Export Coal Deal Stalls as Companies Renegotiate

MATTHEW BROWN, Associated Press

BILLINGS, Mont. (AP) — A proposed deal on a Montana coal mine that supporters said would boost Asian exports of the fuel via the West Coast has stalled, as court documents show the companies involved are renegotiating terms of the sale.

Representatives of the two companies said Wednesday that a deal still was expected. They would not disclose what prompted the renegotiation or what the new terms could entail.

The deal announced in December involved a complex transaction in which Australia-based Ambre Energy would pay $57 million to Cloud Peak Energy for full control of the Decker mine near the Wyoming border.

The cash payment was to increase to $64 million if the deal did not close by March 31, meaning the delay potentially already has cost Ambre $7 million.

Ambre wants to ramp up production from the once-bustling Decker mine and ship the coal to growing Asian markets through a pair of proposed ports along the Columbia River.

But the company faces stiff opposition in Oregon and Washington state, and critics have questioned whether Ambre has the financial wherewithal to see its ambitious plans to fruition.

Another coal export proposal along the Columbia — a Kinder Morgan, Inc. shipping terminal downstream of Portland — was abandoned this week, when the company said the site it selected was not compatible with its plans. Kinder Morgan said it will look for another site in the region.

Cloud Peak, one of the largest coal producers in the U.S., is seeking land and rail easements for a new Wyoming mine in the deal with Ambre.

The Wyoming-based company also would gain the option to move 5 million tons of coal annually through Ambre's Millennium port in Longview, Wash. — part of an industry-wide strategy to increase exports as domestic coal sales have faltered.

It was not clear what prompted the companies to seek an extension of a May 10 deadline they faced to settle a dispute over the Decker mine. The mine is co-owned by Cloud Peak and Ambre and has been the subject of a management quarrel that led to a lawsuit in U.S. District Court.

In a joint court filing, the companies asked to have until July 12 to finalize the deal.

"The underlying transaction is complicated and the parties are renegotiating the terms of the proposed sale due to unforeseen complications," attorneys for the companies wrote.

The court deadline already had been extended once, from an original date of April 1.

A Cloud Peak spokesman declined to say what parts of the deal were up for renegotiation. Spokesman Rick Curtsinger referred to a statement in Cloud Peak's May 1 quarterly report that said the deal would close in the first half of 2013.

Ambre spokeswoman Liz Fuller said the Australian company has "no doubt" the deal will come together in coming months, She added that the company has proven it can raise funding after coming up with money for other mine acquisitions and its two port projects.

In 2011, Ambre bought 50 percent stakes in Decker and a second mine, Wyoming's Black Butte, that it owns with Anadarko Petroleum. Ambre last year announced a deal to supply up to 5.5 million tons of coal per year to a pair of utilities in South Korea.

Decker was once among the largest coal strip mines in the U.S., and produced more than 10 million tons annually as recently as 2002.

But domestic demand for coal has been on the decline due to competition from cheap natural gas and the costs of making older power plants compliant with environmental regulations.

In December, Decker laid off 59 employees — more than one-third of its workforce. The mine is on track to extract only 1.5 million tons of coal this year, based on first quarter production figures reported to the U.S. Department of Labor.

Australian media last year reported that Ambre was at risk of financial collapse after a proposed coal mine and coal-to-liquid fuels plant it was pursuing in the country was rejected by government officials.

The Sightline Institute, a Seattle-based environmental think tank, in February released a report that revealed Ambre racked up losses of more than $124 million from 2005 through 2012.

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