COAL, METALS & MINING THEME, METALLURGICAL COAL, FERROUS

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W. Va. Greenbrier met coal mine back online in March; owners see Trump boost

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HIGHLIGHTS

Targeting 500,000 st of mid-vol met coal in first year

Low-vol hard coking coal steady near $187/mt mark in February

Expanding the compound, increasing mineable reserves

The new owners of the Greenbrier metallurgical coal mine in West Virginia, set to resume production in March, are expecting tailwinds from the Trump administration's focus on fossil fuels.

Haghler Reserves and Resources is targeting output of about 500,000 st of mid-vol metallurgical coal in the first 12 months of the renewed operation of the Greenbrier mine complex, eventually ramping to 1 million st annually, the company told Platts, part of S&P Global Commodity Insights.

Metallurgical coal markets have been somewhat tepid due to lower steel demand, but that could change as the Trump administration looks to shake up global trade and favor domestic industries, Haghler President and CEO Amanda Hale said in a recent interview.

"Given some of the recent comments by this administration, I feel like it's going to be positive for not only our operation but operations like ours," Hale said. "Our new secretary of energy (Chris Wright) is a fossil fuel man and has no shame about making that known. With his guidance, the administration is going to move in a direction that will bolster demand for our coal and steel."

Haghler brought the property from publicly traded coal miner Coronado Global Resources in mid-January for an undisclosed amount. Coronado Global hot-idled operations at its US mines in March 2020, at the height of the coronavirus pandemic.

However, Hale's company had been looking into purchasing the mine long before officials counted the results of the US presidential election. Hale said her father was once superintendent of underground operations at the complex and while she was working as an acquisitions and real estate attorney, he mentioned the mine had been hot-idled by Coronado since 2020 and was up for sale.

"It's been a long journey, but we kind of knew what we were getting into with my father's intimate knowledge of the complex," Hale said. "We know what the potential and capabilities of this asset are."

Making 'pennies squeal'

Metallurgical coal prices have been down due to weak demand and oversupply, Commodity Insights analysts Paul Bartholomew and Sylvia Cao said in a January Commodity Briefing Service report. The analysts said they do not see any reason for prices to increase unless heavy rains disrupt Australian coking coal operations.

Since 2019, the Platts-assessed price of low-vol hard coking coal from the US East Coast has swung from as low as $102.50/mt in August 2020 to as high as $550/mt in March 2022. The price has been holding steady around the $187/mt mark in February.

In a 2019 annual filing, Coronado said the coal produced at Greenbrier has characteristics that allow it to be blended with less attractive coals to create a higher-quality product. However, the company also warned that geological conditions make production "very challenging" at the mine.

For example, in 2019, the company estimated mining costs of $122.80/mt sold, against a realized metallurgical coal price of $134.40/mt. In contrast, Coronado sold coal from its high-vol-focused Logan complex at an average cost of $75.90/mt in 2019, against a realized coal price of $135.80/mt.

Hale, however, is confident her team can make the "pennies squeal" and have a safe and economical operation at Greenbrier. The company is also expanding the compound and increasing mineable reserves.

"We want quality supplies," Hale said. "We want a very safe operation. Sometimes, when you have a bigger operation, they can be a little lax in their spending habits. We've been very conservative in making sure that we're getting everything that we need to supply our mines and our men at the best price."

The Greenbrier Smokeless Coal Complex boasts one of the largest reserves of mid-vol coking coal in the country, according to materials from the company. The site hosts estimated reserves of 30 million st of metallurgical coal, including 10.9 million st of reserves that are already permitted for mining.

There are unique opportunities for the mid-vol coal produced at Greenbrier, said Toyin Are, founder of Apex Commodity Markets, a London-based boutique dry bulk physical commodity brokerage that helped arrange the deal.

The complex aims to attract domestic and international customers and has rail access to Great Lakes, Mid-Atlantic and Gulf of Mexico ports. Haghler has already signed long-term offtake agreements with Swiss trader EurAsia Centre and US-based trader Integrity Coal Sale, the company said in materials provided to Platts.

"This is quite a unique coal," Are said. "There isn't too much mid-vol available in the US. So, there isn't an issue with regards to selling this."

Coronado period

Two years after Coronado was founded in 2011, the company bought the Greenbrier complex from Lehman Brothers in 2013. Coronado soon acquired larger mines before going public in 2018. While the company eventually reopened several of the other mines that it closed during the pandemic, Greenbrier remained idle.

Coronado disclosed in an August 2020 presentation that it took a $63 million noncash impairment charge in the first half of 2020 as it shuttered Greenbrier "until met coal prices recover."

Coronado did not immediately respond to requests for comment on the sale of the asset. The company has said the mine is not part of its core business strategy, and Garold Spindler, currently executive chair, discussed why Coronado did not reopen the asset when markets improved during a January 2022 earnings call.

"Greenbrier is not a large operation compared to the other things we have going on," Spinder said at the time. "It diverts a lot of management attention," Spindler said. "It would involve some startup costs. And the market always — I mean, it's forecast to go down. It always is, and so there's a question about how long the market would support profitable operations at Greenbrier."