EURACOAL

European Association for Coal and Lignite AISBL

EURACOAL Market Report 1/2007

February 2007

WORLD MARKET

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

World Market Coal

	1 - 12 2006	1 - 12 2005	Difference
	Mio t=t		
Steam coal	564	525	+39
Coking coal	184	188	-4
Total	**748**	**713**	**+35**

The total seaborne coal market increased by 35 Mio t or 5 % in 2006. The figures will grow further, as the estimates for Indonesia and Vietnam are rather low.

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 Indonesia (from the Pacific side).

a) Pacific Market supply

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

	1 - 12 2006	1 - 12 2005	Difference
Exporting countries	Mio t=t		
Australia	111	107	+4
China[1]	59	67	-8
Indonesia[2]	147	117	+30
Russia	12	11	+1
Vietnam[3]	21	16	+5
Total	**350**	**318**	**+32**

1 incl. Anthracite
2 official figures (estimate for 2005 129 Mio t, for 2006 170 Mio t)
3 unofficial but more realistic figures (18 Mio t in 2005; 28 Mio t in 2006)

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Indonesia and Vietnam are pushing their exports. China reduced its exports by 8 Mio t and increased its imports by nearly 15 Mio t (steam coal and anthracite), that means that the other exporters have to fill the gap of 23 Mio t. That has mainly been done by Indonesia and Vietnam.

b) Atlantic Market supply

	1 - 12 2006	1 - 12 2005	Difference
Exporting countries	**Mio t=t**		
Colombia	58	54	+4
Poland	7	10	-3
Russia	59	52	+7
South Africa	68	70	-2
Venezuela	8	8	-
Others	14	13	+1
Total	**214**	**207**	**+7**

The Atlantic supply market also saw a disappointing evolution in the first six months of 2006 but could make up tonnage in the second half of the year.

c) Coking coal supply (see Table 3)

	1 – 12 2006	1 - 12 2005	Difference
Exporting countries	**Mio t=t**		
Australia	126	126	-
China	4	5	-1
Canada	23	25	-2
Russia	5	5	-
USA	21	22	-1
Others	5	5	-
Total	**184**	**188**	**-4**

In total coking coal seaborne exports were decreasing in 2006 by 4 Mio t.

China reduced its coking coal imports from the seaborne World Market further. Partially still high stocks of coking coal at the consumer sites have to be reduced to normal levels pushing down demand.

The market for coke is picking up in 2006. China is reporting stronger exports because of good availability and therefore exported nearly 15 Mio t.

d) Price evolution (see Table 1)

Steam coal

The fob-price for South African coal is still floating between 48 - 52 US$/t. The strike in Columbia had only a limited influence on prices. The prices of gas increased further and were enlarging the competitive advantage of international steam coal in the European countries.

Coking coal / Coke

Coking coal was stable at high levels for hard-coking coal throughout the year. The coke price fob – China increased slightly in July / August but decreased by 17-20 US$/t at the end of the year to reach 160-170 US$ /t fob-China (coal with 12,5% ash-coke).

Freight

The freight rates were relatively stable until the middle of the year. The benchmark freight rates for cape-sized bulk carriers from Richards Bay to Rotterdam were floating in a range between 10 – 15 US$/t in the first half year. Since then, freight rates increased and are currently at high levels between 20-24 US$/t.

EUROPEAN MARKET

General economic trends

The EU-25 economy is growing at a higher rate than in 2005. In total, a higher energy consumption is to be expected.

Coal industry

Total coal consumption in EU-25 remained stable. Decreasing domestic hard coal production was replaced by imports.

	2006 (1-12)	**2005 (1-12)**
	Mio t (t = t)	
Domestic hard coal	161.6	170.4
Hard coal imports**	235.3	216.7
Lignite	373.8	382.2
Total	**770.7**	**769.3**

** including coke

Hard coal

In Austria - Coal imports amounted to 4 Mio t. The transport problems due to low water in the Danube still persist. Austria has a new Government, but even if there are no representatives from the Green Party, the whole Government seems to "talk green". The initiative to build a new coal-fired power plant was therefore stopped without giving arguments.

Czech Republic - The total coal production reached 62 Mio t in 2006, of which 13 Mio t of hard coal.

France – Primary energy consumption stayed stable at 265 Mio toe. Net hard coal imports amounted to 20.7 Mio t (compared to 20.6 Mio t in 2005). During the eleven months of 2006 the stocks increased by 1.8 Mio t to 6.8 Mio t, representing 4 months of total consumption.
A tax on coal consumption, transposing the EU-Directive 2003/96/CE into French law, was created. The rate was fixed at 1.19€/MWh. The tax will be applied from 1st July onwards. As several sectors, such as the power or the steel industry, are exempted from the tax, it won't have a significant impact on coal use.

Germany – German energy consumption rose slightly in 2006. Mineral oil consumption increased by 0.2% with a total share of 35%. Natural gas consumption increased by 1.5% and coal consumption increased by 1.7%. Lignite consumption fell by 1.5%. The generation from nuclear energy rose by 2.7%. The share of renewable energies in the total primary energy consumption amounted to 5.3% (compared to 4.7% in 2005).
Total indigenous hard coal production amounted to 21.4 Mio t (4.2 Mio t less than in 2005). Employment rate fell by 2200 to 32500. Imports reached between 45.8 Mio t, which could be a record figure for German hard coal imports.

The Netherlands – Coal consumption stayed stable, of the 12 Mio t which were imported some 9 Mio t went for power generation. The announced merger of Essent (55%) and Nuon (45%) is still not concluded, the two companies are waiting for the green light. With regards to the liberalisation of the EU-electricity market, it is possible that the two companies will have to make their power available to other companies, to avoid monopoly.

Poland – Hard coal production again reached almost the level of 94 Mio t. 17 Mio t of this coal is exported, mostly to the other EU Member States. Nevertheless there's a logistic problem about export: the harbours are located in the Northern part of the country, whilst the mines lay in the Southern part. Transporting the coal over the entire country increases the price considerably. In addition, low import coal prices push the companies to rather buy imported cheap coal. Coke production amounted to 15 Mio t, 5 Mio t were exported.

Spain – Hard coal production is slightly decreasing and reached some 11 Mio t.

United Kingdom – British production again did not reach the 20 Mio t level. Even if production was expected to rise in 2007, the beginning of the year was rather disappointing. 2006 was a year of huge coal burn, as gas became too expensive. Coal imports therefore reached new records of about 49 Mio t. The future of coal-fired generation is nevertheless uncertain; companies have investment plans, but are waiting for clear and long-term framework given by the government to start new projects.

	2006 (1-12)	**2005 (1-12)**
	Mio t = t	
Czech Republic	13.4	13.2
Germany	23.8	28
Poland	94.4	97
Spain	11	12.2
United Kingdom	19	20
Total	**161.6**	**170.4**

Lignite production

During the first half year of 2006 European lignite production stated stable compared to the same period in 2005.

Czech Republic – The total lignite production reached 48.7 Mio t in 2006. The lignite company in Chomutov produced 47% of the total lignite output, Most 32% and Sokolov 21%. The main topics discussed for the moment are the production limits for lignite, the forthcoming eco-tax and the NAP II. The new Government already announced that it wants to maintain the production limits and it also took a disapproving position towards the construction of new nuclear blocs. The power industry hopes that independent energy experts will rationally analyse the energy needs of the country and change the government's views.

Germany – Lignite output stayed almost stable compared to the previous year (-0.9%) with 176.3 Mio t. The output in the different coalfields was nevertheless very different: the output in the Rhineland amounted to more that 96 mill Mio t (- 1%), in Lusatia, the production fell by 2% to some 58 Mio t and in Central Germany the output substantially exceeded 2005 levels, rising by 7% to over 20 Mio t. In Helmstedt, production dropped to just under 2 Mio t **.**
Over 90% of German lignite production was used for power generation; deliveries to public power stations fell by 1.4% (160.0 Mio t) due to scheduled and unscheduled outages at power plants.
On account of the high energy prices, the overall output of processed products in 2006 exceeded the 2005 level, which was already high. In the case of pulverised lignite (+8%), briquettes (+ 12%) and coke (+ 4%), the output was higher, whilst the production of fluidised bed fuel (- 6%) was lower than in 2005. The number of employees stayed almost stable.

Greece – Lignite production in 2006 reached 64.2 Mio t (+8%), nevertheless the lignite share in indigenous power production fell by 9% (30 GW). The Mavropigi lignite field continues its development. In the Ptolemais region, a new lignite mine is being prepared to open as well.

Hungary – Lignite production stayed stable at some 10 Mio t. Hard coal and lignite have a share of round 15% in the primary energy consumption, oil and gas account for more than 70%.

Poland – Lignite production reached 61.3 Mio t, manpower was reduced by some 4-5%. News from the regions: in Belchatow, the opening of a new pit is still under construction and it will normally be operational in 2008. In the Konin area a new pit became operational in 2006. The extracted lignite was supplied to the nearby power plant.

	2006 (1-12)	2005 (1-12)
	Mio t=t	
Czech Republic	48.7	49
Germany	176.3	178
Greece	64.2	69.1
Hungary	9.6	9.6
Poland	61.3	61.9
Slovak Republic	2.1	2.5
Slovenia	4.6	4.6
Spain	7.0	7.5
Total	**373.8**	**382.2**

Hard coal imports

Coking coal

In 2006, coking coal imports were steady and will, according to first estimates, reach the level of 2005 imports. The supply structure remained in principle the same as in 2005, with Australia being the leading supplier of coking coal. No shortages are to be seen currently. Prices for hard-coking coal were on high level, but could decrease in 2007.

Steam coal

High gas prices and cold weather in the first quarter pushed the demand for steam coal, especially in Germany and the UK, where considerable increases of imports are reported. The hot summer also put coal in a favourable position. Since then, the mild weather reduced steam coal demand. Altogether, an increase of 12-14 Mio t of imported steam coal can be expected for 2006.

CO_2-CERTIFICATES

Graphic 3 shows the price evolution of CO_2-certificates. In the first quarter and further until end of April, the prices remained at high levels. With the information end of April about sufficient CO_2-certificates, the price was falling from 30 Euro/t CO_2 to 8 Euro /t CO_2. Since then, prices have recovered. The cold first quarter has created additional demand for coal. Against the background of still high prices for gas, additional demand for CO_2-certificates to burn coal is on the market. End of October 2006, the prices for CO_2-certificates fell under 10 Euro / t CO_2. Beginning of 2007, the prices sank even more and came close to 1 Euro/t CO_2.

Dark / Spark spreads in the UK and Germany

In the first half of the year, coal-burn was more profitable than gas–burn in power stations both in Germany and in the UK. Normally gas prices fall in the summer period but this has not happened so far. Only by September / October the Spark was higher than the Dark. During winter, coal was again at an advantage.

Outlook

In 2007, the coking coal and coke imports are expected to stay stable. Mild weather and good hydro power availability are expected to be responsible for a decrease in steam coal imports.

Regarding CO_2 emissions trading, the prices are expected to remain at a level of 14 Euro/t CO_2 for the second trading period (2008-2012). For 2007 prices could even go to zero.

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	**2005**	84.23	75.37	77.06	78.24	77.91	71.75	70.93	68.02	67.49	64.05	60.38	59.62
(US$ / tce)	**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
Steam Coal	**2005**	69.59	57.91	58.37	60.47	61.38	58.98	59.60	56.51	55.07	53.31	51.23	50.29
(EUR / tce)	**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
Source: VDKI, Mc Closkey													
fob-China				**Coke (12.5%)**									
USD / t	**2005**	270	275	250	220	225	225	198	182	164	130	115	123
	2006	124	132	134	134	137	165	187	178	155	156	174	174
Source: Coal Americas													
Freight Rates (USD /t)													
R Bay/Rotterdam	**2005**	18.9	20.6	22	20.9	17.7	10.75	10.61	11.1	14.1	17.7	14.9	12.2
(Capesize)	**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
Newcastle/Rotterda	**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
(Capesize)	**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
Bolivar/Rotterdam	**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
(Capesize)	**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
Source: VDKI													
Currency Rates													
EUR/USD	**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
	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
ZAR/USD	**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
	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
AUD/USD	**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
	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
Source: Exchange rates download center													
Crude Oil (USD/Barrel)													
Crude Oil	**2005**	40.24	41.68	49.07	49.63	46.96	52.04	53.13	57.82	57.88	54.63	51.29	52.65
	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
Source: OPEC Basket Prices													

EURACOAL	WORLD SEABORNE COAL TRADE - STEAM COAL			TABLE 2

Exporting Countries	Period in 2006 (1-12) mill t	Period in 2005 (1-12) mill t	Diff. 2005/06 mill t
PACIFIC			
Australia	111	107	4
China	59	67	–8
Indonesia *	147	117	30
Russia *	12	11	1
Vietnam *	21	16	5
SUB-TOTAL	**350**	**318**	**32**
ATLANTIC			
Columbia	58	54	4
Poland	7	10	–3
Russia exc. CIS	55	52	7
South Africa	68	70	–2
Venezuela	8	8	0
Others	14	13	1
SUB-TOTAL	**210**	**207**	**8**
TOTAL	**560**	**525**	**40**

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 2006 (1-12) mill t	Period in 2005 (1-12) mill t	Diff. 2005/06 mill t
Australia	126	126	0
Canada	23	25	–2
China	4	5	–1
Russia excl. CIS	5	5	0
USA	21	22	–1
Others	5	5	0
TOTAL	**184**	**188**	**–4**
Source: VDKI provis. Figures			
COKE EXPORTS			
China	15	13	2
Coke World Market *	31	28	3

* preliminary figures
Source: VDKI

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

COUNTRY	2006 (1-12)	2005 (1-12)
Austria	7.1	7.0
Belgium	11.7	10.3
Czech Republic	6.9	6.2
Finland	5.1	4.7
France	19.9	19.5
Germany	47.2	44.5
Greece	2.4	2.3
Hungary	2.0	2.0
Italy	31.6	29.1
Luxembourg	2.8	2.7
Netherlands	6.4	6.9
Poland	10.0	8.6
Slovakia	5.1	4.5
Slovenia	0.6	0.6
Spain	18.3	17.8
Sweden	5.5	5.7
United Kingdom	14.0	13.2
Others	2.0	1.2
EU-25	198.6	186.4
Romania	6.3	5.7
Turkey	23.3	21.0
TOTAL	228.2	213.1

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,

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COAL CONSUMPTION EU-25 (mill. t)

TABLE 5

COUNTRY	2006 (1-12)			2005 (1-12)		
	H. C. Prod.	Lign. Prod.	H.C. Imp.*	H. C. Prod.	Lign. Prod.	H.C. Imp.
Austria	–	–	4.0	–	–	4.1
Belgium	–	–	9.0	–	–	10.0
Denmark	–	–	8.5	–	–	5.5
Finland	–	–	7.0	–	–	5.2
France	–	–	20.7	–	–	20.5
Germany	23.8	176.3	45.8	28.0	178.0	40.0
Greece	–	64.2	0.8	–	69.1	0.7
Ireland	–	–	3.0	–	–	2.5
Italy	–	–	26.0	–	–	25.6
Netherlands	–	–	12.0	–	–	13.0
Portugal	–	–	5.7	–	–	5.3
Spain	11.0	7.0	27.0	12.2	7.5	26.2
Sweden	–	–	2.4	–	–	2.7
United Kingdom	19.0	–	49.0	20.0	–	43.8
Czech Republic	13.4	48.7	1.9	13.2	49.0	1.0
Hungary	–	9.6	1.5	–	9.6	0.5
Poland	94.4	61.3	4.0	97.0	61.9	2.0
Slovakia	–	2.1	5.0	–	2.5	5.6
Slovenia	–	4.6	–	–	4.6	–
Others	–	–	2.0	–	–	2.0
EU-25	**161.6**	**373.8**	**235.3**	**170.4**	**382.2**	**216.7**

Sources: EURACOAL Members

* exact import figures per country partly not yet available monthly estimations

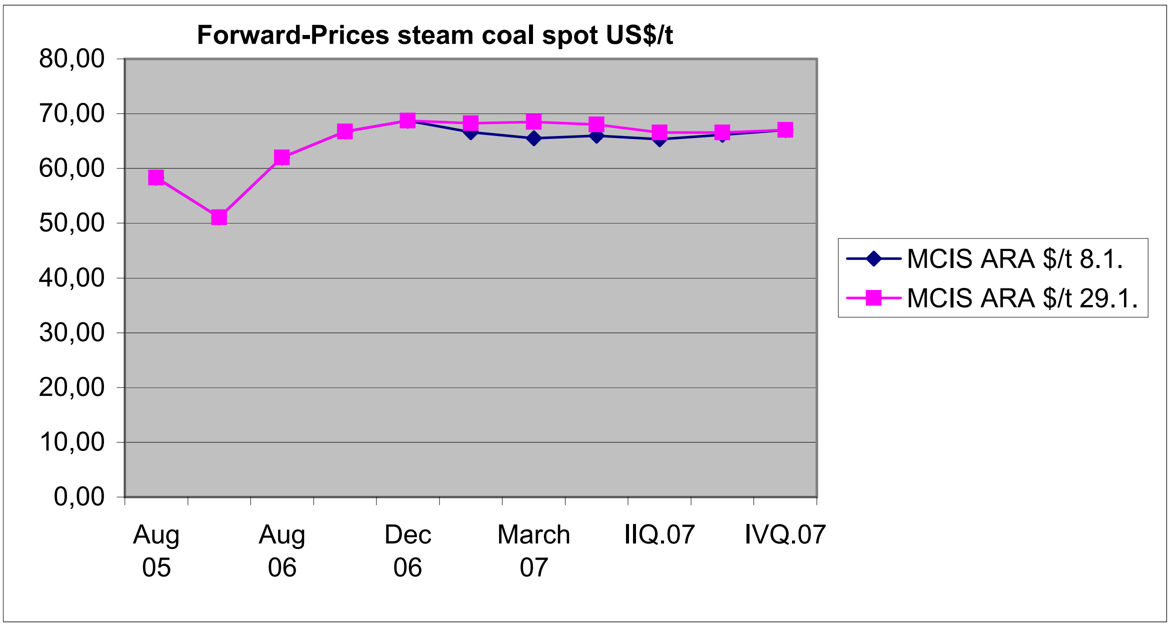
EURACOAL	COKING COAL IMPORTS TO EU-25 (in Mio t)							TABLE 6
	Exports from:	Australia	Canada	USA	Poland	Russia	TOTAL	2005
		2006 (1-12)	2006 (1-12)	2006 (1-12)	2006 (1-12)	2006 (1-12)	2006 (1-12)	(1-12)
	Imports to:							
	Austria							2.0
	Belgium							2.0
	Czech Rep.							0.5
	Finland							1.0
	France							7.0
	Germany							7.1
	Hungary							–
	Italy							9.0
	Netherlands							4.5
	Slovakia							–
	Slovenia							–
	Spain							4.0
	Sweden							2.0
	UK							6.0
	Others							1.7
	TOTAL							**46.8**

Details are presently not available

EURACOAL	STEAM COAL IMPORTS TO EU-25 (in Mio t)								TABLE 7
	Exports from:	Poland	Colombia	S Africa	Russia	Indonesia	Others	TOTAL	2005
		2006 (1-12)	2006 (1-12)	2006 (1-12)	2006 (1-12)	2006 (1-12)	2006 (1-12)	2006 (1-12)	(1-12)
	Imports to:								
	Austria	1.2	–						2.1
	Belgium	0.3							8.0
	Czech Rep.	0.6							0.6
	Denmark	0.5	2.0						5.2
	Finland	0.5	0.2						3.5
	France	0.8	3.3						13.5
	Germany	6.2	5.0						31.2
	Greece		0.1						0.7
	Hungary	0.3							0.5
	Ireland	0.2	1.1						2.5
	Italy	0.3	2.0						15.5
	Netherlands	0.3	4.6						8.5
	Poland								2.0
	Portugal		3.0						3.5
	Slovakia	1.0							5.6
	Slovenia		0.2						1.2
	Spain	0.2	1.5						20.7
	Sweden	0.3							0.7
	UK	1.0	2.2						38.1
	Others								1.2
	TOTAL								164.8

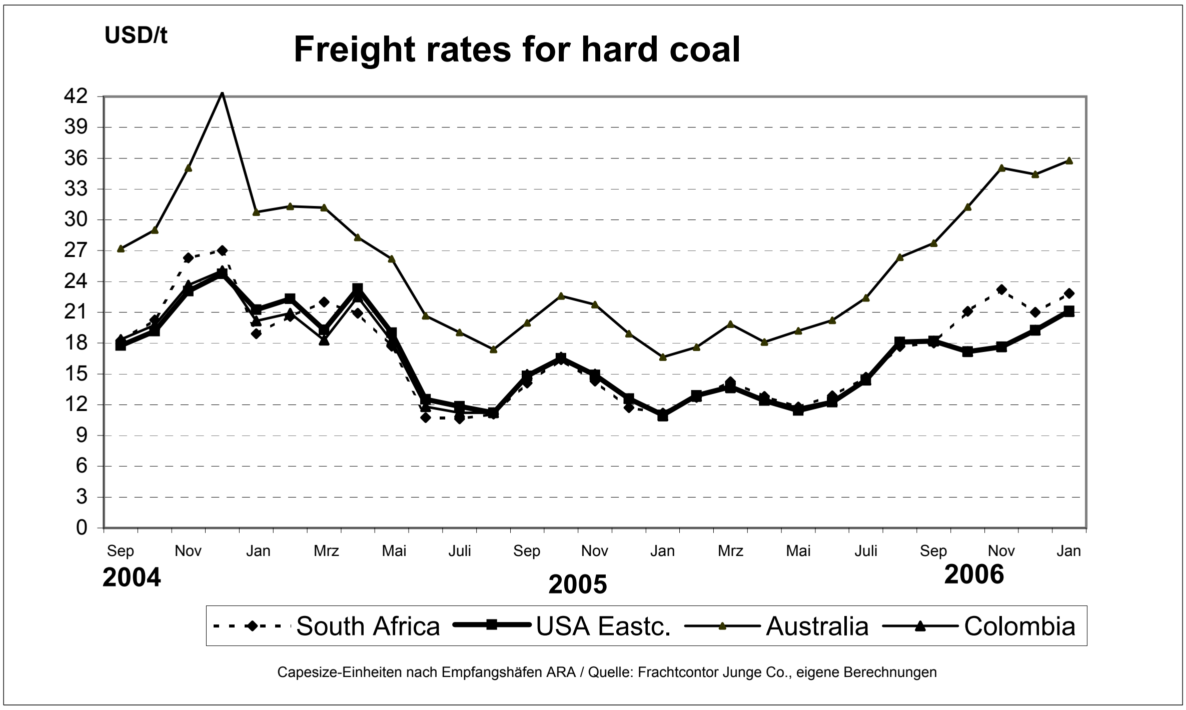
Source: VDKI; preliminary, partly estimated figures
Further details are presently not available

EURACOAL	Forward Prices	GRAPHIC 1



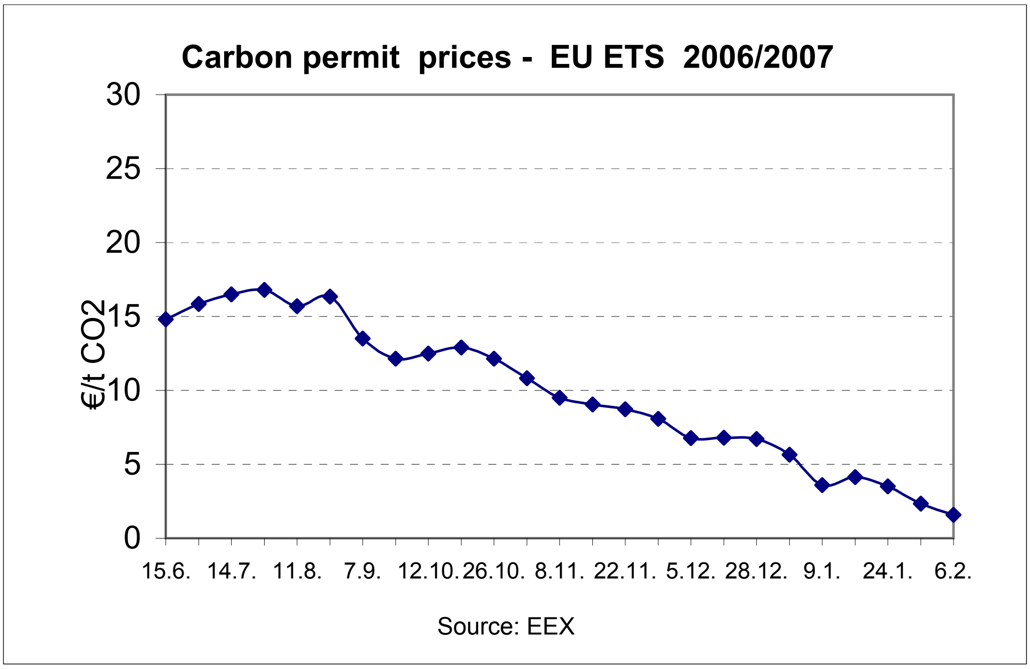
source: VDKI

EURACOAL	Freight rates Capesize to ARA (USD)	GRAPHIC 2



source: VDKI

EURACOAL	Carbon permit prices - EU ETS	GRAPHIC 3



EURACOAL	Weekly avarage Sparks and Darks Germany	GRAPHIC 4