

EURACOAL Market Report 2/2007

August 2007

WORLD MARKET

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

World Market Coal

	1 - 3 2007	1 - 3 2006	Difference
Mio t=t			
Steam coal	142	144	-2
Coking coal	50	46	+4
Total	192	190	+2

The total seaborne coal market increased in the first quarter 2007 by 2 Mio t. For the whole year an increase of 30 to 35 Mio t is estimated.

Steam Coal (see Table 2)

The Steam Coal market is divided into a Pacific and an Atlantic market. Tonnage exchanges between the two markets are of minor importance, the quantity represents about 7 – 8 % of the seaborne traded steam coals. The major exporter into the Atlantic market is still Indonesia (from the Pacific side).

For the whole year an increase of 20 to 23 Mio. t is expected.

a) Pacific Market supply

The Pacific supply in the first half year developed as follows:

	1 - 3 2007	1 - 3 2006	Difference
Exporting countries	Mio t=t		
Australia	29	27	+2
China ¹	10	17	-7
Indonesia	41	33	+8
Russia	4	2	+2
Vietnam	8	7	+1
Total	92	86	+6

1 incl. Anthracite

Indonesia is pushing its exports. China reduced its exports in the first quarter by 7 Mio t and increased its imports by nearly 5 Mio t (steam coal and anthracite), that means that the other exporters have to fill the gap of 12 Mio t. That has mainly been done by Indonesia and Vietnam.

b) Atlantic Market supply

	1 - 3 2007	1 - 3 2006	Difference
Exporting countries	Mio t=t		
Colombia	17	15	+2
Poland	1	3	-2
Russia	12	18	-6
South Africa	15	17	-2
Venezuela	2	2	0
Others	3	3	0
Total	50	58	-8

The Atlantic supply market also saw a disappointing evolution in the first three months of 2007. The exports decreased by 8 Mill. t mainly because of low exports compared to the last year.

c) Coking coal supply (see Table 3)

	1 - 3 2007	1 - 3 2006	Difference
Exporting countries	Mio t=t		
Australia	32	29	+3
China	6	6	0
Canada	1	1	0
Russia	1	1	0
USA	8	7	+1
Others	2	2	0
Total	50	46	+4

In total coking coal seaborne exports increased in the first quarter 2007 by 4 Mio t.

The outlook for 2007 is an increase of 10 to 12 Mio. t.

d) Price evolution (see Table 1)

Steam coal

The fob-price for South African coal was still floating between 48 - 52 US\$/t in the first Quarter 2007.

The cif-ARA price was close to 80 US\$/tce in the first quarter 2007 but is currently increasing and reaches 85 US\$/t due to production and loading difficulties in Australia, caused by bad weather conditions.

Coking coal / Coke

The contract prices for coking coal were stable. Some spot business in the USA saw increases between 10 to 20 US\$/t. This also might be a reaction of Australian short-fall of exports.

The coke prices for 12,5% ash content coke went up to 277 US\$/t in July.

Freight

The freight rates remained at very high levels throughout the current year on all major routes; vessels are still blocked at Australian harbours.

EUROPEAN MARKET (EU-27)

General economic trends

The EU-27 economy is growing at a higher rate than in 2006. In total, a higher energy consumption is to be expected.

Coal industry

Total coal consumption in EU-27 remained stable. Decreasing domestic hard coal production was replaced by imports.

	2007 (1-3)	2006 (1-3)
	Mio t (t = t)	
Domestic hard coal	41.2	44.5
Hard coal imports**	56.1	60.2
Lignite	108.1	112.6
Total	205.4	217.3

** including coke, preliminary

Hard coal

In the **UK** a remarkable increase in coal consumption could be observed during last year (58 mill. tons), which represents an increase of 40% compared to 1999. This is certainly due to high gas prices but also to the fact that gas was simply not available because of limited storage possibilities and decreasing domestic production.

During the first quarter 2007 the weather was mild and gas again available. Coal consumption fell but stayed still higher than for the same period 2006.

In the **Czech Republic** coal production stayed stable in the first quarter 2007. The power industry has huge problems with the NAP II as the European Commission restricted the demand by 15%. As the industry will not be able to fulfil this target, the Government wants to go to the European Court.

In **Germany** as well the mild weather was remarkable. In 2006 very low temperature could be observed. In 2007 the highest temperature of the last 100 years in these months was reported. Whilst the wind was very weak in 2006, in 2007 it was very strong. The influence of these observed weather conditions can be found in the results of energy consumption which decreased sharply (-12%).

For the first quarter 2007, hard coal consumption reached 5.7 mill. tons which is 0.6% under the use in the previous year. The higher demand of the steel industry could not equal the lower demand of the electricity supply industry.

In **Romania** hard coal production reached 3.4 Mill. tons in 2006. Currently there is a discussion about mining closures: until 2012 it is foreseen to close down 8 unprofitable hard coal mines. Nevertheless hard coal production shall increase.

Despite major reduction measures, hard coal production in **Poland** could be maintained on the same level as in previous years. The three major coal companies Kompania Weglowa, Katowice Capital Group and Jastrzebie Coal Company own totally 29 mines and produced around 95 mill. tons hard coal in 2006. According to the Polish energy strategy this level shall be maintained even for the years to come. Nevertheless it was announced that Poland imported 5 mill. tons of Russian hard coal.

	2007 (1-3)	2006 (1-3)
	Mio t = t	
Bulgaria	0.6	0.7
Czech Republic	3.3	3.6
Germany	6.3	5.8
Poland	23.5	25.2
Romania	0.7	0.7
Spain	2.8	2.9
United Kingdom	4.0	5.6
Total	41.2	44.5

Lignite production

During the first quarter 2007 European lignite production slightly decreased compared to the same period in 2006.

Although the **German** lignite production (59.1 mill. tons) and deliveries to public power stations were about 3.5 % lower in the first 4 months 2007 compared to the previous year, we expect for the total year results that are quite higher than in 2006. Currently the lignite industry has to face major difficulties concerning emissions reductions and the industry will claim a benchmark for lignite for the third trading period.

In the first quarter 2007 the **Polish** lignite output sank by some 10% compared to the previous year. In 2008 a new opencast mine will start production. The full production capacity of 33 mill. tons will be reached in 2012. Another project to realize an opencast mine is currently under discussion.

In **Bulgaria**, the three opencast mines of Mini Maritsa Iztok EAD produced 7. 6 mill. tons of lignite during the first four months of 2007.

In **Slovakia**, the economic trends are very positive. Nevertheless lignite production by HBP again decreased to 2 mill. tons in 2006 and shall only be stopped in 2010 in order to guarantee security of supply.

In **Romania** there is currently a discussion to privatize and modernize 3 lignite companies. 16 unprofitable opencast mines shall be closed down.

In **Hungary** there are no changes to observe. The future of domestic lignite production depends on the political and legal framework for power generation, which is currently being discussed. The role of domestic lignite seems not very favourable.

In **Greece** output for the year 2006 reached 64 mill. tons. For the first half year 2007 an output of 31.7 mill. tons is being expected. Since last year a new opencast mine has been built in Dimitrios Ypsilantis. The construction of the opencast mine in ‚Klidi‘ is almost finished and production will begin in the second half of 2007.

In the **Czech Republic** lignite production stays very stable and shall even increase in the first half year 2007 compared to 2006. Another positive information is, that the energy company CEZ started to renew 2 old lignite power plants. One new 660 MW block shall be built.

	2007 (1-3)	2006 (1-3)
	Mio t=t	
Bulgaria	7.6	5.9
Czech Republic	12.1	12.9
Germany	45.3	47.0
Greece	15.9	15.7
Hungary	2.6	2.9
Poland	13.8	16.3
Romania	7.0	7.9
Slovak Republic	0.8	0.8
Slovenia	1.1	1.2
Spain	1.9	2.0
Total	108.1	112.6

Hard coal imports

Coking coal

Against the background of a prosperous steel industry, coking coal imports into the EU slightly increased. The demand for import coke rose as well. The supply structure remained unchanged, based on Australia, Canada and the USA being the major actors.

Import prices are still historically high. The worldwide demand is growing but the supply side does not offer sufficient tonnages.

Steam coal

Steam coal imports decreased in the first quarter because of mild weather and a high availability of hydro and wind power.

CO₂-CERTIFICATES

The CO₂-certificates fell to near zero in the first half year.

The prices for the second trading period (2008-2012) are moving between 15-23 Euro/t CO₂ (see Graph 3).

Dark / Spark spreads in the UK and Germany

Gas became more competitive but due to the low prices for CO₂-certificates, clean spark/clean dark curves were almost identical.

Outlook

In 2007 coking coal imports are expected to increase slightly by 2-3 Mio. t. Steam coal imports will decrease by 4-5 Mio. t. Coke imports will rise as well by some 1-1.3 Mio. t. The total coal imports in 2007 will stay stable.

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	2006	61.89	70.30	72.45	74.49	71.87	72.21	71.98	81.38	80.56	75.48	79.33	81.03
(US\$ / tce)	2007	77.83	81.69	81.18	85.86	84.00	86.68	89.08					
Steam Coal	2006	51.13	58.89	60.27	60.70	56.28	57.08	56.75	63.53	63.30	59.86	61.59	61.33
(EUR / tce)	2007	59.87	62.48	61.29	63.52	62.16	64.59						
Source: VDKI, Mc Closkey													
fob-China		Coke (12.5%)											
USD / t	2006	124	132	134	134	137	165	187	178	155	156	174	174
	2007	172	175	182	208	233	276	277					
Source: Coal Americas													
Freight Rates (USD / t)													
R Bay/Rotterdam	2006	11.20	12.70	14.25	12.80	11.77	12.88	14.69	17.66	18.01	21.08	23.20	21.00
(Capesize)	2007	22.85	22.56	23.36	28.10	31.18	23.50	26.00					
Newcastle/Rotterdam	2006	16.65	17.60	19.85	18.10	19.18	20.23	22.41	26.36	27.74	31.25	35.05	34.42
(Capesize)	2007	35.76	35.56	38.05	45.23	48.89	39.44	43.50					
Bolivar/Rotterdam	2006	10.90	12.80	13.64	12.55	11.67	12.38	14.39	18.10	18.19	17.18	17.62	19.25
(Capesize)	2007	21.06	22.90	26.76	29.19	29.94	25.88	30.00					
Source: VDKI													
Currency Rates													
EUR/USD	2006	0.83	0.84	0.83	0.82	0.78	0.79	0.79	0.78	0.79	0.8	0.78	0.76
	2007	0.77	0.76	0.75	0.74	0.74	0.75	0.73					
ZAR/USD	2006	6.09	6.12	6.24	6.08	6.32	7.0	7.1	6.95	7.45	7.64	7.24	7.0
	2007	7.18	7.18	7.35	7.1	7.02	7.15	6.98					
AUD/USD	2006	1.33	1.35	1.38	1.36	1.31	1.35	1.33	1.31	1.32	1.33	1.29	1.27
	2007	1.28	1.28	1.26	1.21	1.21	1.19	1.17					
Source: Exchange rates download center													
Crude Oil (USD/Barrel)													
Crude Oil	2006	58.48	56.62	57.87	64.44	65.11	64.60	68.89	68.81	59.34	54.97	54.25	57.95
	2007	50.73	54.45	58.47	63.39	64.36	66.77	69.54					
Source: OPEC Basket Prices													

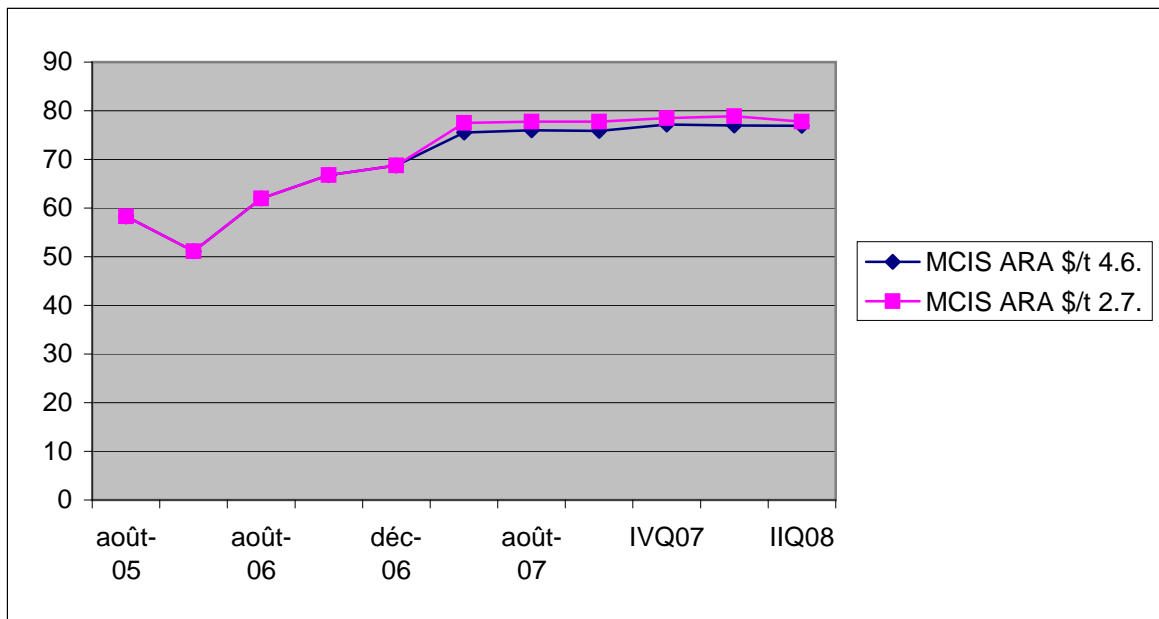
EURACOAL	WORLD SEABORNE COAL TRADE - STEAM COAL			TABLE 2
Exporting Countries	Period in 2007 (1-3) mill t	Period in 2006 (1-3) mill t	Diff. 2006/07 mill t	
PACIFIC				
Australia	29	27	2	
China	10	17	-7	
Indonesia	41	33	8	
Russia	4	2	2	
Vietnam	8	7	1	
SUB-TOTAL	92	86	6	
ATLANTIC				
Colombia	17	15	2	
Poland	1	3	-2	
Russia exc. CIS	12	18	-6	
South Africa	15	17	-2	
Venezuela	2	2	-	
Others	3	3	-	
SUB-TOTAL	50	58	-8	
TOTAL	142	144	-2	
incl. Anthracite and PCI-Coal				
Source: VDKI * preliminary figures				

EURACOAL	WORLD SEABORNE COAL TRADE - COKING COAL (inc. PCI-Coal)			TABLE 3
	Exporting Countries	Period in 2007 (1-3) mill t	Period in 2006 (1-3) mill t	Diff. 2006/07 mill t
	Australia	32	29	3
	Canada	6	6	–
	China	1	1	–
	Russia excl. CIS	1	1	–
	USA	8	7	1
	Others	2	2	–
	TOTAL	50	46	4
	Source: VDKI provis. Figures			
	COKE EXPORTS			
	China	4	3	1
	Coke World Market	8	7	1
	* preliminary figures Source: VDKI			

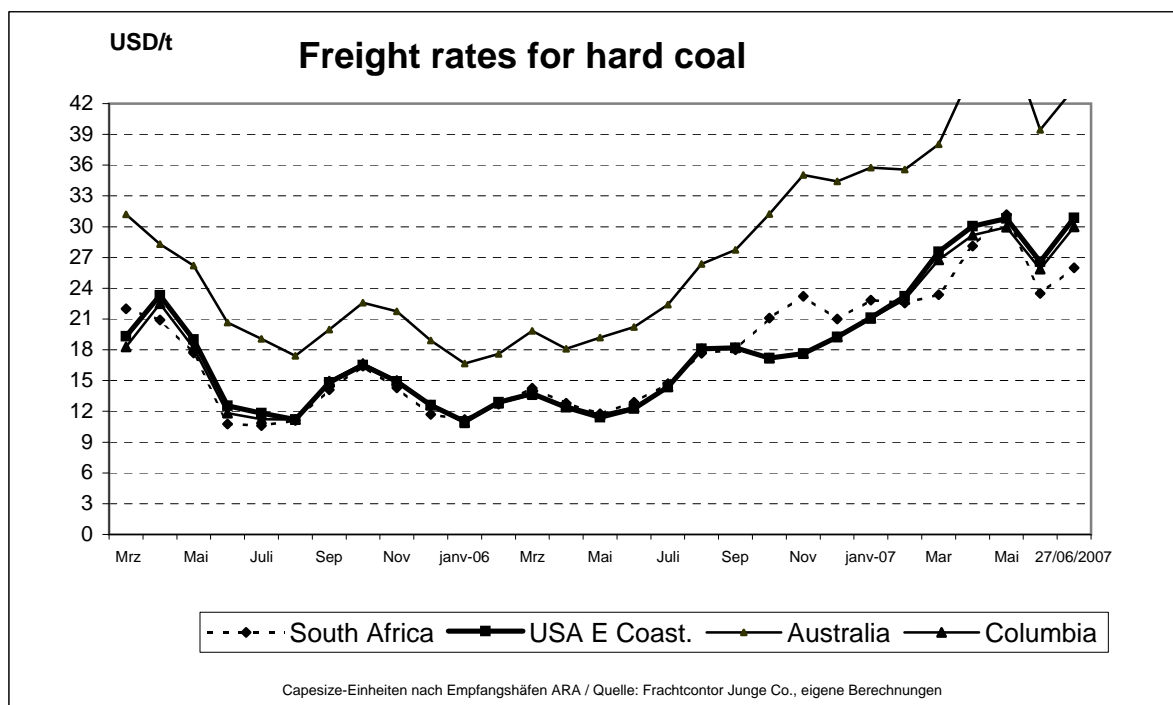
EURACOAL	CRUDE STEEL PRODUCTION IN EU-27 (in mill.t)		TABLE 4
	COUNTRY	2007 (1-3)	2006 (1-3)
	Austria	1.9	1.6
	Belgium	2.9	2.8
	Czech Republic	1.8	1.7
	Finland	1.3	1.2
	France	5.3	5.3
	Germany	12.3	11.2
	Greece	0.7	0.6
	Hungary	0.5	0.6
	Italy	8.3	7.9
	Luxembourg	0.7	0.8
	Netherlands	1.8	1.8
	Poland	2.7	2.4
	Romania	1.6	1.4
	Slovakia	1.3	1.3
	Slovenia	0.2	0.2
	Spain	4.8	4.2
	Sweden	1.5	1.5
	United Kingdom	3.6	3.5
	Others	1.0	0.5
	EU-27	54.2	50.5
	Turkey	6.1	5.5
	TOTAL	60.3	56.0
	Source: IISI		

EURACOAL	MARKET FIGURES EU-25			TABLE 4A
		2006 (1-12)	2005 (1-12)	
	Crude Steel Production (Mt)	198.6	186.4	
	Hard Coal Production (Mt)	161.6	170.4	
	Hard Coal and Coke Imports (Mt)	235.3	216.7	
	Lignite Production (Mt)	373.8	382.2	
	Sources: World Steel Org., CEMBureau, EURACOAL Members,			

EURACOAL	COAL BALANCE EU-27 (mill. t)						TABLE 5
COUNTRY	2007 (1-3) *			2006 (1-3)			
	H. C. Prod.	Lign. Prod.	H.C. Imports	H. C. Prod.	Lign. Prod.	H.C. Imports	
Austria	-	-	1.0	-	-	1.0	
Belgium	-	-	2.0	-	-	2.3	
Bulgaria	0.6	7.6	0.3	0.7	5.9	0.3	
Denmark	-	-	1.5	-	-	2.1	
Finland	-	-	1.5	-	-	1.8	
France	-	-	4.5	-	-	5.2	
Germany	6.3	45.3	10.5	5.8	47.0	11.5	
Greece	-	15.9	-	-	15.7	0.2	
Ireland	-	-	0.5	-	-	0.8	
Italy	-	-	6.0	-	-	6.5	
Netherlands	-	-	3.0	-	-	3.0	
Portugal	-	-	1.0	-	-	1.4	
Spain	2.8	1.9	6.0	2.9	2.0	6.8	
Sweden	-	-	0.5	-	-	0.6	
United Kingdom	4.0	-	11.8	5.6	-	12.3	
Czech Republic	3.3	12.1	0.6	3.6	12.9	0.5	
Hungary	-	2.6	0.5	-	2.9	0.4	
Poland	23.5	13.8	3.0	25.2	16.3	1.0	
Romania	0.7	7.0	0.7	0.7	7.9	0.7	
Slovakia	-	0.8	1.2	-	0.8	1.3	
Slovenia	-	1.1	-	-	1.2	-	
Others	-	-	-	-	-	0.5	
EU-27	41.2	108.1	56.1	44.5	112.6	60.2	
Sources: EURACOAL Members * preliminary figures							



source: VDKI



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

source: VDKI

