Northwest Coal Terminals: Headwinds for exporters

Clark Williams-Derry
Sightline Institute

Photo courtesy Paul Anderson
Information for campaigns against fossil fuel exports

The 48 Million tons of coal slated to come through Seattle annually would make a pile 1/2 mile in diameter and ten feet taller than the Columbia Center.

The Facts about Kinder Morgan
Coal shipper has a track record of pollution, lawbreaking, and cover-ups
Peabody Would Lose Money on Coal Exports

Asian coal price collapse spells bad news for Gateway Pacific backer.
Clark Williams-Derry on October 22, 2013 at 10:15 am

This post is 14 in the series: Coal

Today, Sightline is releasing a new report: Asian Coal Bubble. The report shows how the coal price collapse has effectively undermined efforts to make money shipping coal to Asia, which, until recently, was driving the global coal bubble re-inflates—which is a significant U.S. and Pacific Rim risk. The report includes an in-depth look at Asian coal companies, recent steps by China and other Pacific Rim exporters.

In case you don’t happen to check, you may have noticed that the price of coal in the US has been falling for a year or so. In fact, it’s looking very unlikely there will be enough coal to meet demand this year. So many companies to enter the market in the last few years, but few are making money, and some are losing money.

A money-losing energy startup takes a big risk on coal export

Ambre Energy: Caveat Investor

A money-losing energy startup takes a big risk on coal exports

Clark Williams-Derry
February 2013

Executive Summary

The decline of US coal demand has sparked renewed interest in exporting American coal abroad. The highest-profile players in the coal export arena is an Australian firm called Ambre, which is planning two controversial export terminal projects on the Columbia River in Washington and Oregon.

But the coal export debate has largely overlooked a curious fact: Ambre Energy is backed by a coal company. The company’s annual reports reveal that the Australian-based venture has lost millions, and has virtually no track record in mining or selling coal, either in the US or abroad. An in-depth look at the company’s financial statements, as well as public records of the coal companies that have done business with Ambre, reveals a firm with deeply troubled finances, including:

Revenue
Expenses

($70.2M)

($25.2M)

($16.1M)

($14.2M)

($7.4M)

($10.3M)

($0.2M)

($0.1M)

($0.1M)

($0.2M)

($0.5M)

($1.1M)

($1.1M)
Neptune: +10M tonnes

Fraser Surrey Docks: 8M tonnes

Westshore: +4M tonnes, +3M tonnes
A Firestorm of Opposition

Photo courtesy Paul Anderson
Something for everyone to hate

Coal dust, water quality, tribal fishing rights, safety, congestion, property values...

Photo: urbanworkbench
By the numbers…

- Targets: EIS scoping hearings, public comments
- 370,000 comments
- 60 cities, counties, ports
- 3,000 health providers and public health advocates
- Businesses, faith leaders, elected officials
Outcomes

• Comprehensive environmental and health review for Washington State projects
• Major victory in Whatcom County council races
• For applicants, a slow, uncertain process
  – Gateway: EIS work underway…finally
  – Millennium: Scope announced in February 2014
  – Morrow Pacific: Multiple permit delays
The Pacific Rim Coal Bubble

peak price: $133 per ton

February price: $76 per ton
Three projects folded after prices fell
The three that remain may not be financially viable
Cloud Peak Lost Money Selling Coal to Asia

Last quarter, the PRB coal exporter only earned money betting against coal.

Clark Williams-Derry on November 13, 2013 at 6:15 am

If any company can profit from exporting Powder River Basin (PRB) coal to Asia, it’s Cloud Peak Energy. The company’s Spring Creek mine offers a shorter rail trip to West Coast ports than many other PRB mines, saving a few dollars on rail costs. And because its coal has a slightly higher energy content than most other PRB coals, it earns a premium in Asian coal markets. With those two advantages, Cloud Peak can earn money on Asian coal exports when its competitors are still racking up losses.
Even the best PRB export coal may not pencil out

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Why haven’t they given up?
Cui Bono?

Photo: urbanworkbench
## Who Wins From Exports?

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Wall Street says:
Exports = higher domestic prices

“[R]educed domestic supply associated with potential incremental PRB exports from new west coast terminals should increase domestically sold PRB coal pricing about $3/ton.”

- Tuohy Brothers Investment Research
A Shift to Speculation…

- **Gateway Pacific**: Goldman Sachs sold to Mexican billionaire **Fernando Chico Pardo**

- **Morrow Pacific, Millennium**: Floated by mogul **Ross Bhappu** and his hedge fund, **Resource Capital Funds**

- **Signal Peak in Montana**: Billionaire playboy **Wayne Boich**, partnered with Russian tycoon **Gennady Timchenko**
A Shift to Speculation…

- **BNSF, Canadian National**: Buffett & Gates

- What do they have in common?
  - Deep pockets
  - Appetite for risk
  - Ability to ride out downturns
  - Indifference to local opinion
Thank you!

www.sightline.org