CoAL gets 'free' access to Maputo terminal

By Alistair Anderson

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Coal of Africa (CoAL) has finalised a deal giving it access to a coal export terminal in Maputo without having to finance part of its construction.

CoAL said in a statement on Monday (7 January) it had appointed Dutch commodities trader Vitol - Grindrod's partner in a project to turn Maputo into a competitor of Richards Bay for coal exports - as the exclusive agent for most of its thermal and coking coal for the next eight years.

Vitol's exclusivity on CoAL's Makhado mine is limited to five years and the deal excludes coal sold under existing off-take agreements.

At the beginning of last year, Vitol entered into an agreement with diversified shipping and logistics company, Grindrod, whereby Vitol bought a 35% interest in the *Terminal de Carvão da Matola* (TCM) coal export terminal, for US$67.7m.

Grindrod has a long-term concession over the terminal.

Vitol and Grindrod created a partnership to combine their sub-Saharan coal trading businesses.

CoAL chief executive John Wallington said the marketing memorandum of understanding (MOU) with Vitol would assist his company in gaining export customers.

"This MOU not only formalises our strategic relationship with Vitol but also provides CoAL with access to a global marketing network that will greatly assist the development of export markets for our coking and thermal coal products as we bring our Vele and Makhado projects online," Wallington said.

The MOU says that CoAL would supply coal to marketers and to strategic partners.

Resources trader, Vitol became a coal trader in 2006. Since then, it has grown into one of the five biggest traders of the mineral worldwide.

Head of Vitol coal trading, Bob Finch, said the marketing agreement would allow Vitol to trade more coal in SA.

"We are delighted to have entered into this partnership with CoAL. It expands our coal trading portfolio and reaffirms our commitment to the South African coal industry," he said.

Finch said Vitol would also help to develop the activities of the TCM export terminal.

CoAL said it and Grindrod agreed that CoAL was no longer obliged to fund its own share of the capital for the Phase 4 expansion at TCM although CoAL would retain the right to use the terminal.

"In addition, our growing relationship with Vitol will assist CoAL by mitigating any take or pay obligations at TCM as we develop both Vele and Makhado and begin exporting," Wallington said.

Grindrod wanted to shift terminal capacity to 10m tons a year by 2018, and then to 20m tons thereafter.

This development is estimated to cost about US$800m.

CoAL has been trying to ease its capital requirements over the last few months and last year it agreed to sell about a quarter of its issued share capital, to China's Beijing Haohua Energy Resource Group for US$100m.