For coal producers it’s been a bad case of the summertime blues with listless prices and bearish analysis. On August 17, Reuters reported $93.50 per tonne thermal coal delivery into Europe. This was up from June, when levels had sunk to a two-year low of around $82 per tonne. Globally, coal’s performance has been dented by sliding Chinese demand for both domestic and imported thermal and metallurgical (coking) coal.

The decline in coking coal demand stems from weakening Chinese steel prices and high steel inventories weighing on the market. In China, a dip, even in robust GDP growth figures, 7.6% for the quarter ending June, means less power utilization and therefore less thermal coal required. Around 80% of China’s electricity is generated by coal-fired plants. China’s National Development and Reform Commission has set the country’s total domestic output for 2012 at 3.65 billion tonnes coal, an increase of just 3.7% over last year.

Market jitters concerning Eurozone economies may impact coal imports. Europe represented 76% of US coal exports for 2011, according to the US Energy Information Administration (EIA). Total US coal exports stood at about 70 million short tons coking coal and about 38 million tons thermal coal. Total coal production for the US stood at just below 1.1 billion short tons for 2011, according to the US National Mining Association (NAM). In 2010, 45% of US energy came from coal; by 2035, this figure will slip to 38%, according to the EIA.

But China, India and other Asian markets – all still growing – could inject new vitality in the US market. “[...] it’s anyone’s guess how much these nations will rely on imports to meet their demand,” Mike Mellish an economist at the EIA told Resource World. Mellish then highlighted a deal signed between FJS Energy LLC and India’s Abhijeet Group to purchase 9 million tons coal per year. “That’s significant,” he added.

In Canada, coal production for 2011 was around 68 million tonnes, roughly the same as 2010. The top-three coal producing regions in 2010 were Alberta, with 30 million tonnes produced; British Columbia, 27 million tonnes; and Saskatchewan, 10 million tonnes. In 2010, 40 million tonnes of output was thermal coal and 28 million tonnes coking coal.

Almost all of Canada’s coking coal is exported to Asia. By percentage, Japan imported 27%, South Korea 24% and China 10% in 2011. China is particularly
keen to increase its share, according to Ann Marie Hann, the president of the Coal Association of Canada. Firstly, the coal is good quality. Secondly, it offers an additional supply stream away from Australia. Souring coal from Canada and from elsewhere will also afford China greater room for arbitrage.

“Over the past few years, Asian companies have been taking ownership positions in Canadian coal companies. This includes China Investment Corp, which took almost 20% in Teck Resources in 2009; a Chinese-Japanese consortium comprising Winsway Coking Coal Holdings Ltd. and Marubeni Corp., which acquired Grande Cache Coal in March 2012; and JX Nippon Oil & Energy Corp., which bought a 25% stake in Xstrata’s Canadian coal operations,” Hann told Resource World. “It’s about accessing and securing supply. […] The prospects for Canadian coal are still very strong.”

China continues to grow and vast levels of investment are still required in the country’s interior and coal, both thermal and coke, will be vital components in this. Other Asian countries are also growing rapidly and are concerned about stable energy supplies. In this regard, India received a significant warning, in late July, when blackouts affected 600 million people across the north and north-east of the country.

Coal-fired plants offer developing countries vital, low-cost, efficient solutions, the World Coal Association argues. New and increasingly efficient carbon capture technologies further coal’s viability. Rising steel consumption will undoubtedly bolster coal’s fortunes as well. So while the global economy remains in the doldrums and coal producers undoubtedly face tough decisions over the short term, the medium-to-longer-term prospects are brighter. Reports circulating about King Coal’s demise are greatly exaggerated.

AngloAmerican Plc [AAL-LSE] owns the Peace River open-cut operation in British Columbia, Canada, which comprises the Trend metallurgical coal mine and various exploration leases. The property produced 900,000 tonnes coking coal in 2011. Expansion opportunities are being explored for the complex, with a feasibility study underway to increase production to around 3.5 million tonnes per year (tpy) by 2015.

Canada Coal Inc. [CCK-TSXv] is a junior exploration company focused on metallurgical coal exploration and development in Nunavut, Canada. The company holds 75 active licenses located on Elleesmer Island and Axel Hieberg Island in Nunavut through two wholly-owned subsidiaries. On June 14, Canada Coal received permits to start its 2012 exploration campaign. It aims to improve ore body knowledge and discover metallurgical coal deposits in its licence areas.

CanAm Coal Corp. [COE-TSXv; COECF-OTCQX] has four operational coal mines and one mine in development. The assets are located in Alabama and Colorado. The company produces coke and thermal coal and reported 60,286 tons thermal coal and 16,291 coking coal sales for Q2. This compares with 70,623 tons thermal coal and 10,830 tons coking coal sold in the three months ending July 31 last year. On August 8, the company increased its holdings in its principal mining operations by securing an additional 30% in Birmingham Coal & Coke Co., Inc .and Cahaba Contracting & Reclamation LLC. CanAm’s stake now stands at 80%.

Cardero Resource Corp. [CDU-TSX] owns the Carbon Creek metallurgical coal project in the Peace River coal district in British Columbia. Its preliminary economic assessment (PEA) was unveiled in December 2011, outlining a NI 43-101-compliant resource estimate of 166.7 million tonnes measured and indicated coking coal and 167.1 million tonnes inferred coking coal. The PEA outlines production of 2.9 million tpy saleable coking coal. Exploratory work and drilling continues in preparation for a full feasibility study.

Corsa Coal Corp. [CSO-TSXv] operates three surface mines, a coal preparation plant and holds two surface projects that have received permit approval. All are located in in Pennsylvania, USA. It also operates the Casselman underground mine in Maryland, US. For Q2 2012, the company produced 74,000 clean tons of coking coal; 38,000 tons came from surface mines and 36,000 from the underground mine. The company sold 72,000 tons coal in Q2 2012 and realized an average price of $152 per ton, which compares with sales of 65,000 tons coking coal at $158 per ton in Q1 2012.

Cline Mining Corp. [CMK-TSX] operates the New Elk coal mine in Colorado, US. The property has NI 43-101-compliant measured and indicated metallurgical coal resources of 618.9 million tons. On July 11, the company announced that adverse market conditions had led to a temporary halt in production. Temporary lay-offs have also occurred. By end-June output had reached 85,528 clean tons of coal; around 70,000 tons was metallurgical-grade coal, while the remainder was more suited for sale to thermal market.

Erdene Resource Development Corp. [ERD-TSX], 25%, is in a joint venture on the Donkin Coal Project, Cape Breton Island, Nova Scotia, with Xstrata PLC [XTA-London, Swiss; XSRAF-USOTC], 75%. Probable reserves total 48 million tonnes of saleable bituminous coal and 227 million tonnes indicated and 254 million tonnes inferred. Due to a change in business strategy, Xstrata is seeking an operating coal company to acquire its interest.

Fortune Minerals Ltd. [FT-TSX; FTMDF-OTCQX] is focused on developing the Arctos Anthracite Project (formerly Mount Klappan) in British Columbia. The project is a joint venture between Fortune, which holds 80%, and Posco Canada, a subsidiary of South Korea-based steelmaker Posco, which holds the remainder. Fortune is in the process of updating its resources and reserves, with results expected during Q3 2012. Total measured and indicated resources currently stand
at 231 million tonnes coal, while inferred resources are 359 million tonnes coal.

Goldsource Mines Inc. [GXS-TSXV] is developing its Border Property thermal coal project, Saskatchewan, about 50 km north of the town of Hudson Bay. The company updated its indicated resource estimates in March to 117 million tonnes coal, up from 79.1 million tonnes coal. The increase is based solely on the addition of the coal sub-basin Niska 105. Inferred resources stand at 33 million tonnes coal.

Grande Cache Coal was acquired for $1 billion by Winsway Coking Coal Holdings Ltd. [01733-Hong Kong] and Marubeni Corp. [8002-Tokyo] as a joint venture in March 2012. Alberta-based Grande Cache holds 29,000 hectares comprising over 346 million tonnes coal resources in the Smoky River coalfield in west-central Alberta. It operates coking coal mines, both surface and underground. It also has a coal processing plant with a 600 tonnes per hour capacity. Grande Cache has been delisted from the TSX.

Jameson Resources Ltd. [JAL-ASX] has a 90% interest in the Crown Mountain coal project in the Elk Valley coalfields in south-eastern British Columbia. On August 10, the company reported that a 22-hole drilling campaign at crown had started. The company aims to confirm coal quality, seam thickness and acquire data for resource estimation. Jameson also holds 100% interests in four coal projects in the Peace River coalfields in northeast British Columbia.

Saturn Minerals Inc. [SMI-TSXV; SMK-Frankfurt] has five coal projects: the Saskataba Project in Manitoba and in Saskatchewan, the Overflowing (100%-owned), Armit (87.5%), Rat Creek (100%), Muskeg (100%), and Red Earth (80%). Results of laboratory coal quality analysis from the Thunder Coal discovery on the Overflowing property in Manitoba demonstrated significantly low sulfur values, relatively low ash content and moderate to high caloric values making its coals some of the best ranking coals discovered in western Manitoba to date.

Sherritt International Corp. [S-TSX] divides its Canadian coal operations into mountain and prairie divisions. The mountain division comprises two thermal coal operations located in Alberta, while the prairie division has seven thermal coal mines that are located in Alberta and Saskatchewan. The prairie division's full-year 2011 production was 32.7 million tonnes thermal coal, while the mountain division reported 4.4 million tonnes thermal coal. Mining revenues from the prairie division for Q2 2012 stood at $131.7 million in Q2 2012 compared with $128.8 million in Q2 2011. Revenues for the mountain division and other assets reached $104.8 million compared with $110.4 million in Q2 2011.

Teck Resources Ltd. [TCK-TSX, NYSE] focuses on coking coal and operates five mines in British Columbia and one in Alberta. Around 90% of its coal output is primarily exported to Japan, South Korea and Taiwan. However, the company notes that China will play an increasingly important role. Total coal production for Q2 was 5.7 million tonnes, which is comparable to Q2 2011. Revenue from coal reached $1.36 billion in Q2 2012 compared with $1.47 billion in Q2 2011. Gross profit for coal slumped to $450 million in Q2 2012 down from $709 million in Q2 2011.

Thelon Capital Ltd. [THC-TSXV; TFHC-Frankfurt] has 14 million historical tons of metallurgical, thermal and silicon metal coals at its Jellico Mine 35 miles north of Knoxville, Tennessee that are being expanded by exploration. There is a contract miner on 640 acres of the Jellico property currently producing 20,000+ t/m and generating a production royalty being paid to Thelon Capital of approximately $1.8 million annually. Production is expected to substantially increase due to better stripping ratios and the start of underground mining.

Walter Energy, Inc. [WLT-TSX, NYSE] operates Western Coal, which holds three coking coal mines in British Columbia. Most material is exported to Asia. The company includes UK operational data with that of its Canadian operations. Total production for Canada and UK operations stood at just below 1.2 million tonnes for the quarter ending June 30 2012 compared with 842,000 tonnes for the corresponding period last year.

Xstrata Plc [XTA-London, Swiss; XSRAF-OTC] has three development projects in Canada held under the auspices of Xstrata Coal British Columbia (XCBC). Technical studies indicate that XCBC’s most advanced projects, Sukunka and Suska, have the potential production capacity of around 9.5 million tpy. On May 15, the company and its joint venture partner JX Nippon Oil & Energy Corp announced an investment of $35 million to conduct a pre-feasibility study of the Suska coking coal project. The work is scheduled to be completed during H1 2013. JX Nippon Oil & Energy Corp secured a 25% stake in XCBC, in March, for $435 million in cash.