WE MANAGE THE PROCESS
FROM THE GROUND UP

GLOBAL MET COAL MARKET OUTLOOK & PERSPECTIVES

44TH ANNUAL METALLURGICAL COAL PRODUCERS ASSOCIATION MEETING

21ST MAY 2024

STEEL IS A CRITICAL COMPONENT ON THE JOURNEY TO NET ZERO

WHAT CAUSED THE SEABORNE COAL MARKET TO "SPIKE"?

- **THE MARKET WAS DRIVEN BY SUPPLY SIDE SHORTAGES**

YEAR-ON-YEAR PRICE CHANGES

		% Change			% Change
Product	20-May-24	2024 vs. 2023	22-May-23	24-May-22	2023 vs. 2022
PLV	$235.00	5.4%	$223.00	$518.50	-57.0%
LV PCI	$160.50	-18.3%	$196.50	$517.25	-62.0%
USEC LV	$214.00	-4.0%	$223.00	$462.00	-51.7%
USEC HV A	$217.00	-2.7%	$223.00	$468.00	-52.4%
USEC HV B	$192.00	-7.2%	$207.00	$450.00	-54.0%
API2	$105.00	-18.0%	$128.00	$320.00	-60.0%
NEWC	$141.27	-10.7%	$158.17	$436.07	-63.7%

API2 and NEWC prices based on May 17, 2024, May 19, 2023, and May 20, 2022 respectively

WHAT CHANGED SINCE THE 2023 MCPA MEETING

GLOBAL DEMAND HAS WEAKENED

- **THE SUPPLY SIDE SHORTAGES HAVE BEEN RESOLVED**

METALLURGICAL COAL SEABORNE SHIPMENTS 2010-2023

From Australia, Canada, & USA

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Australia	158,957,698	132,707,257	144,543,397	170,009,606	186,364,980	186,100,849	**189,228,058**	172,674,775	178,852,819	184,354,695	171,822,118	166,992,760	160,531,823	151,226,818
Canada	27,555,026	27,666,372	30,725,381	**35,020,330**	31,063,245	28,049,215	28,038,551	28,946,018	32,766,218	34,812,822	26,989,161	26,283,592	28,126,501	30,629,396
USA	50,958,073	63,019,458	**63,343,075**	60,122,266	54,495,392	41,752,713	36,826,664	48,165,340	54,357,502	47,932,089	37,935,886	40,822,520	42,164,056	46,531,780
Total	237,470,797	223,393,087	238,611,853	265,152,202	**271,923,617**	255,902,777	254,093,273	249,786,133	265,976,539	267,099,606	236,747,165	234,098,872	230,822,380	228,387,994
Y-o-Y change		-5.93%	6.81%	11.12%	2.55%	-5.89%	-0.71%	-1.70%	6.48%	0.42%	-11.36%	-1.12%	-1.40%	-1.05%

Highlighted cells indcate peak production for each region and total

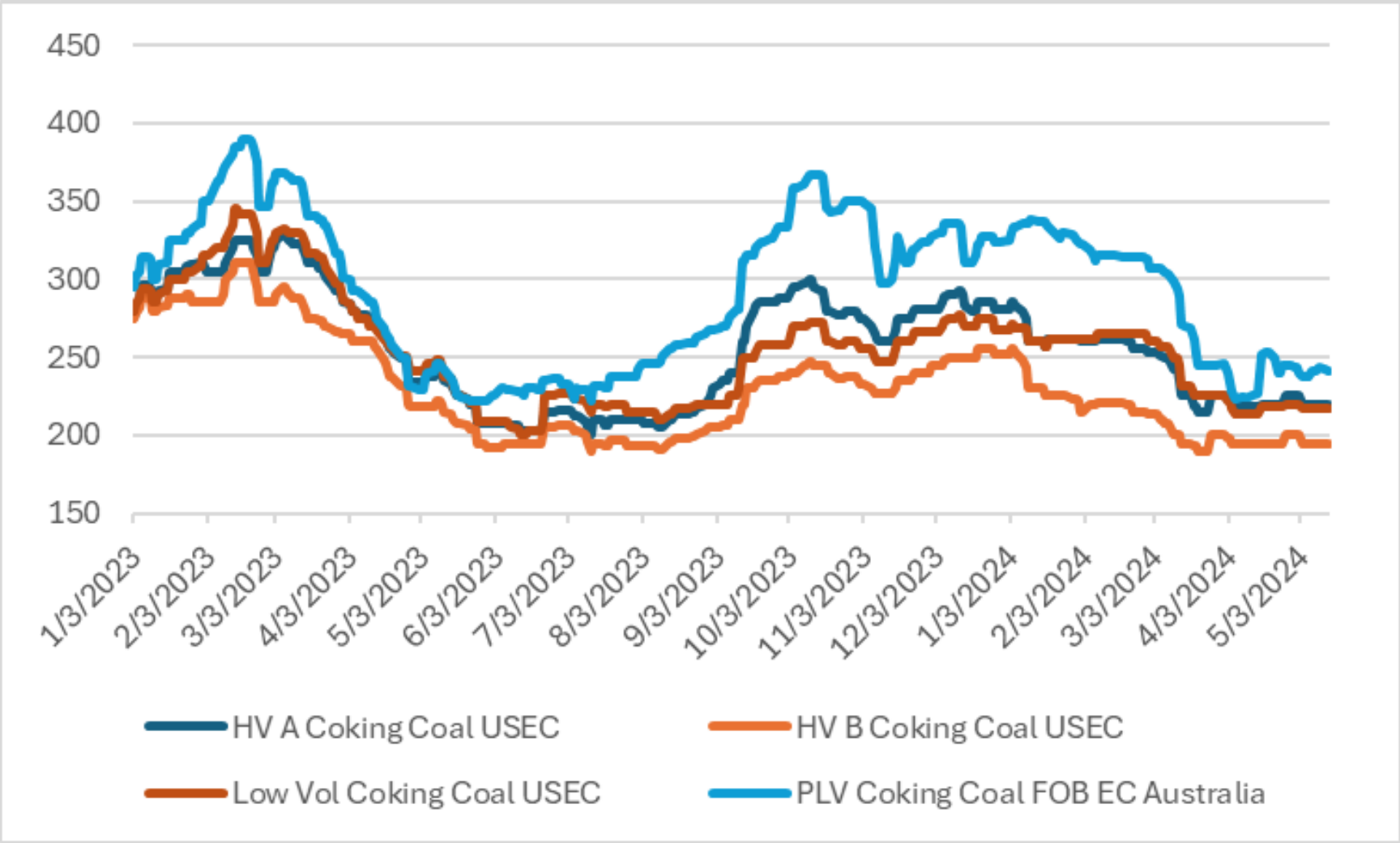
METALLURGICAL COAL SHIPMENTS 2010-2023

From Australia, Canada, Mongolia, & USA

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Australia	158,957,698	132,707,257	144,543,397	170,009,606	186,364,980	186,100,849	**189,228,058**	172,674,775	178,852,819	184,354,695	171,822,118	166,992,760	160,531,823	151,226,818
Canada	27,555,026	27,666,372	30,725,381	**35,020,330**	31,063,245	28,049,215	28,038,551	28,946,018	32,766,218	34,812,822	26,989,161	26,283,592	28,126,501	30,629,396
Mongolia	15,048,797	20,038,843	19,060,024	15,441,387	14,786,565	12,723,285	23,561,576	26,269,556	27,676,453	33,773,319	23,765,998	14,037,292	25,611,111	**53,960,276**
USA	50,958,073	63,019,458	**63,343,075**	60,122,266	54,495,392	41,752,713	36,826,664	48,165,340	54,357,502	47,932,089	37,935,886	40,822,520	42,164,056	46,531,780
Total	252,519,594	243,431,930	257,671,877	280,593,589	**286,710,182**	268,626,062	277,654,849	276,055,689	293,652,992	300,872,925	260,513,163	248,136,164	256,433,491	282,348,270
Y-o-Y change		-3.60%	5.85%	8.90%	2.18%	-6.31%	3.36%	-0.58%	6.37%	2.46%	-13.41%	-4.75%	3.34%	10.11%

Highlighted cells indcate peak production for each region and total

COKING COAL PRICE RESPONSE



COKING COAL PRICE

JANUARY 3, 2023 THRU MAY 14, 2024

	HV "A"	HV "B"		PLV
	USEC	USEC	LV USEC	FOB Aust
Average	$256.82	$230.07	$254.83	$293.08
Maximum	$328.00	$310.00	$345.00	$390.00
Minimum	$200.00	$190.00	$201.00	$221.50
Mean	$260.00	$224.00	$258.00	$307.00

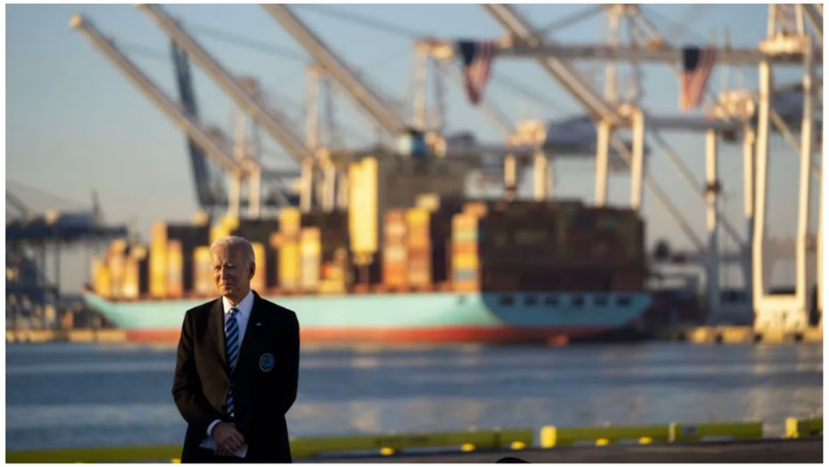
USA METALLURGICAL COAL PRODUCTION

Product	2023	2022	Increase / (Decrease)
HV "A"	26,756,000	26,148,000	2.33%
HV "B"	12,462,000	11,684,000	6.66%
LV	21,713,000	20,292,000	7.00%
MV	9,672,000	7,828,000	23.56%
PCI	1,317,000	1,323,000	-0.45%
Total	71,920,000	67,275,000	6.90%

GEOPOLITICS MAY AFFECT THE SEABORNE COAL MARKET

Biden outdoes Trump with ultra-high China tariffs

The move, which hits electric vehicles, carries an environmental cost



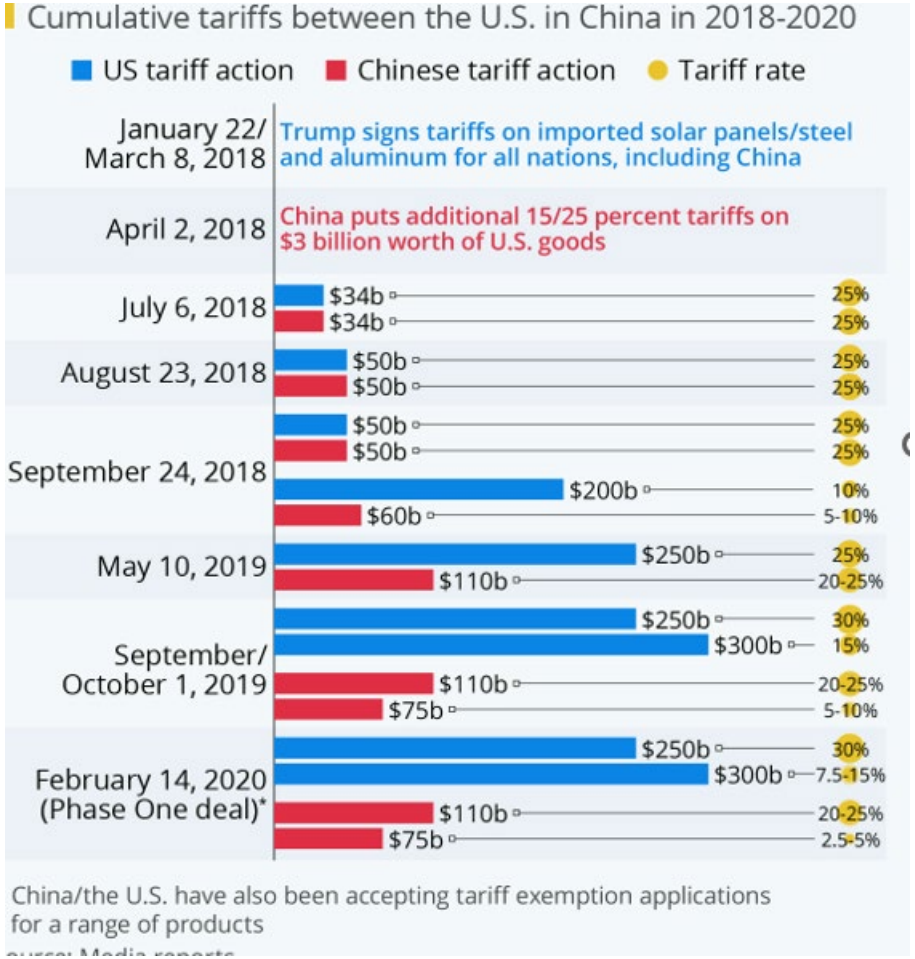
ECONOMIC POLICY

Trump vows massive new tariffs if elected, risking global economic war

Former president floats 10 percent tax on all foreign imports and calls for economic 'ring around the collar'

Beijing vows retaliation against Biden's hikes of tariffs on Chinese imports

TIMELINE OF THE U.S.-CHINA TRADE DISPUTE 2018-2020



HISTORY OF A TRADE DISPUTE 1930

- On June 13, 1930, the U.S. Senate passed the Smoot-Hawley Tariff, among the most catastrophic acts in U.S. congressional history.
- As economists predicted, the high tariff proved to be a disaster.
- Even before its enactment, U.S. trading partners began retaliating by raising their tariff rates, which froze international trade.
- Many economists and historians believe the trade tariffs imposed under the Smoot-Hawley Tariff, and the retaliatory tariffs imposed by the trading partners of the United States, were the catalysts for the Great Depression (1929-1939)

THE TARIFF BILL HAS SET RECORDS

Long Struggle Over Hawley-Smoot Measure Nears Its Final Stage—Some of the Steps In the Bitter Controversy

By B. L. DUFFUS.

THE Hawley-Smoot tariff bill, which, unless something unforeseen happens, is near its final stage in the Senate, [illegible] in the amount of time consumed, the controversies stirred up and the number of scandals in the offing. It has furnished both houses of Congress with surprises and done a good deal to make or break several promising careers.

Officially speaking, the present bill may be said to have had its inception when the Republican Party at Kansas City on June 14, 1928, pledged itself to "an examination and where necessary a revision" of the tariff of 1922. Chairman Hawley of the House Ways and Means Committee amplified this statement, just before work was begun on the new measure, by saying: "Our aim will be to provide the rates that will adjust the difference in the cost of production at home and abroad so as to give the American manufacturer, farmer and laborer at least an equal opportunity in the American market."

The Fordney-McCumber act, passed in 1922, had taken a year and a half to be put through. When the Ways and Means committee began hearings on Jan. 7, 1929, Chairman Hawley predicted that the new act would be ready to go to a special session of the new Congress in April; that it could be sent to the Senate in June; and that it might go into effect before Fall.

Demand for Protection.

Into the House committee rooms came a stream of witnesses and petitioners—most of them demanding higher rates. The chief exceptions to this rule were in cases of manufacturers who wished low rates or free trade on their imported raw materials and high protection on their finished product. Farmers asked protection against foreign vegetable oils, while soap makers wanted reduced rates; stained-glass window makers and bottle-blowers asked protection against the Czechoslovak factories. Paper manufacturers asked a low rate on casein, dairymen a high rate; [illegible] were almost for increases in the sugar tariff; the farm group asked an average increase of 100 per cent on agricultural products.

The results of these hearings were bequeathed by the Seventy-first Congress by its expiring Seventieth. Three days after his inauguration, President Hoover called a special session to consider agricultural relief and "limited changes in the tariff [illegible] kinds of lumber were made dutiable. Rates were raised on sugar, wool, butter, white potatoes, milk, beef, veal, sheep, lambs, corn, tomatoes, grapefruit, wood alcohol and other [illegible].

The House took this measure and laid it proudly and happily at the door of the Senate, which referred it to Senator Smoot's Finance Committee. The committee's hearings opened on June 13 and lasted until July 18. By this time the summaries of the proposed law had been broadcast and thirty-eight foreign nations sent protests to the State Department.

After concluding its hearings the Smoot committee went into silence, from which it emerged a month later with a new version of what a tariff bill ought to be. The House bill had been changed in 431 places. Of these changes 277 had been increases and 264 decreases. Whereas the House measure was estimated to produce $605,614,342 a year, the Senate measure would produce only $616,-486,469. There had been cuts in chemicals, metals, wood, wool, sugar, tobacco and agricultural products.

The Bill In the Senate.

[illegible] took up the bill on Sept. 12. Its progress was impeded by an attempt to change the flexible tariff provisions so that to Congress rather than to the President would be given power to alter rates as recommended by the Tariff Commission. Mr. Hoover protested in a message given out on Sept. 24, and failed to be sustained on Oct. 2 by a vote of 47 to 42. On Oct. 14 the Senate tacked a farm debenture rider to the tariff bill.

On Oct. 27 Senator David A. Reed of Pennsylvania announced that in his opinion the bill was doomed to die. On Oct. 31 President Hoover conferred with leading Senators and issued a message urging the Senate to expedite it and send it back to the House within the next two weeks. He pointed out that there were fifteen schedules and that not even Schedule 1 had been completed. On Nov. 2 Senator Borah predicted that the bill would pass within four weeks. A little less than three weeks after the special session was journed. The bill was about half completed.

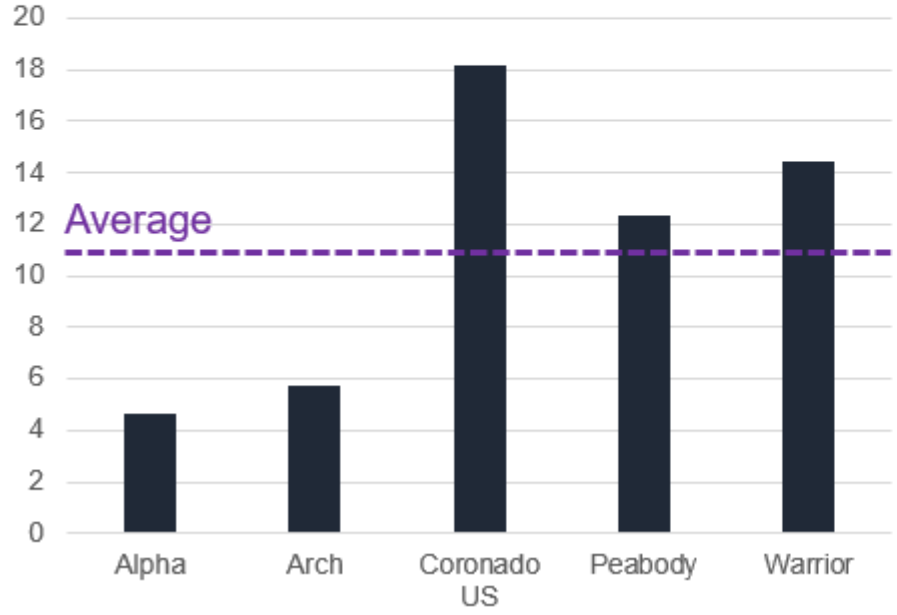
Struggle Begins Anew.

Both houses reassembled on Dec. 2. The tariff schedules were again taken up. The struggle was now between the Old Guard and a coalition group in which Senator Borah was a leading spirit. The coalitionists won several points and forced several rates down. On Dec. 21 Con-[illegible]

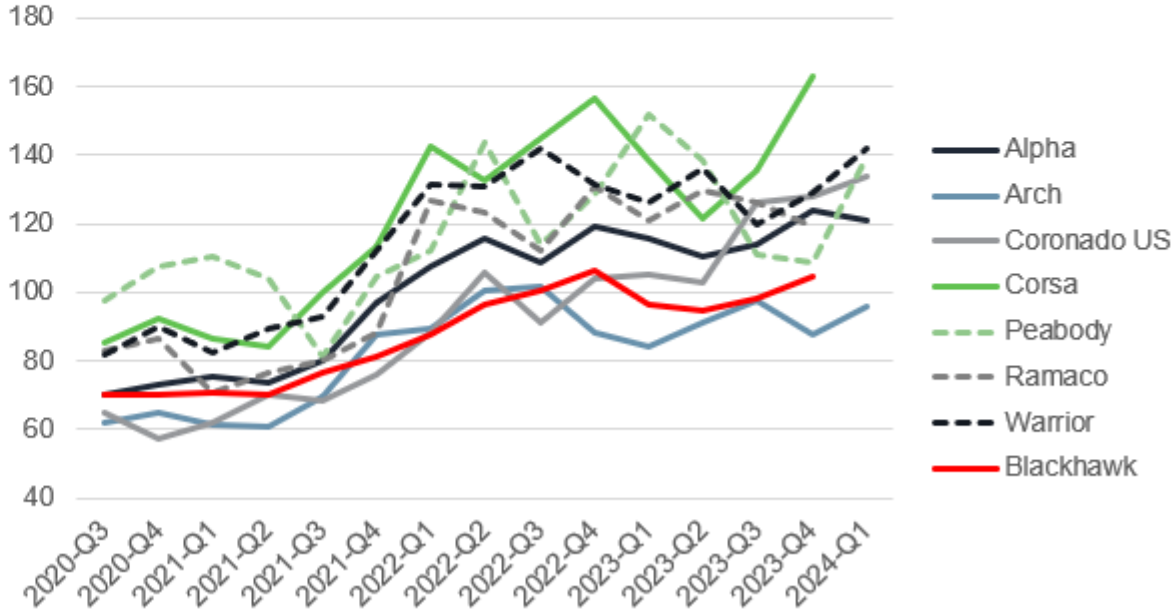
COST PRESSURE AT U.S. COAL MINES

- Available results for 2024 Q1 major US miners
- Average cost increase is 11 USD/st
- Largest increases: Coronado US, Peabody, Warrior

Price increases 2024 Q1 vs 2023 (USD/st)



Cash cost and SG&A evolution (USD/st)

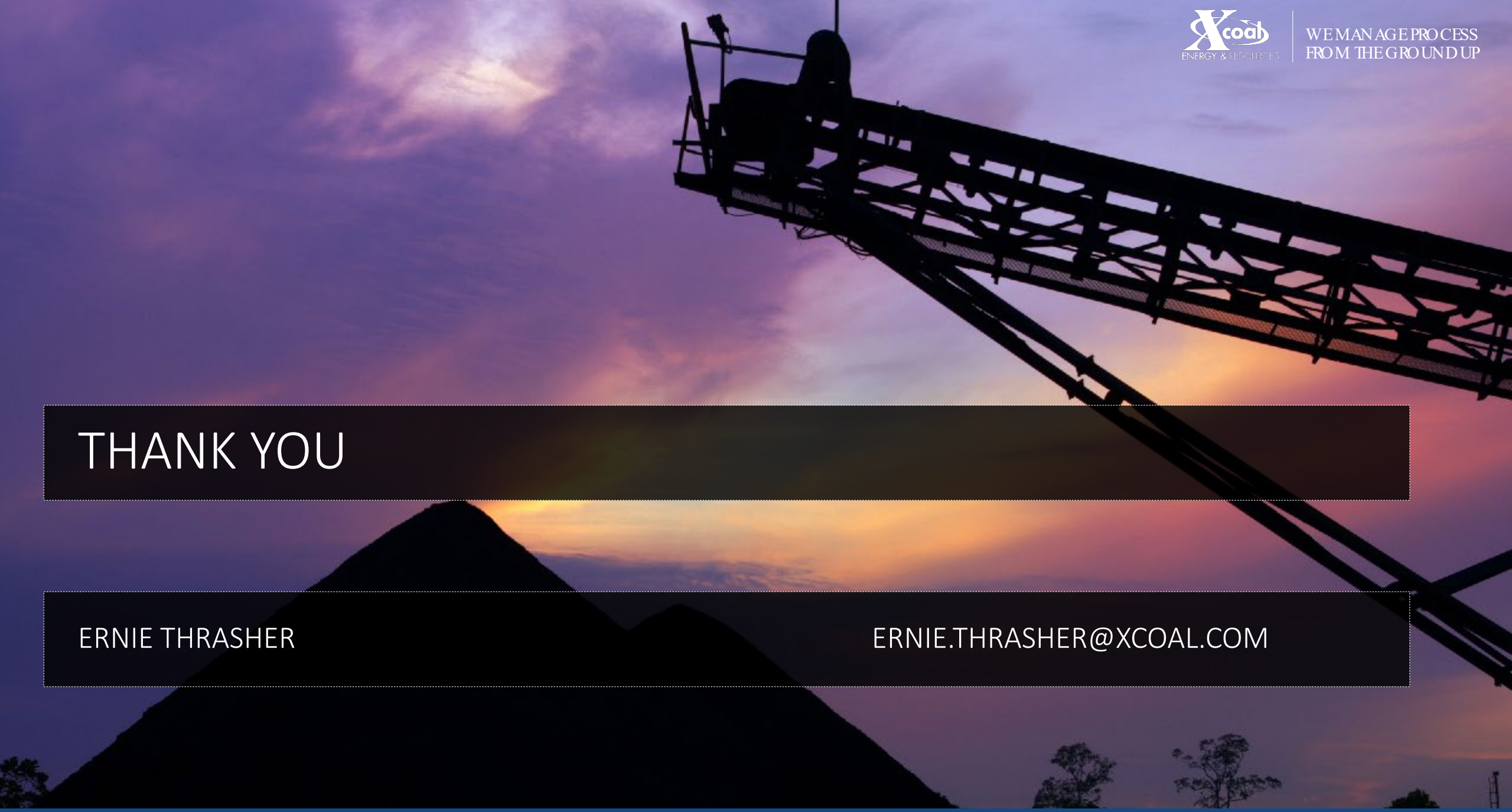


WHAT CAN HAPPEN TO PUSH THE MARKET LOWER?

- Reduced global steel demand
- Global and regional trade disputes
- Global uncertainties
  - War in the Middle East
  - Ongoing war in Ukraine
  - Government uncertainty in Iran
  - China economic struggles
  - China-Russia alliance
  - Reduced sanctions on Russian coal

WHAT IS LIKELY TO HAPPEN TO THE COAL MARKET?

- The economic and political challenges, and other exogenous factors, will affect the market for the remainder of 2024.
- The supply side shortfall has been resolved by increased supply from Mongolia, domestic production in China, and domestic production in India.
- Global economic activity has moderated
- Expect prices to remain challenging through Q42024 before stabilizing at long term trends.
- US$230-$240/MT PLV metallurgical coal pricing isn't "bad" and sustains the long-term viability of the U.S. metallurgical coal industry,



THANK YOU

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