

# **KARATZAS**

## **MARINE ADVISORS & Co.**

**Shipping Finance Advisory | Marine Appraisals & Surveys | Ship-brokerage & Auctions**

### **Coal Market: The Surprise Variable, Reliably**

**Bulk Terminals Riga**  
**October, 2022**

**Presentation Not Intended for Investment Purposes**  
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# “Safe Harbor” Statements

 **“And seas but join the regions they divide”**

*Alexander Pope*

 **“In Sea affairs, nothing is impossible, and nothing is improbable”**

*Admiral Lord Nelson, writing from  
HMS Victory in 1804*

 **“If you want to build a ship, don’t drum up the men to gather wood, divide the work and give orders. Instead, teach them to yearn for the vast and endless sea”**

*Antoine de Saint-Exupéry*

# AGENDA

-  **Karatzas Marine Advisors & Co.: Company Introduction**
-  **Coal: Present State of the Market**
-  **Coal: Present Market Drivers**
-  **What the Future Holds**
-  **Karatzas Marine Advisors & Co.: Contact**

# Karatzas Marine Advisors & Co: Company Introduction

- Established in 2011, headquartered in New York City with representative offices in Houston, TX and Hamburg, Germany
- Management team bears decades of diverse shipping expertise, including husbandry agency and port operations, chartering, ship brokerage / demolitions, shipping finance and vessel appraisals & marine surveys, co-placements and JVs
- Expertise by Service Segment
  - Marine Appraisals & Valuations
  - Marine Surveys & Inspections
  - Ship-brokerage (Jones Act / American flag for inland, coastal, blue water / ocean; International Shipping)
  - Market Industry Expertise & Advisory
  - Financial Advisory & Business Brokerage
- Expertise by Market Segment & Geography
  - Geographic Distribution – Jones Act & USA, Americas, Europe, SE Asia, Far East, China
  - Market Segmentation: Jones Act Assets (Inland, “brown” water, coastal, blue water, offshore; Dry bulk vessels, Tankers, Containerships, Offshore & Drilling)
  - Capital & Operational Segmentation: Lessors / Lenders / Institutional Investors / Passive Owners; Privately- held and Family-owned companies to Publicly-listed companies and “Bulge Bracket” Operators
  - Complementary Industries – Charterers, Refineries & Oil Companies, Cargo Interests and Traders
- Demonstrably strong credentials & references (gladly provided upon request)

# Karatzas Marine: Scope of Services | Corporate

## **Marine Appraisal & Marine Survey Services**

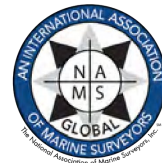
- D Marine Appraisals & Valuations (Jones Act & International)
- D Marine Surveys & Inspections (Jones Act & International)
- D Business Valuations (Companies active in the maritime industry)
- D Fully-accredited marine appraisers & surveyors with strong qualifications
- D Nationwide and International Network & Capability
- D Prompt, Professional and Independent Analysis & Reporting

## **Marine Brokerage Services**

- D Ship Brokerage Services / Judicial Sales / Insolvency Administrator / Liquidation Trustee
  - D Jones Act / American flag for Inland, Coastal, Blue water / Ocean; International Shipping
  - D Exclusive Representation of Lessors / Banks / Lenders / Passive Owners
- D Ship Brokerage Services allow for real world market info and intelligence based on transactions, actual commercial activity, and interaction with buyers and sellers of marine assets
- D Ship Brokerage Services allow for better understanding of commercial features of appraised / surveyed marine assets and more accurate estimates of residual values

# Accreditations & Professional Memberships

- Accredited Senior Appraiser (ASA), American Society of Appraisers
- Accredited in Business Valuation (ABV), AICPA
- Certified Marine Surveyor (CMS), NAMS
- Fellow of Institute of Chartered Shipbrokers (FICS), ICS in UK
- American Water Operators (AWO), (Associate) Member
- ELFA, (Associate) Member
- The Baltic Exchange, Member
- BIMCO, Member
- Society of Naval Architects & Marine Engineers (SNAME), Member
- American Bureau of Shipping (ABS), Member (past)



**AN INTERNATIONAL ASSOCIATION OF MARINE SURVEYORS**

A NONPROFIT ORGANIZATION WITH THE MISSION TO UPHOLD AND MAINTAIN THE ETHICS AND CREDIBILITY OF OUR MEMBER MARINE SURVEYORS




## Leading Academic Credentials

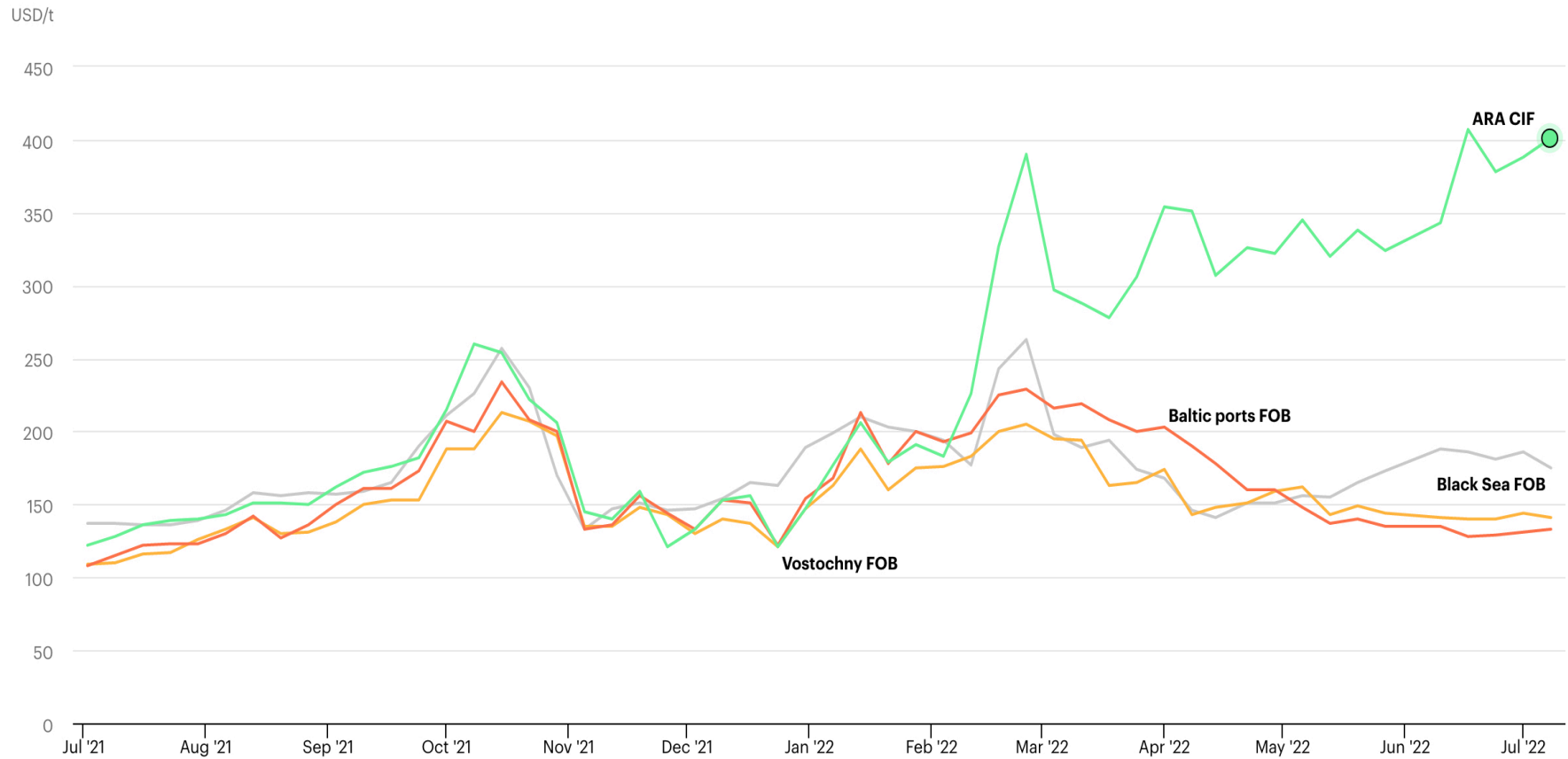
- MBAs from top-tier Business Schools (Jones, Rice University, etc)
- Rigorous Professional Development (Owner / President Management Program (OPM51), Harvard Business School; HBS Alumnus)



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# Thermal Coal Pricing in Europe



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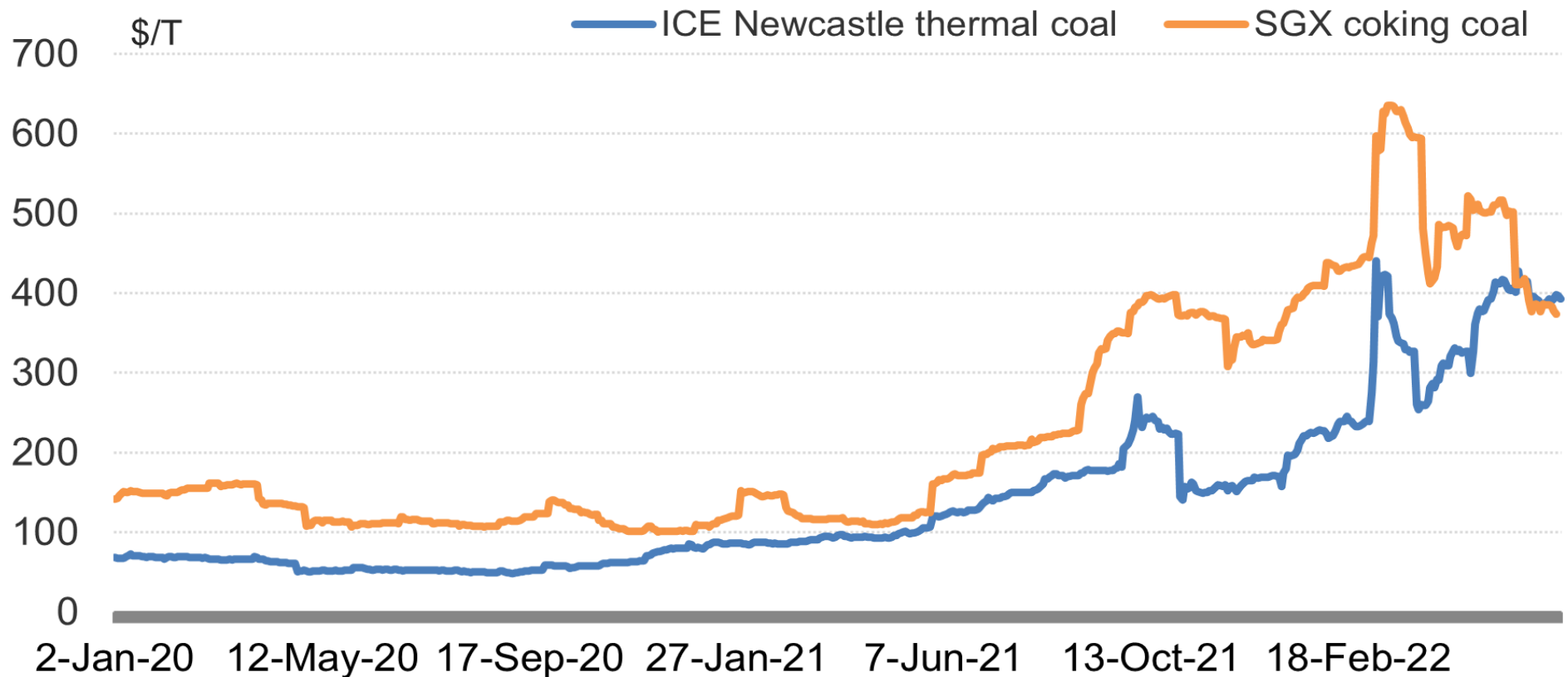
● ARA CIF ● Baltic ports FOB ● Vostochny FOB ● Black Sea FOB



# Thermal vis-à-vis Metallurgical Coal Pricing

## THERMAL COAL OVERTAKES COKING

ICE Newcastle thermal coal vs SGX coking coal



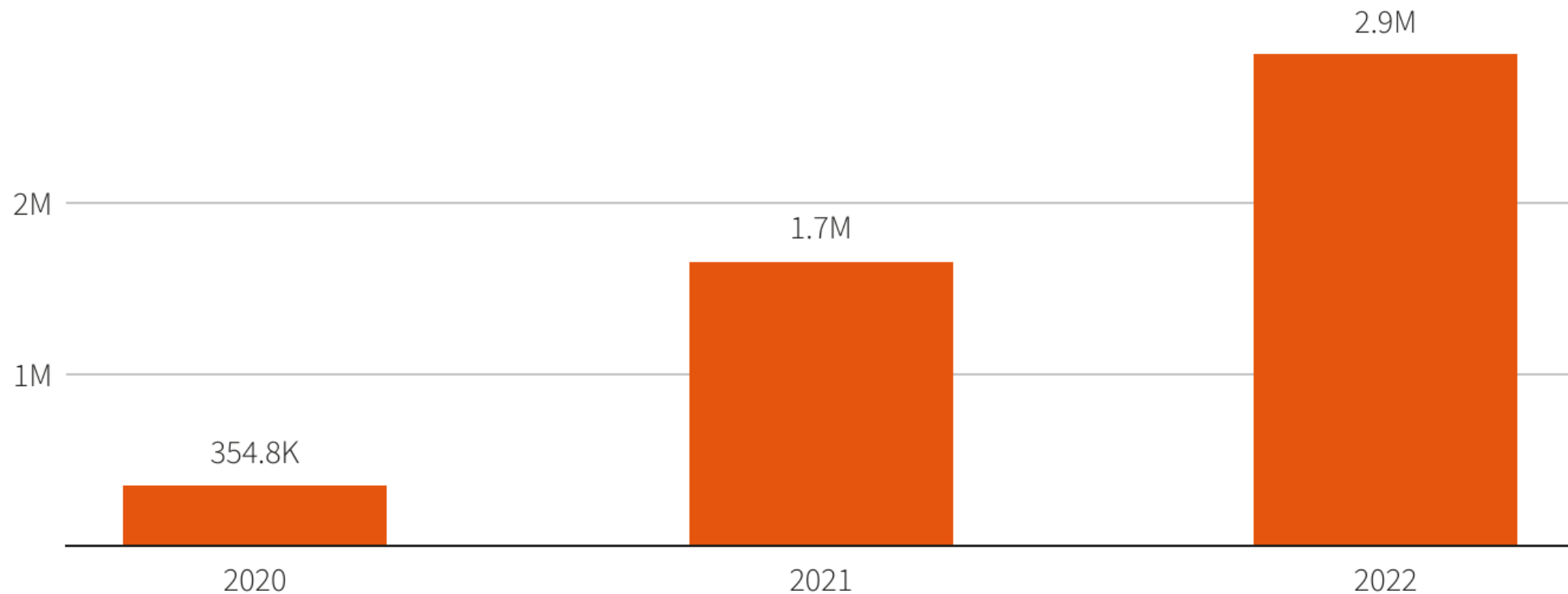
Source: Refinitiv Eikon Reuters graphic/Clyde Russell 28/06/22



# Australia's Thermal Coal Exports to Europe

## Australia's thermal coal exports to Europe jump

Australia shipped 2.9 million tonnes of coal this year to July, 73% more than in the whole of 2021



Note: 2022 figure is to end-July

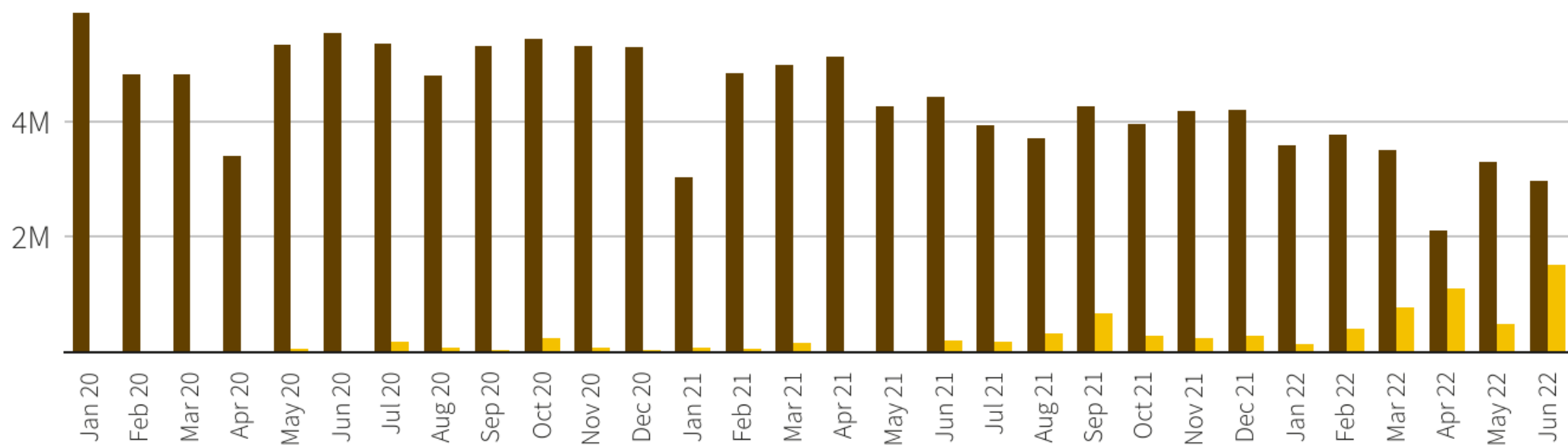
Source: CoalMint

# S. Africa's Thermal Coal Exports

## South Africa's thermal coal exports

Coal usually sent to Asia is diverted to Europe as demand for the fuel spikes

● SA coal exports to Asia ● SA coal exports to EU



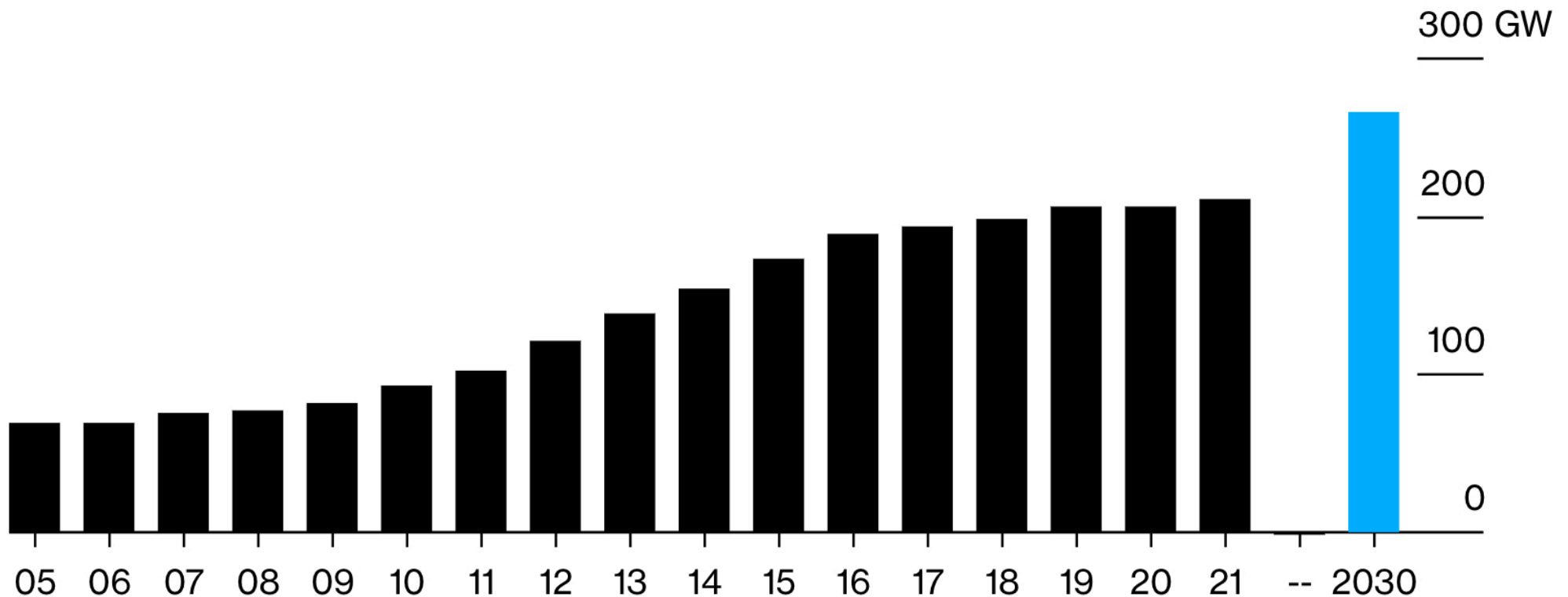
Note: Figures in millions of tonnes

Source: CoalMint

# India Coal Power Capacity to Increase by 25% by 2030

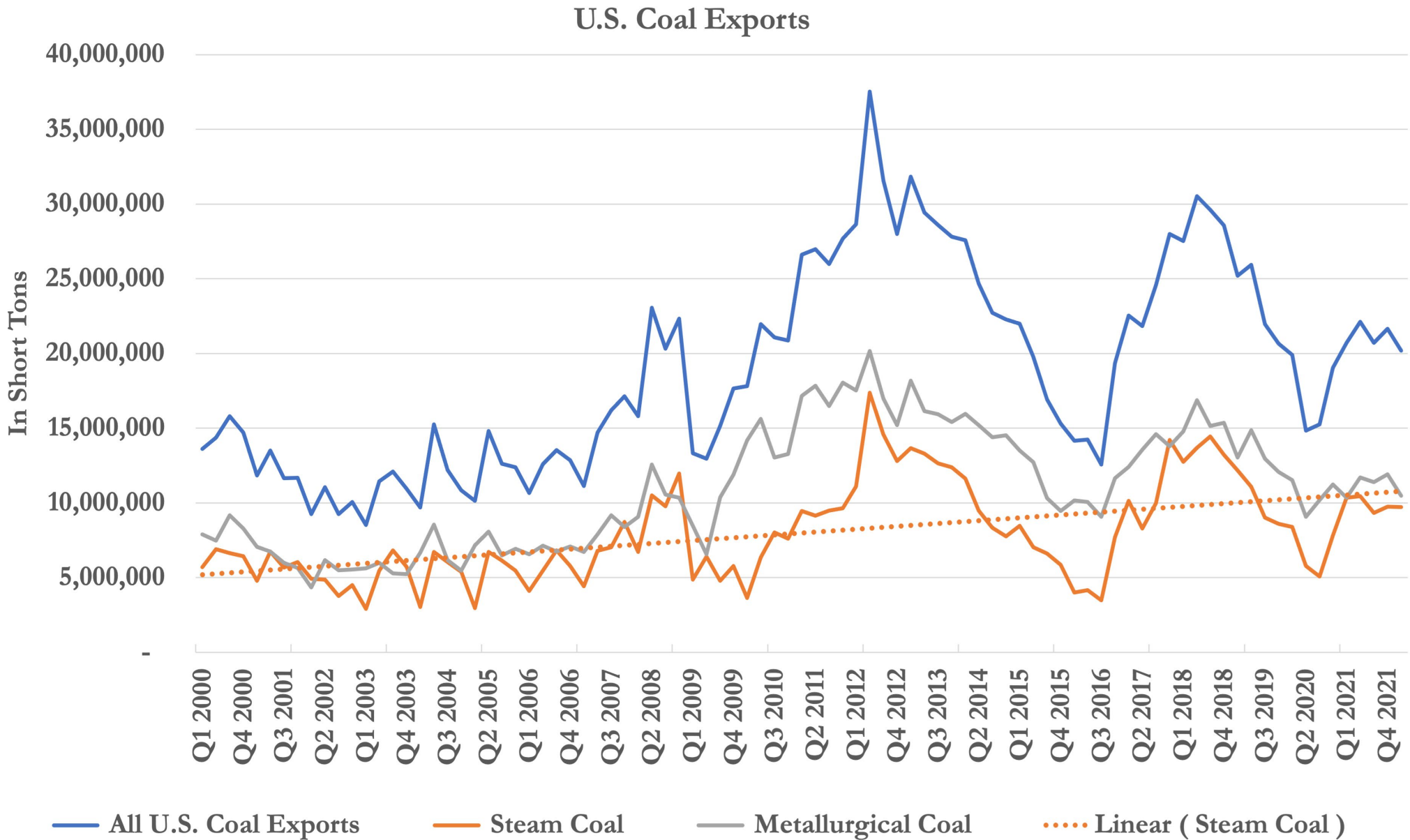
## India Wants to Build More Coal Power Plants

Government eyes 56 gigawatt capacity increase to meet growing demand



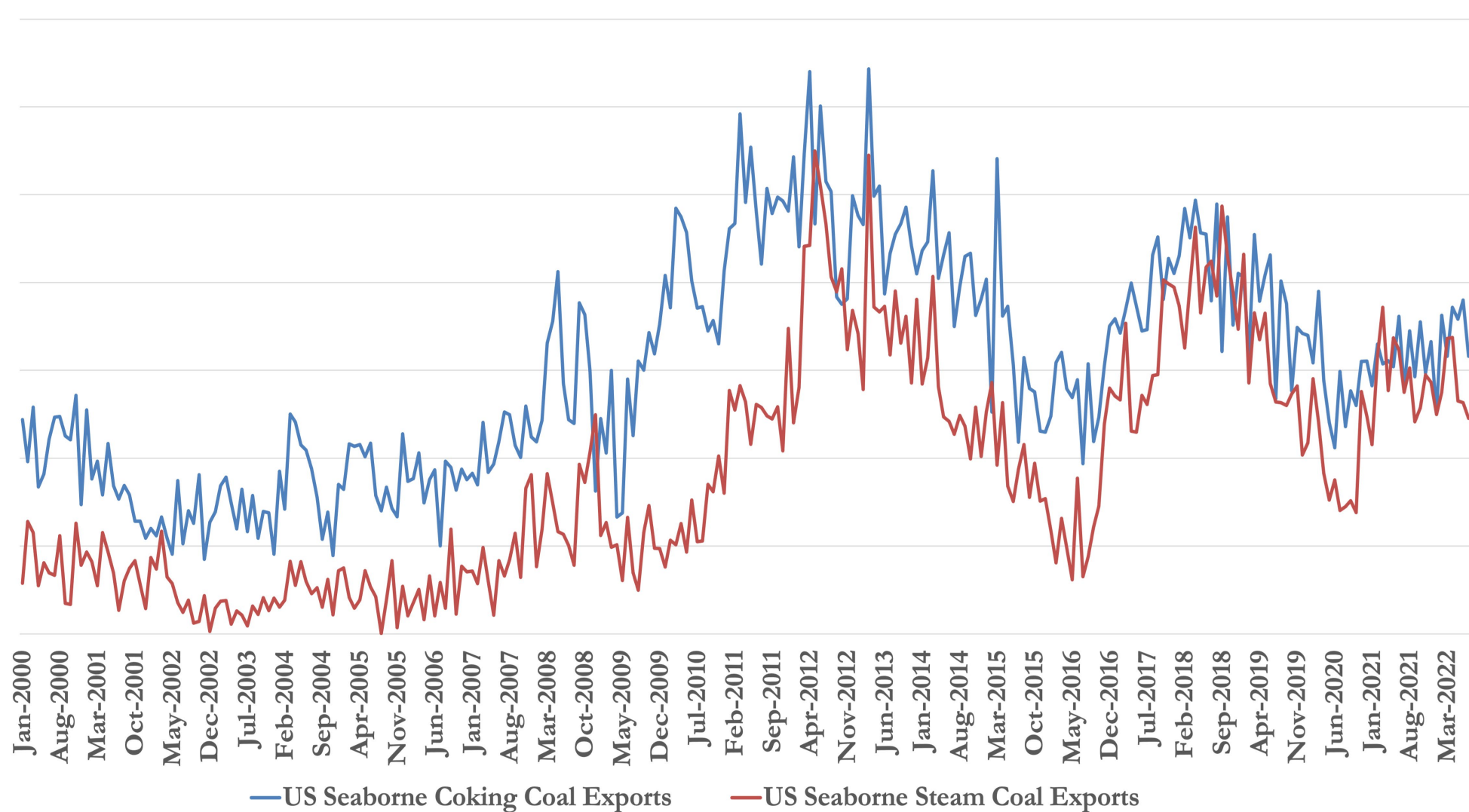
Source: BloombergNEF

# Historical U.S. Coal Exports (Source: EIA)

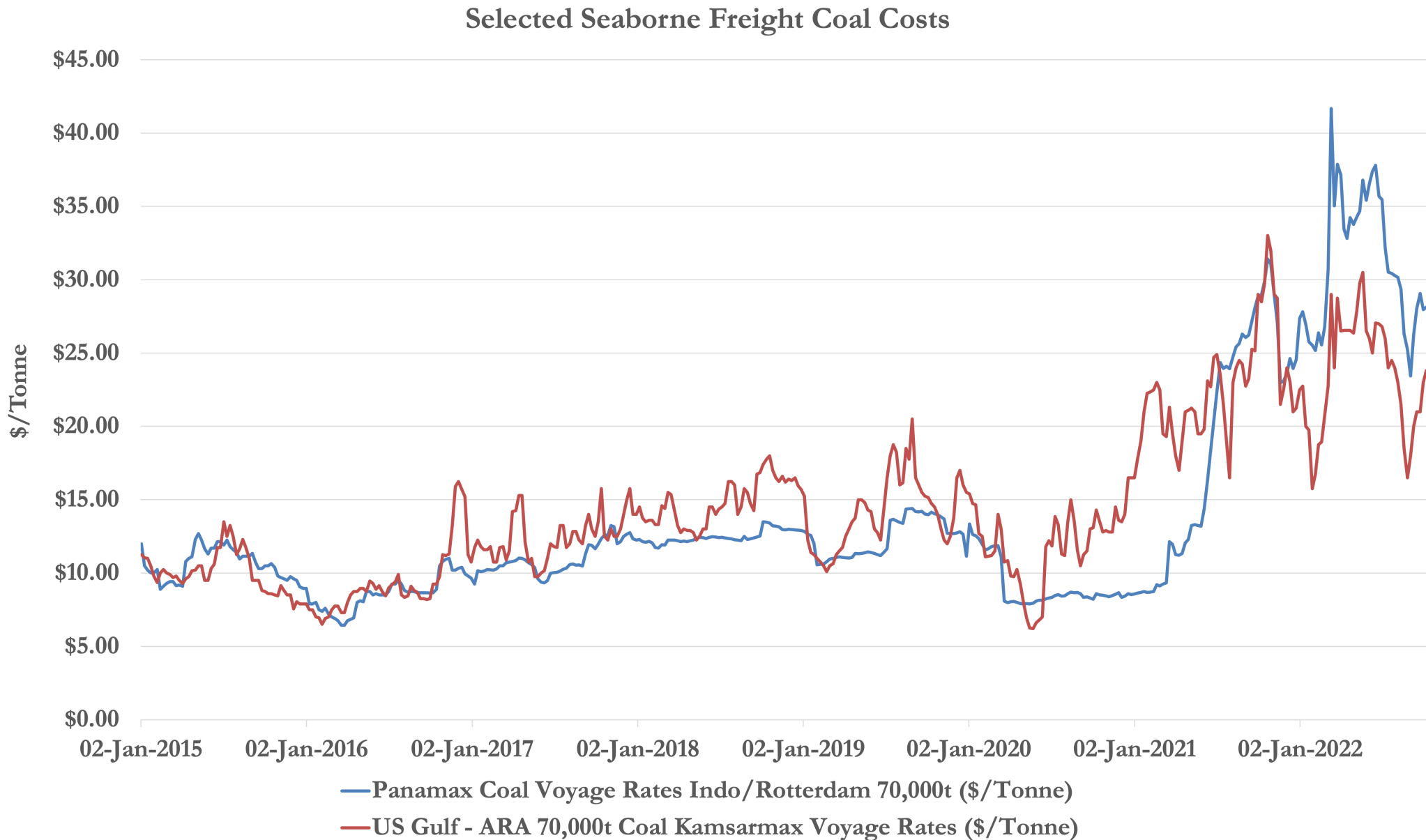


# International Dry-bulk Baltic Indices since 2016

US Seaborne Coal Exports  
(in '000 tons)



# Selected Seaborne Freight Coal Costs





# Shipping Coal through the Mississippi River



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# Major Themes for Coal

- **At present, the world is short of energy on a timely basis...**
  - ✓ Supply Chain Disruptions have had impacted the industrial and energy markets (i.e., China COVID lockdowns affected shipping of commodities and coal)
  - ✓ Post-COVID recovery has not been a smooth ride
- **Several factors were lurking in the background...**
  - ✓ Developed economies were shifting away from fossil fuels, in retrospect, based on wishful expectations before having sourced credible alternative sources of energy (i.e., USA and offshore oil and coal)
  - ✓ Political aspirations (i.e., Germany and Japan moving away from nuclear power) before reality
- **The invasion of Ukraine by Putin's Russia in February 2022 appears to have been perfectly timed...**
  - ✓ Europe appears to be short of energy in the short term with few immediate alternatives
  - ✓ Coal one of the few energy sources with spare capacity for production and shipment (unlike seaborne LNG)
  - ✓ For time being and for the upcoming winter, sourcing energy (heating) takes precedent over any other concern, including ESG and fuel emissions, it would seem
  - ✓ In the short term, probably the sky is the limit

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# What the Future Holds for Coal

For now, the sky is the limit, but then what?

■ It seems almost impossible to project demand and trends for thermal coal beyond 2023

■ **What we know:**

- The news of coal's death were exaggerated
- The world needs spare energy capacity for times of emergency, and coal has been a reliable such source
- Transition away from fossil fuels will not be as smooth and expedient as many people may have wished

■ **What we also now know:**

- Investment in renewables is highest ever, with increased impetus to accelerate R&D
- New regulations would make use of fossil fuels questionable in the future
- A new line of thinking for investors, as they now prioritize return of money to investors instead of expanding capacity; from crude and offshore drilling, to large and smaller coal mining operations, there is minimal appetite to expand capacity beyond the foreseeable future

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# Karatzas Marine Advisors & Co. | Contact Details

## Karatzas Marine Advisors & Co.

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# Worldwide Expertise & Credibility

The  
Economist

■ “Still at Sea”, Basil Karatzas quoted in The Economist, March 4<sup>th</sup>, 2017

■ “Ruling the Waves”, article written by Basil Karatzas in Week in China (Hong Kong), March 3<sup>rd</sup>, 2017

■ “Shipping Crisis Hits German Banks”, Basil Karatzas quoted in The Wall Street Journal, February 10<sup>th</sup>, 2017

THE WALL STREET JOURNAL  
WSJ

■ “Trade and Shipping: The World is not Flat Anymore”, article published by Basil Karatzas in the Cayman Financial Review, January 2017

■ “Perfect Storm Looms over Shipping Lenders”, The Financial Times, September 21<sup>st</sup>, 2016

FT

■ “Container Ships Stranded At Sea After South Korean Company Goes Bankrupt”, Basil Karatzas interviewed on National Public Radio (NPR), September 6<sup>th</sup>, 2016

FINANCIAL

npr

■ “Stranded at Sea”, Basil Karatzas interviewed by the Canadian Broadcasting Corporation (CBC), The Exchange, September 3<sup>rd</sup>, 2016

■ “Fender Benders on Water; See Expanded Panama Canal”, Basil Karatzas quoted in The New York Times, July 31<sup>st</sup>, 2016

The New York Times

