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Xstrata ends island coal terminal project

Kim Christian

GLENCORE Xstrata has scrapped plans for a coal export terminal in Queensland, citing excess port capacity and a worsening outlook for the sector.

Xstrata Coal had been planning a coal export terminal development with a capacity to ship 35 million tonnes per year at Balaclava Island, 40km north of Gladstone.

The mining and commodities trading giant decided to cease work on the project following completion of the merger between Xstrata and Glencore earlier this month and review the project.

"This decision has been made as a result of the poor current market conditions in the Australian coal industry, excess port capacity in Queensland, specific shipping limitations and concerns about the industry's medium-term



GREEN WIN: A snubnose dolphin off Balaclava Island, said to have been threatened had a coal terminal plan gone ahead.

outlook," Glencore Xstrata said. The long-awaited merger between Swiss commodities trader Glencore and mining giant Xstrata was completed on May 2, with the new company being listed on stock exchanges in London and Hong Kong.

The Balaclava Island decision is the latest in a series of

major resources projects to be shelved amid concerns about high operating costs, low productivity and infrastructure bottlenecks in Australia.

Glencore Xstrata also said that Australia over the long term would need to increase its coal export capacity in an efficient and internationally

competitive manner, in response to increased demand from Asia.

"We believe the Queensland State Government will need to ensure its long-term ports strategy provides for the growth of coal export capacity that is essential to the Australian economy and the maintenance and improvements of people's living standards overseas," Glencore Xstrata said.

The decision to scrap the project has delighted local environmentalists who said the coal port would have threatened the habitat of dolphins and an endangered bird, the Yellow Chat.

"The and Federal and State governments should take this as a clear message to put the environment first and stop expansion of ports along the Great Barrier coast," Capricorn Conservation Council coordinator Michael McCabe said in a statement.