U.S. Coal Review

3 April 2020 | Issue 2319

Mines closing – temporarily – as companies respond to COVID-19 impact

By Jim Thompson, jim.thompson@ihsmarkit.com

Impacts of the COVID-19 response are having a profound effect on global coal production and traffic. There is something of a race to see which is impacted most – supply or demand? Several U.S. mines are being taken offline, typically for two weeks.

In the latest producer response to safety measures to prevent the spread of the coronavirus, thermal coal giant Alliance Resource Partners will idle its Illinois Basin operations. The mines will probably be down for a couple of weeks, though that is uncertain. Shipments are not likely to be interrupted, but there will be a meaningful draw on inventory.

CONSOL Energy announced it has idled its Bailey mine for two weeks and Coronado Coal announced it has idled its U.S. operations.

All told, the mines that have been idled for at least two weeks would account for 70.82 million tons of annual production. That works out to 1.36 million tons of weekly production, according to 2019 production numbers.

"The unprecedented decision by world leaders to lockdown the global economy to combat the deadly virus has crushed demand for energy," Alliance said. The company spoke for many of us – "All Americans are having to adjust to a way of life none of us could have imagined two months ago."

Alliance said, because of "the essential, life-sustaining nature of its business, ARLP continued to operate during the 2020 first quarter. For the past six weeks, however, we have been working at reduced levels while evaluating the needs of our customers amid the disruptions caused by the pandemic."

Market round-up

US – Central Appalachian rail and barge coal for prompt-month delivery both made gains as the month flipped from April to May. CAPP rail gained 50 cents a ton to close at $33.50/ton while its barged counterpart jumped a dollar to end the week at $40/ton. In the Powder River Basin, prices remained unchanged, regardless of the COVID-19 crisis, at $12.20/ton for 8,800-Btu/lb. coal and $9.30/ton for 8,400-Btu/lb.

INTERNATIONAL –In Northwest Europe, lockdowns have hit power demand, weakening coal generation. Richards Bay saw an unprecedented swing of prices over uncertainty whether the port would close or continue shipping. The terminal and at least three exporters got government exemptions to resume operations. In Asia, uncertainty weighed on thermal coal markets amid Indian port force majeures and a Chinese generator pushing back on awards.

Key physical prices table

	Delivery/ Loading	CV	Price	Week chng
Nymex[1]	FOB barge	12,000Btu GAR	47.00	0.00
PRB[1]	FOB railcar	8,800Btu GAR	12.00	0.00
CSX[1]	FOB railcar	12,500Btu GAR	36.75	0.00
NAPP[2]	FOB railcar	12,900Btu GAR	33.51	(0.41)
NAPP[2]	FOB barge	12,500Btu GAR	37.37	(0.08)
ILB[2]	FOB railcar	11,500Btu GAR	30.01	(0.31)
ILB[2]	FOB barge	11,500Btu GAR	31.29	(0.04)
East Coast export[3]	FOB vessel	6,000kc NAR	43.50	(0.58)
US Gulf High-Sulphur[3]	FOB vessel	6,000kc NAR	44.81	(0.52)
NW Europe (DES ARA)[3]	CIF	6,000kc NAR	48.12	(2.44)
Colombian[3]	FOB vessel	6,000kc NAR	47.25	(0.75)
Indonesian Sub-Bit[3]	FOB vessel	4,700kc NAR	44.72	(0.63)

[1] next quarter delivery
[2] 90 days out delivery
[3] next two months

Source: IHS Markit

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IHS Markit Insight

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- **Not a lot of good choices as mines idle, buyers look at high stocks**, By Bob Hodge (page 13)

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Contacts

John Howland, Publisher · john.howland@ihsmarkit.com
Jim Thompson, Managing editor · jim.thompson@ihsmarkit.com
Bob Hodge, Editor · bob.hodge@ihsmarkit.com, (865) 584-6294
Mark Burgess · mark.burgess@ihsmarkit.com, (865) 584-6294
Steve Hooks · steve.hooks@ihsmarkit.com, (865) 584-6294
James Stevenson · james.stevenson@ihsmarkit.com, (617) 914-0230
Lisa Seasor · lisa.seasor@ihsmarkit.com, (865) 584-6294

In response:

- The temporary idling of the ILB mines is scheduled to last through April 15, though the actual return to production may be accelerated or extended based upon the business needs of customers. As the year progresses, coal production at all Alliance operations will be further modified to match existing sales commitments of approximately 28 million tons for 2020.
- To mitigate the reduced revenues from lower coal sales volumes and the impact of depressed commodity prices on the Alliance Minerals segment, ARLP will optimize cash flows through numerous initiatives to reduce costs, expenses, working capital and capital expenditures.
- The board of directors of ARLP's general partner has suspended the cash distribution to unitholders for the quarter ending March 31. The board intends to revisit this decision following the second quarter.
- ARLP is withdrawing its initial 2020 operating and financial guidance provided on Jan. 27, which of course did not reflect the impact of the COVID-19 pandemic. The company plans to release financial and operating results for the quarter on or about May 8.

"It is important to note that approximately 75% of our domestic sales are targeted to states that depend on coal, more than any other fuel, to generate electricity," Joe Craft, chairman, president and CEO, said. "As serious as the disruption caused by the virus has been to the citizens of these states, imagine the impact if our miners didn't show up every day to ensure the reliable supply of this essential fuel necessary to keep the lights on.

"We remain in constant contact with our customers and stand ready to meet their needs for this essential fuel."

Alliance expects total sales tons for 2020 approximately 25% below initial expectations.

"At the same time, assuming we can successfully fulfill our coal sales commitments this year, the improvements to ARLP's cash flow resulting from the steps outlined above are expected to substantially offset lower revenues, allowing us to maintain ample liquidity and protect our strong balance sheet," Craft said.

"In implementing these actions, ARLP's highest priorities remain safeguarding the employees' health and safety, supporting the communities

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in our operating areas and serving our customers by continuing to safely and reliably operate our critical infrastructure.

"I want to thank the employees throughout our company for their dedication, resiliency and commitment during these challenging times. I also want to express my appreciation to our customers, suppliers, communities, unitholders, friends and elected officials for the sacrifices you are enduring during these uncertain times.

"We are all in this together. We will get through this and be stronger for it. I look forward to updating each of you as our circumstances change."

During 2019, Alliance produced more than 25 million tons from its ILB operations – approximately 10 million tons from the River View mine, 5 million tons from the Gibson mine, 4 million tons from the Warrior mine and 5 million tons from the Hamilton County longwall mine.

None of the ILB mines have been running at capacity. Last year, Alliance also produced some coal from the Dotiki mine, which was shut down after its economic reserves were depleted.

CONSOL Energy has idled the Bailey mine, which is the cornerstone of the Pennsylvania Mining Complex, the largest underground mine operation in North America. Like Alliance, they will be able to satisfy their contracts by shipping from inventory.

Two miners at Bailey tested positive for the COVID-19 virus. CONSOL, which idled the mine "out of an abundance of caution," will leave Bailey down for two weeks. CONSOL Energy's Enlow Fork and Harvey mines are operating as normal, providing continued output from the company's Pennsylvania Mining Complex.

In a separate development, metallurgical producer Coronado Coal revealed an immediate, temporary idling of its U.S. operations, including the Buchanan low-vol longwall mine in Virginia. Again, the move should have no impact on shipments. Coronado attributed it to the COVID-19 induced economic downturn in Europe, Brazil and the U.S.

Previously, thermal producer Rhino Resources and met-dominant producer Blackhawk Mining idled operations for a two-week period.

There are rumors that other producers will idle operations.

Supply versus demand

In the U.S., the challenge is to evaluate disparate events and determine what they might mean to the supply/demand equation, which has been horrific for coal producers. Thermal export prospects could – maybe – improve as a result of production disruptions in other regions of the world.

But while there isn't much downside risk to the general domestic coal market – the picture was already ugly – the upside opportunity is unclear.

Should exports of Colombian and South African coal decline precipitously, which is possible, though events are fluid, one could envision a global shortage of thermal coal. But there is a bear in the room – and it is a grizzly. India's lockdown in response to the virus could dramatically affect demand for coal, and a shutdown of its terminals could for some time leave U.S. producers without their most plausible market.

"You're looking for windows that can save U.S. coal," one trader said. "You should be looking for windows where it can get thrown out." His reference was primarily to India.

In the meantime, the table is being set at home for stronger coal demand as early as the fourth quarter. Should that happen, the question is whether coal producers and transporters will be sufficiently nimble to mount an efficient response.

Improved export prospects this spring and later in the year would probably support a late-year or early 2021 response to greater domestic demand. More mines would remain open, and transporters would be able to keep more equipment and crew in action. Again, though, the export story is complicated and can't be characterized as bullish at this point.

Global oil prices are horrific, and many analysts anticipate further deterioration. The impact is very likely to significantly reduce production of associated dry gas, which is gas price-insensitive and which is supported by demand for liquid products.

The oil challenge

"The crux of the challenge for oil markets is twofold, the immense size of surplus and the compressed timeline of prospective builds, severely limiting the runway of the price war," Roger Diwan, vice president, financial services at IHS Markit, wrote. "In particular, we see fundamental pressure concentrated over March and April, an 8-week blitz period over which stocks currently stand to build

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north of 1.0 billion barrels cumulatively.

"Such an unprecedented build would overwhelm available storage capacity globally by the middle of the second quarter. Given the trajectory of the outbreak, the next few weeks are unlikely to provide material relief to bearish momentum as markets digest and price the reality that supply will need to resolve this balance."

Lower prices and shut-ins are likely to occur before the situation can be managed, Diwan wrote. "We are yet to see a workable path to coordinated supply action on the scale required to mitigate the physical challenge ahead."

Met coal world tipped

The metallurgical coal market is equally opaque. The Coronado action is significant.

Coronado said the temporary idling of its U.S. operations is effective immediately. The company will continue shipments from existing inventories of approximately 750,000 metric tonnes, which Coronado expects will meet all current customer contractual commitments as well as deliver on potential sales opportunities.

Coronado will furlough all U.S. hourly employees. Salaried employees in the U.S. "will continue to maintain the integrity of each operation for rapid resumption of operations, comply with all regulatory obligations, handle shipments and day-to-day administrative and management responsibilities," the company said.

Coronado said it will continue the company-paid portion of heath care insurance premiums for all furloughed employees at this time. "Given the significant stockpile of U.S. inventories and continued production from Curragh (mine in Australia), operating cash flows are expected to remain positive, and operations in the U.S. will be maintained for immediate restart when market conditions improve."

Coronado also said it "is taking prudent steps to reduce non-essential capital expenditure and preserve capital to adapt to the current market conditions." The company's multi-currency credit facility is not affected by the idling of its U.S. mines, and the company expects to have sufficient liquidity to manage its capital requirements.

The temporary halt to production at the U.S. mines might impact Coronado's previously announced saleable production guidance for fiscal year 2020 of 19.7-20.2 million tonnes, though the extent of the impact "cannot be estimated at this time due to the uncertain market conditions."

The idle period in the U.S. is likely to push Coronado costs above forecast.

"Given the challenging and unprecedented macro environment, these are prudent measures designed to ensure that Coronado remains in a solid financial position," Managing Director and CEO Gerald Spindler said. "We will continue to deliver on our commitments to our global customers and actively monitor the situation to respond in the best interests of our employees and shareholders."

We watch China

U.S. met producers probably have the best chance to benefit from reduced production, whether driven by virus mitigation or market-induced measures; domestic and Atlantic Basin markets have been severely weakened, including idling of some U.S. blast furnace steel production. Still, China is sufficiently dominant in met coal consumption to carry the global market on its shoulders.

"The seaborne coking coal market was fairly well balanced before the COVID-19 chaos hit the world outside China," one experienced market analyst noted. "Because China imported so much coking coal to meet their needs to drive iron production 3% higher in January and February 2020, versus a year ago, when their mining operations were sidelined, they even helped create a slight imbalance in favor of sellers in the non-Chinese, non-Eurasian market."

And we have some history to help with our understanding of what China might do in response to the impact of the virus and its mitigation on the Chinese economy.

"We also know that in 2009 China took in almost 30 million metric tonnes more seaborne coking coal than they did in 2008," following the global economic recession. "They may take advantage again to improve the quality of the coke they produce."

Such action would increase demand for higher-quality, seaborne coking coal at a time when production is being pressed downward both because of the virus and because of mediocre prices and demand elsewhere.

Assuming overall demand is not too badly hit, U.S. producers are likely to benefit from seemingly inevitable production interruptions in other parts of

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the world. The circumstances are "bullish for high cost U.S. producers and not so for lower cost operators outside the U.S."

Viper idle for now as inventory becomes obstacle

Arch Coal has idled the Viper mine, a decision that will be reassessed on a week-to-week basis.

Viper was idled because power market conditions are unfavorable for Springfield (Ill.) City Water, Light & Power's dispatch of its Dallman coal-fired generating station. Springfield is the mine's largest customer. Inventories at the power plant are high, and Viper's stockpile is approaching capacity.

Viper produced 1.6 million tons in 2019. Coal is trucked from the mine to Dallman. The mine continues to ship to its industrial customers in the region.

Viper employs around 250 people. The workforce was furloughed until market conditions improve.

HVA/HVB margins tighten as buyers hunt deals amid uncertainty

By Mark Burgess, mark.burgess@ihsmarkit.com

You can always tell a coking coal market downturn is really starting to hit its stride when steel mills say "the heck with our preferred blend – go find the cheap stuff and we'll figure out a way to make it work."

Welcome to COVID-19 in April 2020.

The worldwide pandemic is eliciting a massive global demand slowdown in all things steel. Consequently, you're seeing an increased pace of global coal supply slowdowns, logistical nightmares with port closures, and changing buying patterns from coal end-users.

Several sources commented that steel producers – if they need any coal at all – are turning their attention to cheaper coals amidst the uncertainty of the COVID-19 outbreak.

"Buyers are looking at high-sulfur coals and a lot of different blends to cut themselves off from the more-expensive mid-vols and high-vol A coals," one source said.

It shouldn't come as much of a surprise that steel mills rocked by a growing economic nightmare, an ensuing automotive market downturn and reduced market opportunities are scouring for money-saving options wherever possible.

"We are seeing the (high-vol) A and B differential a bit tighter these days, say $5-$8/metric tonne," a producer source said. "Honestly, the-value-in use of a good high-vol A should be $15-$20/tonne (differential from HVB) for most steelmakers, but efforts to reduce raw material costs -- as opposed to improving blend quality and coke value -- seems to be more important right now to buyers. That sort of behavior squeezes the differential."

We've seen it before during other market downturns and we'll likely see the differential begin to increase again when the market eventually returns to a normal pattern.

The only problem is no one is exactly sure when that return to normalization might take place.

"We are definitely anticipating some demand destruction from everything we are hearing from customers," the second source said. "We just don't know the full extent yet.

"The steel companies are dealing with a lot of uncertainty themselves. The real question is whether or not supply will be idled at a similar rate to the demand reductions. Time will tell."

For now, prices are correcting downward and could continue to fall until producers have no other recourse other than to shut down more production.

"I wish I had good news for you, but it's getting uglier by the day," another source said.

And so are prices.

IHS Markit is now marking US East Coast low-vol and mid-vol each at $130/tonne FOB. USEC high-vol A suffered a $7/tonne week-on-week drop to $128/tonne and USEC high-vol B is at $120/tonne, putting that tightening margin with HVA on display.

The numbers haven't sunk to those nightmarish, bankruptcy-inducing prices seen in 2015 and early 2016, but the trends and the economic outlooks are definitely making producers nervous.

"With force majeure declarations from ArcelorMittal, lower production around the board, and Indian port closures, there's no place for prices to go but down for now," a trader source said. "Is there any real spot market out there? Who would be prepared to buy high-vol A for $135/tonne right now?

"If anything, there may be a scramble to sell force majeure tons at the port, which implies lower prices. And the need to have cash in hand rather than inventory in port may cause certain sales that might never be, other than for COVID-19."

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Basically, at least for the time being, job number one is to stay alive and job number two is to stay in business.

Court OKs Maple Eagle sale to Panther Creek

Murray Metallurgical Coal Holdings has gained its bankruptcy court's approval to sell its high-vol "A" Maple Eagle complex in West Virginia to Panther Creek Mining, a unit of Blackhawk Mining.

U.S. Bankruptcy Judge John E. Hoffman Jr. signed off on the sale Wednesday in U.S. Bankruptcy Court for the Southern District of Ohio.

The sale has been in the works since Feb. 12, a day after Murray Met filed for Chapter 11 status, effectively making Panther Creek the stalking horse bidder. The court had entered an order on March 12 which, among other matters, authorized Murray Maple Eagle Coal to enter into the asset purchase agreement and approved bidding procedures. A scheduled auction was canceled after competing bids were deemed insufficient.

"Despite considerable effort by the debtors and their professional advisors, by close of business on Monday, March 23, 2020, the parties that submitted the bids were unable or unwilling to modify their proposals such that the debtors would declare them to be qualified bids," the filing accompanying the judge's Wednesday order notes.

Panther Creek's purchase price includes a cash component of $750,000 and the assumption of liabilities in the neighborhood of $30 million. Among other assets, Panther Creek will acquire the Maple Eagle No. 1 underground mine, the Sycamore surface mine, the Maple Eagle/Katie preparation plant.

Murray Met said that, prior to the February 11 bankruptcy filing, the company had "been engaged in a marketing process for the Maple Eagle complex, which has involved numerous potential purchasers. That marketing process resulted in an offer being made for the Maple Eagle complex in mid-January. Following discussions regarding the debtors' need for a comprehensive process to effectuate their restructuring, the buyer has agreed to provide the stalking horse bid to set the floor price for Maple Eagle's assets" and this bid was "market-tested" with no sufficient competing offers.

"To preserve liquidity, the Maple Eagle mine has been in a 'hot idle' state since September," Murray Met stated in February.

Murray Met previously reported the mine in Fayette County has produced 435,000 tons a year with access to 18 million tons of reserves.

(Steve Hooks contributed to this report.)

Murray Energy 'challenged' into existential fight

By Barry Cassell, barry.cassell@ihsmarkit.com and

Steve Hooks, steve.hooks@ihsmarkit.com

Citing a section of U.S. Bankruptcy Code saying "Congress recognized that a debtor's situation can be so challenged that mid-case modifications are necessary to save the enterprise," Murray Energy Holdings is petitioning its bankruptcy court to sever certain retirement obligations to its unionized employees.

Meanwhile, in a separate Monday filing, Murray Energy posted its balance sheet disclosing its financials from the point that the company filed for Chapter 11 on Oct. 29 through Feb. 29. The upshot: Murray Energy continues to bleed red, posting a February loss alone of $74.2 million and an Oct. 29-Feb. 29 loss of $893.2 million.

Among other disclosures in the financial filing, Murray Energy said that in conjunction with the Murray Metallurgical Chapter 11 case, "the debtor in possession funding that was granted on February 14th and the final order entered on March 12, 2020, a total of $17.6 million was funded by the debtors to the Murray Met debtors."

Murray Energy and 98 affiliated debtors filed for Chapter 11 protection on Oct. 29 in U.S. Bankruptcy Court for the Southern District of Ohio, Western Division. Murray Metallurgical Coal Holdings and five affiliated debtors followed in the same court, filing for Chapter 11 on Feb. 11. U.S. Bankruptcy Judge John E. Hoffman Jr. is presiding over both cases.

Murray Energy logged $110.1 million in net coal sales during February and $593.1 million Oct. 29-Feb. 29. Cost of coal produced (excluding depreciation, depletion and amortization) was $102.2 million and $404.8 million, respectively. Considering total costs and expenses of $144.3 million and $1.3 billion during the two periods, respectively, Murray Energy yielded losses from operations of $30.1 million in February and just under $703 million Oct. 29-Feb. 29.

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Murray Met, too, filed financials covering Feb. 11-29. The company recorded net coal sales of $1.7 million, $1.4 million for cost of coal produced (excluding depreciation, depletion and amortization), total costs and expenses of $1.9 million and a loss from operations of $265,000. Murray Met's net loss for Feb. 11-Feb. 29 was $5.8 million.

Neither company listed coal sales volumes.

Murray cites legislation supporting retirees' funds

Murray Energy, in asking the bankruptcy court to allow severance of certain employee retirement obligations, cited recent legislation passed to support those programs.

"Because of the unprecedented market downturn, which has necessitated an urgent need for cost savings, and the recent legislation that protects the debtors' retirees, the debtors seek entry of an order ... modifying the National Bituminous Coal Wage Agreement of 2016 on an interim basis to suspend the debtors' obligations to pay for certain retiree healthcare under the Murray Energy Corporation Individual Employer Plan," according to the filing.

"The suspension will not impact any retiree, as the debtors' obligations are back-stopped by the U.S. Treasury," the filing noted, adding that Murray is "taking all reasonable steps, including coordinating with the 1993 Plan, to facilitate the transition of the union retirees from the Murray IEP to the 1993 plan to ensure there is no gap in benefit coverage and a smooth transition process."

'Deteriorating coal markets ... have wreaked havoc'

Murray Energy also argued in its motion the unfolding economic downturn – precipitated by the global COVID-19 pandemic – is helping to endanger the very existence of the company:

- "The deteriorating coal markets, global economic crisis, and costly chapter 11 proceedings have wreaked havoc on the debtors' finances. Forecasts once thought conservative were re-written and, then weeks later, re-written again."
- "The debtors have just $6 million of cash on hand. While the debtors also have untapped liquidity under their DIP facility, the debtors' access to those funds is presently in jeopardy. That is because the unused DIP funds are in escrow; to access that liquidity, the debtors must meet a condition that there is no default or event of default. An event of default will occur if certain covenants, including financial covenants, are breached. In light of recent, negative financial performance, the debtors are concerned they may default under one or more of those financial covenants."
- "Even if the debtors continue to maintain access to the unused DIP Funds, the debtors project just $30 million at emergence, which is insufficient to responsibly manage the business in this (or any) environment. That is the best case scenario, yet the debtors are just beginning to feel the impacts of the global crisis. Every dollar spent in chapter 11 — this motion would save the debtors about $200,000 per day — puts a successful emergence in increasing jeopardy."
- "The difficult reality is that — despite the debtors' various cost-cutting measures — it is not enough. The debtors desperately need interim relief to get to the finish line. Importantly, it would in no way prejudice current UMWA employees or union retirees because federally funded programs are in place to assume the debtors' liabilities once this court authorizes the debtors to cease payments."

Murray Energy Holdings and related companies in Chapter 11 are collectively the largest privately-owned coal producer in the U.S. They produced about 53 million tons of bituminous coal in 2018.

The company's Monday-filed motion is likely set for an April 14 court hearing.

March goes out like a lion mauling coal markets

By Bob Hodge, bob.hodge@ihsmarkit.com

The longest month in the history of months finally reached the end. February had an extra day this year, March feels like it had an extra 106.

Working through a list of things that changed between March 1 and today would take 106 days to do, but the changes are likely to keep coming. In the past 30 or so days, coal has both taken its licks and shown a lot of resiliency.

More is going to be needed.

With the news about Alliance Coal, CONSOL Energy and Coronado Coal temporarily idling production either in a particular basin, a particular mine or companywide, that brings the total amount of production that has been shuttered in the U.S. to 1.33 million tons a week.

Rumors are there are other mines out there that

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aren't mining, but companies are keeping a lid on what their plans are for now.

The majority of that will be back online before April is half over – if April doesn't have those extra March days added to it – but there was a time when over a million tons per week just disappearing from the market would have had an earthquake-like impact.

Today isn't that time.

As one old coal sage said: "All that is now is a drop in the bucket." He was referring to the thermal side of things, but with some of the coal that is temporarily not being mined metallurgical, that makes for an even smaller drop.

The setup

To set up the buying side's reaction to seeing over a million tons of production a week disappear literally overnight, back up to last week and the Energy Information Administration's release of the January stockpile data and Doyle Trading Consultants' view of what happened … or more to the point, what didn't happen.

DTC had predicted a pretty anemic January coal burn in the U.S. of 38 million tons. Turns out they were high.

The EIA estimated the January burn was 36.7 million tons and stockpiles at the end of the month were 134.4 million tons. That not-quite 37 million-ton burn was the lowest amount of coal that was used for power generation since 1975 and the stockpiles could last for about four months.

As DTC said: "Inventories at this level are meaningless when they are so high – again, we are forecasting there will be close to four months on the ground in April."

And April is here.

The reaction

A quick and totally unscientific survey of some coal buyers around the Midwest and Southeast found the news of the mine idlings concerning, but not from the standpoint of their stockpiles and their need for coal. Most of the producers that said they would close up shop for a couple of weeks also said they would continue shipping from their stocks at the mines, so no production doesn't mean no coal, at least for now.

"At the moment, we are not burning enough coal to be concerned," one utility coal manager said. "I think the mines are running out of space and so are we, all due to the lack of loads and burn."

It's not just a U.S. story. The shelter-in-place edicts that are almost worldwide have cut down on the demand for power as industries and offices are shut down just about everywhere. With the U.S. getting a new order/suggestion that this is going to be going on for at least another 30 days, that's going to leave a lot of potential generation on the table.

"If we can get the country back to work, it would sure make a big difference," the coal manager said.

Another source said they had talked with a supplier and said any worries about running short of coal during the idlings was just about nil. That goes back to the stockpile story.

"We have plenty of inventory on the ground due to no winter," the source said. "We now have no load because of everything shut down and we have been told that ratable deliveries will continue."

The focus with that source is more or less the same as it is with coal producers, clothing stores, restaurants, bars, tire stores, etc.: Let's just get through the next few weeks and see if life can't be normal again.

"Let's hope that if we sequester until the end of April, we will be on the upswing in defeating this invisible enemy!"

That was pretty much the reaction from all the buyers. One said "short of a scorching summer, we can go without a train of coal into July, maybe longer."

And, of course, buyers that could possibly need coal during the coming weeks are well aware that it's brimming over at the mines.

"I'm not concerned at this point," another fuel manager said. "Weak burns have me with large inventories."

And …

"It's my understanding that these mines have plenty of inventory to accommodate the shutdown."

The manager did say that if the two-week idlings turned out to be longer they could have an impact, but even then it would be in "the months to come, not in the beginning."

"On the mines idling in Pennsylvania and Illinois, it does not present any real concern for now," said the fuel manager of a southern utility. "We have more than plenty of coal on our piles and we've scaled way back our shipments. It's likely the producers will still be able to meet their commitments with what they have already mined for some period of time anyway."

But there is a caveat.

"Of course, if two weeks turns into two months,

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that could be a different story as we head into summer. We will monitor this very closely over the next few weeks."

And sadly, the reason that closing down coal mines for a fortnight doesn't seem to have much of an impact is because coal-fired power plants are closing down permanently. One source said he bought some coal at the end of the year and that very well could be the last coal he ever buys as natural gas has been eating away at the need for coal plants.

"As such, we have not been in the coal market recently and haven't engaged in discussions with any producers about coronavirus impacts."

This is a pretty stark reminder that when the current COVID-19 induced issues are in the rearview mirror, the industry has others that will take time to work through.

W.Va. governor signs coal plant tax relief bill

By Barry Cassell, barry.cassell@ihsmarkit.com

West Virginia Gov. Jim Justice has signed a bill designed to encourage at least one coal-fired power plant in the state not to close -- at least until January 2025.

The prime candidate for help would be the Pleasants plant of Energy Harbor Corp. Pleasants is an approximately 1,300-MW facility in Pleasants County. Pleasants was still on, as of March 26, PJM's pending power plant deactivation list, with both units to be shut as of June 1, 2022.

While utilities like Monongahela Power and Appalachian Power retired several coal-fired plants in West Virginia mid-last decade, in part due to the federal Mercury and Air Toxics Standards, there are no West Virginia coal plants besides Pleasants on PJM's pending deactivation list.

The bill, SB 793, amends the state's business and occupation tax to clarify the definition for coal-fired merchant power plants, and provides an election for recomputation of the taxable generating capacity of coal-fired units placed in service prior to Jan. 1, 1995. Under current law, the taxable generating capacity of those units has been based on the unit's net generation during calendar years 1991 through 1994.

This bill allows the owners or operators of those units to make an irrevocable election to reduce the taxable generating capacity of those units to 45% of the official capability of the generating unit, for taxable periods beginning on and after July 1, 2021, provided the owner agrees to keep the generating units in operation until at least Jan. 1, 2025.

A recapture tax would be imposed in the event the generating unit ceases operation during the required time period. The recapture tax would also be imposed when ownership of the generating unit is transferred on or after July 1, 2021, but before Jan. 1, 2025.

The use of the word "merchant" for qualifying power plants shows that this bill is aimed particularly at Pleasants. The Amos and Mountaineer coal plants are owned by Appalachian Power, and the Harrison and Fort Martin coal plants are owned by Monongahela Power. The Mitchell coal plant was in the merchant category for a while last decade, but is now owned 50-50 by the Kentucky Power and Wheeling Power utility subsidiaries of American Electric Power.

The bill says "coal-fired merchant power plant" means a coal-fired generating unit or plant in this state where the owners, operators, interest holders, or any combination thereof do not receive regulated cost recovery pursuant to any tariff, regulated rate, or cost recovery fee mandated or authorized by the West Virginia Public Service Commission or by any rate-making authority of any other state (Kentucky Power's half of Mitchell is overseen by the Kentucky PSC).

Other identifiers for a merchant plant are that it:

- is not subject to regulation of its rates by the West Virginia PSC or any rate-making authority of any other state;
- sells electricity it generates only on the wholesale market;
- does not sell electricity pursuant to one or more long-term sales contracts; and
- does not sell electricity to retail consumers.

Pleasants LLC is a unit of Energy Harbor Corp., which recently emerged from Chapter 11 bankruptcy protection. Upon emergence, it changed its name from FirstEnergy Solutions, to mark the fact that it is now a separate company from former parent FirstEnergy Corp.

FirstEnergy Solutions had indicated in the late stages of its bankruptcy case that new coal supply contracting for the Pleasants power plant may help it better compete in the PJM Interconnection power market.

Despite that indication that the plant could become

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more economic to operate, Pleasants remains on PJM's pending power plant deactivation list.

Nova Scotia's Donkin mine shut down due to roof falls

By Steve Hooks, steve.hooks@ihsmarkit.com

A series of roof falls has prompted Canada's Kameron Collieries to shut its Donkin coal mine in Cape Breton, Nova Scotia.

Kameron said Monday it "has decided to cease production operations due to adverse geologic conditions in the mine." Roof falls have plagued the operations for much of the mine's productive life.

"The mine will not be sealed but maintained by a small staff to ventilate and keep the facility dewatered," the company stated Monday.

A Kameron spokesman said: "There is no indication from the company at this time that it would resume operations; the geology is very complicated ... the miners were let go (Monday) with the exception of a skeleton crew.

"It is my understanding that the company has a stockpile of coal on-site at the pier in Nova Scotia" with approximately 60,000 metric tonnes to be shipped to customers.

Donkin has shipped coal to offshore customers and supplied Nova Scotia Power by truck.

Morien Resources, which has received royalties for the Donkin production, stated in recent financial filings that the mine is currently permitted for run-of-mine annual production of 3.6 million tonnes, and was expected to yield about 3 million tonnes of salable production after being washed in Kameron's coal handling and preparation plant.

"At 3.0 million saleable tonnes and using a wide range of coal pricing (C$60 to $140 per tonne), royalty payments to Morien could be in the order of C$5 to $11 million annually," the company said.

In addition to the trucked coal from Donkin, NSP also has the capability of receiving offshore thermal coal and petroleum coke at the International Pier in Sydney and Point Tupper Marine Terminal.

Morien's financial filings state that in the second quarter of 2018, Kameron signed a multi-year coal off-take agreement with NS Power to supply a portion of Donkin coal production to NSP's nearby Lingan Generating Station, a 20-kilometre truck haul from Donkin. The remaining portion of Donkin coal production is sold overseas as either low-ash, high-energy, thermal coal or as high-volatile, semi-soft metallurgical coal.

NSP did not respond to requests for comment.

Kameron Collieries is a private company and an affiliate of The Cline Group.

In February alone, the mine experienced two localized roof falls that resulted in no injuries or damaged equipment.

Following a roof fall in the "tailgate" section of the mine on Feb. 13, the provincial authorities suspended operations at Donkin pending an assessment of conditions and proposed remediation plans.

Chris Cline was Kameron founder

On July 4, 2019, Kameron reported the sudden passing of Chris Cline, owner and founder of Kameron and The Cline Group: "Mr. Cline was very connected to the Donkin Mine and was instrumental in advancing it from non-producing status to a large and growing coal mine that employs 150 people. Following a brief period of bereavement, the Donkin Mine returned to normal operations."

Prior to being placed on care and maintenance, Donkin had commenced production in 2017.

19th Annual European Coal Outlook Conference - Postponement Notice

In light of developing circumstances, we regret to announce that it is necessary to postpone the 19th Annual European Coal Outlook Conference, typically held in May in Nice, France. Our decision was made following guidance from health officials and in light of the rapid growth in global cases of COVID-19, as well as increasing travel restrictions and other circumstances. Our number one concern is the health and safety of delegates and speakers, our partners, our colleagues and vendors. IHS Markit is committed to advancing insight and dialogue among the global coal community and hopes to hold the conference later this year. Additional information will be announced once new dates are confirmed.

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OTC Traded coal

Term	Price $	Bid $	Offer $
OTC NYMEX Coal (12,000 Btu/lb., 1% sulfur)			
May	47.00	46.50	47.50
Jun	47.00	46.50	47.50
Q3'20	48.50	48.00	49.00
Q4'20	49.50	49.00	50.00
Q1'21	51.20	50.70	51.70
Q2'21	51.40	50.90	51.90
Q3'21	51.60	51.10	52.10
Q4'21	51.80	51.30	52.30
Q1'22	52.40	51.90	52.90
CY'21	51.50	51.00	52.00
CY'22	53.00	52.50	53.50
CY'23	54.50	54.00	55.00
OTC PRB 8800 (at 0.8 lbs. SO2)			
May	12.00	11.80	12.20
Jun	12.00	11.80	12.20
Q3'20	12.10	11.90	12.30
Q4'20	12.20	12.00	12.40
Q1'21	12.30	12.10	12.50
Q2'21	12.30	12.10	12.50
Q3'21	12.40	12.20	12.60
Q4'21	12.40	12.20	12.60
Q1'22	12.55	12.35	12.75
CY'21	12.35	12.15	12.55
CY'22	12.60	12.40	12.80
CY'23	12.80	12.55	13.05
CSX-BSK < 1%			
May	36.75	36.25	37.25
Jun	36.75	36.25	37.25
Q3'20	37.50	37.00	38.00
Q4'20	39.50	39.00	40.00
Q1'21	41.90	41.40	42.40
Q2'21	43.30	42.80	43.80
Q3'21	44.40	43.90	44.90
Q4'21	45.20	44.70	45.70
Q1'22	45.80	45.30	46.30
CY'21	43.70	43.20	44.20
CY'22	46.55	46.05	47.05
CY'23	48.55	48.05	49.05

Source: IHS Markit

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Utility price markers

Btu/lb#'s	SO2/MMBtu	Trans	Next quarter $	Next year $
Illinois Basin				
11,800	4.8	Barge	31.00	31.00
11,000	3.5	Barge	29.25	29.25
10,500	4.5	Barge	26.75	26.75
Central App.				
12,500	1.2	CSX	41.75	49.50
12,500	1.2	NS	46.75	54.50
12,500	1.6	CSX	36.75	44.50
12,500	1.6	NS	41.75	49.50
12,000	2	CSX	34.75	42.50
12,000	1.2	BS	52.00	56.50
12,000	1.2	KAN	50.75	55.25
12,000	1.6	BS	47.00	51.50
12,000	1.6	KAN	45.75	50.25
11,500	1.6	BS	42.50	47.00
11,500	1.6	KAN	41.25	45.75
Northern App.				
13,000	3.4	MGA	34.75	37.75
13,000	4	MGA	33.50	36.50
13,000	3.6	Barge	40.75	42.75
12,500	7	Barge	37.25	39.25
Western				
8,400	0.8	Joint Line	9.50	10.00
8,800	0.8	Joint Line	12.00	12.25
8,800	0.55	Joint Line	12.50	12.75
11,500	1.2	Utah	32.00	33.00
11,000	1.2	Colorado	28.00	29.00

*OTC prices

Source: IHS Markit

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Insight & analysis

Coal production coming off the board as demand comes off as well

By Jim Thompson, jim.thompson@ihsmarkit.com

"I'll tip my hat to the new constitution, take a bow for the new revolution. Smile and grin at the change all around, pick up my guitar and play, just like yesterday. Then I'll get on my knees and pray we don't get fooled again."
Pete Townshend

What was the thing old Yeats wrote? *"Turning and turning in the widening gyre. The falcon cannot hear the falconer; Things fall apart; the centre cannot hold…"* Let me add – I went into lockdown, and all I got was this lousy tee-shirt. Yeats just wishes he'd thought to write that.

The chess board is being relieved of pawns, knight and bishops. But the red queen might already have us in checkmate.

Coal production is being taken off the board, now, at a rather astonishing pace. But coal demand, already somewhere between weak and bleak, is being negatively affected by COVID-19 and the mitigation efforts.

It is too early, at this point, to fully understand the extent to which power demand will be dampened during the course of a nationwide shutdown. Suffice to say, weekday demand might fairly closely approximate typical weekend demand.

Clearly, coal production needed to come down – producer and customer inventories are massively bloated. Even given the cuts announced, more production needs to come off.

One might suggest that the cuts being done now – given conditions throughout the country – are being done in a more orderly fashion that might otherwise have been the case. Most are likely to be measured – two weeks of downtime here, or two weeks of downtime there. And they are happening at a logical time.

Inventories at coal mines are being reduced, which was necessary. There is a chance, especially if summer burn is strong, we could move into the fourth quarter with a far more manageable circumstance than appeared possible.

Anxiety; not yet

The downside from a producer standpoint – the output being trimmed isn't following the cost curve. Much of the coal production that has been touched has come from the low-cost bucket. But production from low-cost mines was going to need to be reduced in any case.

From a consumer standpoint, nothing that has happened to date should create much anxiety. All of the producers who have announced cuts have been clear that they are able to handle scheduled demand from inventories or from alternate mines.

In the short term, consumers do need to be alert to a sudden acceleration of production cuts. Such a scenario is by no means certain, but there is a risk, at least, that many mines become forced to reduce output, perhaps even beyond a two- to four-week period.

If any workforce suffers a serious outbreak of illness, present circumstances could become more serious. Cuts to date have addressed concerns about COVID-19, but they've had the practical effect of doing work on the inventory side that needed to be done and was going to have to be done. Let's hope that situation doesn't change.

If I were a consumer, I would probably want to have examined every scenario, including the worst case. Certainly, some utilities, at least, have made it their business to contact all of their significant suppliers to determine their present position, any potential stress points and any plans that might be in place now but have not been made public.

The longer-term concern is the potential for coal demand to increase significantly as early as this winter. We've mentioned this before. As unlikely as it might seem today, there is a plausible scenario in which, likely for a rather brief period, coal demand becomes much more intense.

One must guard against the polar vortices of the world lest they sneak up from behind and steal one's hat.

A word of caution

A power trader expressed some skepticism that

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a recent phenomenon is as easy explained as some think. "We are seeing coal generation, as a percentage of overall generation, fall faster than the market would warrant," he said.

That could be attributable to weak demand in the shoulder season and the fact coal plants are now functioning as" peakers. "But the drop looks too deep for me to discount it with the same obvious, tired explanations" we've discussed for months, the source added.

The question is whether the market and its players are buying in, yet, to the potential for a rapid downturn in associated dry gas production – the price-insensitive gas that is generated as a by-product from "wet gas" plays.

"I am waiting to see how the crude shut-ins unfold," the source said, adding that informed sources indicate that the drawdown is already becoming significant and comes at a time the E&P space has "literally no capital," not even last-chance money.

It is "interesting to see how many analysts are predicting $3.50 calendar 2021 gas, and the curve is going nowhere fast around $2.48," the source said. He sees LNG exports as a wild card that could keep more gas at home, but that's possible, not certain.

The source also noted that "net fuel supply is an equation; over any period of time, simplistically, including generation, stockpiles, domestic fuel supply, exports and imports." At the end of it all, "net balance" is the solution.

Variables

"So, say I have big inventories relative to my burn expectations; ignoring total production is only focusing on one variable. What was once considered a bloated on-site inventory may look very anemic with a different production backdrop."

The intense focus on inventories – both of coal and of natural gas – is perfectly understandable, given the circumstances. But it might have the unfortunate effect of causing folks to become complacent about other parts of the total equation.

The power trader has an outlying suggestion for coal producers. "These big producers should shut in for as long as they can," he said. "A total game changer is closer than I think they believe."

We are in the middle chapter of a "tale of two markets," he added. "Between here and October looks really bad; but much less bad after that," assuming production continues to correct.

Of course, none of us can know how the U.S. response to the pandemic will play out. But it is important to remember that supply/demand is double-sided, and both sides will be affected by measures being taken now and by the potential further – hopefully not more dramatic – spread of the virus.

Market fundamentals, though – absent the inventory hangover – could become much more favorable to U.S. thermal coal producers than they have been. That potential is such that consumers must avoid being caught off-balance by an early winter deep-freeze or a prolonged winter.

Remember, the change comes when least expected. *"Meet the new boss; same as the old boss."*

April 1

Longtime readers know the drill. Those who are newer to our chats should be on the lookout for the annual "U.S. Coal Rebuke," our April Fools edition. It should be in your email box now.

If you don't receive the publication by email and would like a copy, what in the wide world is wrong with you? No... lost my head there. If you'd like a copy, and either our Pony Express breaks down or whatever, please contact Lisa Seasor at lisa.seasor@ihsmarkit.com. She will see that you get the publication.

While I have failed, the U.S. Coal Rebuke became a full-fledged adult this year, having turned 21. It is the weakest yet, and I'm very excited about that.

Yo, you coal sales guys... I know you're a little slower than some – if you don't see the thing, check your "junk" folder. Wouldn't you sort of expect to find it there?

Not a lot of good choices as mines idle, buyers look at high stocks

By Bob Hodge, bob.hodge@ihsmarkit.com

Definition of Hobson's choice. 1: an apparently free choice when there is no real alternative. 2: the

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necessity of accepting one of two or more equally objectionable alternatives.
Merriam-Webster

As the U.S. grapples with its response to COVID-19 and the loss of power production and coal production – heck, just all production, period – it's not alone in trying to decide what's best for the industry.

Or, as a friend in the industry mentioned, some of the "best" decisions that are being made are really "just the least worst."

There really are some Hobson's choices being made all over the world because, like here at home, there are lots of countries that like to produce coal or power, or coal and power, to keep all the wheels and cogs moving. As more wheels and cogs quit moving, or move really slow, the picture doesn't get any clearer.

A source in the U.S. said the old army cliché of "hurry up and wait" has come into play as the market tries to find a direction. It's not simply a question of producing coal or no, but making sure all the moving parts of the supply chain that keeps mines running or coal moving are all on the same page.

"Just because a mine isn't producing for two weeks doesn't mean you just turn out the lights and go home," he said. "You make a decision, then realize you now have 10 more to make because of it."

Around the horn

Just like all the people who find themselves homebound for the next few weeks or longer, power and coal producers from America to Australia are putting together plans that are, in an understatement, fluid. In India, Coal India is coming off a record month of production in March, only to find the country started a 21-day lockdown on March 25.

That, in turn, has led to lower demand for power in a country that had already experienced lower-than-expected demand during the 2019-2020 fiscal year.

That, in turn, has led to India having record-high power plant stockpiles of more than 45 million metric tonnes for the first time on record.

In Brazil, steelmakers are under pressure to cut output because the international auto industry is hurting and the country's own construction industry has taken a hit because of virus-related slowdowns. Steel mills in other South American countries have been closed, others have curtailed production and more decisions are coming.

As the president of Brazil's steel association said: "We cannot stop a blast furnace and then turn it back on. This takes months."

In Indonesia, miners are considering cutting back on production as benchmark prices fall. For now, with prices in the $65 to $70/tonne range, miners say prices are "sub-optimal" but still workable. If prices fall much further, the miners are going to consider supply cuts. The country is also contending with a growing number of COVID-19 cases that could also lead to supply disruptions.

In Europe, after a brief spike in prices because of virus decisions being made in South Africa, reality has set back in for the coal markets.

Northwest European prices fell $1.55/tonne Tuesday and are again below $48/tonne. South Africa's maritime authority ordered the country's ports that handle coal and other cargoes to resume operations during a 21-day lockdown that continues through April 16.

The lockdown order prompted the Richards Bay Coal Terminal to declare force majeure last week, but the terminal is now loading about 200,000 tonnes of coal per day despite the FM remaining in place. Resumption of loading has led to a sharp decrease in Richards Bay prices.

And finally, in Colombia, Dublin-based CMC, marketer of 100% of the output from Cerrejón, has declared force majeure on some shipments because a lack of coal is available. The mine suspended operations on March 23, but was going to continue to ship from stockpiles to the port at least through the end of April.

Now locals are blockading Cerrejón's railway, and have been since March 26, because of fears of the possible spread of COVID-19.

No upside for U.S.?

With all of that going on, there was some hope that producers here at home could squeeze a few more tons into the export market, but a trading source said that's unlikely.

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Last week, some sources were hopeful that the virus-related cuts and delays in other countries could create a bit of seaborne market in the second half of the year, but the trader sees "a lot of coal in other countries that's going to try and tap that market as well."

Looking ahead, he believes that traditional sources for coal that have stalled out are going to be the first back into their traditional markets because "the demand side has, apparently, been hit as hard or harder than the supply side." Early on, he though the biggest benefactors of all the closures and cuts would be met operations here in the U.S.; now he doesn't even see that.

"We've brought the (worldwide) economy to a screeching halt; it's going to take time for it to get up and running again," he said. "It slowed faster than I thought possible. Restarting things ... I see that taking a while."

Another producer, Kopper Glo, is idling its production for two weeks because of the virus.

He believes U.S. producers are going to be reassessing the two-week idlings the industry is currently announcing seemingly by the day. It's his opinion that more short-term pain could turn out to be the best medicine in the long run.

"Stop the bleeding now, if we can," he said.

There's not a lot of good choices right now.

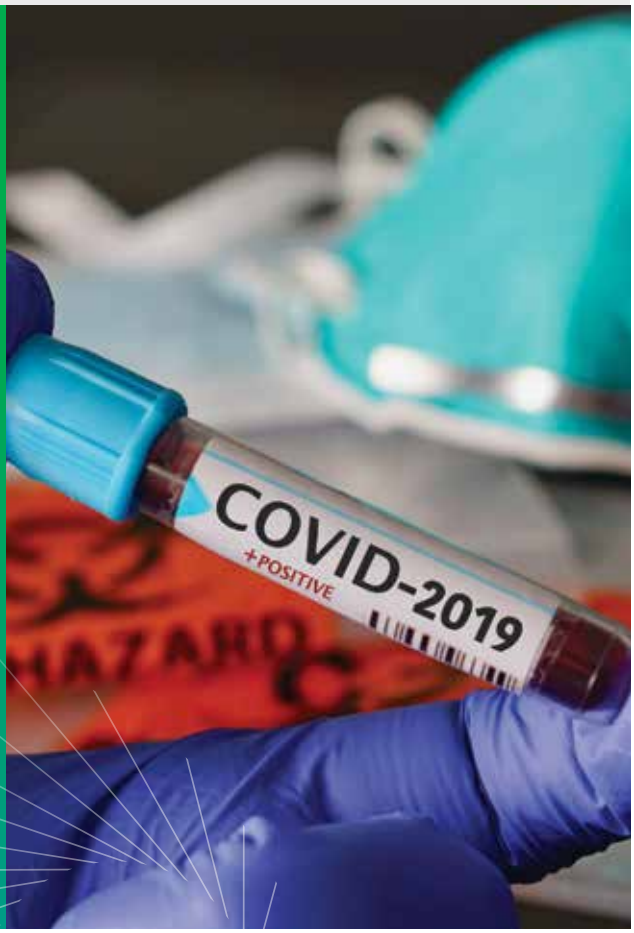
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Coronavirus Industry Impact

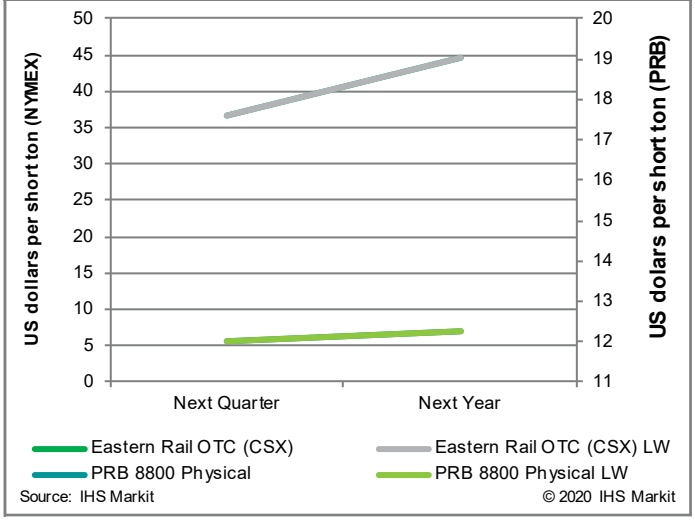
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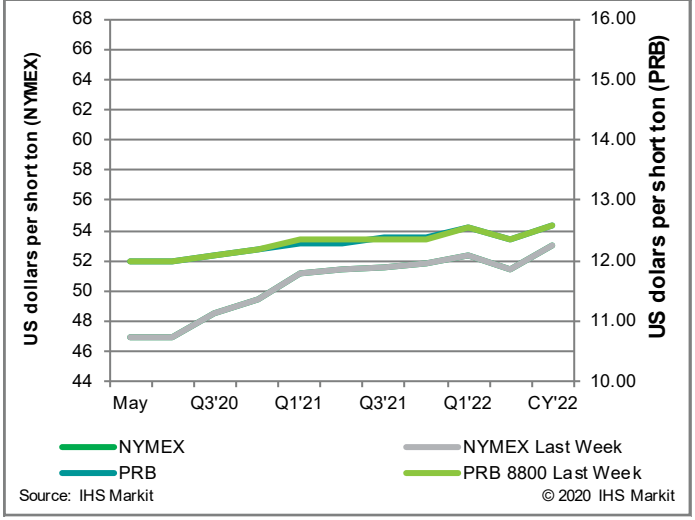


Physical prices



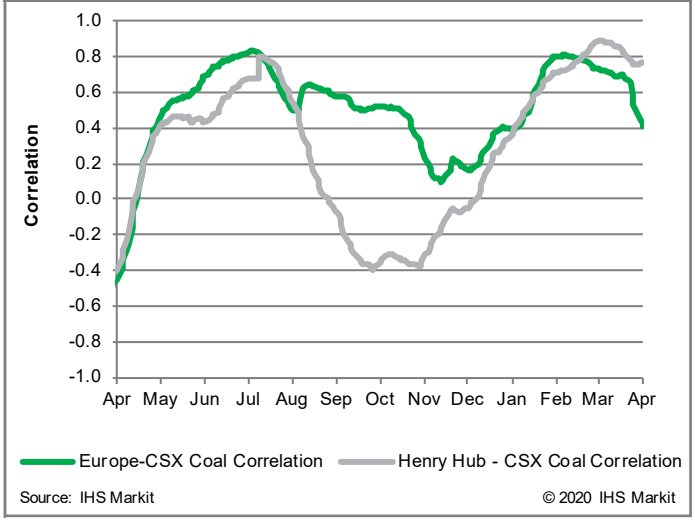
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Financial forwards



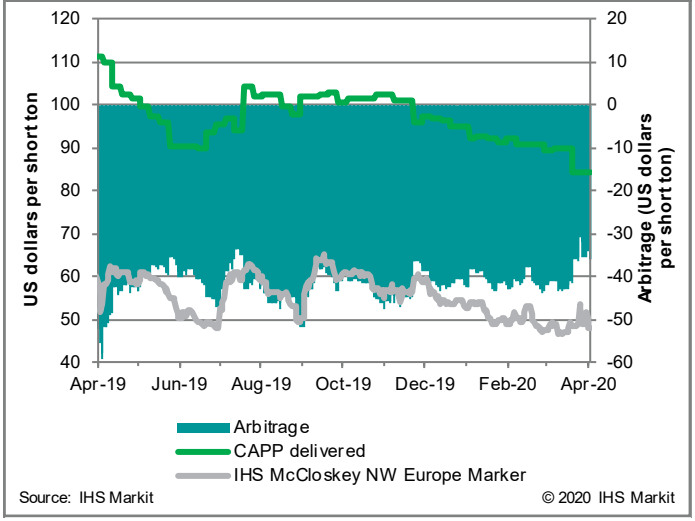
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Coal and gas correlations (90-day)



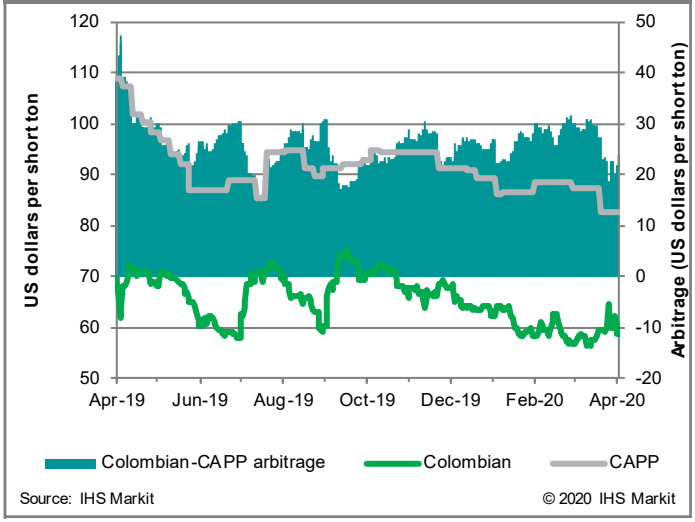
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CAPP delivered to Europe via East Coast



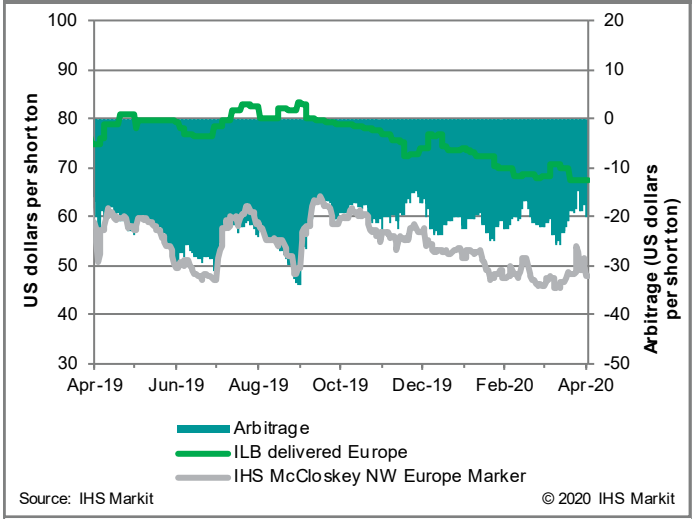
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CAPP/ILB vs Colombian, delivered to Florida



Source: IHS Markit © 2020 IHS Markit

ILB delivered to Europe via NOLA (undiscounted)



Source: IHS Markit © 2020 IHS Markit

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The markets

Not a surprise: Assessed coal prices continue to lose ground

The four coals assessed weekly by IHS Markit all lost ground during a week of temporary mine idlings and idlings that may not be temporary.

All told, the combined losses for Northern Appalachian rail- and barge-delivered coal and their Illinois Basin counterparts totaled 84 cents. As prices have declined over the past year, that's not a disaster – some weekly declines for a single coal quality have been a dollar or more in some weeks – but a source said even pennies are important right now.

"The question becomes where does it end," he said. "We're being nickeled and dimed to death right now."

ILB and NAPP railed coal lost more than nickels and dimes this past week, falling 31 cents a ton and 41 cents a ton, respectively. NAPP rail coal has now lost $23 a ton in the past 15 months.

As for this week, NAPP rail coal for delivery in May, June and July with specs of 12,900 Btu/lb. (12,500 Btu min.) and max 4.0 lbs. SO2/ MMBtu was assessed at $33.51/ton. NAPP barge coal with specs of 12,500 Btu/lb. (12,200 Btu min.) and max 6.0 lbs. SO2/ MMBtu slipped 8 cents a ton to $37.37.

ILB barge and rail coal for the same delivery period closed the week at $31.29/ton and $30.01/ton, respectively, with barged coal dropping 4 cents/ton from last week.

Specs for both ILB coals are 11,500 Btu (11,200 Btu min.), 3.0% SO2 and 0.35% chlorine.

Contura joins list of U.S. miners idling production

Contura Energy is the latest U.S. coal producer to idle some of its production in reaction to market conditions exacerbated by the global COVID-19 virus containment effort.

It is not clear at this point what Contura will idle, but the company will be able to supply customers from its inventories. All operations will ship during the idle period.

During calendar years 2019 and 2018, respectively, Contura shipped 8.4 million tons and 9.6 million tons from its Central Appalachian metallurgical operations internationally to customers in Europe, Asia and the Americas, with the remaining met coal production sold into the domestic market.

Contura's CAPP-Met operations consist of high-quality met coal mines, including Deep Mine 41, Road Fork 52, Black Eagle and Lynn Branch, the latter of which is not operating and still under development. The coal produced by the CAPP-Met operations is predominantly met coal with some amounts of thermal coal being produced as a byproduct of mining.

Contura's CAPP-Thermal operations consist of surface and underground thermal mines. The coal produced by CAPP-Thermal operations is predominantly thermal with some met byproduct. For calendar years 2019 and 2018, respectively, Contura's CAPP-Thermal unit shipped 3.5 million tons and 600,000 tons domestically to utility and industrial customers.

Contura's Northern Appalachian operations are led by the Cumberland mine, Greene County, Pa., which operates one longwall supported by four continuous miner sections for longwall panel development. The NAPP operations also include the idled Emerald mine complex, which is being used as an underground water treatment and holding facility.

Contura has been able to sell part of its Cumberland coal production (300,000 tons and 700,000 tons in 2019 and 2018, respectively) into the met coal market, achieving higher realized pricing.

Contura's export shipments serviced customers through shipping ports in 22 and 23 countries during calendar years 2019 and 2018, respectively. Europe was the company's largest export market during these periods, with coal sales to the continent during 2019 and 2018 accounting for approximately 36% and 40%, respectively, of export coal revenues and 20% and 33%, respectively, of overall coal revenues.

In its fourth-quarter 2019 earnings statement, Contura had maintained its total 2020 coal shipments guidance range of 20.7-22.7 million tons, with the company's CAPP-Met unit volume remaining at 12.0-12.6 million tons and CAPP-Thermal volume remaining at 2.7-3.3 million tons. NAPP volumes also were maintained at the previous range of 6.0-6.8 million tons.

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EKPC, other barge-served plants taking 20% fewer deliveries

Even before coronavirus-prompted production cutbacks, coal buyers for several barge- and truck-served power plants were taking actions to significantly cut deliveries.

"We're not having a lot delivered right now," a coal buyer for a barge- and truck-served Midwest utility said. It's not a situation prompted by the coronavirus; the utility is taking 20% less volume than 2019 "because we were building up inventories last year." Also, the utility is currently taking more of truck-delivered coal – it's cheaper, the coal buyer said -- than barged supplies.

A supplier on the Big Sandy River noted that, at his dock, "we're loading one or two barges (last) week ... This is all pre-corona. All volumes are down so much, there's (practically) nothing to load." The supplier works with utility and industrial customers.

East Kentucky Power Cooperative notified four of its coal suppliers in late February that it would begin taking 20% less volume starting April 1, according to new documents posted by the Kentucky Public Service Commission. The changes will continue until further notice by EKPC and "all other terms and conditions of the purchase order will remain the same."

Under a contract dated Nov. 6, 2017 for coal supplied by **Alliance Coal** to Spurlock Power Station units 1 and 2, there will be a reduction of 2,000 tons per month. The base monthly delivery amount under the contract going forward will be 8,000 tons each month. The original contract volume was for 360,000 tons to be delivered at a rate of 120,000 tons/year over three years, or 10,000 tons/month, from Jan. 1, 2018, through Dec. 31, 2020.

According to the original contract, the coal is delivered FOB barge, River View Dock, Ohio River MP 842.9, at a base price of $1.6522/MMBtu ($38/ton based on 11,500 Btu/lb.)

Under a contract dated Aug. 31, 2018, to supply the two Spurlock units, Alliance will now deliver 3,000 tons per month less for 2020 and, after Jan. 1, 2021, 4,000 tons per month less. The base monthly delivery amount under the contract will be 12,000 tons each month for 2020 and 16,000 tons per month for 2021. The original contract volume was for 540,000 tons of coal delivered at a rate of 120,000 tons for 2019, 180,000 tons for 2020 (15,000 tons per month) and 240,000 tons for 2021 (20,000 tons per month).

According to the original contract, the coal is delivered FOB barge, same location as above, for $1.7609/MMBtu in 2020 ($40.50/ton at 11,500 Btu/lb.) and $1.8261/MMBtu in 20211 ($42/ton at 11,500 Btu/lb.)

Under a contract dated Aug. 31, 2018 to supply Gilbert units 3 and 4 at the Spurlock Station beginning Jan. 1, 2019, Alliance will now deliver 4,000 tons per month less for 2020 and 2021. The base monthly delivery amount under the contract will be 16,000 tons each month. The original contract volume was for 720,000 tons delivered over three years at a rate of 240,000 tons/year (20,000 tons/month).

According to the original contract, the coal is barge-delivered as above for $1.7609/MMBtu ($40.50/ton at 11,500 Btu/lb.) in 2020 and for $1.8261/MMBtu ($42/ton at 11,500 Btu/lb.) in 2021.

Under a contract dated Aug. 14, 2014, with Alliance's **River View Coal LLC** to supply Spurlock units 1 and 2, River View will now deliver 4,000 tons less per month. The base monthly delivery amount under the contract will be 16,000 tons each month. The original contract volume was for 720,000 tons over three years at a rate of 240,000 tons/year (20,000 tons/month).

According to the original contract, the coal is barge-delivered as above.

Under a contract dated Sept. 14, 2018, for coal supplied by **CCU Coal and Construction** to Gilbert units 3 and 4, CCU will now supply 6,000 tons fewer per month. The base monthly delivery amount under the contract will be 24,000 tons each month. The original contract volume was for nearly 1.1 million tons to be delivered over three years at a rate of 360,000 tons/year (30,000 tons/month) from Jan. 1, 2019, through Dec. 31, 2021. EKPC originally signed the contract with Oxford Mining Co.

According to the original contract, the coal is delivered FOB barge at Oxford Dock at a base price of 168.3 cents/MMBtu for coal including a minimum 11,200 Btu/lb. (guaranteed monthly average) and a maximum 9.75 lbs./MMBtu SO2.

Under a contract dated Sept. 26, 2017, for coal supplied by **Contura Coal Sales** to Spurlock units 1 and 2, Contura will now supply 4,00 tons per month less. The base monthly delivery amount under the contract will be 16,000 tons each month. The original contract volume was for 720,000 tons delivered over

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three years at a rate of 240,000 tons (20,000 tons per month) starting Jan. 1, 2018 through Dec. 31, 2020.

According to the original contract, the coal is delivered FOB barge, Cumberland Dock, Monongahela River MP 81.5 for $1.5769/MMBtu ($41/ton at 13,000 Btu/lb.).

EKPC amends contract for Cooper deliveries

East Kentucky Power Cooperative has amended a contract signed in January 2019, and since amended March 2019, with **B&W Resources** for coal deliveries to EKPC's Cooper Power Station in Burnside, Ky.

Under the revised terms, an additional rail delivery point has been added. Delivery points are FOB Cooper at $2.6292/MMBtu, FOB railcar (origin B&W Loadout Manchester) at $2.3792/MMBtu, FOB railcar (origin B&W Loadout Yellow Creek) at $2.3792/MMBtu and FOB Cooper (alternate quality) at $2.4805/MMBtu.

The original terms called for EKPC to purchase 100,000 tons of coal over 20 months, with 40,000 tons delivered in the remainder of 2019 and 60,000 tons delivered in 2020.

Corsa sees sales increase, prices slip during 2019

Corsa Coal announced its fourth-quarter and full-year 2019 results Monday with low-vol metallurgical sales of 440,086 tons during the quarter and 1.55 million tons for the full year.

Both numbers were higher than Q4 and full-year 2018 totals, but year-on-year prices slipped.

"Corsa achieved an average realized price per ton of metallurgical coal sold of $86.70 for all metallurgical qualities in the fourth quarter 2019 compared to $116.27 in the fourth quarter 2018," the company said, adding that the full-year price of $103.76 was down from $114.50 for full year 2018.

"This average realized price for the fourth quarter 2019 is the approximate equivalent of $129 to $134 on an FOB vessel basis," Corsa said. "For the fourth quarter 2019, Corsa's sales mix included 31% of sales to domestic customers and 69% of sales to international customers and for the full year 2019 included 30% of sales to domestic customers and 70% of sales to international customers."

The company's production cost per ton sold was $73.87 for the fourth quarter, a decrease of $2.90 per ton, or 4%, compared to fourth-quarter 2018. Production costs per ton sold was $79.38 for the year, a decrease of $4.23 per ton, or 5%, compared to 2018.

Corsa CEO Peter Merritts said the company's mines and plants are producing at a high level. For the full year 2019, quarterly production records were successively broken in the first quarter, the second quarter and again in the third quarter.

"Our strong operational performance continued into the fourth quarter with our cash production costs per ton sold at the lowest levels for the year, decreasing by 5% as compared to the third quarter of 2019," Merritts said. "The reduction in cash production costs per ton sold partially offset the margin erosion caused by the decrease in realized prices.

"The continued deterioration of the metallurgical coal market and downward pressure on spot prices resulted in our lowest realized pricing for the year and significantly impacted our profitability for the quarter," Merritts said.

"Spot market prices have increased modestly in the first part of 2020 although the impact of the COVID-19 pandemic creates some uncertainty in the global markets," Merritts said. "Our team of dedicated and high-performing miners and professionals has and will continue to respond to the challenges and opportunities of the market."

Corsa said it's not offering any annual guidance for 2020 as of now because of the virus.

"The full extent and impact of the COVID-19 pandemic is unknown, and rapidly evolving," Corsa said. "Given the extreme volatility in financial markets and commodity prices, along with uncertainty regarding the impact thereof on the performance of the company, the company does not believe it is appropriate to issue full year guidance at this time for fiscal 2020."

Corsa said it will continue to evaluate events and circumstances and will provide guidance when appropriate and as information is available.

Eastern

Ramaco Resources idles Elk Creek for two weeks

Ramaco Resources, "out of an abundance of caution", is idling operations for two weeks at its flagship Elk

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Creek metallurgical mining complex in West Virginia starting today.

The action is "in response to the COVID-19 pandemic and its still-evolving impacts on the global economy," Ramaco Resources stated.

Ramaco Resources described its action as "implementing a two-week operational furlough of the majority of employees" at the Elk Creek mining operations. But the Elk Creek prep plant "will remain fully operational to process coal and has sufficient inventory to meet all existing customer commitments. The company's Berwind mine and the Knox Creek prep plant will remain open."

Elk Creek produces high-vol "A/B, closer to an A than B", according to a company official. Ramaco Resources has been ramping up production at the operation over the past several years. Elk Creek produced 1.7 million tons last year. "We've officially been guiding at 1.65-1.85 million tons for this year" of production from Elk Creek alone, the official said.

Of Ramaco Resources' total volume guidance of 1.8-2.1 million tons for 2020, about 1.4 million tons is shipped under fixed-price terms with North American customers.

'Additional measures' may be taken

Ramaco Resources said it "stands poised to take additional measures such as the idling or realignment of additional mines as conditions might dictate. We also are ready to re-activate operations once circumstances improve."

"There is no simple playbook for operating a business in the middle of a worldwide pandemic," said Ramaco Resources Executive Chairman Randall Atkins. He noted that the company "is adapting to the reality of the current situation in both the coal and steel markets, while being mindful of primary responsibility regarding the health and safety of all of our employees. We look forward to returning to a more normalized operational level as soon as possible and market conditions permit."

Further, the company said it "will also be reducing non-essential capital expenditures to adapt to the current market conditions, and expects to have sufficient liquidity to manage all of its capital requirements during this period."

The hoped-for temporary idling is among the latest mine idlings by a number of companies, practically all who have said the actions were safety measures prompted by the pandemic, that the idlings would last several weeks and that customers' shipments would continue from existing stockpiles.

As reported in Monday's Coal & Energy, Alliance Resource Partners is idling its Illinois Basin operations, CONSOL Energy is idling its Bailey mine at its Pennsylvania Mining Complex (Enlow Fork and Harvey will remain in production at the complex) and met coal producer Coronado Coal revealed a temporary idling of its U.S. operations, including the Buchanan low-vol longwall mine in Virginia.

As reported in this edition, Arch Coal has idled the Viper mine, a decision that will be reassessed week-to-week. Viper was idled because power market conditions are unfavorable for Viper's largest customer, Springfield City Water, Light & Power's dispatch of its Dallman coal-fired generating station. The mine continues to ship to its regional industrial customers.

Jim Justice companies settle with feds for $5 mil

Coal companies owned by West Virginia Gov. Jim Justice have settled five years of outstanding violations with the federal government for $5 million, according to a joint U.S. Justice Dept.-Mine Safety and Health Administration announcement.

U.S. Attorney Thomas T. Cullen and David G. Zatezalo, Assistant Secretary of Labor for MSHA, announced Wednesday the settlement with the 24 coal companies operating in Virginia, West Virginia, Tennessee, Alabama and Kentucky "to satisfy more than $5 million in unpaid penalties for violations of the Federal Mine Safety and Health Act."

The U.S. government filed a civil action in May 2019 to collect debts it said were owed by Southern Coal Corp., Justice Coal of Alabama, A&G Coal Corp., Black River Coal, Chestnut Land Holdings, Double Bonus Coal Co., Dynamic Energy, Four Star Resources, Frontier Coal Co., Infinity Energy, Justice Energy Co., Justice Highwall Mining, Kentucky Fuel Corp., Keystone Service Industries, M&P Services, Nine Mile Mining, Nufac Mining Co., Pay Car Mining, Premium Coal Co., S and H Mining, Sequoia Energy, Tams Management, and Virginia Fuel Corp.

The list of the companies was provided in the government's statement and a Justice companies

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representative didn't respond to a request for comment.

According to the U.S. civil complaint, "between May 3, 2014, and May 3, 2019, MSHA collectively issued at least 2,297 citations to the defendant mine operators for violations of the Mine Safety and Health Act, and at the appropriate time, assessed civil penalties for each violation, pursuant to the law.

"The defendants failed to pay the penalties, even after MSHA sent multiple demand letters. MSHA then referred the civil penalties to the Department of Treasury for collection. The Department of Treasury made another written demand on the defendants, but they still failed to pay, and the Department of Treasury referred the civil penalties to the Department of Justice for collection.

"On September 5, 2018, the United States Attorney's Office for the Western District of Virginia made a written demand on the defendants for the delinquent debts. The defendants, however, still failed to pay the outstanding debts, and on May 7, 2019, the United States filed a civil complaint to collect the unpaid debts."

Almost a year later, the statement goes on to say, "the 23 named defendants agreed to pay the full amounts of the assessed civil penalties, plus interest and penalties. In total, the defendants will pay $4,065,578.29 to satisfy the debts identified in the United States' May 2019 complaint. Additionally, the defendants and related company Bluestone Coal Corporation agreed to pay an additional $1,064,547.18 to get current on their other unpaid, Mine Safety and Health Act penalties that were not included in the United States' May 2019 complaint."

Rhino posts loss of nearly $100 million, doing 'restructuring evaluation'

Rhino Resource Partners LP recorded a $99.5 million net loss in 2019 compared with a net loss of $16 million in 2018. Coal sales revenues in 2019 were $178.9 million, down 7.7% from $193.8 million in 2018.

Rhino produced 3.2 million tons of coal from continuing operations in 2019 and sold about 3 million tons from continuing operations, according to the company's 10-K, filed March 27. Rhino's coal is produced from underground and surface mines in Kentucky, Ohio, Virginia, West Virginia and Utah.

Separately, Rhino posted an 8-K on March 27 noting: "The partnership is currently undergoing a restructuring evaluation process to address its liquidity issues. It is actively engaged in discussions with the lenders under its financing agreement regarding restructuring options, including potential asset sales or other potential solutions to its liquidity needs. On March 23, 2020, the partnership engaged legal and financial advisors to assist it in evaluating its strategic options.

Comments included in the 10-K are a sobering statement about the current coal markets and Rhino's position in them: "Beginning in the later part of the third quarter of 2019, we have experienced significantly weaker market demand and have seen prices move lower for the qualities of met and steam coal we produce.

"This downward price trend has been exacerbated by the recent coronavirus pandemic. If we continue to experience weak demand and prices continue to lower for our met and steam coal, we may not be able to continue to give the required representations or meet all of the covenants and restrictions included in our financing agreement.

"As of December 31, 2019, we were unable to demonstrate that we have sufficient liquidity to operate our business over the next twelve months from the date of filing our annual report on Form 10-K and thus substantial doubt is raised about our ability to continue as a going concern. Accordingly, our independent registered public accounting firm has included an emphasis paragraph with respect to our ability to continue as a going concern in its report on our consolidated financial statements for the year ended December 31, 2019. The presence of the going concern emphasis paragraph in our auditors' report may have an adverse impact on our relationship with third parties with whom we do business, including our customers, vendors, lenders and employees, making it difficult to raise additional financing to the extent needed to conduct normal operations. As a result, our business, results of operations, financial condition and prospects could be materially adversely affected."

Pennyrile sale completed

Rhino also disclosed that it completed during first-quarter 2019 its sale of the Pennyrile operations in western Kentucky to Alliance Coal for $3.7 million. Rhino and Alliance entered into the asset purchase

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agreement in September last year.

Rhino said it will "retain liability for certain employee claims, subsidence claims arising from pre-closing mining operations, MSHA liabilities and certain other matters."

Also, the asset purchase agreement allows Alliance "to conduct diligence on the Pennyrile mine complex and ... contest the fair market value of the purchased assets or the estimate of the costs of the assumed liabilities following such diligence investigation" and commit to further negotiations or arbitration if a dispute arises.

Pennyrile was listed in Rhino's balance sheets as discontinued operations, "including a $38.7 million impairment loss associated with the sale."

Rhino announced March 20 that it would temporarily idle production "at many of its mining operations" effective immediately. "The idling process will be systematic across Rhino's multi-state operations and will initially span for a minimum of two weeks," the company stated.

Western

FTC asks court to refuse Arch-Peabody access to 'confidential' info

The ongoing court battle that pits Arch Coal and Peabody Energy against the Federal Trade Commission has the commission seeking to block the two producers from accessing "confidential" information connected to the case.

In February, the FTC filed administrative and civil complaints challenging the proposed joint venture under which Arch and Peabody agreed that Peabody would operate Arch's western coal mines while Arch would concentrate on its eastern U.S. metallurgical coal properties. The operating agreement would involve Peabody combining its own Colorado and Wyoming mines with Arch's nearby operations.

The FTC is citing anticompetitive concerns regarding the concentration of Powder River Basin coal in the hands of a single producer.

"In-house access to highly confidential information in merger cases is the exception, not the rule," the FTC said in its Thursday filing in U.S. District Court for the Eastern District of Missouri. "In four of the five most recent FTC merger challenges, defendants' in-house counsel and executives were granted no access to confidential information.

"Likewise, courts evaluating motions to modify protective orders in recent merger challenges brought by the U.S. Department of Justice have rejected arguments that are nearly identical to the arguments made by Defendants."

The FTC further said that Arch and Peabody "have failed to establish good cause for the requested modification" to allow access to third-party confidential information.

"Merger challenges frequently require an examination of the strategies and operations of not only the merging parties themselves but also of the merging parties' competitors and customers," the FTC filing goes on to say. "In light of the highly sensitive non-party information required, courts are extremely hesitant to grant defendants' executives and employees access to confidential information — such as the negotiating strategies, price setting, and expansion plans that are present here — of their own customers and competitors, particularly where, as here, non-parties object to such access."

The FTC filing also included a "preliminary fact witness list" that includes a laundry list of coal companies' executives and numerous utilities' fuels managers. The FTC said that it "may call live at the preliminary injunction hearing" any of these individuals.

Meanwhile, on top of previously challenging an FTC subpoena for numerous records and other business information, Navajo Transitional Energy Corp. filed on Friday in the court a request to turn back Arch Coal from obtaining "highly confidential, sensitive and proprietary competitive information" from the Navajo-owned company.

NTEC is the owner of three PRB mines it acquired last year in Cloud Peak Energy's Chapter 11 bankruptcy auction, namely Cordero Rojo and Antelope in Wyoming and Spring Creek in Montana.

NTEC's objection to the Arch subpoena mirrors language used in the objection to the FTC subpoena: "The subpoena's descriptions of documents being sought are vague, ambiguous, and do not specifically identify documents or categories of documents with reasonable specificity. Without such specificity, it is difficult to ascertain what is being requested for production."

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Transportation

U.S. coal carloads drop 15.9% in March

March proved to be a miserable month for the nation's Class 1 railroads' coal shipments, dropping by 43,611 carloads or 15.9% from March a year ago, according to the Association of American Railroads.

It's fair to say no one in the U.S. coal industry is predicting April will show much of an improvement, but in fact the latest week's coal carloads did rise, though the 0.1% increase to 60,983 carloads means for all practical purposes that loads for the week ended March 28 are flat with the comparable year-ago week. But the thanks for what little weekly increase there was goes to BNSF Railway and Union Pacific, which at least helped the average percentage.

For the 13 weeks so far in 2020, the nation's coal carloads total 833,542, averaging 64,119 a week and down 16.7% from the first 13 weeks of 2019, according to AAR data.

"Rail traffic numbers confirm that the coronavirus is taking a toll on the economy," said AAR Senior Vice President John T. Gray. "For example, U.S. carloads of autos and auto parts last week were down 70% from the same week last year as auto production declined to zero and consumer spending has begun to shrink demand. While intermodal volume last week was down year-over-year 14% overall, total movements for the five railroads serving the West Coast ports remained steady for a fifth consecutive week, reinforcing the expectation that we may have seen the bottoming of the Asia-North America trade. However, this week also reminded us that the recent collapse in oil prices is hurting rail shipments of petroleum products, frac sand, and steel products.

"While there remain more unknowns than knowns about the next few months, there are tidbits of encouraging news," Gray continued. "For example, year-over-year carloads of grain were up in March for the first time in a year and March was the best month for rail chemical carloads in two years."

BNSF, UP loads UP by double-digits

For individual railroads, CSX's Week 13 coal carloads dropped by 8.3% to 12,913 from 14,089 in the year-ago week. Year-to-date (also first quarter-to-date) carloads are down by 16.7% to 167,978 from 201,584 YTD 2019.

Norfolk Southern's weekly carloads dropped by 4,367, or 25.2%, to 12,959 from 17,326 in the year-ago week. YTD NS carloads are down by 71,992, or 31.8%, to 154,757 from 226,749 YTD 2019.

In something of an eye-opener, BNSF's Week 13 coal carloads increased by 16.2% to 25,621 from 22,048 in the year-ago week. YTD carloads for BNSF are still down, by 7.7%, to 387,206 from 419,488 YTD 2019.

UP's weekly coal carloads also increased, by 26%, to 13,748 from 10,918 in the year-ago week. YTD carloads are down by 22% to 191,712 from 246,710 YTD 2019.

International News

Teck exceeds first-quarter guidance

Teck Resources reported first-quarter coking coal sales of 5.6 million metric tonnes, exceeding its previous guidance of 4.8-5.2 million tonnes. The Canadian-based miner also said it expects average adjusted cost of sales at $65/tonne.

"Notwithstanding the challenges in the month of March related to COVID-19, all of our operations remain in production and our steelmaking coal results significantly exceeded guidance," Teck CEO Don Lindsay stated.

As previously reported, the company is now in the midst of two-week slowdowns at its coking coal operations in British Columbia with temporary 50% workforce reductions. The uncertainty of the coronavirus – its duration and impacts – means Teck chose to suspend any release of an updated 2020 full-year guidance.

"Impacts from COVID-19 will vary by operation, but production will continue at sites on a reduced basis," the company said. "While the reductions at our steelmaking coal operations will vary by mine, total production is expected to be reduced on average to approximately 80% to 85% of normal levels during the initial two-week period. During this period historically high mine site clean coal inventories are expected to be drawn down to support sales."

Teck is continuing with its Neptune facility upgrades with expectations "new shiploader, stacker/reclaimer, and single dumper replacement to be commissioned around year-end."

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The shutdown of its Elkview operations to complete plant expansion is expected to be completed in mid-April. The Elkview plant capacity is being expanded from 7 million tonnes to 9 million tonnes as its Cardinal River mine closes later this year and will be replaced by lower-cost Elkview production. Teck said the move should translate to an annual $110 million increase in EBITDA.

Still, despite the positive conclusion to the first quarter, the company admits the current global pandemic has the potential to significantly impact second-quarter performance.

"COVID-19 has the potential to affect both our customers and certain of our suppliers, and we are closely monitoring potential impacts on demand for our products, as well as our supply chain," Teck said. "Our operating plans will depend in part on regulatory restrictions that may affect our business, as well as the progress of the pandemic generally, and the extent of additional measures, if any, required to protect the health and safety of employees."

Further fall in Indonesian prices as buyers defer more cargoes

Indonesian coal prices declined further in a spot market in which fewer traded volumes were noted on the week.

Several suppliers said that more cargoes were being pushed back from end-users in India and the Philippines. While some were able to divert cargoes to the domestic and Chinese markets, this added pressure to the downward price trend.

A May loading Panamax transacted at $31.15/metric tonne FOB, basis 3,800 kc NAR, while trades for April were done at $30.75-31.00/t FOB, basis 3,800 kc NAR, for geared vessels.

Last week, April loading geared vessel trades went through at $31.40-32.00/t FOB, basis 3,800 kc NAR.

On an index-linked basis, an offer for Indonesian material emerged at M42/ICI4 plus $0.00/t, basis 4,200 kc GAR, for a geared vessel.

Offers were heard for lower c.v. coal at $22.00/t FOB, basis 3,000 kc NAR, for an April loading geared vessel, flat on the week.

May loading geared vessels were offered at $21.20/t FOB, basis 3,000 kc NAR, with no bids heard against.

Sub-bituminous coal transacted at $44.00/t FOB, basis 4,700 kc NAR, for an April loading Panamax, down $3.00/t on the week.

May traded at $44.00-45.00/t FOB, basis 4,700 kc NAR, for Panamaxes.

On a China-delivered basis, an April arrival Panamax traded at $36.00/t CFR, basis 3,800 kc NAR, down by $1.00/t from when a similar trade was seen a fortnight ago.

Falling power demand, prices hit coal and gas margins

Falling power demand triggered by lockdowns across Europe to combat the spread of COVID-19 has hit power prices, thereby further weakening coal and gas-fired generation margins.

Average power demand in Germany and the United Kingdom has fallen by 2% and 9% respectively in the past two weeks compared with the average of the last five years, according to IHS Markit analysis.

As a result, power prices in both countries have fallen. Day-ahead power prices in Germany fell by 18% to EUR22.30/MWh in the week ending April 3, from EUR27.27/MWh two weeks earlier. Meanwhile, fuel costs have risen with the IHS McCloskey NW Europe Steam Coal marker averaging around $49.00/metric tonne for the two weeks ending April 3, from an average $46.88/t two weeks previously.

German clean-dark spreads averaged minus EUR11.11/MWh in the latest two-week period, from minus EUR7.51/MWh two weeks ago.

Coal generation in Germany fell to 1.04 TWh in the past two weeks from 1.56 TWh two weeks ago as the weather turned milder. Natural gas power was also down at 1.65 TWh from 2.72 TWh and wind generation fell to 5.84 TWh from 7.84 TWh over the same period, according to Fraunhofer data.

EU carbon costs fell by 9% to average EUR16.84/t on April 3 from EUR18.49/t on March 20. EU carbon costs are likely to stay around EUR16-17.00/t in the coming months due to weak European manufacturing activity.

Gas prices in Europe fell on ample supplies of LNG and piped gas from Russia and Norway. U.S. suppliers are forced to cancel or defer cargoes as a result of weak demand from Asia and Europe.

TTF prices fell by 18% to average EUR7.29/MWh on April 3 from EUR 8.88/MWh two weeks ago.

The clean-spark spread dropped to an average of

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EUR1.23/MWh in the period ending April 3, from EUR2.35/MWh two weeks ago.

Over to the UK, gas-fired generation remained ahead in the merit order but margins were more than halved.

Margins are expected to stay under pressure in the coming weeks as milder weather and reduced manufacturing activity further cuts demand for power by households and industrials.

Power prices fell by 22%, averaging GBP27.22/MWh on April 3, from GBP34.77/MWh two weeks ago. Natural gas fell by 24% and averaged 18.48 pence per therm (ppt) in the two weeks ending April 3 from 24.34/ppt two weeks ago.

UK carbon prices also fell, averaging EUR36.92/t in the two weeks to April 3, from EUR38.58/t in the previous two weeks.

The clean-spark spread shrank to GBP2.10/MWh on April 3, from GBP5.02/t two weeks ago, while the clean-dark averaged minus GBP19.97/MWh from minus GBP13.65/MWh in the week ended March 20.

Indian power plants coal stocks cross 45 mt as generation slides

Coal stocks at Indian power plants rose 7% in the latest week, and crossed 45 million metric tonnes for the first time on record.

The rise came on consistent coal supplies in tandem with generation falling sharply on tepid demand. Power-intensive industries have almost completely stopped production under the 21-day national lockdown in response to COVID-19.

The shutdown has not yet affected coal mining and rail transportation, but Coal India (CIL) may curtail output in the coming days to manage its inventories that have spiraled to 76 mt.

Stocks at the 134 coal-fired plants (161.20 GW) monitored by the country's Central Electricity Authority (CEA) rose to 45.01 mt on March 31, up from 42.08 mt on March 24.

"The stocks will rise further in the coming days as our supplies will continue at a greater pace, despite low appetite from power plants," an official of CIL said.

CIL produced 84.36 mt in March, at 2.72 mt/d, despite a slight slowdown in the last five days of the month as the lockdown impacted its dispatches and consequent stock build-up.

Stocks at power plants on March 31 were up 20% on the month and 46% on the year.

Forward coal cover at the 134-monitored plants rose to 28 days on March 31, up from 24 days a week back, 21 days a month back and 18 days a year back.

The monitored capacity on March 31 fell from 161.32 GW a week back, as a 120 MW unit at Kothagudem plant in Telengana was retired during the week.

CEA was monitoring the same number of plants, but with 160.85 MW capacity a month back and 127 plants (152.46 GW) a year back.

On March 24, a 660 MW unit of Suratgarh plant in Rajasthan was added to the monitoring list, but on the same day a 60 MW unit at Kothagudem and 130 MW at Chandrapur (DVC) in Jharkhand was retired.

Of the total monitored plants on March 31, 14 had coal stocks of seven or less days of burn, down from 16 plants a week back.

CEA has not updated generation data after March 18 as officials could not report due to the lockdown.

National News

IHS economists add to bearish coal sentiment

When people start throwing out phrases like "deepest global recession since the 1930s" and "overwhelming downside risks," you take notice – especially when they're as smart as IHS Markit economist Nariman Behravesh.

In the relatively brief two weeks since its last report, the IHS Markit economic team has already drastically downgraded previous expectations as a result of COVID-19. As for more depressing phrases, the first line of the newly issued Monday report includes "the ensuing economic carnage" as a backstop to prepare readers for what's to come.

"This interim global forecast is the second prepared in March and is much more pessimistic than our regularly scheduled outlook from 17 March," the report said. "It is based on major downgrades to forecasts of the U.S. economy and oil prices (which we expect to fall to $10/bbl in May). The risks remain overwhelmingly on the downside and further downgrades are almost assured."

A fairly omniscient source has been firing up

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warning flares for more than a week now that the global economic slide should be more of a discussion point among coal producers and traders.

"No one seems to be making a correlation with the 2008-9 financial meltdown and its impact on met coal – and I am not sure why," the trader said. "It may be the only recent event to refer to in order to draw conclusions. How many laid off employees will buy a new car? Which then leads to the question as to whether car manufacturers will buy as much steel as planned?

"It's hard to not see coking coal/iron ore prices react to reduced demand. Some Asian mills had reduced steel production forecasts prior to the COVID-19 pandemic. I wouldn't be surprised, if at some point in the next three months, the (Aussie prime hard coking coal) headline prices go to the $130's/tonne."

In the U.S., the American Iron & Steel Institute projected crude steel output fell to 1.67 million tons at a capacity utilization rate of 71.6% in the week ending March 28. That production is down nearly 10% from the previous week and down nearly 13% from the corresponding week in 2019.

U.S. steel production for the year is estimated at 23.65 million tons, down just 1% year on year, but continuing to slide.

"The daily news and incoming data have been unrelentingly bad," IHS Markit economists said. "With a few exceptions (China and South Korea), the rapid rises in infections have not been slowed or stopped. In response, roughly one-third of the global economy has been 'locked down.'

"In the U.S., in the week that ended 21 March, 3.3 million workers filed claims for unemployment insurance, quadruple the prior record in October 1987. The IHS Markit Purchasing Managers' Index (PMI) data are registering some of the deepest and sharpest drops on record. US stock indexes are down about 25%. The list goes on."

The list goes on and, unfortunately, it's growing.

"IHS Markit now believes the COVID-19 recession will be deeper than the one following the global financial crisis in 2008-09," Behravesh predicted. "Real world GDP should plunge 2.8% in 2020 compared with a drop of 1.7% in 2009. Many key economies will see double-digit declines (at annualized rates) in 2Q2020, with the contraction continuing into 3Q2020.

"The U.S. projections in the 20 March interim forecast showed a 2020 decline in real GDP of 1.7%, on a calendar-year basis. Based on recent data and developments, IHS Markit has slashed the 2020 forecast to a contraction of 5.4%."

Worse still for U.S. coal producers are the outlooks being seen in primetime markets such as Europe, Japan and developing countries like India.

Here's a hint – it's all bad.

IHS Markit economists now expect Europe will see some of the worst recessions in the developed world with 2020 real GDP drops of approximately 4.5% in the Eurozone and UK economies. Italy could see a decline of 6% or more.

"The peak GDP contractions expected in 2Q2020 will far exceed those at the height of the global financial crisis," IHS Markit said.

In Japan, IHS Markit expects a real GDP contraction of 2.5% this year and a very weak recovery next year.

As for India, a growth market that helped U.S. coal exporters survive in February, the outlook could be even more gloomy.

"Emerging markets growth will also be hammered," IHS Markit said. "Not only are infection rates rising rapidly in key economies, such as India, but the combination of the deepest global recession since the 1930s, plunging commodity prices, and depreciating currencies (compounding already dangerous debt burdens) will push many of these economies to the breaking point."

IHS gas update: 'first indications of demand destruction'

IHS Markit's North American natural gas team is seeing "week-to-week declines in power sector gas burn and industrial gas consumption (as) the first indications of demand destruction as a result of COVID-19".

IHS Markit estimates a 27 Bcf withdrawal from the lower 48 states' gas storage for the week ending March 27, "8 Bcf larger than the prior five-year withdrawal, 33 Bcf below the year-earlier injection of 6 Bcf, and 2 Bcf smaller than the EIA's reported draw for the previous week," Principal Analyst Bob Tomarelli writes in the latest US Natural Gas Weekly Storage Outlook.

"Total supply and total demand were approximately flat week to week," Tomarelli writes. "On the demand side, US LNG feed gas was up 1.5 Bcf/d from the previous week, offsetting declines of 0.8

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Bcf/d and 0.6 Bcf/d from the power and industrial sectors, respectively."

The report goes on to say that "residential and commercial heating demand held approximately stable from the previous week's levels. We have observed further declines in industrial and power sector gas demand since 27 March, along with lower residential and commercial consumption as warmer weather has swept across the country. Given the current inventory surplus, we expect sustained robust production, potential demand destruction as a result of COVID-19, and weak LNG feed gas demand -- because of high European gas storage inventories -- to bring end-October inventories to (or slightly above) 4 Tcf."

For the week ending March 20, EIA reported a net storage withdrawal of 29 Bcf, which "was 11 Bcf smaller than the prior five-year average withdrawal and 10 Bcf less than the year-earlier pull of 39 Bcf," according to the update. "The 29 Bcf withdrawal was 15 Bcf above our expectation for the week and 9 Bcf above the market's expectations of a 20 Bcf draw."

The prompt-month NYMEX contract (April delivery) averaged $1.63/MMBtu for the week ending March 27, down $0.17/MMBtu from the previous week's average. Henry Hub cash prices averaged $1.67/MMBtu, down $0.18/MMBtu from the prior week.

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AMERICAS
T +1 303 754 3952
+1 888 6645 3282
E CoalAmericas@ihsmarkit.com

EUROPE, MIDDLE EAST, AFRICA
T +44 (0) 1344 328 300
E CoalEMEA@ihsmarkit.com

ASIA PACIFIC
T +604 291 3600
E CoalAPAC@ihsmarkit.com

6827-0220-JH

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STF-3-12 Attachment B

STF-3-12
Docket No. 44902

Global Coal News & Analysis

McCloskey Coal Report:
Comprehensive news and analysis of the global coal markets covering coal prices, seaborne trade and discussing supply and demand issues with immediate and longer term implications.

Fax:
Weekly digest of global prices and news in bite-sized form. All your weekly pricing data and market moving information in one place.

Newswire:
Real-time breaking coal market news and pricing wherever you are, delivered 24 hours a day.

North American Coal Market News & Analysis

Coal & Energy Price Report
Coal & Energy Price Report is the go-to daily publication for industry professionals. It features Commentary by Jim Thompson, critical news and insight about the U.S. domestic markets, and analysis of the U.S.' participation in international markets. The publication is included in IHS Energy's North American Coal suite.

U.S. Coal Review
Published weekly, U.S. Coal Review is focused on the U.S. utility market but has complete coverage of current coal developments including comprehensive price coverage and production trends. The publication also features weekly analysis and insight from IHS experts. The publication is included in IHS Energy's North American Coal suite.

Coal Price Data and Indexes

IHS coal price markers form a key component of the API indices, which serve as the settlement price in 90% of the world's coal derivative contracts. With its legacy of playing a key role in developing steam coal indexation, IHS McCloskey first published the NW European marker in 1991.

Available as an add on to our other products, the full set of steam, coking and petcoke prices – along with vital coal market data, news and analysis can be accessed through our online platform IHS Connect™.

Chinese Coal Market News & Analysis

The service, which comprises analytical reports and daily intelligence updates, brings together IHS' tradition of excellence in covering seaborne markets with Xinhua Infolink's knowledge and insight of the Chinese market. Recent coverage has been at the heart of the policy, regulation, implementation and effect of China's goal of reducing domestic production capacity. This intelligence is augmented with data sets of key indicators.

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Coal Capability

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Global Steam Coal Service

The service is a one-stop shop for forward-looking analysis on the international steam coal market. At its core is a supply/demand and price forecast service. Outlooks are updated quarterly and backed up with in-depth commentary and a comprehensive data-base. The service also focuses on the inter-relationships between steam coal and other fuels, particularly natural gas as well as petcoke.

APAC and African Coal Market News and Analysis

Australian Coal Report
In-depth weekly coverage of Australian coal markets focusing on market moving events. Infrastructure is a key focus and includes port performance, vessel queues and freight. Australian coal statistics and published monthly in Excel covering exports and other data.

Indian Coal Report
Monthly update on developments in the Indian coal, power and steel markets, including coal production and prices. Key shipping routes to India (Cape, Mini Cape, Supermax) are assessed and priced. Data includes monthly coal imports.

Coalfax
Weekly summary of events impacting international coal markets focusing on Australia and wider Asia. Includes prices, tenders, stocks, shipping and the NEX Index, a key indicator of the spot price of thermal coal ex-Newcastle.

South African Coal Report
The interplay between domestic power demand and exports is a focus. Covers corporate news and wider African coal markets and includes an infrastructure focus on Richards Bay coal terminal, loading rates, rail, capacity, vessel queues, and freight.

Metallurgical Coal Market Insight, News and Analysis

The Metallurgical Coal Quarterly
forecasts metallurgical coal fundamentals and price out ten years. It is the critical decision making tool for metallurgical coal market players, and those in its related commodities.

Inside Coal
Daily news and analysis of the biggest events in the international metallurgical coal market. Complete coverage of prices, deep insight from met coal specialists, and supply/demand analysis.

4109-TS-0217

Weekly U.S. coal production overview (thousand short tons)

Coal-producing region and state	Week Ended			Year-To-Date[1]			52 Weeks Ended		
	3/28/2020	3/21/2020	3/30/2019	3/28/2020	3/28/2019	% Change	3/28/2020	3/30/2019	% Change
Alabama	234	214	236	3,152	3,722	-15.3	13,493	14,672	-8.0
Alaska	17	16	16	238	245	-2.9	963	915	5.2
Arizona	.	.	93	.	1,463	-100.0	2,353	6,513	-63.9
Colorado	178	171	215	2,491	3,394	-26.6	11,541	14,205	-18.8
Illinois	746	675	803	10,097	12,674	-20.3	42,742	49,759	-14.1
Indiana	504	470	549	6,989	8,664	-19.3	30,070	35,016	-14.1
Kentucky Total	**573**	**530**	**618**	**7,800**	**9,755**	**-20.0**	**33,855**	**39,417**	**-14.1**
Eastern	208	193	241	2,847	3,802	-25.1	12,587	16,457	-23.5
Western	365	337	377	4,953	5,953	-16.8	21,269	22,960	-7.4
Louisiana	19	16	14	228	226	0.6	1,406	1,482	-5.1
Maryland	27	25	23	351	370	-5.1	1,453	1,294	12.3
Mississippi	42	36	37	527	580	-9.2	2,634	2,890	-8.9
Missouri	3	2	3	36	48	-25.2	176	244	-27.9
Montana	508	462	437	6,551	6,895	-5.0	34,001	36,569	-7.0
New Mexico	286	265	230	3,894	3,630	7.3	14,942	12,463	19.9
North Dakota	415	375	444	5,287	7,010	-24.6	25,149	29,245	-14.0
Ohio	133	118	120	1,718	1,889	-9.0	7,575	8,465	-10.5
Oklahoma	3	3	4	43	62	-30.2	207	649	-68.1
Pennsylvania Total	**823**	**741**	**771**	**10,724**	**12,166**	**-11.9**	**48,343**	**50,347**	**-4.0**
Anthracite	42	39	32	569	507	12.3	2,646	1,976	33.9
Bituminous	781	702	739	10,155	11,659	-12.9	45,697	48,371	-5.5
Tennessee	7	5	4	81	69	17.5	447	238	87.8
Texas	335	321	398	4,634	6,277	-26.2	21,552	25,146	-14.3
Utah	255	234	256	3,469	4,048	-14.3	13,766	14,083	-2.3
Virginia	197	181	194	2,602	3,065	-15.1	11,929	12,776	-6.6
West Virginia Total	**1,500**	**1,367**	**1,469**	**19,932**	**23,190**	**-14.0**	**89,210**	**95,617**	**-6.7**
Northern	790	714	750	10,481	11,834	-11.4	45,521	47,012	-3.2
Southern	710	653	719	9,451	11,355	-16.8	43,689	48,605	-10.1
Wyoming	4,172	3,869	4,141	54,600	65,356	-16.5	264,993	294,318	-10.0
Appalachian Total	**3,128**	**2,844**	**3,058**	**41,407**	**48,273**	**-14.2**	**185,037**	**199,866**	**-7.4**
Interior Total	**2,017**	**1,862**	**2,185**	**27,506**	**34,484**	**-20.2**	**120,056**	**138,146**	**-13.1**
Western Total	**5,830**	**5,391**	**5,831**	**76,531**	**92,043**	**-16.9**	**367,708**	**408,313**	**-9.9**
East of Miss. River	**4,785**	**4,363**	**4,824**	**63,972**	**76,144**	**-16.0**	**281,751**	**310,491**	**-9.3**
West of Miss. River	**6,190**	**5,734**	**6,250**	**81,471**	**98,656**	**-17.4**	**391,050**	**435,834**	**-10.3**
Bituminous and Lignite	**10,934**	**10,058**	**11,042**	**144,874**	**174,293**	**-16.9**	**670,156**	**744,349**	**-10.0**
Anthracite	**42**	**39**	**32**	**569**	**507**	**12.3**	**2,646**	**1,976**	**33.9**
U.S. Total	**10,975**	**10,097**	**11,074**	**145,443**	**174,800**	**-16.8**	**672,801**	**746,325**	**-9.9**
Railroad Cars Loaded	**60,983**	**56,093**	**60,984**	**803,457**	**963,905**	**-16.6**	**3,833,082**	**4,317,086**	**-11.2**

Source: EIA

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IHS Markit Customer Care

CustomerCare@ihsmarkit.com
Americas: +1 800 IHS CARE (+1 800 447 2273)
Europe, Middle East, and Africa: +44 (0) 1344 328 300
Asia and the Pacific Rim: +604 291 3600

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