

## BALTIMORE SUN

### Coal exports through port booming

Asian demand for fuel turns bay into parking lot

By Michael Dresser, The Baltimore Sun

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Cross the Bay Bridge on any day of the week, and you're likely to see several giant freighters anchored in the water below.

A surge in coal exports from the port of Baltimore has turned the Chesapeake Bay into a maritime parking lot.

Demand from China, India and other countries for high-priced metallurgic coal to fuel steel production has grown so strong that ships are backed up south of the bridge waiting to gain a berth at one of Baltimore's two coal terminals.

To Helen Delich Bentley, the former congresswoman and federal maritime commissioner for whom the port of Baltimore is named, the vessels are reminiscent of the city's shipping heyday in the late 1950s and early 1960s.

"It's kind of like the old days when we had ships waiting in the bay for their turn at the pier," said Bentley, now a maritime industry consultant.

Shipments from the mines of Appalachia have been helping to lead Baltimore's port out of the recession and into some of the healthiest territory it has ever seen. Since the middle of last year, exports of the fuel to the world's fastest-growing region have jumped — in some months doubling the figures from the previous year.

Since October, the port has shipped more than 1 million tons each month, reaching a peak of more than 1.9 million in March — the latest figure available. Last year, the port handled almost 14 million tons of coal exports, more than double its total from 2009 and better than its pre-recession totals.

James White, executive director of the port of Baltimore, said he expects coal exports to set a new record this year.

"It puts the pilots to work, more tugboats, more man-hours at the coal facilities. Yeah, this is fantastic for us," he said.

White said the logjam in the bay hasn't gone unnoticed by the public. During the General Assembly's session this year in Annapolis, he said, "the biggest question I got was, 'Why do we have so many ships in the anchorage?'"

The thriving coal exports have helped bolster Baltimore's status as a leader in the shipment of bulk commodities, which also include such products as gypsum and paper.

The chief beneficiaries of the Asian demand for coal have been the port's two privately owned coal terminals — Consol Energy's CNX Marine Terminal in Southeast Baltimore and the CSX facility on Curtis Bay.

But White said the entire port benefits.

"When public terminals do well, I think it helps the private terminals, and when the private terminals do well, I think it helps us," he said.

While motorists on some roads might catch a glimpse of the black mounds of fuel waiting to be loaded onto ships, the public seldom gets an up-close look at what happens at the port's coal terminals. But they are humming operations, where workers under tight security orchestrate the intricate process of receiving shipments by train, mixing the product of multiple mines to create the desired blend of fuels, and loading the cargo into the holds of the massive ships that haul American coal across the seas.

Last Wednesday afternoon, visitors atop the 80-foot-high silo on the CNX property, which commands a panoramic view of Baltimore Harbor, could see the Italian-flagged Giuseppe Mauro Rizzo, a Panamax-class ship capable of carrying about 77,000 tons, tied up at the CNX terminal's berth.

Larger ships of the Cape class, so known because they must round the Cape of Good Hope at the southern tip of Africa to reach Asia, carry loads of about 135,000 tons.

The typical coal vessel has nine to 11 holds, each the size of a basketball court, said Chris Marsh, the CNX vice president who manages the Baltimore terminal. (In the case of Cape-class ships, he said, each hold is as large as a professional arena.)

Marsh said the Giuseppe Mauro Rizzo would be carrying a load from Baltimore to Japan, one of Consol's traditional customers. But he said the recent growth in exports has been driven by China and, to a lesser extent, India.

That surge has brought a new burst of energy to the CNX facility. The company has spent tens of millions of dollars in recent years on improvements to the infrastructure, Marsh said. Employment has gone from 55 to 120 in that time.

"We didn't anticipate how this was going to get as big as fast as it did," Marsh said. The employment created at the terminal might not be white-collar jobs, he said, but they are "high-end, professional, nonoffice" positions.

For CNX, the Baltimore terminal is a way station on the route from its mines in Ohio, Pennsylvania, Virginia, West Virginia and Western Maryland to its major markets in Asia, Europe and Brazil. Norfolk Southern trains creep into the city at night using the Amtrak Northeast Corridor. CSX trains come in from the west through Halethorpe and the Howard Street Tunnel. All arrive at the terminal to the southeast of the Canton waterfront.

Once on CNX grounds, the coal is tipped off the cars and transported on conveyor belts that soar up to 70 feet to be dropped onto piles of up to 135 tons. Once in the piles, the coal is blended to achieve the optimal burning qualities.

Meanwhile, the ships are waiting at anchor for the coal to be ready. Marsh said a vessel can linger at anchorage for as much as two weeks before finally getting the call.

When that happens, the ship is maneuvered by tugboats into the terminal for loading. It typically takes a day and a half to fill a Panamax-class ship with coal.

For years, Marsh said, most of the coal CNX shipped through Baltimore was bound for use in power plants in Europe. But in recent years, the bulk of the business has shifted to metallurgical coal destined for use in the coke ovens of steel plants.

The demand for such coal has been growing as Asian countries — particularly China — have increased their steel-making capacity and their investment in infrastructure.

Whether the recent spike in business is likely to last is difficult to determine. Port chief White said he suspects the torrid pace set in March has receded a little while remaining at high historical levels.

Bentley described the coal trade in the port as a history of booms and busts. Shortly after World War II, she said, Baltimore enjoyed a surge that made it the country's leading coal-shipping port for a time. Since then, it has seen several other booms, including one in the mid-1970s and another in the mid-1990s.

Marsh confirmed the cyclical nature of CNX's coal shipping business in Baltimore, and showed a slide indicating that it hit a low of 2.7 billion tons in 2002 before recovering to 11.3 billion last year. The CNX executive said the outlook is strong.

"We're very optimistic," he said.

Bentley agreed, saying China remains in great need of fuel. She predicts the current boom should be sustainable for at least five years.

But in today's global marketplace, Baltimore's long-term prospects in the coal export trade may hinge on developments in faraway places.

"Everything depends on if China and India keep on growing," said Carlos Fernandez, senior coal analyst at the International Energy Agency, an intergovernmental organization based in Paris.

Fernandez said that while India's growth is steady and predictable, China's is anything but. He said the Chinese are savvy buyers who are constantly shopping the market for the best prices.

Baltimore's position in the Chinese market is strengthened by its high percentage of metallurgical coal exports, Fernandez said. With China's steel industry expanding, he said, its demand for coking fuel — which commands higher prices than thermal coal — is likely to remain strong.

But not too far down the road, Fernandez said, U.S. metallurgical coal could face formidable competitors in Mozambique, South Africa and especially Mongolia, which has huge reserves right in China's backyard. He said it will likely take another four to five years for that country to develop its infrastructure, but when it does, it will enjoy a substantial advantage in transportation costs.

White was cautious about long-term prospects.

"I don't see it as being sustainable as it has been last year and this year, but I wouldn't say it's a bubble," he said. "You're going to see it at highs and then go into some troughs."

For now, White said, Baltimore is running second in coal exports to Norfolk, which has an equally deep channel and better rail connections from many of the coalfields. He said the Virginia port accounts for about 70 percent of East Coast businesses, with Baltimore about 30 percent and other coal terminals — without 50-foot channels — picking up the crumbs.

Not everyone sees the boom as good news. Environmentalists, who would prefer to see the fossil fuel phased out worldwide, are dismayed at the surge in coal use by developing countries.

"If we want to be a leader on combating global warming and supporting clean energy, the last thing we should be doing is expanding our pollution to countries like China and India," said Mark Kresowick, Northeastern regional director for the Sierra Club.

Kresowick said increased coal shipments also raise strictly local concerns.

"They produce an enormous amount of dust and other soot that impacts air quality in Baltimore," he said. "Even a little bit has a lot of negative impacts."

Marsh said CNX goes to great lengths to keep coal dust from getting into the environment. He said the company has reduced the amount of coal that escapes its premises by 85 percent with an aggressive program of spraying the coal piles with water and chemicals that reduce runoff and wind scatter. He said Consol has installed its own facility at CNX that contains any water that has been used to keep the wind from blowing coal dust.

"One of the reasons they sent me here is they know I'm a fanatic about the environment," he said.

Kresowick said the Sierra Club has no plans to seek government policies that would curb exports. But he said the group would draw the line at any attempt to expand Baltimore's coal terminals.

March said that the company has no concrete plans to expand.

"At this point we don't think we need to," he said. Any expansion, he said, "is still pie in the sky."

Bentley said any expansion in Baltimore would be difficult.

"One of our handicaps is that we are short on space," she said.

So for now, drivers on the Bay Bridge can expect to keep seeing huge ships passing the time below them. White, for one, has no problem with that. He said they're out of the main shipping channels, with 80-100 feet of water below them.

"It's safe there for them. They're inland, they're not out at sea," he said. "Actually, I like looking out and seeing the ships out there."