

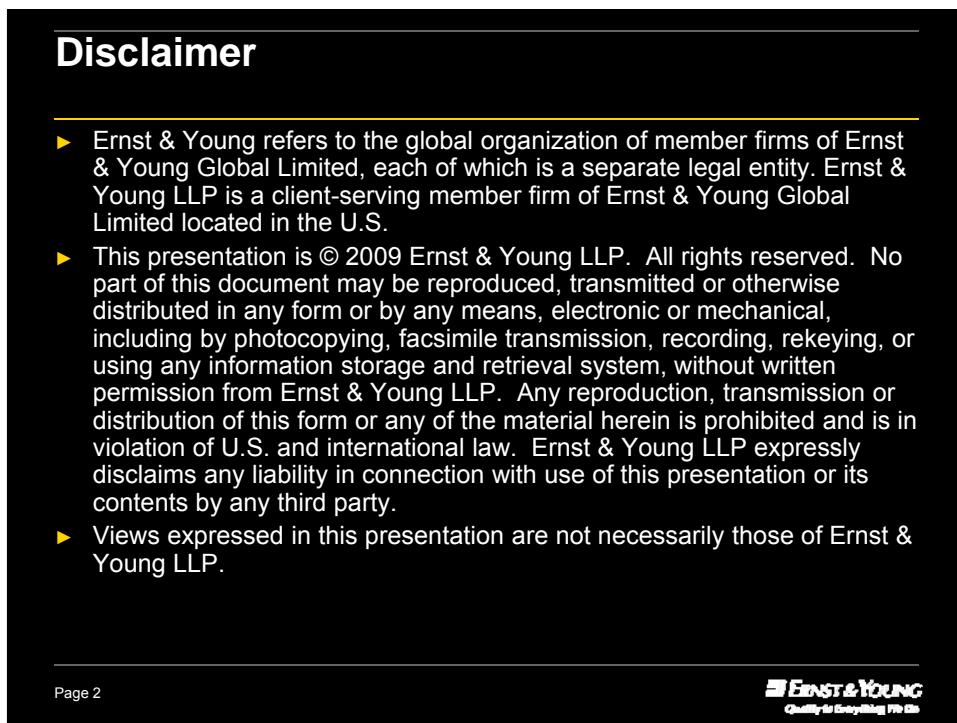


The slide features a black background with a yellow diagonal stripe and a grey hatched triangular area on the left. The title 'Coal – the bull case' is in yellow. Below it, the event details 'Coal Trading Conference' and '8 December 2009' are in white. The Ernst & Young logo and tagline 'Quality In Everything We Do' are at the bottom.

## Coal – the bull case

Coal Trading Conference  
8 December 2009

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The slide has a black background with a white title 'Disclaimer' and a yellow horizontal line. It contains three bullet points in white text. The Ernst & Young logo and tagline are at the bottom right.

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## Presenter

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## Overview

1. Strong fundamental demand
2. Strong growth forecasts
3. Plentiful and geographically distributed reserves
4. Low cost source of energy
5. Industry operators proactively addressing regulatory and environmental issues
6. Significant investments in clean coal initiatives – corporate and government
7. Let history be our guide

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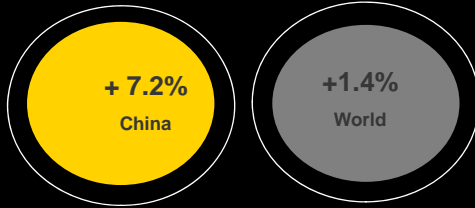
## Demand

strong fundamentals and  
growth prospects

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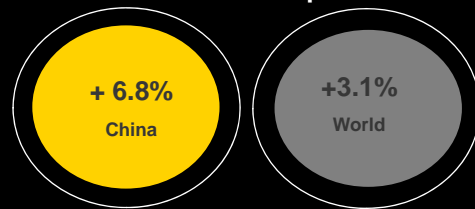
## Global energy consumption Strong fundamental demand for coal

### Primary energy consumption



- ▶ Last year, for the first time non-OECD primary consumption exceeded OECD consumption
- ▶ Strong growth in China continues to be the key driver
- ▶ The fastest growing economies are more heavily reliant on coal than any other source of energy

### Coal consumption



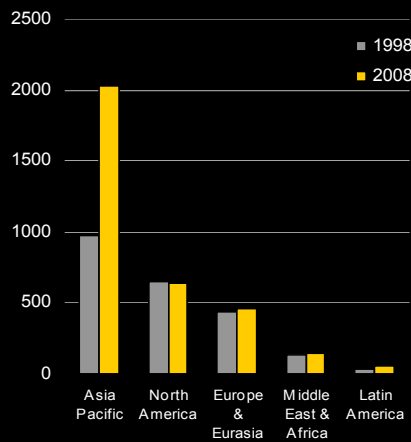
Source: BP Statistical Review of World Energy, June 2009

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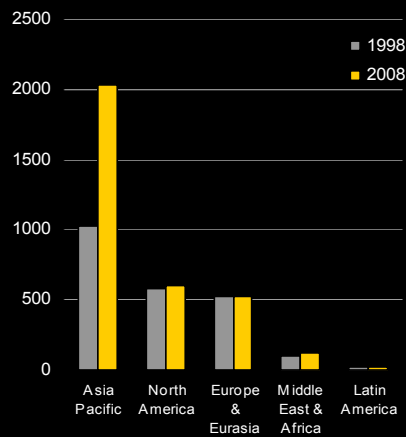


## Asia Pacific leads production and consumption

### Production



### Consumption

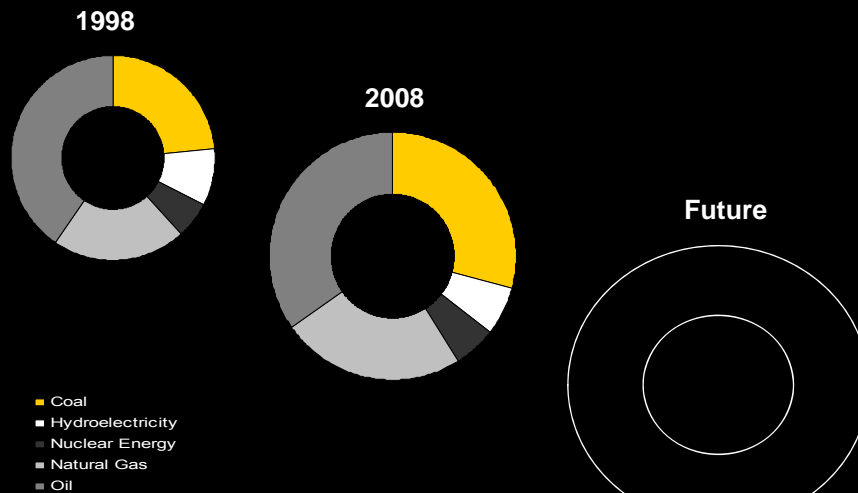


Source: BP Statistical Review of World Energy, June 2009

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## Strong growth forecasts for coal



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## Some statistics to consider

### India

- ▶ The Indian Planning Commission is calling for 52 gigawatts of new coal-fueled generation capacity in 2007 – 2012
- ▶ Indian coking coal demand is set to increase by two thirds to 45 million tonnes by 2013 and further to 110 million tonnes in 2020
- ▶ Indian steel production is expected to reach 125 million tonnes by April 2013 and 261 million tonnes by 2020

### China

- ▶ China's coal use is expected to grow by 2 billion tons over the next two decades
- ▶ China is building 70 billion watts of new power supply, the size of Britain's power system, every year, and 70% of that is coal-fired
- ▶ China is building one supercritical generation station per month

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**Emerging players**  
securing significant coal operations and off-take agreements

**Big China coal plays - 2009**

Acquirer	Target	Value (US\$m)
Yanzhou Coal	Felix Resources	2,500
CIC (Chinese Investment Corp)	PT Bumi Resources	1,900
CIC	Teck Resources	1,400
CIC	Noble Group	850
Noble Group	Gloucester Coal	284
CMGC (China Metallurgical Group Corp)	Waratah Coal (Mineralogy)	515
Baosteel	Aquila Resources	240

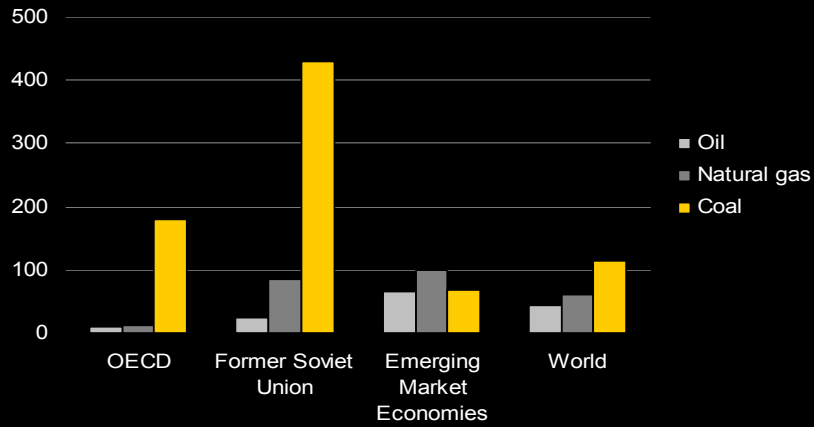
**India**

Acquirer	Target	Value (US\$m)
Tata Steel	Benga Coal Project	270
International Coal Ventures	Coal resources	2,000*

**Supply**  
plentiful and low cost

## Plentiful reserves

Fossil fuel reserves to production ratios at end 2008

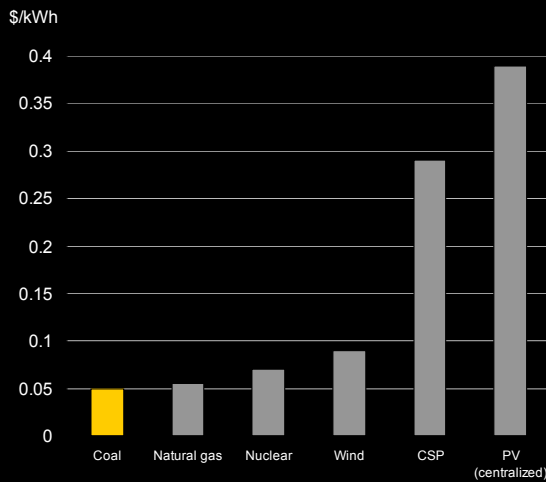


Source: BP Statistical Review of World Energy, June 2009

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## Low cost source of energy



Source: Claverton Energy

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## Energy security - US

- ▶ Coal comprises 85% of US energy sources
- ▶ Coal fuels 49% of US electricity supply
- ▶ 36 states obtain at least 30% of electricity of coal

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## The compelling case for coal Resources needed to replace US electricity from coal

<b>Solar</b>	4,000 times more solar generation than currently in use
<b>Wind</b>	75 times more wind power, which is intermittent and requires natural gas backup
<b>Nuclear</b>	250 new nuclear reactors requiring \$2+ trillion investment
<b>Natural gas</b>	17 more trillion cubic feet...nearly double US production with supply from Russia and Iran
<b>Hydro</b>	500 facilities the size of Hoover Dam
<b>Efficiency</b>	US would need to reduce electricity consumption by 50%

Source: Peabody Energy

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## Issues

environmental and regulatory

### Climate change and the environment

Perhaps the biggest issue currently facing the coal industry

- ▶ Greenhouse gas (GHG) considerations
  - ▶ Mandatory reporting
  - ▶ Cap and trade legislation
  - ▶ Prevention of Significant Deterioration (PSD)
- ▶ Direct challenges
  - ▶ Stream buffer zones
  - ▶ Permit reviews
  - ▶ Special interest group lawsuits
- ▶ Indirect challenges
  - ▶ Hazardous air pollution challenges
  - ▶ Wastewater discharge reviews
  - ▶ Coal combustion waste disposal
  - ▶ State and local renewable energy requirements

## Current sustainability trends Pressure on coal companies

- ▶ Increased public awareness of climate change issues
- ▶ Increased consideration in political arena
- ▶ Range of regulatory and policy instruments applied across provinces, countries and continents
- ▶ Impacts on mining companies:
  - ▶ Collation and disclose carbon emissions
  - ▶ Disclosure of management approach/ strategy
  - ▶ Verification and assurance carbon emissions
  - ▶ Reduction or offset of carbon emissions (when liable)
  - ▶ Taxation penalties on carbon emissions
  - ▶ Potential financial benefits from reducing carbon emissions
  - ▶ Opportunities to apply for funding/ tax credits for carbon reduction innovations
- ▶ Addressing climate change implications in advance of regulatory requirements to protect against exposure to unexpected risks

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## Market and Regulatory Drivers



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## Response to the challenge Companies, industry bodies and governments across the globe

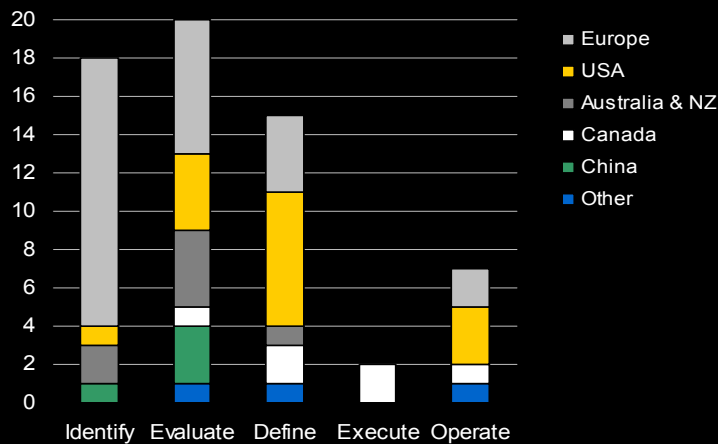
Signature clean coal projects:

<b>United States</b>	Vision 21 and FutureGen clean coal projects have been reinvigorated
<b>China</b>	Greengem – China's centrepiece commercial climate change initiative
<b>Australia</b>	Coal 21 – advances near-zero emissions through technologies such as oxyfuel

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## Global status of CCS projects

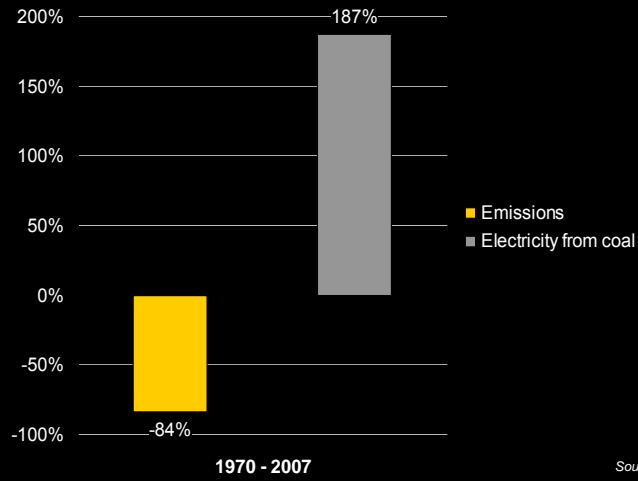


Source: Global CCS Institute

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## Response to the challenge A dramatic success of clean coal technology



Source: American Coal Council

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Let history be our guide

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## Clean Air Act Amendments

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- ▶ **Clean Air Act Amendments sounded the death toll for the coal industry in 1991 – a “cap & trade” system for SO<sub>2</sub>**
  1. Power companies have invested in SO<sub>2</sub> scrubbing technologies
  2. Reduced SO<sub>2</sub> emissions
  3. No more acid rain
  
- ▶ **Coal industry triumphs in the face of adversity**