

## **Coking coal our next economic propellant Chinese demand for steel forecast to lift price to \$125 a tonne in 2005**

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Vancouver Sun, with files from Canadian Press

**December 23, 2004**

Prices for coking coal -- a key British Columbia export -- are expected to more than double in 2005 helping to propel another boom year in commodity exports, Scotiabank reported Wednesday.

Scotiabank vice-president of economics Patricia Mohr said she expects that Chinese demand for steel to cause coking coal prices to soar as high as \$125 per tonne from a current price of around \$54 per tonne. Coking coal is used for making steel.

Mohr also expects copper prices to stay strong, zinc prices to rise, and pulp and paper to see a bit of an upswing, at least through the first half of 2005.

Overall, booming growth in China will continue to support the demand for Canadian commodities. And in the case of coal and base metals at least, Mohr believes high prices will offset any impact of Canada's stronger dollar.

"There are some aspects of the commodity price outlook that are quite positive for B.C.," Mohr said in an interview.

"The first half of the year will look quite strong because [B.C.] will get further gains in base metal prices, and you'll see huge increases in coking coal prices, and natural gas will remain quite strong."

The second half of 2005, however, will not be as strong, mainly because Mohr expects to see prices decline for building products, such as lumber and oriented strand board, as United States housing starts recede from their 2004 25-year high.

Chinese demand, however, will continue to be a bright spot for B.C.'s mining sector.

"China now represents 20 per cent of global production of the metals copper, aluminum, zinc and nickel," Mohr said. "Three of those [are] produced in B.C."

Strong commodity markets helped more than double 2004 provincial government revenues from mining to an estimated \$155 million from \$55 million in budget projections for the year, said Pat Bell, MLA for Prince George North and minister of state for mining.

"[The Scotiabank report] is certainly good news for B.C.'s hard rock and coal industry, particularly in the northeast," Bell said.

He noted that B.C. produces 21 per cent of the world's market from its mines in the southeast, but the province has the infrastructure capacity to add up to 16 million tonnes from new mines in the northeast.

"The northeast has high-quality coking coal as well," Bell said. "There is huge investment in Tumbler Ridge. We have two mines up and running, a third is in the permitting process and five different companies are trying to bring coal mines on line."

High prices in other minerals have also proved to be "one of the catalysts that have helped drive an increase in mineral exploration," said Brian Battison, director of public affairs for the Mining Association of B.C.

He said spending on mining exploration in B.C. should hit \$100 million in 2004, which will be up sharply from the \$55 million spent on searching for metals in 2003 and the doldrums of 2002 that saw only \$25 million spent on mine exploration.

"We're hoping the trend is going to continue," Battison said, but that will also depend upon maintaining the province's regulatory climate beyond next May's provincial election.