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HD Turning point for **coal**? Japanese trading firms snap up **coal** assets

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* Japan is world's second-biggest **coal** importer

* Trading houses take advantage of depressed **coal** markets

TD

* Signals some betting market has bottomed

* Assets eyed in Mozambique, Mongolia, Australia and Indonesia

By Yuka Obayashi and Sonali Paul

TOKYO/MELBOURNE, Dec 22 (Reuters) - Only a few months ago, a potential buyer said Japanese trading house Marubeni Corp was prepared to sell a costly **stake** in a Canadian **coal** mine for as little as \$1.

But a flurry of acquisitions of high-quality **coal** assets by Japanese firms in recent weeks signals that some trading houses at least are betting a depressed **coal** market where prices have halved in three years may be bottoming out.

This vote of confidence comes amid signs that **coal** demand in Japan and emerging markets such as India is holding up well despite weaker demand in markets such as **China**, where **coal** imports in the first 11 months fell nearly a tenth.

Japan is the world's second-biggest **coal** importer behind **China**, importing almost 200 **million** tonnes a year.

Recent acquisitions include the first **coal** investment by Mitsui & Co in 10 years. It is purchasing a **stake** in a Mozambique mine operated by Brazil's Vale, in which the trading **firm** has an indirect **stake**.

"The biggest reason for participating in the Moatize project is to retain excellent quality metallurgical **coal** that is scarce globally," Tetsuya Fukuda, general manager of Mitsui's **coal** division, said. "With the resource supercycle, we had been not able to buy any assets."

The partnership will be welcome for Vale, which incurred a **coal** loss of almost \$500 **million** in 2013, mostly from Mozambique.

Mitsui is paying \$763 **million** to Vale for a **stake** in the mine and port and rail connections, and is also committed to spending \$190 **million** to expand the mine.

Fukuda said Mitsui also had its eyes on other assets, without elaborating.

Coal prices soared from around \$50 to over \$200 a tonne between 2005 and 2008, making **mining** assets expensive.

But prices have halved in three years and are back below \$70 as miners invested in new production and demand stalled due to alternative fuel sources and slower growth.

CHEAP ASSETS

The low prices are now triggering interest in buying cheap assets in anticipation of an eventual market pick-up.

"If you are interested in buying assets - they're probably going to be more expensive in six months time from where they are today," said Michael Elliott, global **mining** and metals leader at consultants Ernst & Young.

"So it's an opportunity - can they get exposure to more volumes, potentially even better quality assets than they hold," he added.

Itochu Corp said this month it was interested in joining bidding for the giant Tavan Tolgoi **coal** project after Mongolia relaunched an international tender.

"Tavan Tolgoi is one of the next big opportunities. Good quality coking **coal** projects definitely have scarcity value," said Richard Gannon, head of metals and **mining** for Deutsche Bank in Australia, when asked what Japanese firms may target next.

Joining the buying spree, Idemitsu Kosan Co said in November it more than doubled its **stake** in Indonesian thermal **coal** miner PT Mitrabara Adiperdana,. State-owned Japan **Oil**, Gas and Metals National Corp has also invested in the early stages of Australian mines in recent months.

The picture only a few months earlier looked very different.

Sumitomo Corp announced the closure of a **coal** mine in Australia as part of \$2.3 **billion** of writedowns, while a potential buyer - **Hong Kong**-listed Up **Energy** Development Group Ltd - said Marubeni was prepared to unload a **stake** in a Canadian **coal** mine for as little as \$1.

Marubeni, which did not disclose financial terms, jointly paid about \$1 **billion** for the mine in 2012, according to Thomson Reuters data. (\$1 = 118.9200 yen) (Writing by Aaron Sheldrick; Editing by Henning Gloystein and Ed Davies)

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CO mrubni : Marubeni Corp

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