

Coal Trader

Wednesday, December 15, 2010

Platts Daily OTC Assessments, Dec 14

Region Btu/Sulf	Jan 2011	Ch.	Feb 2011	Ch.	Q1 11	Ch.	Q2 11	Ch.	Q3 11	Ch.	CY-11	Ch.
NYMEX 12,000/<1%	72.50	(0.65)	73.40	(0.50)	73.25	(0.60)	74.50	(0.75)	75.75	(0.60)	75.10	(0.65)
CSX 12,500/1%	68.50	(0.40)	72.30	(0.95)	71.70	(0.55)	74.20	(0.60)	75.60	(0.65)	74.55	(0.65)
PRB 8,800/0.35%	12.50	(0.25)	13.00	(0.20)	12.90	(0.20)	13.00	(0.20)	13.20	(0.15)	13.15	(0.15)
PRB 8,400/0.35%	10.50	(0.05)	10.65	(0.05)	10.65	(0.05)	10.70	(0.05)	10.75	(0.05)	10.75	(0.05)

NYMEX spec is FOB barge, others are FOB rail. Ch.=change from last daily Platts Coal Trader assessment.

Coal terminal challenge seen as a test case for West Coast ports

The decision by environmental groups this week to appeal a proposed international coal terminal in southwest Washington state will be an important test case for future West Coast export facilities, the project's developer said in an interview Tuesday.

Joseph Cannon is confident Millennium Bulk Ventures' Longview terminal will pass muster when a key permit is reviewed by a state appeals board, call-

ing the permit "imminently defensible." Still, he acknowledged that his company and others face a tough political environment in a state where the mere mention of coal generates a backlash.

"I think that's why there's so much interest in this particular port, even though in the scheme of things it's a minuscule amount of coal. There are a lot of people in Washington, including politicians, who would say 'no coal,'"

said Cannon, who is in his second month as CEO. "If this was a grain terminal, we wouldn't even be having this conversation — it's only about coal."

On Monday, a coalition of five groups upped the ante when they filed the appeal with the Shoreline Hearing Board, challenging a shoreline development permit issued to the project by Cowlitz County commissioners
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Senate bill would boost clean coal projects

US Senate Democrats on Tuesday introduced a \$1.2 trillion omnibus spending bill that would significantly boost the Department of Energy's ability to finance nuclear and clean coal projects.

The catch-all spending bill, which would fund the federal government through September 30, 2011, is slightly larger than the House of

Representatives-passed \$1.1 trillion continuing resolution, which would have capped fiscal 2011 spending at fiscal 2010 levels.

For DOE, the bill would provide \$8 billion for new nuclear loan guarantees and \$4 billion for new clean coal loan guarantees. Those figures are up from the continuing resolution's \$7 billion
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OTC Broker Index

Coal Product Specifications	Nov Final Monthly Average	Dec Final Monthly Average	Jan Daily Assessment	Daily Change	Q1 2011 Assessment	Daily Change	Q4 Average
NYMEX look-alike - 12,000 Btu/lb. -1%	62.78	66.70	72.37	(0.75)	73.22	(0.74)	65.00
CSX BS/K - 12,500 Btu/lb. -1%	68.24	67.25	68.62	(0.25)	71.57	(0.25)	69.64
PRB - 8,800 Btu/lb.	14.24	13.00	12.53	(0.14)	12.93	(0.06)	14.34
PRB - 8,400 Btu/lb.	11.20	9.50	10.23	0.28	10.41	0.21	11.71
CAPP 1% vs. Compliance spread	2.52	2.43	0.55	0.00	0.63	0.00	2.59

This index is done in cooperation with Evolution Markets, ICAP United, and TFS Energy. Today's index had 3 contributors. For comments or questions, e-mail: coal@platts.com. *To view Broker Index Methodology, visit: www.platts.com and click the "Coal" tab.

MARKET COMMENTARY

Prices retreat across products, out the curve

Over-the-counter coal prices fell across product types on Tuesday. Front-month physical trades in Powder River Basin 8,800, CSX 12,500-Btu/lb, -1% sulfur coal and long-dated NYMEX look-alike trades dropped prices along the forward curve.

In thin trading, OTC prices unwound gains posted on Monday, following a broader selloff in the energy complex after disappointing comments from the Federal Reserve on the unemployment picture.

Trading in the look-alike market continued to be biased toward the long end. Terms traded in 2011, 2012 and 2013 contracts, declining from price points seen Monday. While trading in long-dated terms drove prices higher in the prior session, pricing action in the terms drove bid/ask spread down across the look-alike curve Tuesday.

Rail products, both Eastern and Western, saw increased volume in the physical market. Both PRB 8,800 and CSX prices fell in the January 2011 front-month term, depressing prices out along the forward curve.

The NYMEX January natural gas futures contract fell 16.5 cents Tuesday to settle at \$4.255/MMBtu as traders looked ahead to more moderate temperatures in gas-consuming areas around the end of December. The contract opened Tuesday at \$4.431/MMBtu and traded between \$4.25/MMBtu and \$4.439/MMBtu.

Mid-Atlantic power terms finished the day mixed, ignoring the sharp fall in NYMEX gas futures. PJM West on-peak January-February financial swaps rose 80 cents to \$54.65/MWh. New York Zone G winter on-peak swaps were higher \$1.25 to \$64.25/MWh.

NYMEX January crude oil Tuesday settled 33 cents lower at \$88.28/barrel, losing ground in late-day trading.

The Dow Jones Industrial Average set a two-year, inter-session high as the Federal Reserve maintained its \$600 billion quantitative easing program, and left its target for overnight inter-bank lending unchanged at 0%-0.25% at its

Coal Trader International OTC Benchmark, Dec 14 (US\$/mt)

Region	Btu/lb	Sulfur %	1Q 11	Change
Northwest Europe/ARA CIF	10,800	<1.0	117.50	-0.85

Coal Trader Spark Spreads

Coal	-Plus transport-		-Plus SO2-	
	\$/st	\$/MMBtu	\$/st	\$/MMBtu
NYMEX	78.75	3.28	78.83	3.28
CSX 1%	80.50	3.22	80.58	3.22
PRB 8800	24.25	1.38	24.28	1.38

Emission Allowances	SO2		NOx	
	Cincinnati	Atlanta	Kansas City	
Current vintage	4.00	25		
Natural Gas (\$/MMBtu)	4.54	4.41	4.20	
Electricity (\$/MWh)	62.00	80.00	52.50	

Generating (\$/MWh)	Gas Hub	Coal Alone	Coal Plus: SO2
	Cincinnati	36.28	32.81
Atlanta	35.24	32.20	32.23
Kansas City	33.56	13.78	13.79

Spark Spreads Hub	Gas	Coal Alone	Coal Plus: SO2
	Cincinnati	25.72	29.19
Atlanta	44.76	47.80	47.77
Kansas City	18.94	38.72	38.71

Assumptions:

Heat rate of 10,000 Btu/kWh (34% efficiency) for typical coal plant, 8,000 Btu/kWh (45%) for typical gas plant. "Without controls" assumes neither SO2 nor NOx controls. Assumed NOx rate: with controls, 0.15 lb/MMBtu; without controls, 0.60 lb/MMBtu

Coals are:

- NYMEX look-alike (12,000 Btu/lb, 1.67 lb SO2/MMBtu), barged to Cincinnati at \$6.25/st
- CSX Central Appalachia (12,500 Btu/lb, 1.5 lb SO2/MMBtu), railed to Atlanta at \$12/st
- PRB 8800 (8,800 Btu/lb, 0.8 lb SO2/MMBtu), railed to Kansas City at \$11.75/st
- * Plants in Georgia (Atlanta) and Missouri (Kansas City) not yet subject to NOx SIP Call limitations; numbers are illustrative of NOx costs only.



Wednesday, December 15, 2010

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last meeting of the year. Comments from the Fed regarding the slow pace of economic recovery, along with the read-across effects on commodities demand, weakened the energy complex. The Fed decision capped equity gains and led to a rebound in the US dollar.

Long-dated look-alike sees action, trades lower

Near-term look-alike coal remained shut out, with the earliest chronological transaction trading Tuesday being the Q3 2011 term at \$75.75/st, for five barges, 60 cents below the prior Platts assessment. Second-half 2011 traded for five barges four times at \$76.25/st.

Moving out along the curve, Q4 2012 traded for volume at \$82.25/st for 10 barges twice, and at \$82.20/st for five barges. The term traded between \$82.40/st to \$82.50/st on Monday. Further out, Cal 2013 traded once outright at \$84/st for five barges.

In Eastern rail, CSX physical traded at \$68.50/st in the January 2011 term for the delivery of one train, 40 cents below the prior Platts assessment price of \$68.90/st. In the CSX swaps market, March 2011 traded once at \$72.75/st for 10,000 st.

Western rail markets saw PRB 8,800 physical trade in the January 2011 term at \$12.50/st twice, each for the delivery of one train. The trades priced 25 cents below the previous Platts assessment. PRB 8,400 physical returned to action, trading in the Q1 2011 term at \$10.70/st for the delivery of one train/month. PRB 8,400 physical was last reported in the OTC market to Platts on November 23.

Eastern coal settlement mostly higher Mon.

On Monday, December 13, in the NYMEX Appalachian Coal (physical) market, 235 deals were settled, with 25 in January 2011 and 40/month in Q2, five/month in Q3 and five/month in Q1 2012, and 20/month in Q4 2012. Open interest stood at 7,915.

In 2011 contracts, January rose 70 cents to \$73.12/st, while February climbed \$1.16 to \$74.19/st and March was up \$1.16 to \$74.56/st. Prices in later 2011 quarters also were higher: Q2 rose \$1.06 to \$75.28/st, Q3 gained 98 cents to \$76.35/st and Q4 climbed 95 cents to \$77.37/st.

Settlement prices for 2012 quarters were higher: Q1 gained 85 cents to \$78.48/st, Q2 rose 89 cents to \$79.92/st, Q3 added 82 cents to \$81.35/st and Q4 was up 78 cents to \$82.55/st. CY 2013 contracts all rose by 68 cents to \$84.43/st.

In the Eastern Rail Delivery CSX coal swap market, 455 contracts were settled, with 45 in January, 50 in February and 45 in March of 2011; 75/month in Q2, and 15/month each in Q3 and Q4. Open interest stood at 7,785.

Settlement prices were stronger for the most part: Front-month January lost 7 cents to \$69.05/st, February gained \$2.14 to \$73.26/st and March gained \$2.16 to \$74.33/st; Q2 rose \$1.35 to \$74.75/st, Q3 added \$1.22 to \$76.35/st and Q4

gained 86 cents to \$77.18/st.

In 2012, Q1 was up \$1.08 to \$78.76/st, Q2 climbed \$1.08 to \$80.16/st, Q3 gained \$1.18 to \$81.71/st and Q4 rose \$1.18 to \$83.04/st. CY 2013 added 99 cents to \$85.32/st.

In the Western Rail Delivery PRB Coal swap market, no contracts were settled. Open interest was 2,170.

Settlement terms were relatively weak in the near term and flat further out: Front-month January fell 11 cents to \$12.67/st, February gained 10 cents to \$13.09/st and March was up 11 cents to \$13.35/st. Moving further along the curve, Q2 lost 7 cents to \$13.35/st, Q3 fell 3 cents to \$13.62/st and Q4 fell 13 cents to \$13.75/st. In 2012 quarters, Q1 fell 2 cents to \$14.25/st, Q2 gained 1 cent to \$14.50/st, Q3 stood at \$14.72/st as did Q4 at \$14.97/st.

Tuesday's settlement prices were unavailable by press time.

— John Miller

NEWS

ICG holders to sell 34.8 million shares

Two major investors of International Coal Group announced after the close of trading Monday their plans to sell half of their combined equity stake, or about 34.8 million common shares, in the West Virginia-based Central Appalachian coal producer.

WL Ross & Co. will sell 12.3 million shares, with an over-allotment option of 1.8 million, while Fairfax Financial will sell 22.6 million shares, with an over-allotment option of 3.4 million. Both companies will reduce their holdings by half.

ICG expects the offering to close around December 17. The company will not receive any proceeds from the offering, and the total number of shares outstanding will not change as a result of the transaction.

Bank of America Merrill Lynch has been hired to serve as the sole book-running manager.

Following the sale, Samuel Mitchell (Hamblin Watsa Investment Counsel, a wholly owned subsidiary of Fairfax Financial Holdings) and Wendy Teramoto (WL Ross & Co.) will remain on the ICG board, while Wilbur Ross Jr. will retain his position as non-executive chairman.

With this offering, the combined holdings of WL Ross and Fairfax Financial with ICG will fall to 17%, down from 34% prior to the transaction, with WL Ross representing 6% and Fairfax Financial 11% of the outstanding share total.

Analysts at Brean Murray Carret & Co. wrote in a Tuesday investors' note that "we aren't surprised that the shareholders are taking some money off the table here." Shares of ICG through 2010 have "consistently outperformed its peers and is up 107% year-to-date." The remainder of the sector has only averaged 25% year-to-date-growth, Brean Murray said.

Comparing ICG's offering with that of Cloud Peak Energy (*PCT 12/14*), Brean Murray analysts commented that

“one important difference ... is that International Coal’s shareholders are planning to reduce their stake by just 50%. Rio Tinto is planning to sell its entire stake in Cloud Peak.”

ICG shares plunged 13.4% on the open of trade Tuesday, falling to \$7.08 from Monday’s closing price of \$8.16. ICG closed Tuesday at \$7.09/share.

Fairfax Financial is a Toronto-based property and casualty insurance holding company with \$28.4 billion in assets at the end of 2009. The company began acquiring shares in ICG in 2006, taking a maximum stake of 23.8% in the first quarter of 2009, according to a company filing.

WL Ross & Co. is a turnaround group, investing and restructuring financially distressed companies. The company was formed in 2000.

— John Miller

Donkin set to benefit from harbor deepening

The Canadian government’s plans to subsidize deepening a Nova Scotia port could potentially increase the exporting capacity of the nearby Donkin underground coal project.

The Canadian government’s decision to complete the financing for the dredging of Sydney Harbor on Nova Scotia’s Cape Breton Island to allow for bigger ocean-going vessels should aid the project, an Erdene Resources Development official said Tuesday.

On Friday, Prime Minister Stephen Harper announced the government will provide \$19 million to deepen the harbor, completing funding for the \$37 million project. The provincial government, Nova Scotia Power and Cape Breton Regional Municipality already pledged a total of \$18 million.

“By dredging Sydney Harbor, we can unlock Cape Breton’s true economic potential,” Harper said in a statement. “This will allow bigger ships into the harbor and create jobs in Cape Breton for the long term. Looking forward, as we must, to the day when mining jobs return to Cape Breton, there will be new opportunities for shipping, along with the export of coal from the island.”

The harbor project could make it “more economical” for Erdene and its partner, Xstrata Coal, to ship coal from Donkin’s planned 2.75 million short tons/year to potential customers in Asia, India, Europe and South America, said Ken MacDonald, Erdene CFO and vice president for business strategy.

Currently, the harbor depth restricts cargo to 55,000-ton shiploads, he said. Deepening the harbor will increase that to 120,000 tons.

Assuming final corporate and provincial government approval, MacDonald said development of the coking and steam coal mine will begin in 2011, with initial production in 2012 or 2013. The plan is to have four continuous miners operating by 2015.

“The stars seem to be aligning” for the project, he said.

Erdene and Xstrata initially looked at developing a longwall

mine to produce steam coal to burn in power plants. But their research convinced them that at least some of their reserves are more profitably suited for blending for coking coal.

Xstrata owns 75% of the project, Erdene 25%.

The mine will be located under the Atlantic Ocean off Cape Breton’s eastern coast. The mine is expected to draw upon 227 million st of “indicated” and 254 million st of “inferred” coal rated at 12,000-14,000 Btu/lb, about 2% sulfur and medium ash content.

— Bob Matyi

Alliance appeals \$3.8 million court judgment

Alliance Resource Partners has appealed last month’s \$3.8 million royalty lawsuit judgment against the company’s White County Coal subsidiary and two other affiliates in Illinois.

In a November 5 ruling, Second Circuit Judge David Overstreet ordered the companies to pay the money to settle a lawsuit over royalty payments involving White County Coal’s Pattiki underground mine in White County (*PCT 11/10*).

The judge said White County Coal failed to make royalty payments to the widows and heirs of men who discovered a coal reserve totaling 200 million short tons 35 years ago. The judge said the company breached its fiduciary duties by seizing royalty payments owed to the group as joint ventures for its own account. The judgment includes unpaid royalties on 6.4 million st mined at Pattiki between 2002 and September 2009.

Scott Helmholz, an attorney for the plaintiffs, said Tuesday the Tulsa, Oklahoma-based company has informed the trial court it intends to appeal the ruling to the Illinois Appellate Court. The company has posted a \$7.6 million appeal bond with White County Circuit Court, he added.

An Alliance official referred questions about the appeal to Brian Cantrell, the company’s senior vice president and CFO. Cantrell could not be reached for comment Tuesday.

Pattiki produced about 1.2 million st in the first three quarters of 2010, according to the US Mine Safety and Health Administration, and 2.4 million st in 2009. Production earlier this year was hampered after a vertical conveyor belt broke. The mine employs about 300 people.

— Bob Matyi

Blankenship won’t testify at safety hearing

Don Blankenship, Massey Energy’s chairman and CEO who is retiring on December 31, refused to testify in a Tuesday hearing before West Virginia officials on the April 5 explosion at the company’s Upper Big Branch mine.

“Mr. Blankenship has declined to testify before investigators citing his Fifth Amendment rights” against self-incrimination, according to Leslie Fitzwater, spokeswoman with the West Virginia Office of Miners’ Health, Safety and Training, said Monday.

Massey officials didn't respond to phone calls and e-mail requests for comment.

The hearing was set to take place behind closed doors at the National Mine Health and Safety Academy near Beckley, West Virginia

"Mr. Blankenship was the only witness to be heard [Tuesday]," Fitzwater said. "Since he will not be there, there will be no other proceedings."

She did not have any further information on when and where other witnesses might testify on the nation's deadliest coal mining accident in 40 years. Twenty-nine miners died in the Raleigh County, West Virginia, metallurgical coal operation. The mine remains closed. Company, state and federal investigations continue.

Fitzwater said she had no date on when the state investigation might wrap up.

Massey announced Blankenship's retirement on December 3 (*PCT 12/7*). Baxter Phillips, the company's longtime president, will succeed Blankenship as CEO. Lead Independent Director Bobby Inman will succeed Blankenship as non-executive chairman.

Among other retirement benefits, Blankenship will receive two cash payments from Massey totaling \$12 million — the first sum of \$2 million to be paid on the retirement date and the second sum of \$10 million to be paid on July 1, 2011.

— Steve Hooks

Texas commission OKs Tenaska coal unit

Tenaska won unanimous approval Tuesday from the Texas Commission on Environmental Quality for its 600-MW Trailblazer Energy Center supercritical coal-fired power plant under development near Sweetwater.

Trailblazer, slated for 2016 operation, is expected to use 3.5 million short tons a year of coal. The plant would capture 85-90% of its CO2 emissions and greatly minimize other emissions.

"This is the major construction permit," said Greg Kunkel, the company's vice president of environmental affairs. "This gives us what we need to move forward on a bunch of fronts."

Kunkel said Tenaska currently is "going through some feasibility studies for the carbon capture system itself."

David Fiorelli, president of Tenaska Development, said the plant will "increase Permian Basin oil production in West Texas by providing a valuable supply of CO2 for enhanced oil recovery."

The \$3.5 billion project has been awarded a \$7.7 million grant from the Australia-based Global Carbon Capture and Storage Institute.

Trailblazer will use dry cooling technology to reduce its water use by 90%. It will be the first large-scale coal project in Texas to use dry cooling, Tenaska said.

Before construction can start, Tenaska said a number

of other tasks and contracts must be completed, including engineering and design studies, securing customers for the electricity and CO2, and federal and local incentives designed to encourage development of carbon capture and storage projects.

— Bob Matyi

Great Lakes shipments down again last month

US-flagged carriers on the Great Lakes shipped 2.2 million short tons of coal in November, down 8.9% compared with a year ago, according to the Lake Carriers' Association.

Lake Superior recorded the biggest volume drop, falling 129,000 st to 1.5 million st during the month. Lake Michigan, meanwhile, recorded the largest percentage drop, falling 28% to 227,671. Lake Erie dropped from 538,494 st a year ago to 485,755 st.

Despite falling for the second consecutive month, Great lakes coal shipments by US-flagged carriers so far this year remain up slightly, from 19 million st to 19.4 million st, reflecting a small increase in buying from utilities near the lakes' shores.

— Staff

Penn Va. investors set Feb. 16 merger vote

Unit holders of Penn Virginia Resource Partners and Penn Virginia GP Holdings will each hold special meetings on February 16, 2011, to vote on the previously announced 100% equity merger between the two partnerships.

Announced after the close of trading on Monday, PVR and PVG each plan to hold meetings in Radnor, Pennsylvania. In a corporate statement, William Shea, CEO of PVR, said, "Under the terms of the proposed merger, the incentive distribution rights that PVR currently pays to PVG would be cancelled. The elimination of the incentive distribution rights should help improve PVR's competitive position when pursuing growth opportunities and its ability to finance growth projects less expensively."

On September 21, PVR and PVG jointly announced a merger transaction that would be completed by a 100% equity consideration and would result in PVR owning its partner, the cancellation of PVG's incentive distribution rights and the cancellation of the PVR limited partnership units owned by PVG (*PCT 7/21*).

Under the terms of the merger agreement, PVG unit-holders would receive 0.98 PVR limited partnership units in exchange for each PVG limited partnership unit owned at closing. The merger transaction is planned to result in 38.3 million additional limited partnership units being issued by PVR and the cancellation of 19.6 million PVR limited partnership units owned by PVG.

— John Miller

EMISSIONS

Delays to cool coal plant retirements: ICF

An expected delay in implementing US federal environmental regulations on coal ash and water to between 2018 and 2020 from 2015 will curb the amount of coal-fired generation forecast to retire by 2018, consulting firm ICF International said Tuesday.

ICF's fourth-quarter Integrated Energy Outlook projects that 60 GW of coal plants will retire by 2018, down from the 75 GW ICF said it expected that year in its earlier third-quarter forecast.

But carbon capture and storage technology, which can be added to coal plants, is yet to be built and would allow total coal capacity to grow during this period, managing director of ICF Resources John Blaney said in a webinar to discuss the outlook for the emissions, coal, natural gas, power and renewable energy markets. And while the delay in implementation might have an influence on fuel switching among power generators, it will not have a major effect on fuel pricing projections.

ICF also expects that a national cap-and-trade program for greenhouse gas reductions will be implemented by 2018.

Meanwhile, Henry Hub benchmark natural gas prices are still expected to range from \$5 to \$7/MMBtu over the next 20 years, but will be lower over the next few years until gradually moving up to stabilize in that range by 2018.

Demand for gas is expected to grow, which will "apply upward pressure" on gas prices, Blaney said.

Also unchanged from the third quarter is the expectation that by 2030, total gas consumption in the US and Canada will reach an average of more than 100 Bcf/d from a current rate of roughly 75 Bcf/d. Demand will likely double in the power sector, but demand in the industrial, commercial and residential sectors will remain flat.

Installation of renewable energy in the US should be 51 GW between 2011 and 2016, and 83 GW between 2017 and 2030, Blaney said. The use of renewables becomes more competitive with traditional fossil fuels late in the forecast period, as carbon policy and rising prices for CO2 allowances under a cap-and-trade regime take effect.

Renewable energy credits in New England will rise by nearly \$15/MWh in the next 10 years, but capacity additions in that market starting in 2020 will help drive REC prices lower there through 2030, he said. Over the time period, California REC prices may weaken, the forecast showed.

— Amy Fickling

Port challenge ... from page 1

last month. The groups want a state environmental impact study completed that includes consideration of greenhouse gas emissions produced by the coal that would be shipped overseas from the terminal. They also contest that dredging of the Columbia River is being reviewed separately.

The appeal, which must be decided by the board within 180 days of filing, includes a stay of the permit, pushing the construction date of the project into at least late next year. But after spending \$4 million on permitting and hiring a "battalion of environmental consultants and engineers and lawyers," Cannon said Millennium has no plans to step down.

"We are prepared to be here as long as it takes to get this permit ... the only thing that will really stop this permit is if it gets to the highest level of decision making at the state courts and they say 'No, you can't build this port,'" he said.

Not getting the permit would mean "tough sledding" for other projects, Cannon said, adding, "I think this is something of a test case." The company hopes to have the terminal running by 2012, barring further appeals.

PRB producers hope for several new ports

The Longview terminal would be the first in what Powder River Basin coal producers hope will be several new ports along the West Coast. Facing an uncertain market at domestic power plants, Wyoming and Montana mines have been trying to feed growing demand in Asian countries, but there is limited capacity for additional shipments. US ports are ill-equipped to handle large volumes, while Vancouver, British Columbia's Westshore Terminals is swamped by shipments of metallurgical coal.

While the Millennium facility — designed for 5.7 million short tons annually but permitted for 5 million st — would be a small relief valve for states that produce nearly 500 million st a year, the potential profits could be enormous. Earlier this month, Peabody Energy sent industry analysts data suggesting that Asian markets could produce a "net-back" of up to \$26/st at its mines for 8,800-Btu/lb PRB coal

Platts US daily assessments, Dec 14

	Bid	Offer	\$/allowance	Change	\$/st
SO2					
2010	3.00	4.00	4.00	0.00	8.00
2011	3	4	3.00	0.00	6.00
2012	3	4	3.00	2.00	6.00
NOx					
Bank	25.00	35.00	25.00	0.00	25.00
2010	25	35	25.00	0.00	25.00
2011	22	32	20.00	0.00	20.00

The bank NOx reflects vintages from 2009 and prior. Under the Clean Air Interstate Rule that took effect January 1, the US Environmental Protection Agency will no longer discount allowances for the NOx bank. EPA, however, will discount SO2 allowances. Now, two SO2 allowances will equal one short ton of emissions. For methodology, visit www.emissions.platts.com. Please send contributions to the Platts' daily assessments of the SO2 and NOx markets to emissions@platts.com

— nearly twice the current market price.

While Millennium parent company Ambre is exploring the purchase of a coal mine in Montana and developing a coal enhancement project in Wyoming, Cannon said the kind of prices Peabody is touting makes even a small amount of coal being shipped to Asia “very attractive” to all producers. He expects that the terminal, if built, will serve multiple producers and customers, primarily from China, South Korea, Japan and Taiwan.

“I think initially [we thought] it would be for one customer, but it’s clear to us now that it will be for multiple customers and for the reason of blending,” he said.

— *Peter Gartrell*

Senate bill ... *from page 1*

for nuclear loan guarantees and \$3 billion for clean coal loan guarantees.

Like the House continuing resolution, the Senate omni-

bus appropriations bill would rescind \$18 billion in loan guarantee authority for renewable projects. But the bill provides \$405 million to support credit subsidies for renewable energy loan guarantee applicants, up from the continuing resolution’s \$306 million.

The federal government’s fiscal 2011 began on October 1, but since the politically gridlocked Congress has failed to pass a budget, it has passed several continuing resolutions to keep the government open, the latest of which expires Saturday.

Unlike the House’s continuing resolution, the Senate spending bill contains earmarks. Many Republicans, primarily in the House, have called for a ban on earmarks, which are congressionally directed spending for pet projects, usually in a lawmaker’s home state or district.

But with Democrats in control of the House until January, the bill likely will pass in that chamber, if it can pass the Senate. Jim Manley, a spokesman for Senate Majority Leader Harry Reid, said the bill will come up for a vote “later in the week.”

— *Herman Wang*