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MEDIA RELEASE

PWCS PROVIDES CLARITY ON DELIVERY OF T4

Port Waratah Coal Services (PWCS) is providing the Hunter Valley coal industry with updated information on the likely timeframe for delivering first coal through Newcastle's proposed fourth coal loader - Terminal 4 (T4).

Although 2015 is the first year in which capacity from T4 is needed to fulfill contracts between producers and PWCS, detailed project schedules developed during the recently completed prefeasibility and option selection phase indicate that first coal is more likely to flow through T4 in mid-2017.

PWCS has previously advised producers that capacity from T4 is unlikely to be available by early 2015.

Possible project schedule outcomes being communicated take into account a series of factors including the tight planning assessment timeframe and the technical complexity of actually building T4.

With progress made on the planning approval process and the project scope confirmed, the realities and practicalities of delivering T4 are now more clearly defined.

PWCS is still moving to deliver T4 as expeditiously as possible and will be ready to commence construction as soon as planning approvals are granted.

T4 is a key plank of Newcastle's coal export plan - the Long Term Commercial Framework (LTCF) - which came into effect in January 2010. Under the LTCF, producers are able to enter into 10-year contracts to secure capacity at PWCS on a 'take-or-pay' basis. To date, coal producers have entered into contracts totalling 176.7 million tonnes per annum (by 2016), 34 of which are contracted for T4. This has committed PWCS to further expansions of existing facilities at its Kooragang Terminal, and the triggering of T4.

The T4 contract commencement date of January 2015 was based on a four year lead time written into the LTCF agreements. The LTCF agreements foreshadow that the project schedule may change and, accordingly, contain a review clause.

The agreements also contain provisions that allow producers to transfer loader allocations amongst each other, meaning producers can increase or decrease their capacity requirements - depending on their circumstances - by swapping tonnage.

Whilst PWCS is obliged under the LTCF to enter into contracts with producers who want to secure T4 capacity, it must also be transparent about project progress, hence ongoing industry briefings when new information becomes available.

This is particularly relevant at this point, given that producers are preparing for this year's contractual nomination process.

“Subject to planning approvals, PWCS is committed to delivering Terminal 4 as quickly as possible as per Newcastle's coal export plan,” PWCS CEO Hennie Du Plooy said.

“We have met all relevant milestones so far and made significant progress in defining the project and when it can be practically delivered.

“This latest information provides the clearest indication yet of when we can deliver first coal through T4 and meet our contractual commitments.

“PWCS and the Hunter Valley coal industry now have another level of clarity and certainty about when T4 can be operational.

“The new information isn't a complete surprise, given that the assumed timeframe to move coal through T4 under a best-case scenario has always been extremely tight.

“It is as important as ever that the New South Wales and Commonwealth planning and environmental assessment processes continue as expeditiously as possible.”

Mr. Du Plooy added that the PWCS Board has recently approved additional expenditure of \$60 million dollars to progress T4 project studies, engineering and design work.

To date, PWCS has committed \$110 million to T4, which includes prefeasibility and environmental assessment work, as well as the purchase of significant land for environmental offsetting purposes.

PWCS has committed nearly \$2 billion to loader expansions over the past 12 years, and currently has nameplate capacity of 133 million tonnes per annum. It expects to reach its maximum planning-approved capacity of 145 million tonnes per annum by January 2013 (whilst neighbouring loader Newcastle Coal Infrastructure Group is committed to building to its planning-approved capacity of 66 million tonnes per annum).

In the 2012 calendar year, PWCS expects to load approximately 110 million tonnes onto export vessels, highlighting that terminal capacity remains ahead of overall coal chain capacity – even before the delivery of T4.

The updated information also highlights that Hunter Valley rail track capacity will not be available to service the new terminal by early 2015.

“The issue of terminal capacity being ahead of overall coal chain capacity is ongoing,” Mr. Du Plooy said.

“There is clearly more work to be done to ensure that rail and train capacity is better aligned with loader capacity.

The initial stages of T4 are estimated to cost in excess of \$5 billion. When complete, the new terminal could add a total of 120 million tonnes per annum of coal loading capacity at Newcastle in various stages.

2000 jobs would be created during the construction phase, with many additional jobs created once T4 is operational.

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