

Solid Energy says coal export prices could double this year

10 March 2008 - Solid Energy is expecting export prices for both coking and thermal coals to possibly double in price from July this year as world coal prices boom and supplies tighten.

Barry Bragg, chief operating officer for Solid Energy, said in an interview that he expects contract coking coal prices to as much as double from last year's US\$95 a tonne to about US\$190 a tonne.

He said contract thermal coal prices were likely to rise from US\$50 a tonne to about US\$100 a tonne.

Spot prices for both types of coal had increased about two and a half times since November 2007 after severe snowstorms and power shortages in China led Beijing to suspend coal exports for at least two months. This was followed by severe floods in coal fields in Queensland — which produces about 50% of world's seaborne trade of coking coal. The floods filled to the brim some open pit mines trapping huge draglines. Some major coal exporting companies in the state have been forced to declare force majeure clauses because they are unable to deliver on their contracts.

South Africa was also forced to cut coal exports after severe electricity shortages.

Mr Bragg said there has also been a high world demand for coal for both steelmaking and the thermal power market.

How the high spot prices will translate into prices this year for contract coal — which is the way most of the world's traded coal is sold — was a matter of conjecture, he said.

World benchmark contract prices would be set over the next month or so in negotiations between the large exporters of Australian coal and Japanese steel companies.

Mr Bragg said Solid Energy would negotiate prices with coal buyers after that but would not see the benefit of any higher prices until July.

The company took the impact of 15% lower prices in the current 2007-2008 year together with a stronger New Zealand dollar.

Solid Energy should also benefit in the coming year from increased export volumes with production from the underground Spring Creek mine near Greymouth scheduled to reach 800,000 tonnes a year.

Solid Energy's exports consist of 60% hard coking coal, 30% semi-soft coking coal and 10% thermal, Mr Bragg said.