

Press Conference in Düsseldorf on 04/08/2016

**Hard coal production and world trade on the decline for the first time in years
– not a harbinger of a global energy turnaround**

Worldwide hard coal production declined in 2015 by almost 3% to 7.0 billion tonnes. Coking coal production fell especially steeply (by 10%) while the decline in steam coal was only 1.6%. World trade fell by 8.5% from 1.3 billion tonnes to 1.2 billion tonnes. The impact here as well was above all a consequence of the drastic decline in demand from the steel industry. Declining steel production caused the seaborne trade in coking coal to fall by 12.3%; the price for high-quality Australian coking coal suffered a collapse of 32% between January 2015 and January 2016.

The decline in steam coal trade because of the economic fall-off in Asia was not as steep. Seaborne trade on the Asian-Pacific market decreased by 7%. On the other hand, steam coal trade on the Atlantic market rose slightly by 0.5%. The first decline in hard coal production and world trade after years of a boom in raw materials is not a harbinger of a global energy turnaround.

For a number of years, the People's Republic of China has been the starting point for an unequalled boom in raw materials. The effect of its enormous leverage is now pulling its raw material suppliers down with it. While hard coal production in China declined by -1.5%, the Chinese imports fell by a massive 32%. The market situation is marked by the collapse of demand for steel and overcapacities in China. The global steel business was not able to evade the consequences and is suffering from Chinese dumping exports.

There were no signs of a global energy turnaround in 2015 nor is there any reason to expect one in the coming years; the primary scenario from the International Energy Agency (IEA) projects an increase in coal consumption among non-OECD countries of 18% to 1.1 billion tonnes for 2020. This rise is greater than the expected decrease in the OECD countries.

A special situation has been noted in the USA and has led to a number of Chapter 11 creditor protection proceedings. The steel crisis, the shale gas boom and a strong exchange rate for the dollar have led to financial difficulties for many American companies. But the replacement of coal by natural gas is not a success story of environmental policies. Gas leakages in the USA have heightened awareness that the replacement of coal by natural gas is not an alternative to the development of renewable energy sources. Politicians have started to focus on the methane emissions during the production of oil and natural gas, which are much more harmful to the climate than carbon dioxide emissions.

In its "bridge" scenario, the International Energy Agency lists the reduction of methane emissions from oil and natural gas production that are harmful to the climate as one of the five primary measures for the implementation of the climate convention of Paris. During their recent climate summit, Canada, the

USA and Mexico emphasised this reduction as one of their primary targets along with the promotion of renewable energy sources.

The VDKi commissioned the consulting company Pöyry to conduct a literature study that determined the emissions from hard coal and natural gas over the full length of the added-value chain and calculated for the first time the values for the partial load case that is also important for the energy turnaround. The study comes to the conclusion that open-cycle gas turbines emit up to 76% more greenhouse gases than modern hard coal-fired power plants. The latter are consequently an important pillar for system stabilisation until such time as affordable storage facilities are available.

Prerequisite is a free-market framework for power generation. The proposals from the German government are inadequate in this respect, and the calls for a capacity market have therefore not been quieted. In its sector analysis on capacity markets, the European Commission recommended a review of whether subsidy mechanisms for renewable energy sources that are not in conformity with a free market are responsible for the unnaturally low prices on power exchanges in Europe before any further steps are taken to intervene in the market. The Commission is right: the feed-in priority for renewable energies is the primary culprit here. If power from renewable energy sources were subject to the forces of a free market, the operation of hard coal-fired power plants would be sustainably profitable, and they could assume their bridge function for the Climate Protection Plan 2050.

Please find attached the VDKi press statement.

About the Verein der Kohlenimporteure e.V. (VDKi)

The Verein der Kohlenimporteure e.V. [Coal Importer Association] (VDKi) is the lobby organisation for the hard coal import market in Germany. Its German and European members come from the sectors power, industry, trade and logistics. The Association currently has 70 members who consume about 80% of the German requirements for hard coal of approximately 56 million tonnes in their facilities. Imported coal covers about 90% of Germany's coal requirements. The VDKi represents the overwhelming share of the hard coal market (German and imported hard coal) in Germany, a financial volume in the billions. The VDKi regularly examines the significance of the global hard coal markets for the European and German import hard coal markets, describes prospects for future import development and regularly publishes statistics about German hard coal imports and prices. Additional information is available at www.verein-kohlenimporteure.de.

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