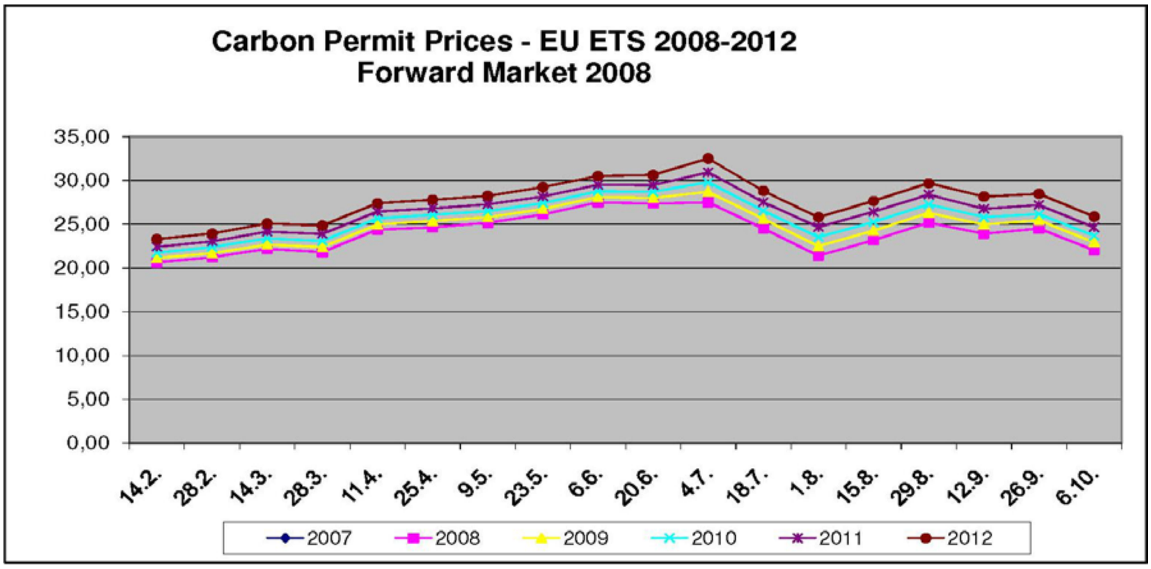


Capesize-Einheiten nach Empfangshäfen ARA / Quelle: Frachtcontor Junge Co., eigene Berechnungen

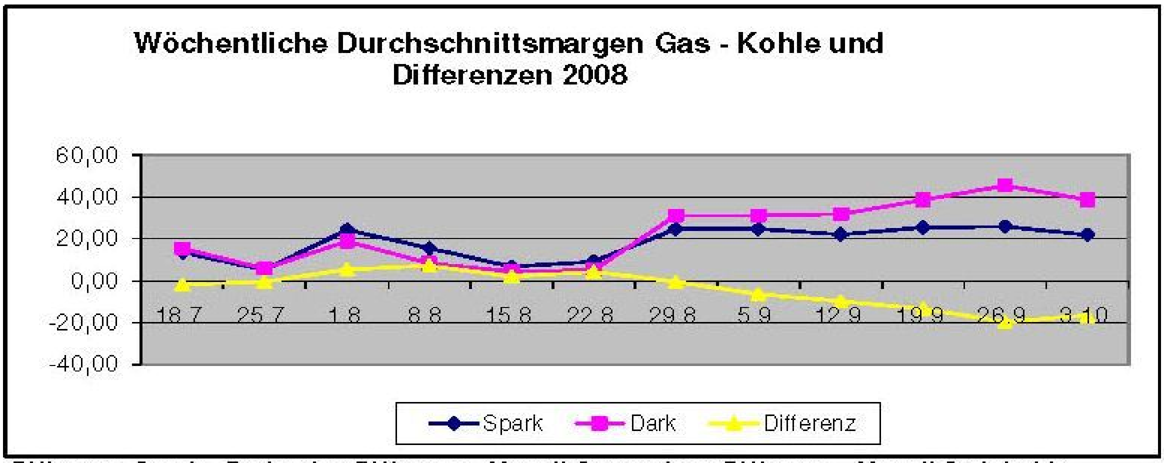
2004

source: VDKI

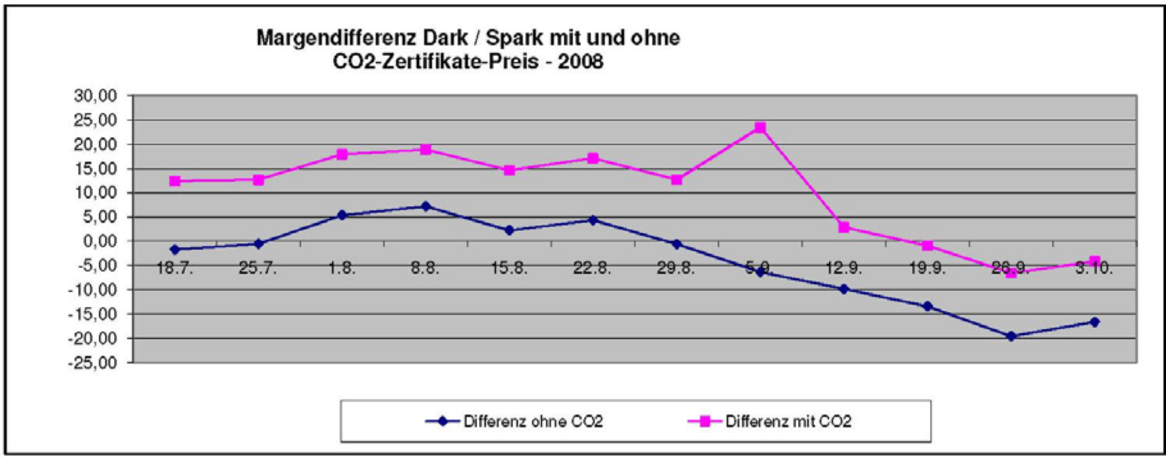
EURACOAL	Carbon permit prices - EU ETS	GRAPHIC 3



EURACOAL	Weekly avarage Sparks and Darks Germany	GRAPHIC 4



Differenz: Spark - Dark: plus Differenz = Vorteil Gas / minus Differenz = Vorteil Steinkohle



Source: VDKI