EURACOAL

European Association for Coal and Lignite AISBL

EURACOAL's MARKET REPORT 1 / 2006

April 2006

WORLD MARKET

The following comments and figures only apply to the seaborne World Market. They are partly preliminary.

World Market Bulk evolution

Due to a strong 4th Quarter, the World Market could grow by some 5% representing 34-35 mill. t. Herewith, the World Market reached 719 mill. t, passing for the first time the 700 mill. t level. (preliminary figures).

	2004 in mill t	2005 in mill t	Difference / mill t
Steam coal	501	534	+33
Coking coal	180	188	+8
Total	**681**	**722**	**+41**

Steam Coal (see table 2)

The Steam coal market is divided into a Pacific and an Atlantic market. Bulk exchanges between the two markets are of minor importance, the quantity represents some 33 mill. t.

a) Pacific Market supply

In 2005 the increasing steam coal demand on the Pacific market was on a smaller growth scale. The Pacific supply developed as follows:

	2004 in mill t	2005 in mill t	Difference / mill t
Australia	107	110	+3
China	81	66	-15
Indonesia	105	129	+24
Russia	11	12	+1
Vietnam	11	18	+7
Total	**315**	**335**	**+20**

A special development was observed in China: China reduced its steam coal exports by 15 mill. t and imported some additional 7 mill. t essentially from Vietnam (+4 mill. t). The decreasing exports from China and its increasing demand of totally 22 mill. t could be managed by the suppliers of the Pacific Area without having serious effects on the price evolution.

b) Atlantic Market supply

In 2005 the Atlantic market grew stronger than the Pacific market. Especially the USA and the UK increased their imports significantly.

On the supply side all major exporters increased their volume (preliminary figures):

Exporting countries	2004 in mill t	2005 in mill t	Difference / mill t
Columbia	51	55	+4
Poland	10	11	+1
Russia	37	45	+8
South Africa	67	70	+3
Venezuela	8	8	0
Others	13	11	-2
Total	**186**	**200**	**+14**

Coking Coal (see table 3)

The coking coal market grew by 5% representing 8 mill. t and reached 188 mill. t. It is to be noted that China covered its highly increasing coking coal demand for 72 mill. t additional raw iron production with indigenous coal of 35-40 mill. t.

In 2005 the supply side behaved as follows (preliminary figures):

Exporting countries	2004 in mill t	2005 in mill t	Difference / mill t
Australia	117	124	+7
China	6	5	-1
Canada	22	25	+3
Russia	10	8	-2
USA	20	21	+1
Others	5	5	+1
Total	**180**	**188**	**+8**

Australia especially increased its production in „hard-coking-coal“ by 10 %.

Coke (see table 3)

The World seaborne Coke market decreased in 2005 by 8 mill. t and will reach 22 mill. t.

Price Evolution (see table 1)

Steam Coal

The prices for steam coal were sinking during the whole year and reached the level of 50 US$/t- fob South Africa at the end of 2005.

Coking Coal

For the year 2005 (from May 2005 to May 2006) we observed historic top prices for „hard-coking-coal“ of 125 US$/t fob. First contracts show slightly sinking prices (-10 to -15 US$/t depending on the quality) for „hard-coking-coal.

PCI-coal and „semi-soft-coking-coal“ witnessed major prices losses and are more depending on the evolution of the steam coal prices.

EUROPEAN MARKET

General economic trends

In 2005 the general economic situation in the Euro-area was very moderate. In the new Member States the UK, Denmark and Sweden the evolution was much better.

Coal industry

The total coal consumption in EU-25 stayed stable. Decreasing domestic hard coal production was replaced by imports.

	2005	2004	Difference
	Mill. t (t = t)		
Domestic hard coal	170.5	179.5	–9.0
Hard coal imports	216.7*	216.0	0.7
Lignite	382.2	391.4	–9.2
Total	769.4	786.9	–17.5

*preliminary

Hard coal production

For the year 2005 hard coal production in EU-25 reached some 170 mill. t and is herewith further decreasing compared to previous years (see table 5).

	2005	2004
Czech Republic	13.0	13.3
Germany	28.0	29.1
Poland	97.0	99.2
Spain	12.2	12.3
United Kingdom	20.0	25.1
Others	0.3	0.5
Total	**170.5**	**179.5**

In **Germany**, the foreseen decline of the indigenous coal production which is expected to have its effects at the end of 2005/2006 is already being observed this year: production decreased by some 1 mill. t. Two uneconomic mines were closed end 2005 : beginning 2006. Total energy consumption reached 486 mill. tce, hard coal consumption 62.8 mill. tce.

The **Polish** production reached 97 mill. t in 2005 and will stay at a same level in the years to come. The industry is still undergoing an important restructuring process which now faces the adjustment of surface employment.

Spain also faces important restructuring difficulties. Production shall be cut down to 9.1 mill. t by 2012. The production plan 2006-2012 is currently being discussed by the social partners.

The **United Kingdom** produced some 20 mill. t. The production decrease was due to the closure of the Selby Complex and the problems at Ellington Colliery which will finally be closed in February 2006. The output from opencast mines for the first time exceeded the output from deep mines.

Lignite production

For the year 2005 lignite production in EU-25 stayed almost steady compared with previous years and reached some 382 mill. t (see table 5).

In **Germany**, the production results varied from area to area. In the central German coalfield, production is expected to be about 6% down to some 19 mill. t, while in the Lusatian area it matches the previous years' result of 59 mill. t. The Rhineland coalfield also reached the production of 2004 with a figure of around 100 mill. t, while the Helmstedt area will have an output of about 2.2 mill. t.

Lignite production in **Greece** stayed stable, electricity production from lignite represented some 32.2 TWh. Public Power Corporation is planning to build four new thermal power units, of which one lignite-fired.

In the **Czech Republic** hard coal and lignite production remained stable. The Government is discussing the future lignite production limitations, from which it will depend, if CEZ will build new lignite-fired power units or not.

Hungary introduced a coal levy equivalent to the German “Kohlepfennig” in order to finance the Vertés power station. The Hungarian electricity market will be entirely liberalised on 1st January 2007. Nevertheless 80% of the sector will stay in the hands of the former state-owned power company MVM. This tendency could also be observed in other EU-Member states.

Coal production in **Slovakia** should stay stable for the years to come. The winner of the liberalisation of the electricity market was the Italian ENEL, who obtained 66% of the shares in “Slovenske Elektrarne”.

The underground lignite production of **Slovenia** reached some 4.6 mill. t. From the two existing mines Velenje produced 3.9 mill. t. The production level shall be maintained until at least 2040, as the mine has signed a contract with the local heat and power station.

	2005	**2004**
Germany	178.0	181.9
Greece	69.1	71.9
Czech Republic	49.0	48.8
Hungary	9.6	11.8
Poland	61.9	61.1
Slovak Republic	2.5	3.0
Slovenia	4.6	4.7
Spain	7.5	8.2
Total	**382.2**	**391.4**

Hard coal imports

Coking coal

The raw steel production in the EU-25 fell by almost 4% (see table 4a). Nevertheless the coking coal imports into the EU stayed at the same level as in 2004. In general, coking coal stocks increased slightly. The Czech Republic increased its coking coal stocks significantly and Poland, were an important decrease in the raw steel production was observed, decreased its coking coal and coke consumption. As a consequence, the supply situation became more relaxed.

Steam coal

The steam coal consumption in total was stable. France, Italy, Spain and especially the UK consumed more steam coal, whilst Germany and the Nordic countries decreased their imports. Import coal kept its importance as swing-supplier for the primary energy consumption of many countries for their power generation.
On the background of high gas prices and further closures of uneconomic production sites, import figures are expected to increase again and coal will stay an important player for the European energy mix. A high share of import coal in the power generation reduces the costs for power generation and improves the position of EU-25 in the worldwide competition.

CO_2-Certificates

The prices for CO_2-certificates reached a level of 25-27 €/t CO_2 over the last year.

Dark/Spark-spreads in UK and Germany

The advantage of coal-based power generation was confirmed in the first quarter of 2006.

Outlook

For 2006 we expect a stable coal demand with increasing coal imports.

EURACOAL	World Market Price evolution (Coal, Coke, Freight, Crude Oil)												TABLE 1
Steam Coal (6000 kcal/kg)													
		Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
cif-ARA													
Steam Coal	**2004**	67.70	69.94	66.38	66.23	67.35	73.86	77.87	76.52	74.12	72.10	77.77	77.06
(USD / t)	**2005**	70.55	64.41	66.14	67.00	65.16	60.91	62.80	59.16	58.20	54.90	52.06	51.30
Steam Coal	**2004**	53.48	55.25	54.43	54.97	55.90	60.57	63.85	62.75	60.78	57.68	59.88	57.80
(EUR / t)	**2005**	53.62	49.56	50.27	51.59	51.48	49.95	52.12	47.92	47.72	45.57	44.25	43.10
Source: VDKI, Mc Closkey													
fob-China				**Coke (12.5%)**									
USD / t	**2004**	270	400	438	440	445	315	300	240	235	220	245	270
	2005	270	275	250	220	225	225	198	182	164	130	115	123
Source: Coal Americas													
Freight Rates (USD /t)													
R Bay/Rotterdam	**2004**	27.4	24.95	21.6	17.75	17.4	13.8	16.75	19.15	18.25	20.25	26.3	27
(Capesize)	**2005**	18.9	20.6	22	20.9	17.7	10.75	10.61	11.1	14.1	17.7	14.9	12.2
Newcastle/Rotterd	**2004**	40	39	33.2	27.1	24.2	21.5	25.85	27.3	27.2	29	35.05	42.4
(Capesize)	**2005**	30.75	31.3	31.2	28.3	26.2	20.65	19.05	17.4	19.8	26.2	21.8	19.8
Bolivar/Rotterdam	**2004**	24	24.7	21.5	18.5	15.3	12.65	18.35	19.25	18.36	19.75	23.65	25.05
(Capesize)	**2005**	20.15	20.9	18.3	22.5	18.2	11.82	11.23	11.21	14.96	18.2	15.10	12.50
Source: VDKI													
Currency Rates													
EUR/USD	**2004**	0.79	0.79	0.82	0.83	0.83	0.82	0.82	0.82	0.82	0.8	0.77	0.75
	2005	0.76	0.77	0.76	0.78	0.79	0.82	0.83	0.81	0.82	0.83	0.85	0.85
ZAR/USD	**2004**	6.94	6.75	6.61	6.58	6.8	6.42	6.13	6.47	6.53	6.38	6.03	5.72
	2005	5.96	6.0	6.03	6.15	6.34	6.74	6.7	6.46	6.36	6.59	6.65	6.33
AUD/USD	**2004**	1.3	1.29	1.33	1.34	1.42	1.44	1.4	1.41	1.42	1.36	1.3	1.3
	2005	1.3	1.28	1.27	1.29	1.31	1.3	1.33	1.31	1.31	1.33	1.36	1.33
Source: Exchange rates download center													
Crude Oil (USD/Barrel)													
Crude Oil	**2004**	30.94	30.86	33.57	33.47	37.85	35.24	38.61	43.04	43.25	49.64	42.82	39.77
	2005	44.24	45.12	52.91	51.89	48.57	54.20	57.64	64.27	62.91	58.63	57.45	58.06
Source: RWE													

EURACOAL WORLD SEABORNE COAL-TRADE TABLE 2

STEAM COAL SUPPLIER

Exporting Countries	Period in 2005 (1-12) mill t	Period in 2004 (1-12) mill t	Diff. 2004/05 mill t
PACIFIC			
Australia	110	107	3
China	66	81	-15
Indonesia	129	105	24
Russia	12	11	0
Vietnam	18	11	7
SUB-TOTAL	**335**	**315**	**20**
ATLANTIC			
South Africa	70	67	3
Columbia	55	51	4
USA	5	6	-1
Canada	1	1	0
Poland	11	10	1
Russia exc. CIS	45	37	8
Venezuela	8	8	0
Spitsbergen	2	3	-1
Ukraine	3	3	0
SUB-TOTAL	**200**	**186**	**14**
TOTAL	**535**	**501**	**34**

incl. Anthracite and PCI-Coal
Source: VDKI

EURACOAL WORLD SEABORNE COAL TRADE TABLE 3			
COKING COAL SUPPLIER			
Exporting Countries	**Period in 2005 (1-12) mill t**	**Period in 2004 (1-12) mill t**	**Diff. 2004/05 mill t**
Australia	124	117	7
China	5	6	-1
USA	21	20	1
Canada	25	22	3
Russia exc. CIS	8	10	-2
Poland	1	1	0
South Africa	1	1	0
New Zeeland	2	1	0
Others	1	2	-1
TOTAL	**188**	**180**	**8**

Source: VDKI

COKE EXPORTS			
China	**13**	**15**	-2
Coke World Market (seaborne)	**22**	**30**	-8

Source: VDKI

EURACOAL MARKET FIGURES EU-25 TABLE 4

	2005 (1-12)	2004 (1-12)
Crude Steel Production (Mt)	186.4	193.5
Cement Production (Mt)	235.0	235.0
Electricity Generation (TWh)	3255.5	3209.7
Gas Production (bn cm)	207.1	221.1
Gas Imports (bn cm)	286.1	264.6
Hard Coal Production (Mt)	170.5	179.5
Hard Coal Imports (Mt)	216.7	209.4
Coke Imports (Mt)	n.a.	13.0
Lignite Production (Mt)	382.2	391.4

Sources: World Steel Org., CEMBureau, EURACOAL Members EUROGAS, IEA

EURACOAL CRUDE STEEL PRODUCTION EU-25 (in mill t) TABLE 4a

COUNTRY	2005 (1-12)	2004 (1-12)	% change
Austria	7.0	6.5	7.7
Belgium	10.3	11.7	–11.8
Czech Republic	6.2	7.0	–12.0
Finland	4.7	4.8	–1.9
France	19.5	20.8	–6.2
Germany	44.5	46.4	–4.0
Greece	2.3	2.0	17.6
Hungary	2.0	2.0	0.6
Italy	29.1	28.5	2.2
Luxembourg	2.7	2.5	–18.2
Netherlands	6.9	6.9	1.0
Poland	8.6	10.6	–18.7
Slovakia	4.5	4.4	1.2
Slovenia	0.6	0.6	3.1
Spain	17.8	17.7	0.8
Sweden	5.7	6.0	–4.4
United Kingdom	13.2	13.8	–4.1
Others	1.2	1.2	0.0
EU-25	186.4	193.4	–3.6
Romania	5.7	6.0	–5.6
Serbia	1.3	1.1	10.2
Turkey	21.0	20.5	2.4
TOTAL	214.4	221.0	–3

Source: IISI

EURACOAL	COAL CONSUMPTION EU-25			TABLE 5		
COUNTRY	2005 (1-12)*			2004 (1-12)		
	H. C. Prod.	Lign. Prod.	H.C. Imp.	H. C. Prod.	Lign. Prod.	H.C. Imp.
Austria	–	–	4.1	–	–	3.9
Belgium	–	–	10.0	–	–	11.1
Denmark	–	–	5.5	–	–	7.1
Finland	–	–	5.2	–	–	7.9
France	–	–	20.5	0.2	–	19.3
Germany	28.0	178.0	40.0	29.1	181.9	43.8
Greece	–	69.1	0.7	–	71.9	1.0
Ireland	–	–	2.5	–	–	3.0
Italy	–	–	25.6	–	–	25.5
Netherlands	–	–	13.0	–	–	14.0
Portugal	–	–	5.3	–	–	7.2
Spain	12.2	7.5	26.2	12.3	8.2	24.0
Sweden	–	–	2.7	–	–	3.0
United Kingdom	20.0	–	43.8	25.1	–	36.1
Czech Republic	13.0	49.0	1.0	13.3	48.8	0.5
Hungary	0.3	9.6	0.5	0.3	11.8	0.6
Poland	97.0	61.9	2.0	99.2	61.1	2.0
Slovakia	–	2.5	5.6	–	3.0	3.4
Slovenia	–	4.6	0.5	–	4.7	1.6
Others	–	–	2.0	–	–	1.0
EU-25	**170.5**	**382.2**	**216.7**	**179.5**	**391.4**	**216.0**

Sources: EURACOAL Members

* Preliminary figures

EURACOAL — COKING COAL IMPORTS TO EU-25 *** — TABLE 6

Exports from:	Australia	Canada	USA	Poland	Russia	2005	2004
	2005 (1-12)	2005 (1-12)	2005 (1-12)	2005 (1-12)	2005 (1-12)	(1-12)	(1-12)
Imports to:							
Austria			0.2			2.0	2.1
Belgium	2	0.1	1.5				2.1
Czech Rep.				0.5			
Finland	0.4	0.5	0.3			1.2	0.9
France	3.5	0.5	1.1				6.7
Germany	3.3	1.7	1.4	0.2	0.5	7.1	7.6
Hungary				0.2			
Italy	2.3	1.5	2.2	0.3			8.9
Netherlands****	4.7	0.8	1.6	0.1			5.0
Slovakia				0.6			
Slovenia			0.2				1.7
Spain	2.6	0.3	1.7	0.1			4.0
Sweden	1.1		0.5				1.9
UK	4.4	1.7	1.2			7.3	6.3
Others	0.5						1.0
TOTAL	**24.8**	**7.1**	**11.9**	**2.0**	**3.0**	**48.8**	**48.2**

Source: VDKI
* figures for Russia estimated; no details on import countries available
** details for individual countries not available
*** preliminary figures
**** incl. reexport

COKE IMPORTS AND INTERNAL TRADE TO EU-25

	2005	2004
	8.0	10.0

EURACOAL	STEAM COAL IMPORTS TO EU-25 (in mill t) (incl. Czech/Polish imports)							TABLE 7
Exports from:	Poland	Columbia	S Africa	Russia*	Indonesia	Others	2005	2004
	2005 (1-12)	2005 (1-12)	2005 (1-12)	2005 (1-12)	2005 (1-12)	2005 (1-12)	(1-12)	(1-12)
Imports to:								
Austria	1.2					0.6		1.8
Belgium	0.7	0.5	1.6			0.5		9.0
Czech Rep.	0.6							0.5
Denmark	0.8	1.3	1.7			0.2		7.1
Finland	0.7							7.0
France	1.2	2.2	4.0		0.5	1.0		12.6
Germany	7.0	4.8	8.2	6.0	0.2	2.8	29.0	31.0
Greece			0.1					1.0
Hungary	0.2							0.6
Ireland	0.3	0.9	0.5		0.6	0.2		3.0
Italy	0.2	2.6	4.0		6.3	0.5		16.6
Netherlands**	0.2	3.0	10.6		2.2	1.9		9.0
Poland								2.0
Portugal	0.2	2.5	1.8		0.1	0.2		5.5
Slovakia	0.2							3.4
Slovenia		0.4	0.1		0.7			1.6
Spain		2.0	8.2		3.3	0.9		20.0
Sweden	0.2					0.2		1.1
UK	1.6	3.2	13.0	17.0	1.3	0.4	37.0	29.8
Others			0.3		2.0	6.0		
TOTAL	**15.3**	**23.4**	**53.8**	**37.0***	**17.2**	**15.4**	**168.1**	**162.6**

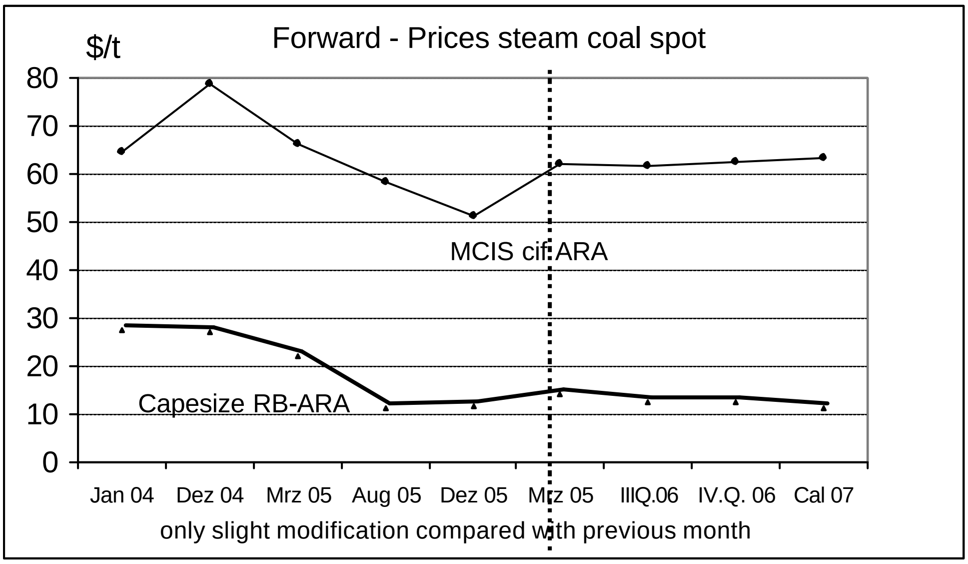
Source: VDKI; preliminary figures

* details for individual countries not available ** including reexport

EURACOAL	END-USE OF IMPORT COAL IN EU-25							TABLE 8
	2 0 0 5*				2 0 0 4			
	Steam Coal	Coking Coal	Others	TOTAL	Steam Coal	Coking Coal	Others	TOTAL
Imports to:								
Austria					1.8	2.1		3.9
Belgium					9.0	2.1		11.1
Czech Rep.					0.5			0.5
Denmark					7.1			7.1
Finland					7.0	0.9		7.9
France					12.6	6.7		19.3
Germany					31.0	7.6	5.2	43.8
Greece					1.0			1.0
Hungary					0.6			0.6
Ireland					3.0			3.0
Italy					16.6	8.9		25.5
Netherlands					9.0	5.0		14.0
Poland					2.0			2.0
Portugal					5.5	1.7		7.2
Slovakia					3.4			3.4
Slovenia					1.6			1.6
Spain					20.0	4.0		24.0
Sweden					1.1	1.9		3.0
UK					29.8	6.3		36.1
Others						1.0		1.0
TOTAL	**168.1**	**48.8**		**216.9**	**162.6**	**48.2**	**5.2**	**216.0**

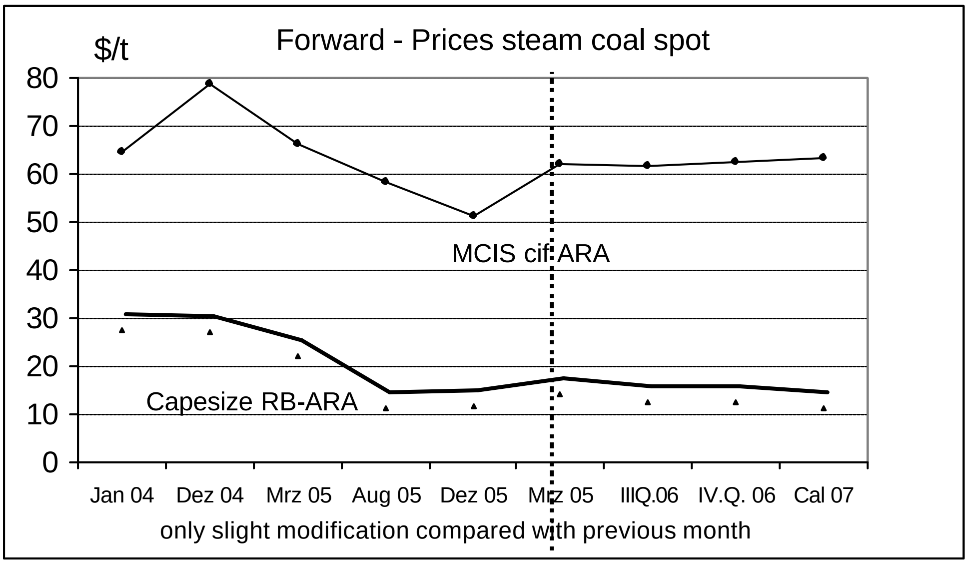
Source: VDKI * not available (will be completed in next edition)
Others: Coke and Anthracite

EURACOAL	Forward Prices	GRAPHIC 1



Source: VDKI

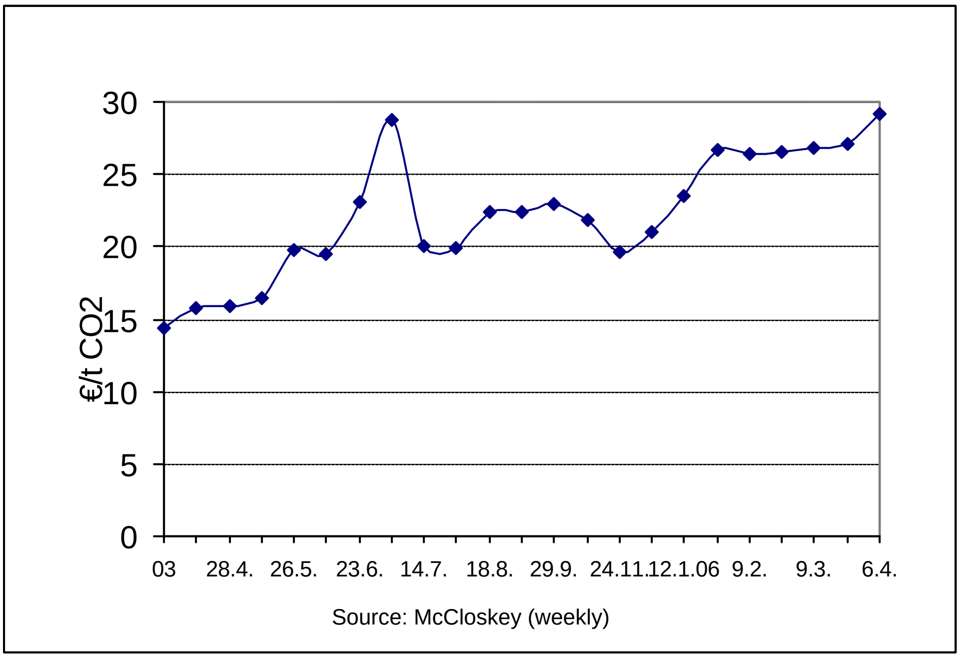
EURACOAL	Freight rates capesize to ara (USD)	GRAPHIC 2



Freight Rates USD/t

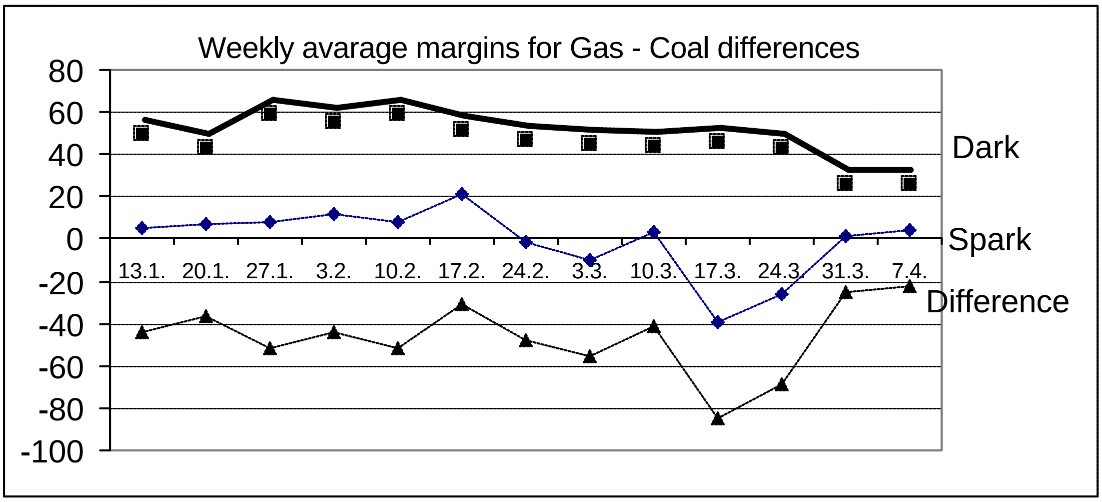
Capesize-Units according to destination ports ARA
Source: VDKI, Frachtcontor Junge & Co.

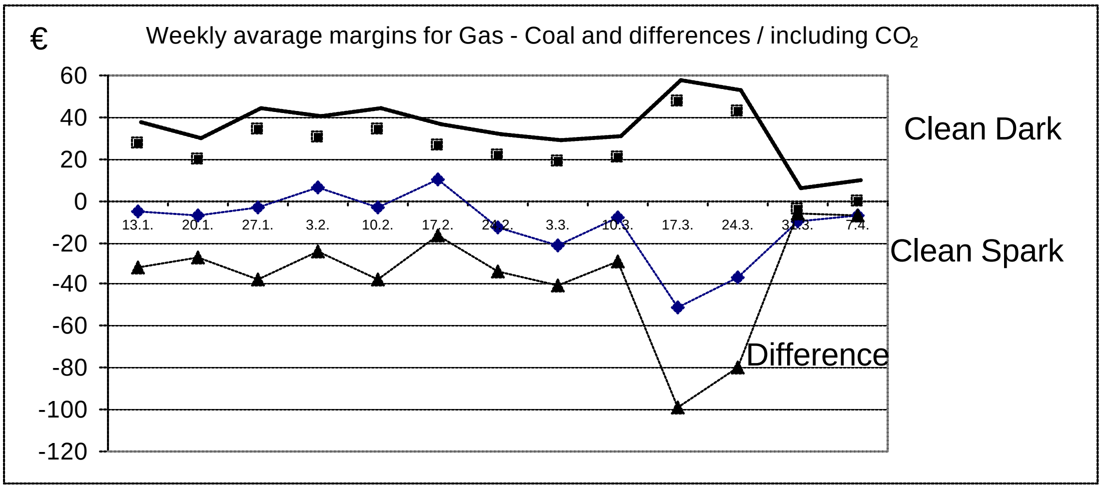
EURACOAL	Carbon permit prices - EU ETS 2005/2006	GRAPHIC 3



Weekly Carbon permit prices 2005
Source: McCloskey Coal Report, eex.de VDKI

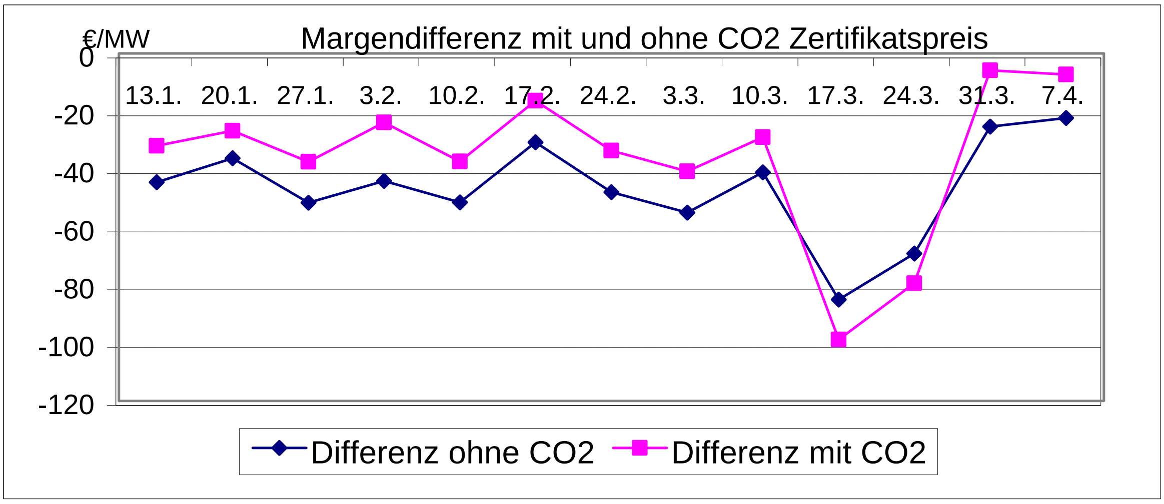
EURACOAL	Weekly average Sparks and Darks Germany	GRAPHIC 4





Deutschland €/MWh 2006
Source: VDKI

EURACOAL	German Dark and Sparks - Spreads	GRAPHIC 5



Source: VDKI