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Argus Coal Daily

Issue 18-21 | Wednesday 31 January 2018

LATEST NEWS

EPA, corps to delay Waters of the US rule

The US Environmental Agency (EPA) and the Army Corps of Engineers are moving to delay implementation of former president Barack Obama's Waters of the US (WOTUS) rule.

The agencies today finalized a regulation stipulating that WOTUS, which expands federal protections to smaller bodies of water, will not take effect until two years after the rule is published in the *Federal Register*.

The agencies initially had proposed delaying implementation in November, saying such a move would minimize confusion as they work to rewrite or rescind WOTUS.

WOTUS has been highly controversial, with manufacturers, the energy sector and agriculture industries warning it would hamper development and economic growth.

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Atlantic basin		\$/t	
Next 90 days	Price		±
US Gulf coast			
fob New Orleans 11,300 Btu 3%	62.75		0.00
Colombia (fob Puerto Bolivar) 6,000 kcal <1%	86.00		0.00
Mid-sulfur discount \$/lb/mmBtu*	0.13		-0.02
High-sulfur discount \$/lb/mmBtu*	0.18		0.00
US east coast			
fob Hampton Roads 11,300 Btu <1%	84.66-93.95		0.00

*The mid-sulfur spread is the discount for 3% typical sulfur coal fob New Orleans to coal with less than 1pc sulfur. The high-sulfur spread is between petroleum coke with 4.5% and 6.5% sulfur.

FORWARD MARKET ASSESSMENTS

OTC prices		\$/st	
		Price	±
CSX <1% sulfur rail 12,000	Mar	61.00	0.00
	Apr	61.20	0.00
	2Q18	61.50	0.00
	3Q18	60.70	0.00
	4Q18	59.50	0.00
	2019	58.45	0.00
	2020	58.10	0.00
	2021	58.10	0.00
CSX <1% sulfur rail 12,500	Mar	64.50	0.00
	Apr	64.70	0.00
	2Q18	65.00	0.00
	3Q18	64.20	0.00
	4Q18	63.00	0.00
	2019	61.75	0.00
	2020	61.40	0.00
	2021	61.40	0.00
IL basin 3.15% sulfur 11,500	Mar	39.00	0.00
	Apr	38.50	0.00
	2Q18	38.25	0.00
	3Q18	37.00	0.00
	4Q18	36.00	0.00
	2019	36.25	0.00
	2020	37.25	0.00
	2021	37.90	0.00
PRB 8,800 rail	Mar	12.35	0.00
	Apr	12.35	0.00
	2Q18	12.35	0.00
	3Q18	12.35	0.00
	4Q18	12.35	0.00
	2019	12.40	0.00
	2020	12.60	0.00
	2021	12.70	0.00

COAL DAILY MONTHLY INDEXES

OTC settlement indexes, Jan		\$/st	
	Prompt month, Feb	Prompt quarter, 2Q18	
CSX <1% sulfur rail 12,000	61.16	61.20	
CSX <1% sulfur rail 12,500	64.61	64.63	
PRB 8800 rail	12.43	12.26	

EPA and the corps also said today they still are reviewing public comments submitted in response to their proposal to revise the rule. The public comment period on the revision proposal closed in September.

“Today, EPA is taking action to reduce confusion and provide certainty to America’s farmers and ranchers,” EPA administrator Scott Pruitt said. “The 2015 WOTUS rule developed by the Obama administration will not be applicable for the next two years, while we work through the process of providing long-term regulatory certainty across all 50 states about what waters are subject to federal regulation.”

The rule was initially supposed to go into effect in 2015, but the 6th Circuit Court of Appeals placed a nationwide stay on the rule.

The move comes just over a week after the Supreme Court found that challenges to WOTUS belong in federal district courts rather than appellate courts. While that ruling favored the position of challenger National Association of Manufacturer and other industry stakeholders, the court’s decision to remand the 6th Circuit’s ruling endangers the stay that that court had placed on the rule.

When that stay expires, the WOTUS rule is scheduled to take effect in all but 13 states covered by a previous ruling from a district court in North Dakota.

Challenges to the rule also are pending in other district courts.

That could lead to “inconsistencies between the regulatory regimes applicable in different states,” the agencies said in the final rule.

Senate Environment and Public Works Committee chairman John Barrasso (R-Wyoming) applauded today’s move. “The Obama administration’s outrageous Waters of the United States rule would have put backyard ponds, puddles, and farm fields under Washington’s control,” Barrasso said. “This delay gives the Trump administration time to revise this rule.”

Environmental group Earthjustice attorney Jannette Brim-

Argus daily spark spreads				\$/MWh	
	Timing	Gas	Coal, peak 10,000	Coal, off-peak 10,000	
Indiana	Daily	6.44	2.92	-2.11	
	Mar	12.77	6.22	-2.18	
	Spring	12.70	5.75	-3.10	
PJM	Daily	4.44	3.67	0.08	
	Mar	11.70	9.53	4.28	
	Spring	13.51	6.95	0.35	
New England	Daily	11.72	27.89	25.48	
	Mar	-0.81	20.04	11.94	
	Spring	4.24	9.80	1.35	
New York A	Daily	12.53	7.02	3.58	
	Mar	16.30	6.19	-5.31	
	Spring	13.74	2.88	-9.02	
Southern Co.	Daily	4.39	-2.17	-6.23	
	N. Illinois	Daily	1.15	3.80	-0.95
	Mar	5.58	7.73	1.43	
Palo Verde	Spring	6.89	7.68	0.23	
	Daily	6.60	-0.68	-3.12	
	Mar	7.71	-3.93	-6.38	
Mid-Columbia	Q2	11.16	-0.95	-6.90	
	Daily	2.71	-3.71	-5.81	
	Mar	-1.26	-8.16	-12.16	
	Q2	-0.85	-8.27	-16.17	

mer called the rule an “obvious attempt to make it easier for corporate interests to pollute our waterways.”

MARKET SUMMARY

Market stalls again

All US thermal coal prices were unchanged for a second straight day as over-the-counter (OTC) trading stagnated.

Argus assessed the price for March deliveries of CSX rail-originated coal with 12,500 Btu/lb at \$64.50/short ton, in line with the previous day.

The prompt quarter contract for the Central Appalachian coal held at \$65/st for an eighth straight trading day.

Trading interest had appeared to strengthen earlier in the week as bids and offers floated around the market, although no deals were concluded.

Some market participants were en route to Miami today for the CoalTrans USA conference on 1-2 February, which may have contributed to the slump.

Powder River basin coal markets were equally silent.

Central Appalachian coal lost further support from sea-

borne markets as European coal prices continued to fall. The price for prompt 60-day deliveries of 6,000 kcal/kg coal cif Amsterdam-Rotterdam-Antwerp dropped by \$1.23/metric tonne on the day to \$90.53/t, a fresh 15-month low.

In the UK, that means coal-fired units could be almost completely edged out by gas units over the next two months.

NEWS

Trump pushes infrastructure permitting overhaul

US president Donald Trump in his first State of the Union address unveiled a \$1.5 trillion infrastructure investment plan and promised to make it a key, domestic priority for his second year in office.

Trump has long advocated for massive spending on roads, ports and rail, describing the state of US infrastructure as "third-world." His strategy envisions combining federal tax dollars with state and local funds and private sector investment.

In his address to Congress, Trump called on the two major political parties "to come together to give us the safe, fast, reliable, and modern infrastructure our economy needs and our people deserve."

Both parties support new spending on infrastructure, but their priorities differ. Republicans in Congress are keen to use the infrastructure plan to lend further momentum to their efforts to roll back environmental regulations and other federal rules they blame for delaying and cancelling infrastructure projects.

"Any bill must also streamline the permitting and approval process - getting it down to no more than two years, and per-

By the numbers			
	Last	±	±%
Nymex natural gas (\$/mmBtu)	3.00	-0.20	-6.25
Argus Indiana hub power (\$/MWh)	34.65	-1.85	-5.07
Argus fuel oil 1% New York (bl)	60.15	0.70	1.18
Nymex WTI crude (bl)	64.73	0.23	0.36
Aus\$ vs. US\$	0.81	0.00	0.00
Can\$ vs. US\$	0.81	0.00	0.00
euro vs. US\$	1.24	0.00	0.00

haps even one," Trump said.

Energy industry officials largely favor that approach. "The current approval process has become clogged by delay, and therefore threatens the availability of private investment for future natural gas infrastructure projects," natural gas pipeline group Interstate Natural Gas Association of America president Don Santa said ahead of the speech.

But Trump's focus on relaxing environmental regulations will undercut Democratic support for his plan. And with Republicans now holding only 51 of the 100 seats in the Senate, proponents of the infrastructure plan will have a tough time getting the 60 votes in that chamber needed to avoid a filibuster.

"Rather than propose the investment needed to modernize our infrastructure, the president is touting harmful environmental rollbacks," said representative Frank Pallone (New Jersey), the ranking Democrat on the US House of Representa-



ANNOUNCEMENT

Argus successfully completes annual losco assurance review

Argus has completed the sixth external assurance review of its price benchmarks covering crude, products, biofuels, thermal coal, coking coal, natural gas, biomass and petrochemicals benchmarks. The review was carried out by professional services firm PwC. Annual independent, external reviews of oil benchmarks are required by international regulatory group losco's Principles for Oil Price Reporting Agencies, and losco encourages extension of the reviews to non-oil benchmarks. For more information and to download the review visit our website:

<http://www.argusmedia.com/About-Argus/How-We-Work>

tives' Energy and Commerce Committee.

White House officials said they hoped tonight's speech – with its bipartisan appeal – would be received as well as his [first major address](#) to Congress on 28 February 2017. "Many Americans are not seeing the president unfiltered for 60 minutes – what they saw (last year) was a very attractive message and a very attractive agenda."

Trump touted the corporate tax overhaul enacted last year and actions on rolling back energy sector regulations. "Just as I promised the American people from this podium 11 months ago, we enacted the biggest tax cuts and reform in American history", Trump said. He highlighted pledges by US companies to invest more as a result of the tax cuts, including ExxonMobil's announcement that it would spend \$50bn in the next five years.

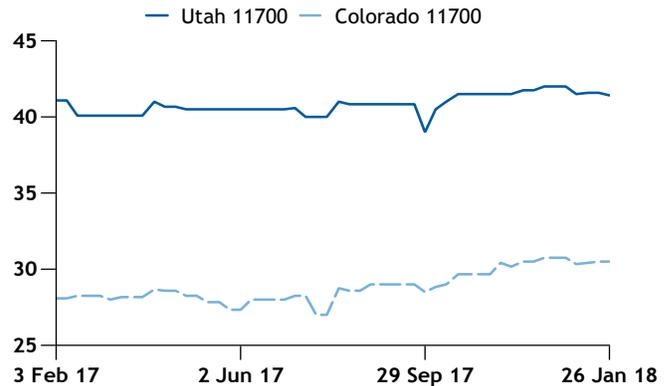
But Trump also rolled out a proposal for a major overhaul of US immigration laws that includes plans for a wall along the US-Mexico border. Debates over immigration already triggered a brief shutdown of the federal government earlier this month. Lawmakers still are struggling to find an agreement to protect young people brought to the US illegally as children from possible deportation in hopes of avoiding another shutdown on 8 February, when federal spending runs out.

Trump also declared that his administration has "ended the war on American energy - and we have ended the war on beautiful, clean coal. We are now very proudly an exporter of energy to the world."

He highlighted his administration's effort to reduce regulations on the energy sector and other industries. "In our drive to make Washington accountable, we have eliminated more regulations in our first year than any administration in history."

Prompt-quarter Uinta basin

\$/st



US exports of oil, natural gas and coal indeed have grown in the past year - but price and market fundamentals have played the crucial role.

US coal exports likely ended last year at their strongest level since 2014, supported by higher international demand and a weaker dollar. Coal shipments from January-November 2017 were two-thirds higher than in the same period than in 2016, according to the US Census Bureau.

The US is now exporting well over 1mn b/d of crude, cutting net imports in the fourth quarter to a 25-year low of 6.2mn b/d. Most of this crude is going to Europe and Asia-Pacific, filling shortfalls in Mideast Gulf supplies. Crude oil exports in January-October 2017 were 73pc higher than in the same period in 2016. Natural gas exports over the same period increased by 39pc.

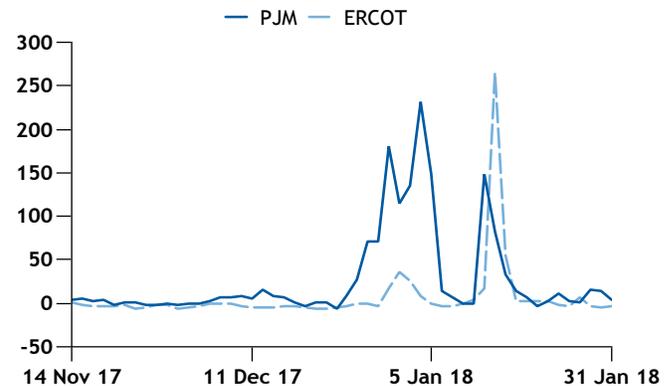
CSX <1% sulfur forward curve

\$/st



Day-ahead coal spark spreads

\$/MWh



The industry has embraced Trump's rhetoric on regulations and his promotion of energy exports.

But the administration's support for the coal industry has raised concerns among natural gas producers. Natural gas since 2016 has displaced coal as the top US power generating fuel, as a result of abundant and cheap supply from shale formations.

A Republican-controlled Federal Energy Regulatory Commission rejected an administration proposal to subsidize coal-fired and nuclear power plants.

Trump's anti-free trade rhetoric and his denunciations of the North American Free Trade Agreement (Nafta) also have given oil and gas producers heartburn. US exports of refined products and natural gas to Mexico have grown by double digits in the past year.

Trump again pledged to "fix bad trade deals and negotiate new ones," but he did not mention Nafta directly.

SunCoke says its met coke output should increase

SunCoke said it expects to produce more metallurgical coke and process higher amounts of coal this year.

Illinois-based Suncok said that its logistics business would handle 23mn short tons (20.9mn metric tonnes) of coal in 2018, up from 21.6mn st last year. The company also forecast met coke production to rise to 3.9mn st this year, from 3.86mn st in 2017.

SunCoke expects steady coal exports to Europe and Asia in 2018 and relatively higher prices of thermal and coking coal to continue this year.

"I believe resilient is the best word for the coal markets as we enter 2018," chief executive Michael Rippey said in an earnings report today. "In total we think 2018 macro-environment will be modestly better than 2017 with some potential upside as we move into 2019 and beyond."

Rippey also cited strong growth in manufacturing, propelled by the automotive and construction industries and higher energy prices.

Seaborne coal prices have risen to their highest levels in years. Prompt 60-day deliveries of 6,000 kcal/kg coal to Europe averaged \$95/t cif Amsterdam-Rotterdam-Antwerp in 2017, the highest annual average since 2011, *Argus* data show. Prices for prompt 90-day delivery of US low-volatile coking coal fob Hampton Roads, Virginia, averaged \$172.89/t last year, also its highest level since 2011.

SunCoke terminals handled 5.59mn st of coal in the fourth quarter of last year, down from 5.71mn st in the last three

Coal stocks	'000st		
	Nov 17	Year ago	Change
Mid-Atlantic	5,849	6,151	-4.9%
Midwest	40,813	45,135	-9.6%
Southeast	20,529	24,886	-17.5%
Plains	28,204	32,387	-12.9%
Rockies	19,421	22,063	-12.0%
New England	N/A	1,911	N/A
Total	143,115	170,277	-16.0%

– EIA

months of 2016. In 2017, SunCoke handled 21.6mn st, up from 18.57mn st in 2016.

The additional met coke production that SunCoke expects this year will come from its Indiana Harbor operations.

The company produced 982,000st of met coke in the fourth quarter of last year, up from 964,000st in 2016. It sold 977,000st of the product in the three-month period, a 13,000st increase compared with the same quarter a year earlier.

Meanwhile, SunCoke's annual US met coke production fell to 3.86mn st in 2017, from 3.95mn st in the prior year. Its sales volumes fell to 3.85mn st from 3.96mn st in 2016.

The company's cokemaking operations in Victoria, Brazil, produced 445,000t in the fourth quarter and 1.76mn t in the 2017. The facility, which SunCoke operates for an affiliate of steelmaker ArcelorMittal, produced 446,000t in the fourth quarter of 2016 and 1.74mn t in the year.

Green groups appeal KU coal ash decision

Environmental groups have escalated their challenge over alleged water pollution from Kentucky Utilities' (KU) E.W. Brown power plant.

Earthjustice on 26 January appealed a federal district court judge's [December decision to dismiss](#) its case over KU's coal ash handling and disposal. The group filed the appeal in the 6th US Circuit Court of Appeals on behalf of the Kentucky Waterways Alliance and the Sierra Club.

A 6mn-cubic-yard (4.59mn m³) coal-ash storage site associated with the Brown plant in Harrodsburg, Kentucky, sits at the center of the dispute. The Sierra Club and the Kentucky Waterways Alliance maintain that the site leaks into nearby Herrington lake, creating a toxic environment for residents and wildlife. It cited studies done by KU and others showing evidence of selenium, arsenic and baron in the lake.

Judge Danny Reeves of the US District Court for the District of Kentucky said on 28 December that issues over the plant's coal ash handling and disposal were matters for state

regulators, not the court.

KU has been working with the Kentucky Energy and Environment Cabinet to correct groundwater contamination uncovered after the environmental groups threatened to file a citizen suit under the Resource Conservation and Recovery Act in October 2016. But Earthjustice filed suit last July, believing that KU's remediation plan was inadequate.

The environmental groups specifically highlighted the Brown plant's storage, treatment, handling, transportation and disposal of coal ash waste as areas of concern. They maintain that the company violated the Clean Water Act and Resource Conservation and Recovery Act.

Ultimately, the Sierra Club and the Kentucky Waterways Alliance want to force Kentucky Utilities to clean up the lake and remove the coal-ash storage site. The plaintiffs are also seeking civil penalties.

"It is unconscionable for a utility to let something like that leak and not do something about it immediately," said Pamela Wood, a member of the board of directors for the Kentucky Waterways Alliance. "It is my impression that the utility and the state are looking for even more proof than the ample evidence that is already there, rather than looking for solutions to stop this coal ash from leaking."

Renewables, biomass overtake coal in EU

In 2017, for the first time, wind, solar and biomass in the EU produced more power than hard coal and lignite, according to think-tanks Sandbag and Agora Energiewende. But the total share in power of all renewables in the EU only inched up to 30pc in 2017, from 29.8pc in 2016 as growth was almost completely offset by low rainfall and snowfall hitting hydro-power production.

A study by Sandbag and Agora points to hard coal power generation falling 7pc (27 TWh). And announced coal phase-outs in Netherlands, Italy and Portugal will further weigh on hard coal generation. Still, lignite generation rose slightly, by 2pc (6 TWh), notably due to new generation in southeast Europe.

"To make the biggest difference to emissions, countries need to retire coal plants. We forecast Europe's 258 operational coal plants last year emitted 38pc of all power sector emissions, or 15pc of total EU greenhouse gases," said Sandbag analyst Dave Jones.

The study calculates a rise in total EU greenhouse gas emissions of some 1pc in 2017 with power sector CO2 emissions remaining stable, at some 1,019 million tonnes. This is

partly due to a small rise in electricity consumption 0.7pc (+23 TWh) for a third consecutive year. Here, the authors question progress on energy efficiency. The EU is currently discussing revised energy efficiency legislation for the period 2020-2030.

The study authors underline the sharp increase in 'new' renewables generation – excluding hydro – with wind, solar and biomass generation rising by 12pc in 2017 to 679 TWh. With a current power mix share of 20.9pc, wind, solar and biomass have averaged growth of 1.7 percentage points annually since 2010's 9.7pc power mix share. Continuation of this growth rate indicates total renewables reaching 50pc of the EU electricity mix by 2030.

The study does indicate non-hydro renewables generation growth becoming more concentrated, both geographically and in terms of technology. Wind accounted for 72pc of renewables growth in 2014-2017 up from 46pc in 2011-2014. And 57pc of non-hydro renewables growth in 2014-2017 took place in Germany and the UK, up from 42pc in 2011-2014. The authors also point to slower biomass generation growth, at 3pc in 2017 as in 2016, or half the growth in 2000-2015.

The study further notes nuclear generation falling by 1pc (9 TWh) in 2017 and gas generation rising by 6pc (40 TWh).

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ISSN: 1092-2903

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Coal

illuminating the markets

