

## LATEST NEWS

### US coal generation to rebound in 2021: Report

Average US coal-fired generation next year will resemble 2018 levels as higher natural gas prices will lead to gas-to-coal switching, according to a Bank of America forecast.

Despite coal plant retirements reducing capacity to 223GW as of July 2020 from 313GW in 2010, there is enough coal capacity to support fuel switching from natural gas, Bank of America analysts said in an energy outlook report released this week.

Their forecast assumes coal-fired generation will average

## CONTENTS

- Prices unchanged in scant trading
- States push to block waters rule rollback
- Groups sue EPA over coal ash deadline extensions
- Cerrejon, union agree to hold talks after strike
- STB to consider voluntary arbitration plan

## ANNOUNCEMENT

There will be no US market prices or commentary for 26 and 27 November in observance of the US Thanksgiving holiday.

Atlantic basin		\$/t	
Next 60 days	Price	±	
<b>US Gulf coast</b>			
fob New Orleans 11,300 Btu 3%	42.40	+0.25	
Colombia (fob Puerto Bolivar) 6,000 kcal <1%	53.25	+0.75	
Mid-sulfur discount \$/lb/mmBtu*	0.02	+0.01	
High-sulfur discount \$/lb/mmBtu*	0.06	0.00	
<b>US east coast</b>			
fob Hampton Roads 11,300 Btu <1%	48.53-78.05	1.66	

\*The mid-sulfur spread is the discount for 3% typical sulfur coal fob New Orleans to coal with less than 1pc sulfur. The high-sulfur spread is between petroleum coke with 4.5% and 6.5% sulfur.

## FORWARD MARKET ASSESSMENTS

OTC prices		\$/st	
		Price	±
CSX <1% sulfur rail 12,000	Dec	46.00	0.00
	Jan	46.60	0.00
	1Q21	47.40	0.00
	2Q21	47.90	0.00
	3Q21	48.40	0.00
	2021	48.15	0.00
	2022	49.25	0.00
CSX <1% sulfur rail 12,500	Dec	49.65	0.00
	Jan	50.25	0.00
	1Q21	50.65	0.00
	2Q21	51.15	0.00
	3Q21	51.65	0.00
	2021	51.40	0.00
	2022	52.50	0.00
IL basin 3.15% sulfur 11,500	Dec	29.75	0.00
	Jan	30.00	0.00
	1Q21	30.25	0.00
	2Q21	30.75	0.00
	3Q21	31.00	0.00
	2021	30.85	0.00
	2022	32.25	0.00
PRB 8,800 rail	Dec	11.75	0.00
	Jan	11.80	0.00
	1Q21	11.85	0.00
	2Q21	11.90	0.00
	3Q21	12.00	0.00
	2021	11.95	0.00
	2022	12.10	0.00
2023	12.30	0.00	

## COAL DAILY MONTHLY INDEXES

OTC settlement indexes, Nov		\$/st	
	Prompt month, Dec	Prompt quarter, 1Q21	
CSX <1% sulfur rail 12,000	45.55	47.00	
CSX <1% sulfur rail 12,500	49.20	50.25	
PRB 8800 rail	11.76	11.85	

133GW in 2021, or a capacity factor of 60pc. The capacity factor tumbled this year to below 40pc, partly because near-record low natural gas prices promoted coal-to-gas switching among generators. Mild winter weather and Covid-19 mitigation measures also played a role in limiting coal plant usage in the US.

Bank of America expects natural gas prices at the Henry Hub in Louisiana will average \$3.30/mmBtu in 2021, or 55¢/mmBtu above the current forward curve. The natural gas market is “structurally undersupplied heading into 2021,” which could lift prices.

“Declining associated gas production, due to weaker crude prices, combined with record US export volumes has significantly tightened the forward supply/demand balance,” the report said.

The fastest way to bring natural gas supply into balance with demand is gas-to-coal generation switching, according to the analysts. They expect gas’ share of US thermal generation to move back down to 55pc next year. It was nearly 70pc of thermal generation in October, according to the report.

Bank of America analysts also expect seaborne thermal coal demand to soon recover from the collapse brought on by the Covid-19 pandemic. They previously said that the coal

Argus daily spark spreads				\$/MWh	
	Timing	Gas	Coal, peak 10,000	Coal, off-peak 10,000	
Indiana	Daily	11.11	8.11		1.20
	Dec	12.63	5.98		0.63
	Winter	12.67	11.49		4.64
PJM	Daily	7.30	-7.62		-10.61
	Dec	8.99	3.00		-2.25
	Winter	2.68	10.67		3.72
New England	Daily	5.92	-14.03		-16.00
	Dec	11.17	10.73		3.33
	Winter	5.34	20.71		13.76
New York A	Daily	1.62	-9.92		-17.96
	Dec	6.35	-1.88		-11.13
	Winter	10.04	4.16		-6.59
Southern Co.	Daily	8.63	-2.67		-8.76
	Daily	3.02	2.61		-2.68
	Dec	3.96	4.52		-0.88
Palo Verde	Winter	4.96	7.90		1.80
	Daily	0.95	-3.29		-6.13
	Dec	11.65	5.14		3.89
Mid-Columbia	Q1	7.34	3.77		3.97
	Daily	7.88	8.36		-0.51
	Dec	10.70	13.13		6.38
	Q1	5.73	7.73		1.88

recovery will be W-shaped. The second round of demand weakness analysts projected in June is coming to an end in most countries, they said this week.

“We are also finally seeing a strong supply-side response, and production in key swing producer Indonesia is finally contracting after more than two years of falling coal prices,” the report said. “We see the production response as a signal that the market is rebalancing and the bottom in prices is likely behind us.”

## ANNOUNCEMENT

## Argus successfully completes annual losco assurance review

Argus has completed the ninth external assurance review of its price benchmarks covering crude oil, products, LPG, petrochemicals, biofuels, thermal coal, coking coal, iron ore, steel, natural gas and biomass benchmarks. The review was carried out by professional services firm PwC. Annual independent, external reviews of oil benchmarks are required by international regulatory group losco’s Principles for Oil Price Reporting Agencies, and losco encourages extension of the reviews to non-oil benchmarks.

For more information and to download the review visit our website <https://www.argusmedia.com/en/about-us/governance-compliance>

Exports to India “improved markedly” last month following a recovery in power demand in September. Bank of America analysts expect deliveries to the country to continue rising throughout 2021 as the country’s economy recovers.

Indonesia, the largest seaborne exporter, also appears to be curtailing coal production, a sign that the bottom in coal prices is near, the report said.

By Nick Georgiou

## MARKET SUMMARY

### Prices unchanged in scant trading

US thermal coal prices were unchanged in over-the-counter trading today.

Trading activity was especially limited one day before the US Thanksgiving holiday. No bids, offers or deals were heard.

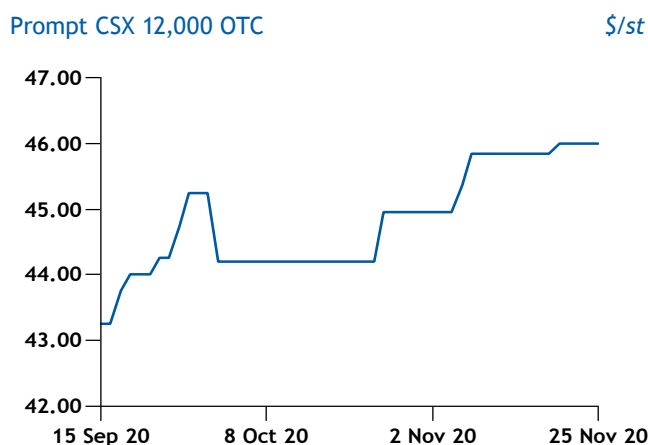
December CSX rail-originated coal with 12,500 Btu/lb held at \$49.65/short ton in its last day trading as the prompt month contract. January was unchanged as well at \$50.25/st.

Powder River basin (PRB) prices held at \$11.75-\$12.30/st for shipments through 2023.

Broader energy markets continued to climb today on a mixture of news.

Seaborne coal and oil prices have been supported in recent days by reports of successes in potential Covid-19 vaccines. API 2 European coal swaps rose by as much as \$1.80/metric tonne today. The physical market continued to climb as well, with prompt two-month deliveries of 6,000 kcal/kg coal reaching a 13-month high of \$58.59/t cif Amsterdam-Rotterdam-Antwerp.

In the US, Nymex natural gas futures for December delivery at the Henry Hub rose by 12.1¢/mmBtu to settle at \$2.896/



By the numbers			
	Last	±	±%
Nymex natural gas (\$/mmBtu)	2.90	0.12	4.32
Argus Indiana hub power (\$/MWh)	29.10	0.25	0.87
Argus fuel oil 1% New York (bl)	50.93	0.99	1.98
Nymex WTI crude (bl)	45.71	0.80	1.78
Aus\$ vs. US\$	0.74	0.00	0.00
Can\$ vs. US\$	0.77	0.00	0.00
euro vs. US\$	1.19	0.00	0.00

mmBtu following a government report showing a net decline in natural gas inventories. The 12-month strip rose by 1.7pc to \$2.841/mmBtu.

Gas markets were also supported by weather forecasts. Below-normal temperatures in the southern and eastern from the start of next week seem “strong enough” to bring national heating demand levels “marginally” higher, said private forecaster Commodity Weather Group. That could continue through some of the following week, but there is little consensus on how cold or how long the weather might last, the forecaster said.

## NEWS

### States push to block waters rule rollback

A coalition of 17 states, along with New York City and Washington, DC, have asked a federal judge to issue a summary judgment vacating the Navigable Waters Protection Rule.

In a [motion for summary judgment](#) filed with the US District Court for the Northern District of California this week, the coalition claimed the rule unlawfully redefines waters of the US under the Clean Water Act.

The coalition, led by California and New York state, initially asked judge Richard Seeborg to [throw out the rule](#) in May, claiming the US Environmental Protection Agency (EPA) and the US Army Corps of Engineers had disregarded scientific evidence and prior agency findings and ignored the statutory objective of the Clean Water Act. The groups later asked for a preliminary injunction against the rule while the court considered the case, but Seeborg denied that motion on 19 June, saying he was not convinced the coalition would win the case.

That same day, judge William J. Martinez of the US District Court for the District of Colorado granted Colorado’s request to halt rule implementation during its litigation. He said that while the state put forward an “unusual and partly self-contradictory theory of harm,” it still provided the elements necessary to delay the effective date of the rule while in litigation.

The mixed rulings allowed the Navigable Waters Protection Rule to [take effect](#) on 22 June in all states but Colorado.

The Navigable Waters Protection Rule was the second step in a process aimed at rolling back and replacing the 2015 Waters of the US rule.

The new rule says four categories of water are subject to federal oversight: territorial seas and traditional navigable waters; perennial and intermittent tributaries; certain lakes, ponds and impoundments; and wetlands adjacent to jurisdictional waters. It also says groundwater that is not directly connected to navigable water and areas that contain water only when it rains are not subject to government oversight.

The coalition’s lawsuit claims EPA administration Andrew Wheeler signed the rule despite findings from the agency’s Scientific Advisory Board that oppose some of the changes.

The coalition also said agencies should have used the test outlined by former Supreme Court justice Anthony Kennedy in his concurring opinion to *Rapanos versus US* in 2006, which stated that waters that have a “significant nexus” to navigable waterways are subject to federal oversight, rather than the narrower “relatively permanent, standing or continuously flowing bodies of water” definition that was espoused in the majority opinion written by former justice Antonin Scalia.

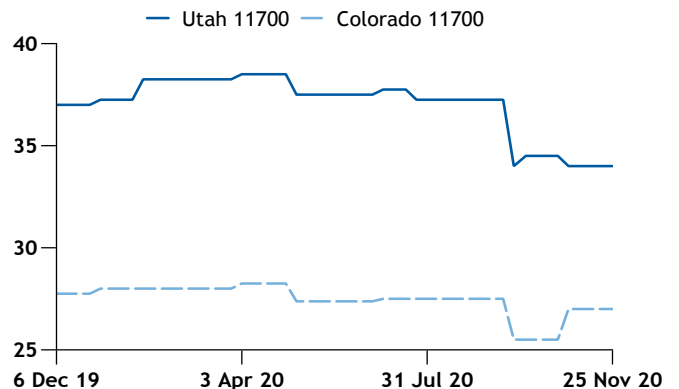
EPA and the Corps declined to comment on the filing.

The other states in the lawsuit are Connecticut, Illinois, Maine, Maryland, Massachusetts, Michigan, New Jersey, New Mexico, North Carolina, Oregon, Rhode Island, Vermont, Virginia, Washington and Wisconsin.

By Jim Foster

Prompt-quarter Uinta basin

\$/st



### Groups sue EPA over coal ash deadline extensions

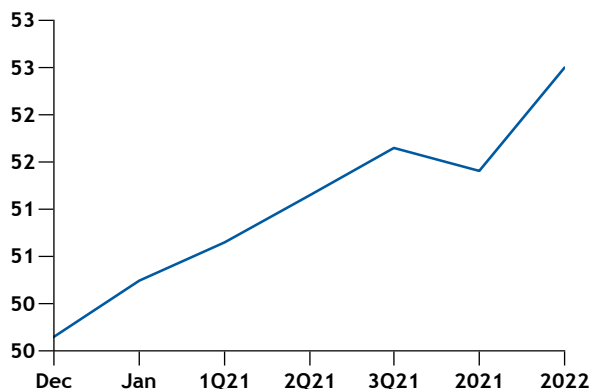
Environmental and conservation groups have asked a federal appeals court to review some of the changes the US Environmental Protection Agency (EPA) recently made to its rules for closing certain coal ash ponds.

Earthjustice, working on behalf of nine groups led by Labadie Environmental Organization, filed a [petition for review](#) with the DC Circuit Court of Appeals yesterday. The organizations plan to complain that the changes, [which extended the deadline](#) for coal-fired power plant operators to stop putting coal combustion residuals into unlined ponds, have created “loopholes” that will further harm the environment.

“The rollback rewards the many utilities that refused to

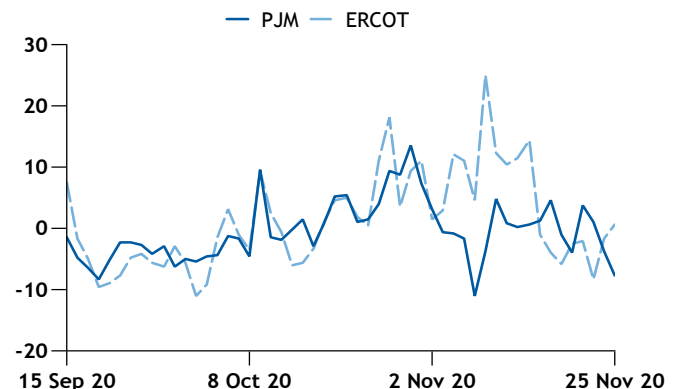
CSX <1% sulfur forward curve

\$/st



Day-ahead coal spark spreads

\$/MWh



convert their leaking ash pits to secure landfills,” Earthjustice said. EPA also is “ignoring” monitoring data posted on utility company websites that Earthjustice claims shows groundwater around 91pc of the industry’s coal ash impoundments contains levels of toxins that exceed federal health standards.

“Allowing utilities to continue dumping toxic waste into these leaking pits is against the law,” Earthjustice said.

EPA declined to comment.

The agency finalized so-called Part A of its ash pond closure rule in August, giving plant operators until 11 April 2021 to stop disposing of coal ash in unlined impoundments. The agency also is giving site-specific extensions of up to three and a half years to operators that can demonstrate by 30 November that they cannot meet the April 2021 deadline and up to seven and a half years for power plants that are scheduled to retire.

So far, 29 facilities have [applied](#) for some sort of extension.

EPA could tighten standards after January, when president-elect Joe Biden takes office. But challengers of Part A of the coal ash impoundment closing standards had 90 days from when the rule was published in the *Federal Register* on 26 August to file suit.

Other plaintiffs in the lawsuit are Diné Citizens Against Ruining Our Environment, Clean Water Action, Sierra Club, Waterkeeper Alliance, Environmental Integrity Project, Hoosier Environmental Council, Prairie Rivers Network and Metro East Green Alliance.

Earthjustice said it also plans to sue EPA over Part B of its rule, which was published on 12 November and [lays out](#) a process for some power plant operators to continue storing coal ash in unlined ponds.

By Courtney Schlisserman

### Correjon, union agree to hold talks after strike

Colombian coal producer Correjon and its largest union, Sintracarbon, have agreed to hold talks about changes to working shift patterns after the current industrial action ends. The parties are in talks today in a bid to end the strike without arbitration.

Correjon and Sintracarbon agreed to discuss issues surrounding new working shifts within 30 calendar days of the strike ending.

Sintracarbon workers have been on strike since 31 August, removing up to 56,000 metric tonnes/d (4.81mn t) of production.

The two sides signed a preliminary agreement yesterday following mediation by the labor ministry. Sintracarbon said

Coal production trends, four weeks ended 14 Nov							st
	Total	Year ago	± year ago	±% year ago	Year to date	± year ago	
Wyoming	17.44	21.23	-3.79	-17.8%	190.01	-21.8	
West Virginia	5.04	6.54	-1.51	-23.0%	58.80	-29.1	
Kentucky	1.75	2.37	-0.62	-26.1%	20.47	-36.7	
Pennsylvania	3.01	3.88	-0.87	-22.4%	32.09	-26.9	
Indiana	1.55	2.18	-0.64	-29.2%	18.18	-35.2	
Montana	2.24	2.58	-0.34	-13.2%	24.69	-18.6	
Illinois	2.20	2.84	-0.64	-22.4%	27.68	-33.1	
Colorado	0.73	0.89	-0.16	-17.7%	8.54	-25.4	
Utah	0.90	0.98	-0.09	-8.9%	10.72	-16.5	
Appalachia	10.69	13.73	-3.04	-22.2%	122.40	-28.7	
Interior	6.67	8.51	-1.84	-21.6%	78.48	-31.2	
Western	24.31	28.98	-4.67	-16.1%	266.66	-21.3	
East	15.79	20.45	-4.66	-22.8%	183.74	-30.2	
West	25.87	30.76	-4.89	-15.9%	283.80	-21.4	
Total	41.66	51.21	-9.55	-18.7%	467.54	-25.1	

East, West and Total figures are for all US, including the top nine producing states above. – EIA

this does not lift the strike, as it leaves “about 40pc” of its demands unaddressed.

Sintracarbon opposes shift changes that will result in 1,250 job losses, and called on its 4,200 affiliated workers to resist offers. The union says it will prove the changes are incompatible with current working practices and will impact the health and safety of employees.

Correjon said implementation of new shift patterns is not conditional on the outcome of the discussions or union approval.

It has asked the labor ministry to take the dispute to an arbitration court, but the government says no decision has been made as mediation efforts continue.

Attention has now turned to a new labor convention, with tri-partite talks continuing at Correjon today. Sintracarbon has

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expressed willingness to resolve the dispute, while Cerrejon says it aims to negotiate a deal that ensures the sustainability and competitiveness of the company.

Cerrejon has signed 17 labor agreements with unions in the past 35 years, two of which occurred following strikes in 1991 and 2013.

Argus' fob assessment for NAR 6,000 kcal/kg Colombian coal has remained in a \$42-55/t range this year, while production costs at Cerrejon – considered one of the world's most efficient producers – are \$35-40/t, according to figures provided by former company president Roberto Junguito.

By Diana Delgado

## STB to consider voluntary arbitration plan

US rail regulators have agreed to consider implementing a voluntary small rate case arbitration program proposed by five of the largest US railroads.

The US Surface Transportation Board (STB) today opened a proceeding to decide whether to establish a five-year arbitration program for small rate disputes.

STB said it needs more information before it can make a decision as whether to institute a new arbitration process. STB prefers to resolve disagreements through "alternative dispute resolution whenever possible," rather than with formal proceedings.

The agency has been working to make rate dispute meth-

ods easier to access, particularly for smaller disputes.

Class I railroads CSX, Kansas City Southern, Canadian National, Norfolk Southern and Union Pacific on 31 July proposed creating the new arbitration program, to run alongside STB's existing arbitration process. No shippers and railroads have ever used STB's program.

The railroads have pledged to participate for five years if STB adopts the plan exactly as proposed. But railroads also said they would withdraw from the program if STB opts for the Final Offer Rate Review (FORR) process and does not exempt those carriers from participating in the latter. Under FORR, the rail agency would decide a rate case by selecting either a shipper or a railroad's final offer in an expedited process.

The railroads' proposal drew mixed reactions from shippers. Some shipper groups called on STB to reject the plan and instead complete its ongoing review of the FORR process. Other groups said the suggested process could work if it were amended in some ways.

Railroads later said they would agree to some of the suggested modifications but not the FORR exemption.

STB's Rate Reform Task Force in April 2019 suggested making arbitration mandatory in small rate disputes. But that would require Congress to change federal law, the task force said.

By Abby Caplan



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