

Headline: Coal stocks slip after Glasgow climate deal

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FILE PHOTO: Smoke billows from a chimney at a coking factory in Hefei, Anhui province October 2, 2010. REUTERS/Stringer/File Photo

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SYDNEY — An international agreement to reduce coal use dragged Asian coal shares somewhat lower on Monday, but tight supply provided a solid floor for many stocks in a sector that has chalked up huge gains this year.

U.N. climate talks in Glasgow ended on Saturday with a deal targeting fossil fuel use. Wording was softened to call for a “phase down” rather than “phase out” of coal after lobbying from India among others.

“The reality is that coal is going to be used during the next decade or so. It’s still going to be a cash generator,” said Mathan Somasundaram, chief executive officer at Sydney-based research firm Deep Data Analytics.

Big miners China Shenhua Energy and Yanzhou Coal fell 1% and 4% respectively in Hong Kong, where the broader stockmarket was mostly steady.

In Indonesia, the world’s biggest coal exporter, the declines were more marked. Top miner Bumi Resources fell 4% and rival Indika Energy fell 6%. Adaro Energy dropped 4%.

Shares in Australia-listed thermal coal miner Whitehaven Coal fell 2% and rival New Hope fell 0.5% in a slightly firmer broad market. Metallurgical coal miners South32 and Coronado Global Resources dropped about 2% and 3% respectively.

The moves extend a recent pullback that has taken the edge off whopping year-to-date gains for Whitehaven, South32 and New Hope which are now up more than 40% amid a global energy crunch.

China, the world’s biggest producer and consumer of coal churned out its highest tonnage in more than six years last month, official data showed, which helped to knock near-term spot prices on Monday.

The Glasgow deal has elicited promises of future cuts to use, has resolved rules for carbon markets and also takes aim at fossil fuel subsidies -all of which could speed up the transition to other energy sources.

Elsewhere in Asia, Seoul-listed mine owners and suppliers KEPCO, LX International and Doosan Heavy lost between 1% and 2% in a broader market that was up 1%.

George Boubouras, head of research at K2 Asset Management in Melbourne, said under-investment in coal projects would probably keep spot prices elevated from a historical

perspective but the fuel's likely eventual demise might limit gains for stocks.

"High thermal coal prices...will not necessarily translate into higher share prices to the same degree," he said. Oil was slightly softer and gas a touch firmer in Asia and stocks in the sector were broadly steady.

Some investors have an eye on uranium as filling some of the gap left as energy firms retreat from coal, helping uranium futures soar along with other commodities in recent weeks.

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Large miners have rallied, lifting Canada's Cameco to a decade high last week and Kazakhstan's Kazatomprom to a record.