

New Stockton coal processing plant as export demand turns down

16 February 2009 - New Zealand's largest coal exporter Solid Energy is to invest \$100 million in a new coal processing plant at its Stockton opencast mine near Westport as the next step in a long-term investment programme designed to secure a further 20-year life for the mine.

Solid Energy said its decision to accelerate spending on the new plant showed its confidence in the mine's future, even though it expects to reduce coking coal exports substantially over the next 18 months in response to the worldwide cut in demand for steelmaking coal.

The coal handling and processing plant will begin operation in early 2010, separating large volumes of high-value coal from rock, old underground mine propping timbers and other waste material, and washing and grading it.

Solid Energy's chief operating officer Barry Bragg says, "This coal plant is integral to Stockton and to ensure we're well positioned when the world economy turns back toward growth".

Without processing, this coal could otherwise not be sold and help us to make the most of the remaining areas of steelmaking coals.

The processing plant to be built by Nelson engineering firm Brightwater, has been designed to process between 600,000 tonnes and 1 million tonnes of coal a year.

Plans to opencast the former Millerton Mine in the north of the coal mining licence will generate more material for processing.

It is estimated that over the 20-year remaining life of mining on the Stockton Plateau, the processing plant will enable up to 10 million tonnes of valuable coal to be recovered.

In another investment on the plateau Solid Energy says it is planning the first of 35 temporary drilling sites to gather core samples for its Upper Waimangaroa Mining Permit, the site of its planned Cypress opencast mine.

Solid Energy's chief executive officer, Dr Don Elder, says that uncertainty about the extent and duration of the international economic downturn has resulted in steelmakers worldwide cutting production by up to 30%.

"We're very confident in the long-term future of our business and our long-term business strategy for expansion and energy diversification. Reduced export demand and prices will obviously have a significant negative revenue impact, and we are looking to minimise our operating costs wherever possible," Dr Elder says.

Sources: Solid Energy and Lindsay Clark