

# Are there trade opportunities for junior coal miners in Level 4?

By [Reinier van Heel](#)

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It is no secret that the current regulations around the production and trade of minerals related to the Covid-19 pandemic has presented constraints in the supply of industrial commodities.



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Coal resources from those companies that are not supplying the country's public electricity utility, Eskom, need to find a home via routes that are constrained under Level 4 lockdown. This draws attention to the need for both international and domestic trade opportunities for coal miners outside of Eskom.

On 29 April 2020, the South African government published the amended [Disaster Management Act](#), which lays out a phased recovery of the economy and the lifting of the national lockdown. With the country entering the Level 4 phase as of 1 May 2020, Regulations 11J and 11K of the Act state that mining operations will be declared an essential service and are permitted to restart operations. Coal miners with active contracts to supply Eskom, anomalies aside, can resume operations. However, those companies that are not supplying the utility must resume operations at a reduced capacity of not more than 50%.

In addition to the above, the Level 4 phase involves strict regulations on international exports through sea, land and airport borders. Approval for exports is granted on a case-by-case basis.

For coal miners not supplying Eskom, their obstacle during this time is to navigate how and to whom they can sell their reduced volumes of coal. Though the bigger coal mining companies may have the required resources to access the current export opportunities warranted under the disaster management regulations, this may be a bigger challenge for smaller coal mining companies, particularly juniors.

The challenges in accessing trade finance faced by junior miners is nothing new to the industry, and active solutions need to be presented to address them. Trade opportunities need to be explored through the formation of strategic partnerships with commodity traders that provide opportunities to supply the domestic and international market during this time.

## Coal market oversupplied

Analysts believe that the international coal market is heavily oversupplied on the back of the disruption in demand for coal at the start of the current year. Japanese nuclear energy came back online, low gas prices are competing head to head with coal, Indian stockpiles are full and Chinese domestic coal production is ahead of power production.

Domestically, according to the Department of Energy, approximately [39%2 of South Africa's coal production feeds industries outside of electricity generation](#). These include the petrochemical, metallurgical, general use and export trade industries, which are all economically viable industries that can actively contribute to the recovery of the country's economy. Therefore, instead of focusing solely on supplying coal for electricity generation, we also need to focus on how production from junior coal miners can be optimised to supply other essential industries.

For example, essential services providers operating in the domestic market involved in the production of food, hygiene and healthcare products often use coal in their manufacturing facilities to produce steam and heat energy. Navigating this Covid-19 pandemic means that the production of these goods cannot afford to be halted: we need to ensure that the delivery of these products occurs at the right time and at the right quality. Given the coal resources required to power this production, junior miners are presented with an opportunity to supply these industries' coal resources.

## ABOUT THE AUTHOR

Reinier van Heel is the founding partner of Izimbiw a Trading. He is a commodity trading and supply chain specialist in hard commodities with focus on coal. He has demonstrated broad experience with business start-ups for multinationals in sub-Saharan Africa.

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