Coal's good old days return

Decade-high global prices are restoring lustre to the local coal sector, following years of paralysis due to the lack of viable export routes. Staff Writer, **MBONGENI MGUNI** reports on the renewed excitement around the coarse black rock whose tonnes are estimated to number some 212 billion beneath the country's soils

There was a time when the country's entire mining industry was abuzz with excitement around coal, a mineral which by then touted was being touted as the next "diamond miracle".

Between 2007 and 2009, the country's coalfields, particularly in the east, were agog with exploration activities

, with advanced projects such as Mmamabula and Mmamantswe, as well as numerous others firming up their resources and even planning their mine designs.

At the annual resource sector conference, developers waxed lyrical about export potential of their projects, lovingly detailing grades, quantities and each promising investors bountiful returns. The only catch, they said, was the development of viable coal export routes to Asia, specifically railways running either east, west or both ways, to the sea.

After these railways failed to materialise, the sector licked its wounds and moved to a focus on coal for power. Rather than prioritising coal exports, the different players shifted to developing power projects that would then export electricity into the region, where a huge supply deficit promised bountiful returns.

The establishment of new generation in the region, particularly in South Africa as well as political hiccups in that country, also undermined this particular avenue of extracting value from the billions of tonnes of coal.

For several years, the industry has been in limbo, with a frenetic period of mergers, consolidations and other strategic moves leading to the emergence of a crop of battle-hardened survivors with advanced projects and the best ground on the coal fields.

Coal prices at present at their highest level since the 2007 golden years and the surviving crop of local players are positioning themselves to take maximum advantage. The rise in prices has been driven by major cut-backs in key producing nations, the depletion of resources in previous major mines and increasing demand in Asia.

This time, no one is putting their eggs in one basket. The survivors are looking within the region for supply opportunities, with Asian exports and power generation seen almost as add-ons to unlocking value.

"There is an increasing shortfall in the constant supply of washed coal in South Africa, Zimbabwe, Zambia and Namibia. Eskom needs 130 million tonnes per annum of coal and they are struggling," Shumba Energy chief financial officer, Thapelo Mokgathi told this year's resource sector conference which ended on Thursday.

"Unlike 2012 when we were talking about exports and many of the companies had under-developed resources, now almost everyone left in the industry is ready for development and production, ready to supply the market."

During the "frenetic period" Shumba Energy was one of the most active, starting off with an estimated 964 million tonnes in resources and building this up to the current 4.5 billion tonnes through acquisitions and mergers.

Since January 2017, the majority-citizen owned firm has been trading coal in the region to test its marketing capacity for the

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several mines it plans to commission.

"Botswana coal is under-utilised and there is an opportunity there in the market that can be tapped into," Mokgathi said.

The country's sole operating colliery, Morupule Coal is also gearing for coal's new era. The Mineral Development Company, Botswana-owned entity plans to ramp up its production from the current 2.8 million tonnes per annum to eight million by 2025, to tap into rising demand.

"A lot of producers in South Africa are sending everything they are producing abroad, leaving a serious shortfall within their inland market," Morupule Coal's business development and strategy manager, Matthews Bagopi said in an interview on the sidelines of the conference. "That market is about 20 million tonnes per annum for washed coal and it's running at serious shortages at the moment which can only get worse because new mines are not opening up and those that exist are depleting their resources and closing.

"That's the opportunity that MCM and indeed coal developers in Botswana are eyeing."

Botswana Railways and Transnet Freight Rail are due to sign a Memorandum of Understanding at any moment to build a link from the eastern coalfields to Richards Bay, via Lephalale, a town in South Africa's Limpopo Province. Richards Bay is Africa's largest coal terminal with a capacity of 91 million tonnes per annum, while the Transnet has the ability to deliver about 80 million tonnes per annum.

Shumba, however has been recording success trading in the region by road, thanks to the prevailing strong prices.

Local players in the sector expect the regional business to keep them ticking, while rail infrastructure is put in place and while the market for power turns positive.

Minergy Coal CEO, Andre Boje is particularly upbeat about coal's prospects.

"You will read that the coal industry is dying. I have been reading that since 1980 and it's still here. In fact, coal supplies 41% of global electricity demand and the International Energy Agency expects that it will remain the single largest source of power generation through to 2040," he said.

From the dark days of uncertainty, coal sector players are once again resurgent, to the point that many are confident investors will support the projects, despite the global momentum against fossil fuels.

"There is technology available now that can actually make fossil fuels or coal emissions equal to gas," Boje said.

"However, is if fair that developed nations are now telling under-developed nations not to use fossil fuels? Those developed nations developed by using fossil fuels.

"They should allow developing countries space, especially Africa."