EURACOAL
European Association
for Coal and Lignite
AISBL

Euracoal Market Report 3/2006

November 2006

WORLD MARKET

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

World Market Coal

	Mio t		
	1 - 6 2006	**1 - 6 2005**	**Difference**
Steam coal	272	258	+ 14
Coking coal	94	101	- 7
Total	**366**	**359**	**+ 7**

The total seaborne coal market increased by 7 Mio t or only 2 % in the first half year. The growth rate most probably will not be representative for the whole year. We expect a stronger growth of 4 % for the total year.

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:

Exporting countries	**Mio t**		
	1 - 6 2006	**1 - 6 2005**	**Difference**
Australia	57	54	+ 3
China	30	34	- 4
Indonesia	69	55	+ 14
Russia	4	4	---
Vietnam	10	8	+ 2
Total	**170**	**155**	**+ 15**

Avenue de Tervueren 168 Bte 11 ■ B-1150 Brussels ■ Belgium
Tel. +32 (0) 2 775 31 70 ■ Fax +32 (0) 2 771 41 04 ■ e-mail euracoal@euracoal.org
www.euracoal.org

Indonesia and Vietnam are pushing their exports while China is reducing its exports by 4 Mio t and increasing its imports by nearly 5 Mio t (steam coal and anthracite), that means that the other exporters have to fill a gap of 9 Mio t.

b) Atlantic Market supply

Exporting countries	**Mio t**		
	1 - 6 2006	**1 - 6 2005**	**Difference**
Columbia	27	27	---
Poland	5	7	- 2
Russia	29	27	+ 2
South Africa	31	32	- 1
Venezuela	4	4	---
Others	6	6	---
Total	**102**	**103**	**- 1**

The Atlantic supply market also saw a disappointing evolution in the first six months of 2006. Columbia and South Africa were well behind their export targets. In the second half year we expect stronger exports from these countries.

c) Coking coal supply (see table 3)

Exporting countries	**Mio t**		
	1 – 6 2006	**1 - 6 2005**	**Difference**
Australia	60	64	- 4
China	2	3	- 4
Canada	12	13	- 1
Russia	5	5	---
USA	11	12	- 1
Others	4	4	---
Total	**94**	**101**	**- 7**

In total coking coal seaborne exports were shrinking in the first half of the year by 7 Mio t. At best the coking coal market will reach the level of 2005, but most probably will decrease in 2006.

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

The market for coke is picking up in 2006. China is reporting stronger exports because of good availability.

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 first half year in the European countries.

Coking coal / Coke

Coking coal was stable at high levels for hard-coking coal. The coke price fob – China increased slightly in July / August but came down again to 150 US$ /t fob-China for 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 carrier from Richards Bay to Rotterdam were floating in a range between 10 – 15 US$/t in the first half year. Since then, freight rates increased and are presently (11/06) standing at 24 US$ / t.

EUROPEAN MARKET

General economic trends

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

Coal industry

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

	2006 (1-6)	**2005 (1-6)**
	Mill. t (t = t)	
Domestic hard coal	83.4	85.2
Hard coal imports**	118	111
Lignite	187.5	187.6
Total	**385.9**	**383.8**

*preliminary
** including coke

Hard coal

In Austria the new government supports research projects on new coal technologies. Nevertheless, it would be difficult to increase coal imports to Austria, as the transport possibilities (train and ship) are limited. Bottlenecks between Austria and Hungary, such as Bavaria and Austria, are current and to avoid them it would be necessary to lower the river beds to allow bigger ships to pass.

Czech Republic – In the first half year 2006 the gross production of hard coal increased slightly compared to the same period in 2005 and reached 7.2 million tonnes. The increasingly expensive natural gas is making retail customers return to coal use.

In the first quarter 2006 hard coal production grew slightly and represented 3.6 million tonnes.

France – As the last mine was closed in 2004, hard coal production only comes from recovery (331 kt for the first 7 months of 2006). Net hard coal imports stayed stable and reached 12.2 million tonnes for the first 7 months of 2006. Therefore the main news in the first half 2006 were certainly the Lucenay project in the Nièvre department in Central France, where a new coalfield was discovered with reserves estimated at 250 million tonnes. A coal-fired power plant with a total capacity of 1000 MW will be built near the coalfield. Another coal-fired power plant with a capacity of 800 MW will be constructed at the Port du Havre.

Germany – Indigenous hard coal production fell by 4 million tonnes due to further mine closures but also technical problems.

The Netherlands – The Dutch government will dredge the access to the ports to allow capesize ships to come in. The annual coal imports should increase by 2 to 3 million tonnes by 2011. The Dutch electricity company NUON has chosen a site in the North East Netherlands for its 1200 MW multi-fuel power station. The investment of about 1 billion Euros includes gasification (Shell licence) of coal and biomass, with the opportunity to burn natural gas as well.

Poland – There are 33 active mines (of which 5 coking coal mines) grouped in three major companies. New investments are nevertheless needed, especially in the coking coal mine, to maintain production. The plans for coal gasification and liquefaction projects would certainly be a chance to maintain indigenous coal production, which for the first half year 2006 stayed on the same level as in 2005.

Spain – Hard coal production is slightly decreasing and reached some 5.8 million tonnes for the first half year of 2006.

United Kingdom – Production for the first half of 2006 reached 10.5 million tonnes. Imports reached 25 million tonnes, which represents a total of 36 million tonnes (30.9 million tonnes for power generation and 3.5 million tonnes for coke ovens). Small ports in the UK are being reopened and small boats are bringing Russian coal to the UK.

	2006 (1-6)	**2005 (1-6)**
Czech Republic	7.2e	6.3
Germany	9.9	12.8
Poland	50.0e	50.0
Spain	5.8e	6.1
United Kingdom	10.5	10.0
Total	**83.4**	**85.2**

Lignite production

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

Czech Republic – As expected, 22 million tonnes of lignite were extracted by the three brown coal companies, i.e. MUS, SD and SU.

Germany – During the first 6 months, primary energy consumption increased by nearly 3%, due to the cold weather in winter. Lignite production decreased by 1 % due to the lower availability of lignite power plants. Output of processed products increased as in the previous year. Briquette production increased by 16%, pulverised lignite by 8%, coke by 2%.

Poland – The privatisation process of the formerly state-owned collieries which merged in the BOT group is still going on. 30% of the collieries are still state-owned and the Government has approved a plan for further consolidation. A number of distribution companies have merged. The lignite production could be maintained at the same level as in the previous year and reached 30.8 million tonnes.

	2006 (1-6)	**2005 (1-6)**
Czech Republic	22.0	22.0
Germany	89.2	88.4
Greece	32.2	34.2
Hungary	5.8e	5.3
Poland	30.8	30.3
Slovak Republic	1.1	1.3
Slovenia	2.4e	2.3
Spain	4.0e	3.8
Total	**187.5**	**187.6**

Hard coal imports

Coking coal

In the first half of 2006 coking coal imports were steady. 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.

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.

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 the price has 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.

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 as well as in Germany as in 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.

Outlook

The cold first quarter in Europe and hot summer months could create some additional coal-imports into Europe, because power demand will rise. The international steam coal will serve again as the swing supplier of primary energy for the utility sector. The steel industry is in a stable position.
In total we expect:

- more steam coal imports
- stable coking coal imports
- increasing coke 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	**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
(USD / t)	**2006**	54.28	60.62	64.60	63.75	60.10	61.50	60.80	58.30	57.85			
Steam Coal	**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
(EUR / t)	**2006**	45.05	50.92	53.62	52.28	46.88	48.56	50.30	47.07	46.13			

Source: VDKI, Mc Closkey

Coke (12.5%)

fob-China

		Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
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	152		

Source: Coal Americas

Freight Rates (USD /t)

		Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
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			
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			
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			

Source: VDKI

Currency Rates

		Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
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		
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	7.65		
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		

Source: Exchange rates download center

Crude Oil (USD/Barrel)

		Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
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	

Source: OPEC Basket Prices

EURACOAL	WORLD SEABORNE COAL TRADE - STEAM COAL			TABLE 2
	Exporting Countries	**Period in 2006 (1-6) mill t**	**Period in 2005 (1-6) mill t**	**Diff. 2005/06 mill t**
	PACIFIC			
	Australia	57	54	3
	China	30	34	? 4
	Indonesia	69	55	14
	Russia	4	4	0
	Vietnam	10	8	2
	SUB-TOTAL	170	155	15
	ATLANTIC			
	Columbia	27	27	0
	Poland	5	7	? 2
	Russia exc. CIS	29	27	2
	South Africa	31	32	? 1
	Venezuela	4	4	0
	Others	6	6	0
	SUB-TOTAL	102	103	? 1
	TOTAL	**272**	**258**	**14**

incl. Anthracite and PCI-Coal
Source: VDKI

EURACOAL	WORLD SEABORNE COAL TRADE - COKING COAL (inc. PCI-Coal)			TABLE 3
	Exporting Countries	**Period in 2006 (1-6) mill t**	**Period in 2005 (1-6) mill t**	**Diff. 2005/06** mill t
	Australia	60	64	– 4
	Canada	12	13	– 1
	China	2	3	– 1
	Russia excl. CIS	5	5	0
	USA	11	12	– 1
	Others	4	4	0
	TOTAL	**94**	**101**	– 7
	Source: VDKI			
	COKE EXPORTS			
	China	7	7	0
	Coke World Market *			

* not available
Source: VDKI

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

COUNTRY	2006 (1-6)	2005 (1-6)
Austria	3.5	3.7
Belgium	5.6	5.5
Czech Republic	3.6	3.2
Finland	2.5	2.5
France	10.6	10.2
Germany	23.3	22.9
Greece	1.3	1.2
Hungary	1.1	0.9
Italy	15.8	15.2
Luxembourg	1.4	0.9
Netherlands	3.7	3.5
Poland	4.9	4.3
Slovakia	2.6	2.4
Slovenia	0.3	0.3
Spain	9.2	9.4
Sweden	2.8	3.1
United Kingdom	7.2	6.8
Others	0.9	0.9
EU-25	100.3	96.9
Romania	2.9	3.0
Serbia-Montenegro	0.9	0.6
Turkey	11.3	10.2
TOTAL	115.4	110.7

Source: IISI

EURACOAL	MARKET FIGURES EU-25		TABLE 4

	2006 (1-6)	2005 (1-6)
Crude Steel Production (Mt)	**100.3**	**96.9**
Hard Coal Production (Mt)	**83.4**	**85.2**
Hard Coal Imports (Mt)	**118.0**	**111.0**
Coke Imports (Mt)		
Lignite Production (Mt)	**187.5**	**187.6**

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

EURACOAL	COAL CONSUMPTION EU-25 (mill. t)	TABLE 5

COUNTRY	2006 (1-6)			2005 (1-6)		
	H. C. Prod.	Lign. Prod.	H.C. Imp.*	H. C. Prod.	Lign. Prod.	H.C. Imp.
Austria	–	–	1.5	–	–	2.0
Belgium	–	–	2.6	–	–	5.0
Denmark	–	–	3.4	–	–	2.8
Finland	–	–	4.1	–	–	2.6
France	–	–	12.6	–	–	12.9
Germany	9.9	89.2	20.0	12.8	88.4	20.0
Greece	–	32.2	0.2	–	34.2	0.4
Ireland	–	–	1.7	–	–	1.2
Italy	–	–	13.6	–	–	12.8
Netherlands	–	–	8.6	–	–	4.9
Portugal	–	–	2.3	–	–	2.6
Spain	5.8e	4.0e	8.6	6.1	3.8	0.6
Sweden	–	–	1.8	–	–	1.2
United Kingdom	10.5	–	25.0	10.0	–	21.1
Czech Republic	7.2e	22.0	1.3	6.3	22.0	0.6
Hungary	–	5.8e	0.4e	–	5.3	0.4
Poland	50.0e	30.8	1.0	50.0	30.3	1.4
Slovakia	–	1.1	2.5	–	1.3	2.8
Slovenia	–	2.4e	–	–	2.3	0.1
Others	–	–	4.0	–	–	1.0
EU-25	83.4	187.5	118.0*	85.2	187.6	111.0

Sources: EURACOAL Members
* exact import figures per country partly not yet available

EURACOAL	COKING COAL IMPORTS TO EU-25 (in Mio t)							TABLE 6
	Exports from:	**Australia**	**Canada**	**USA**	**Poland****	**Russia***	**TOTAL**	**2005**
		2006 (1-6)	**2006 (1-6)**	**2006 (1-6)**	**2006 (1-6)**	**2006 (1-6)**	**2006 (1-6)**	**(1-12)**
	Imports to:							
	Austria	–		–	–		**1.0**	2.0
	Belgium	0.7	0.2	0.7	–		**1.0**	2.0
	Czech Rep.	0.4		–	0.5		**0.9**	0.5
	Finland	–		0.1	–		**0.5**	1.0
	France	1.6		0.7	0.1		**3.7**	7.0
	Germany	0.8		0.5	0.1		**4.0**	7.1
	Hungary	–	0.8	–	–		–	–
	Italy	1.2		1.5	–		**4.7**	9.0
	Netherlands	3.4		0.6	–		**2.4**	4.5
	Slovakia	–		–	0.5		**0.5**	–
	Slovenia	–		0.1	–		**0.1**	–
	Spain	1.2		0.8	–		**2.0**	4.0
	Sweden	0.4		0.2	–		**1.0**	2.0
	UK	1.9		0.8	–		**3.2**	6.0
	Others	–		0.4	–		**0.8**	1.7
	TOTAL	**11.6**	**3.2**	**6.4**	**1.2**	**1.0**	**25.8**	**46.8**

Source: VDKI; preliminary, partly estimated figures

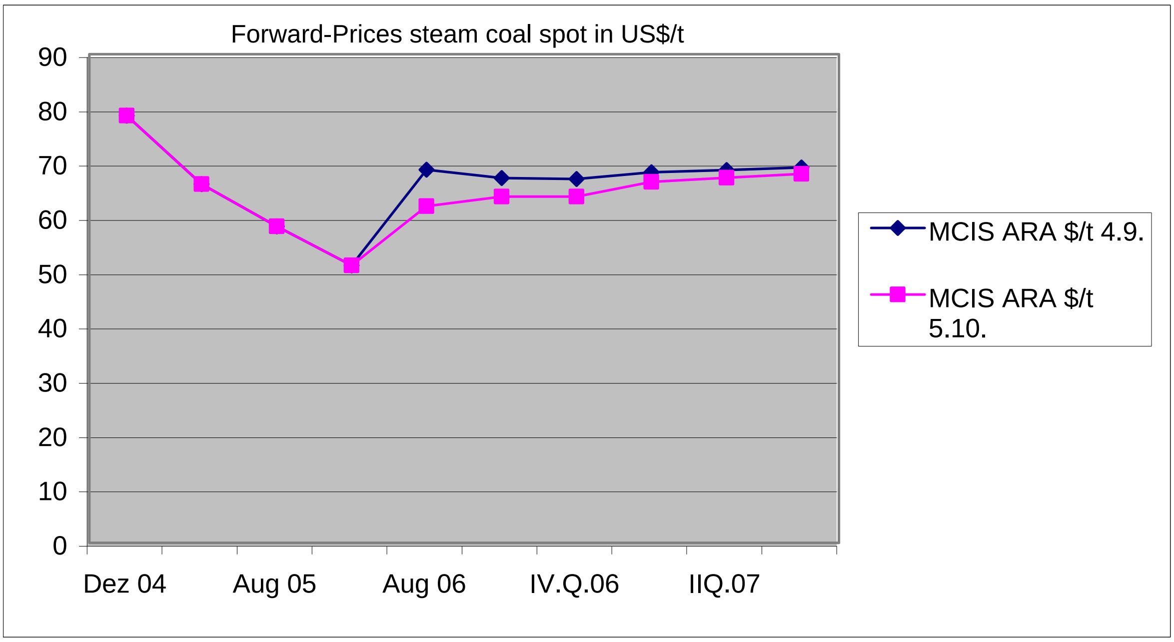
* figures for Russia estimated; no details on import countries available

** hard and soft coking coal (Weglokoks)

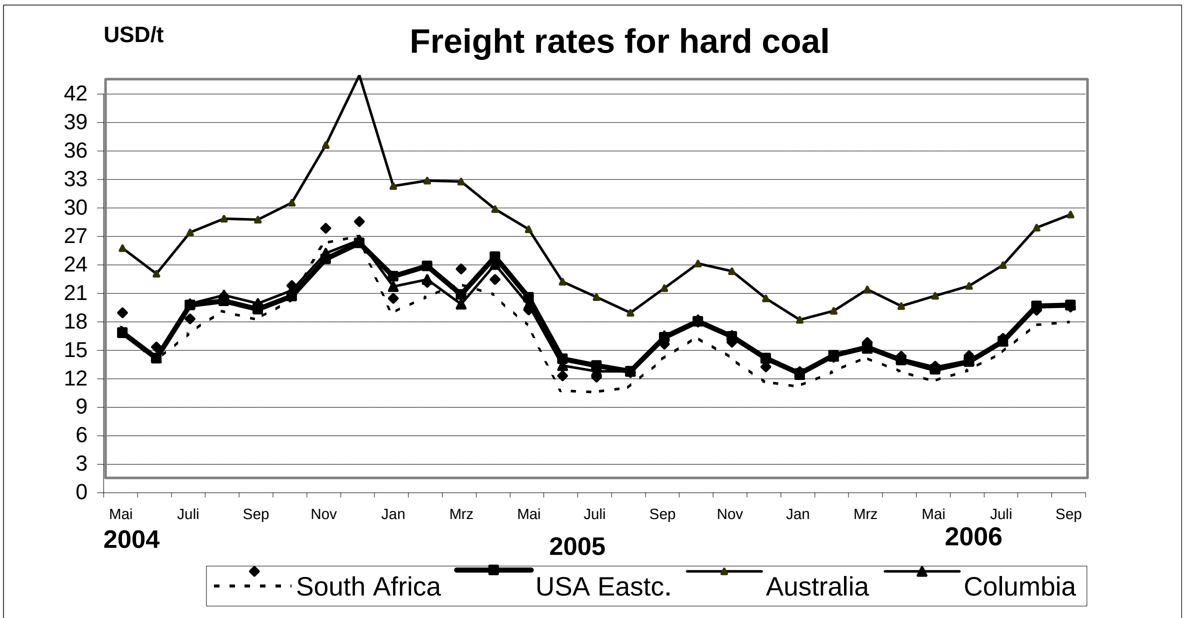
EURACOAL	STEAM COAL IMPORTS TO EU-25 (in Mio t)								TABLE 7
	Exports from:	Poland*	Columbia	S Africa	Russia	Indonesia	Others	TOTAL	2005
		2006 (1-6)	2006 (1-6)	2006 (1-6)	2006 (1-6)	2006 (1-6)	2006 (1-6)	2006 (1-6)	(1-12)
	Imports to:								
	Austria	0.5	?	?	?	?	?	**0.5**	**2.1**
	Belgium	0.3	?	0.7	0.6	?	?	**1.6**	**8.0**
	Czech Rep.	0.4	?	?	?	?	?	**0.4**	**0.6**
	Denmark	0.5	0.4	1.2	1.1	?	0.2	**3.4**	**5.2**
	Finland	0.3	?	?	3.3	?	?	**3.6**	**3.5**
	France	0.7	1.7	2.1	0.4	0.4	0.5	**5.8**	**13.5**
	Germany	3.4	1.8	6.3	3.2	0.7	0.6	**16.0**	**31.2**
	Greece	?	?	?	0.2	?	?	**0.2**	**0.7**
	Hungary	?	?	?	?	?	?	?	**0.5**
	Ireland	0.1	0.7	?	0.6	0.3	?	**1.7**	**2.5**
	Italy	0.1	0.9	2.0	1.8	4.0	0.1	**8.9**	**15.5**
	Netherlands	0.2	1.0	4.1	0.2	0.5	0.2	**6.2**	**8.5**
	Poland	?	?	?	?	?	1.0	**1.0**	**2.0**
	Portugal	?	1.4	0.5	0.1	0.3	?	**2.3**	**3.5**
	Slovakia	?	?	?	?	?	2.5	**2.5**	**5.6**
	Slovenia	?	?	?	?	?	?	?	**1.2**
	Spain	?	?	3.3	1.7	1.3	0.3	**6.6**	**20.7**
	Sweden	0.1	0.8	?	?	?	?	**0.9**	**0.7**
	UK	0.7	1.1	2.8	16.9	0.8	0.2	**22.5**	**38.1**
	Others	0.1	0.5	0.5	3.0	0.3	?	**4.4**	**1.2**
	TOTAL	**7.4**	**10.3**	**23.5**	**33.1**	**8.6**	**5.6**	**88.5**	**164.8**

Source: VDKI; preliminary, partly estimated figures
* Weglokoks

EURACOAL	Forward Prices	GRAPHIC 1

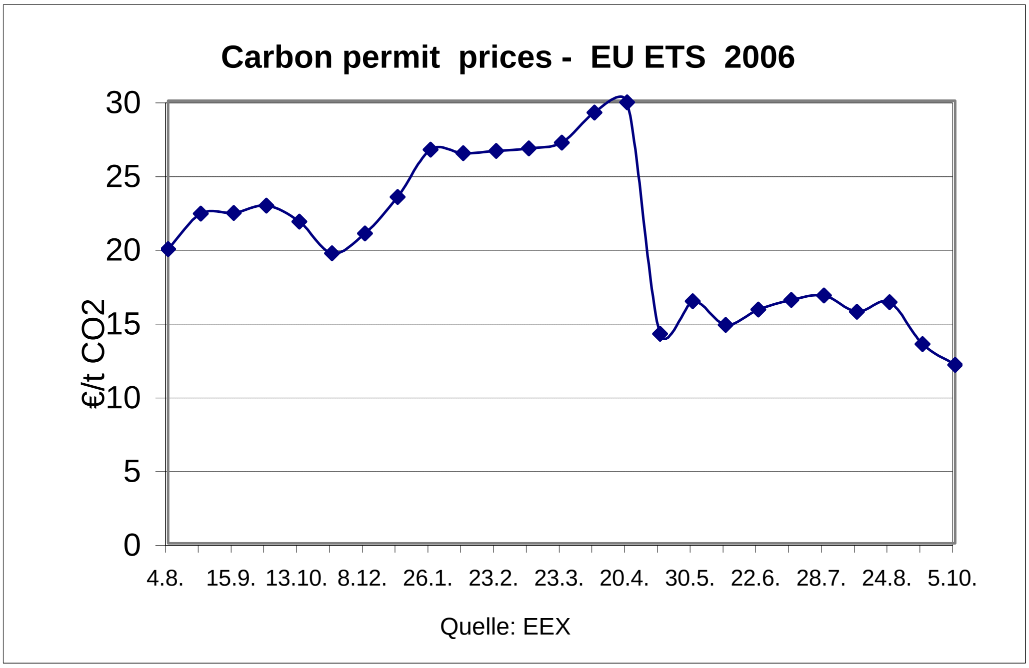


EURACOAL	Freight rates Capesize to ARA (USD)	GRAPHIC 2



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

EURACOAL	Carbon permit prices - EU ETS	GRAPHIC 3



EURACOAL	Weekly avarage Sparks and Darks Germany	GRAPHIC 4