



## In a sunset industry, economics of Adani's Australian coal mine questioned

A crash in Australian thermal coal prices is raising fresh questions about the viability of a controversial \$4 billion coal mine just a week ahead of a national election in which climate change is a key issue.

Final approval of the Carmichael coal mine in Queensland, owned by India's Adani Enterprises, should come in "a matter of weeks, not months" following nearly a decade on the drawing board, the company's mining chief executive, Lucas Dow, told Reuters last month.

But a 40 percent slump in benchmark Australian thermal coal prices since mid-2018 to a two-year low last month, points to tight profit margins and questions as to whether the economics will support the launch of the mine as soon as next year.

Adani has said it is aiming to start producing 10 million tonnes a year of coal from March 2020, but analysts say the target date is optimistic.

"I think a lot of people are doubting as to whether it will see the light of day," said Wood Mackenzie analyst Victor Tanevski in Sydney.

Adani estimated in January that total costs of bringing the coal to port via rail would be A\$54 a tonne (\$39). Based on current market prices, the selling price for the mine's lower-grade thermal coal would be just over \$47, suggesting a profit margin of \$8-\$12 per tonne.

Adani said the A\$54 estimate takes into account royalties, processing fees and the cost of financing part of a rail line to the export terminal, although analysts suggest the company's figures are too bullish.

Tanevski suggests benchmark Newcastle 6,000 grade coal would need to be close to \$100 a tonne for the mine to break even. The 6,000 benchmark was quoted at \$86.20 on Thursday.

Analysts suggest the mine is unlikely to start commercial production until the middle of the next decade at the soonest, if at all. A profit margin of \$8-\$12 a tonne is half the averages of 2017 and 2018, highlighting how rapidly the market has turned since the Paris agreement on climate change.

Apart from the economics of the mine, Adani faces other headwinds, including an Australian coal boom that has probably peaked, analysts said.

As users move away from so-called dirty fuel sources, coal prices are set to drift lower, consultants AME Group say.

That scenario will impact producers of lower-grade coal first as they feel the pinch of competition from lower-cost miners like Indonesia and renewable or cleaner fuels.

“The boom period for Australian thermal coal exports has plateaued” said Peter Kiernan, lead energy analyst at the Economist Intelligence Unit (EIU) in Singapore. “A sharp reduction in coal use from export markets such as China, Japan, and India represents a considerable threat,” he said.

Adding to uncertainty over the mine is an Australian general election next week which could return a Labor government, which has more aggressive targets towards cutting climate emissions.

To be sure, a growing reluctance among lenders to finance thermal coal projects could crimp supply and rally prices.

As an integrated producer selling to its own plants in India, Adani may also be able to offset small margins with gains elsewhere, such as giving other parties access to its planned rail line if authorities allow new mines in the same coal basin.

“The Carmichael Project’s low-cost profile, the quality of the resource and forecast demand from our target markets of India and South-East Asia mean that the project’s economics are strong,” said an Adani spokeswoman in a statement, even when adjusting for the coal’s quality.

“The IEA and other respected analysts are reporting an increase in demand for seaborne thermal coal, particularly from Indian and South-East Asia, which Carmichael is well-placed to meet.”

### **ARE COAL’S DAYS NUMBERED?**

Australia is one of the world’s biggest coal suppliers and its miners face an increasingly competitive future as buyers shift towards cleaner or renewable fuel sources, underlining the view that the country’s coal boom is topping out.

The Australian Department of Industry, Innovation and Science expects thermal coal imports from Japan, Australia’s biggest buyer, to shrink to 131 million tonnes a year by 2024 from over 140 million tonnes last year.

Ports in China, another big buyer, have been restricting imports from Australia this year, claiming environmental concerns. Many analysts say the restrictions are down to political tensions between Beijing and Canberra over issues of cyber security and China’s influence in Pacific island nations.

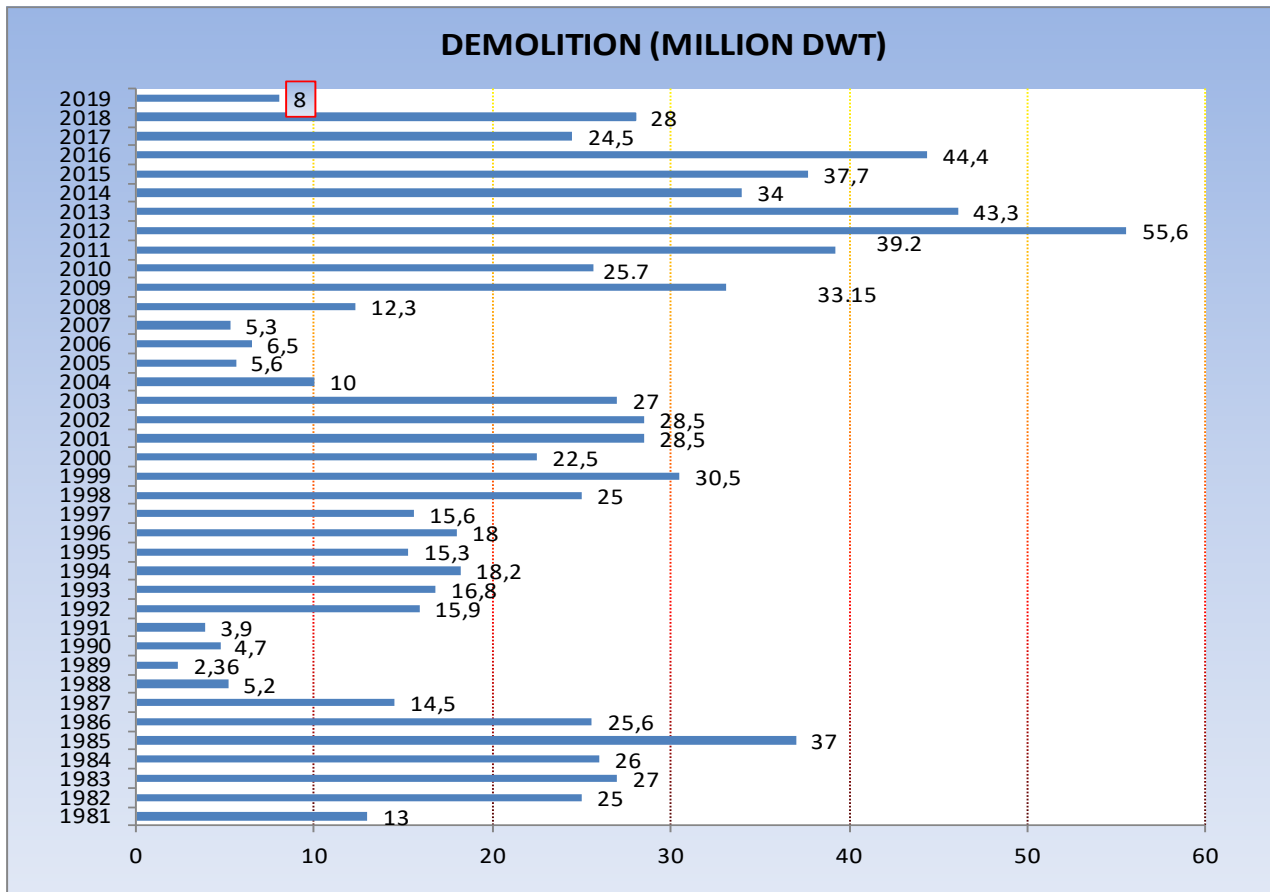
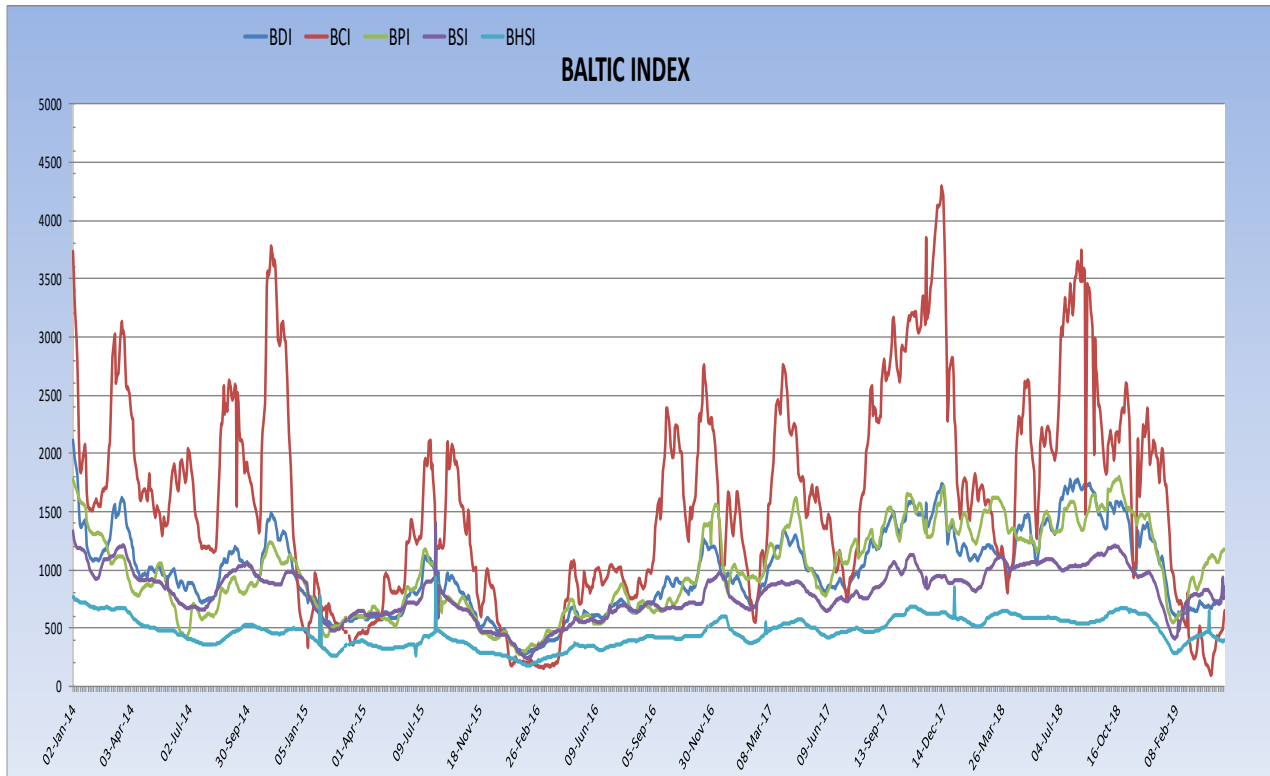
Australian producers are struggling to make inroads in coal’s remaining boom markets of South Asia in the face of lower-cost competition from Indonesia.

Shipping data showed Indonesia supplied 149 cargoes, carrying 8.9 million tonnes of thermal coal to India and Pakistan in April alone, while Australia has only shipped sporadic cargoes to these large and growing markets.

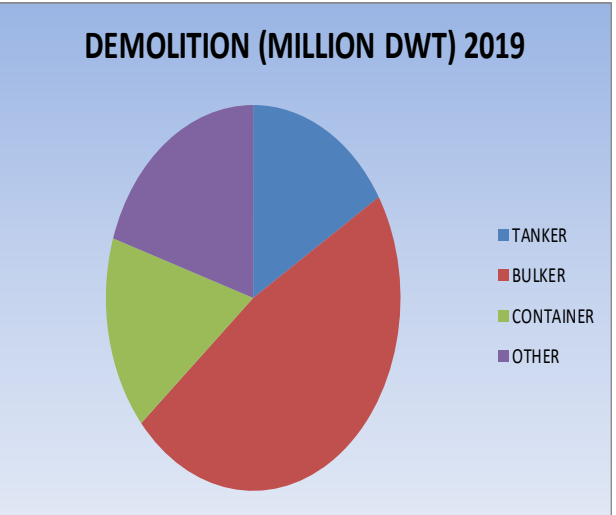
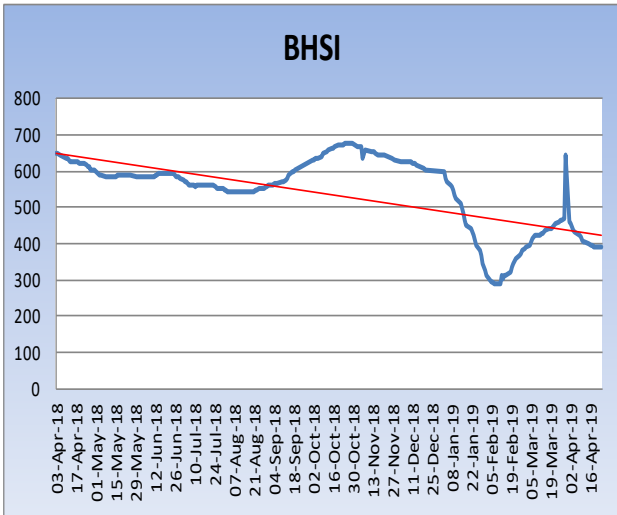
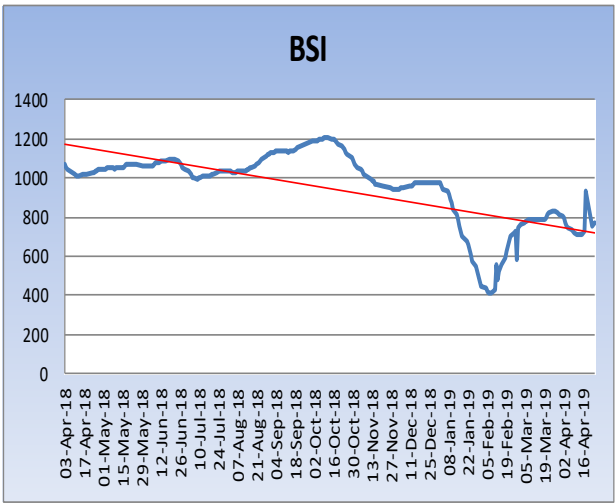
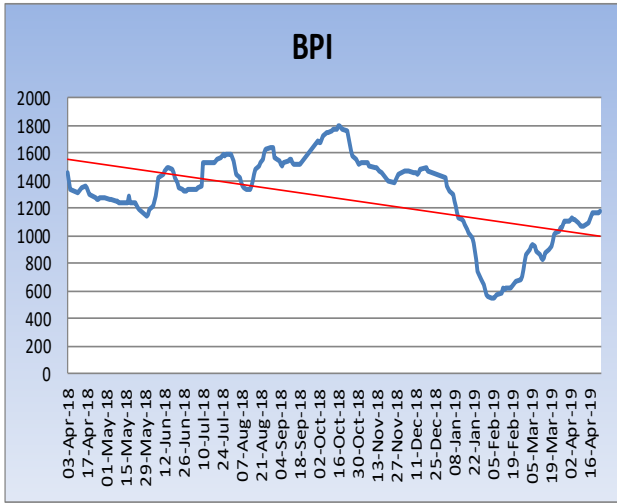
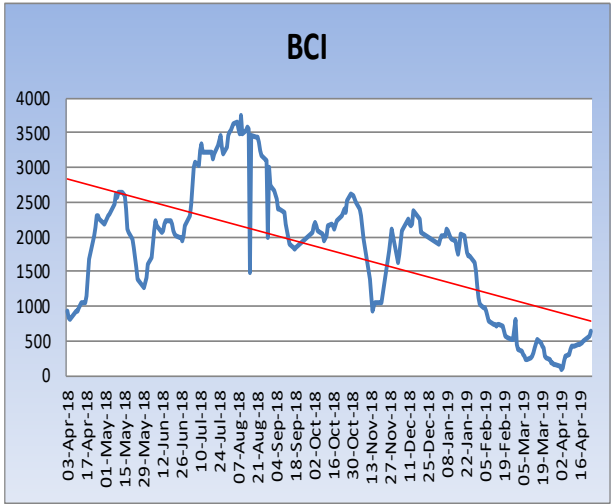
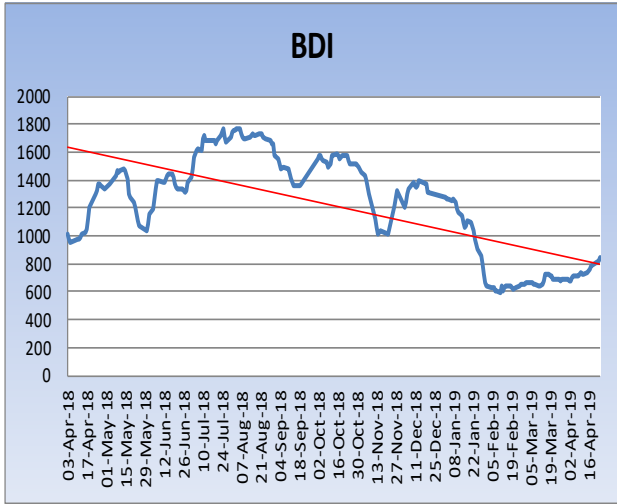
Coal remains the most-used source for electricity generation, but the International Energy Agency (IEA) expects renewables to overtake coal as the most important power generation source by the mid-2020s.

<https://www.reuters.com/article/us-australia-coal-analysis/in-a-sunset-industry-economics-of-adanis-australian-coal-mine-questioned-idUSKCN1SG0BM>

SALE & PURCHASE							
BULK CARRIER	DWT	BLT	PLACE	M/E	BUYER	\$ Mil	\$/dwt
SHIN SAPPORO MARU	91.439	2002	OSHIMA SHIPBUILDING	Mitsubishi	CHINESE BYRS	8.800.000	96
PAQUIS	74.143	2005	NAMURA IMARI	MAN-B&W	UNDISCL. BYRS	8.200.000	111
HAI QING	73.288	2000	SUMITOMO HI YOKOSUKA	Sulzer	UNDISCL. BYRS	5.300.000	72
GOLDEN RIVER	63.800	2019	NANTONG XIANGYU SHIPBU	YYY	CHINESE BYRS inclu BBB deal	22.500.000	353
GOLDEN BRIDGE	63.800	2019	NANTONG XIANGYU SHIPBU	YYY		22.500.000	353
CONTI LARIMAR	57.075	2011	TAIZHOU SANFU SHIP ENG	MAN-B&W	UNDISCL. BYRS	9.800.000	172
RHL NOVARE	31.754	2011	FUJIAN MAWEI SHIPBUILD	Mitsubishi	GREEK BYRS	9.800.000	309
TANKER	DWT	BLT	PLACE	M/E	BUYER	\$ Mil	\$/dwt
VIDA	299.097	2003	NANTONG COSCO KHI SHIP	B&W	MIDDLE EASTERN BYRS	26.000.000	87
NORDIC GLAZE	158.400	2020	HYUNDAI SAMHO HEAVY IN	MAN-B&W	NORWAGIAN BYRS	66.000.000	417
FLEX ENTERPRISE	95.889	2018	DAEWOO SHIPBUILDING &	MAN-B&W	CLIENTS OF HYUNDAI GLOVIS basis T/C back	210.000.000	2.190
FLEX ENDEAVOUR	95.803	2018	DAEWOO SHIPBUILDING &	MAN-B&W		210.000.000	2.192
NAVE ANDROMEDA	74.999	2011	SUNG DONG SHIPBUILDING	MAN-B&W	CHINA BASED LEASING COMPANY basis 7 yrs BBB	103.200.000	
NAVE ESTELLA	74.999	2012	SUNG DONG SHIPBUILDING	MAN-B&W			
NAVE ALDERAMIN	49.998	2013	DAE SUN SHIPBUILDING &	MAN-B&W			
NAVE TITAN	49.996	2013	DAE SUN SHIPBUILDING &	MAN-B&W			
NAVE CAPELLA	49.995	2013	DAE SUN SHIPBUILDING &	MAN-B&W			
CHEMBULK GIBRALTAR	20.601	2001	FUKUOKA SHIPBUILDING -	Mitsubishi	VIETNAMESE BYRS	6.800.000	330
NJORD CLEAR	16.225	2001	POLI PELLESTRINA	Wartsila	CHINESE BYRS	6.000.000	370
CONTAINER	DWT	BLT	PLACE	TEU	BUYER	\$ mil	\$/dwt
HYUNDAI RESPECT	141.550	2012	HYUNDAI SAMHO HEAVY IN	13.100	CLIENTS OF ENTRUST GLOBAL	150.000.000	530
HYUNDAI HONOUR	141.550	2012	HYUNDAI SAMHO HEAVY IN	13.100			530
Ro-Ro / MPP / Ferry / Reefer	DWT	BLT	PLACE	TYPE	BUYER	\$ mil	\$/dwt
ESER	3.800	1985	CASSENS SCHWFT & MFBK	GEN. CARGO	UNDISCL. BYRS	Undiscl. Byrs	
DEMO	TYPE	DWT	BLT	LDT	\$ LT / ldt	\$	PLACE
NAVIOS EQUATOR PROSPER	BC	171.191	2000	20.489	438	8.963.938	AS IS SPORE
ROYAL ARSENAL	BC	48.203	1999	7.197	431	3.101.907	PAKISTAN/INDIA UNDER TOW
SWARD	GENERAL CARGO	10.700	1984	4.050	442	1.790.100	INDIA/PAKISTAN



# 12 MONTHS STATISTICS



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