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LATIN AMERICA NEWS

Colombia, China Close In on Coal and Railway Deal

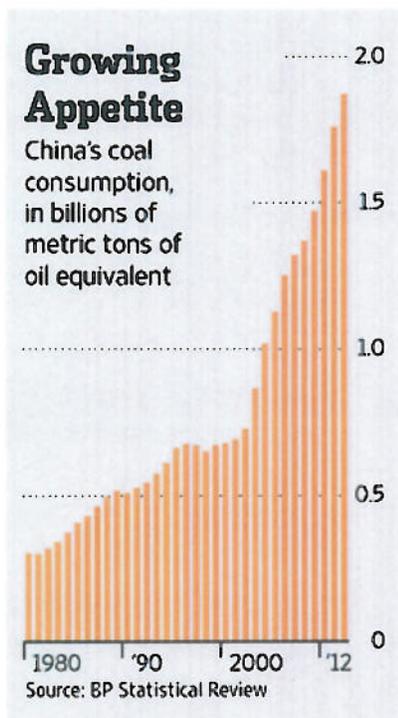
A Pacific Coal Port Would Expedite the Fuel's Passage to China

By IN-SOO NAM

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Colombia is in advanced talks with a Chinese company to build a railway to its Pacific coast that will allow coal to be exported to Asia more cheaply, Colombia's mines and energy minister said Thursday.

The plan is one of several by North and South American miners to open up new cross-Pacific coal export routes to meet strong and growing demand for the fuel in Asia at a time U.S. and European coal use is weak. For now, Colombian coal is exported through its Caribbean ports, and shipments to Asia are constrained by long-distance transportation costs and congestion as well as size limits at the Panama Canal.



If it goes ahead, the coal-rail plan would be another strand in a network of Chinese- and Asian-backed projects designed to ensure a steady flow of energy products and minerals needed to power the region's economic development and underpin exports of finished products to global markets.

"Talks for a bilateral agreement with China have advanced at this stage, and probably soon some news will be released in this regard," Mines and Energy Minister Amylkar Acosta said in an interview.

Colombia is looking to Asia, particularly China, for development of its infrastructure, including railroads to increase exports of coal, a major earner for the government through royalties mining companies pay, Mr. Acosta said on the sidelines of the World Energy Congress in South Korea.

In May last year, Colombia's former mining minister, Mauricio Cardenas, said talks had started with China's state-run China Railways Materials Co. to build a railway to the coast from an as-yet-unexploited coking coal area in central Colombia. Coking coal is used to make steel.

China Railways' investor relations department said by email that the company has yet to invest in Colombia, based on "information at our disposal," adding that "International business is one of our key

businesses; we will continue to advance our international business cooperation and strive to achieve a mutually beneficial situation."

Slowing demand for coal from Europe and the U.S. is pushing Colombia to develop new partners and new markets across the Asian-Pacific region, Mr. Acosta said.

"We know that Europe is not growing," he said. "Therefore, we are identifying Asia as a key market for us. Our expectation is that exports to China will keep growing in the coming years."

Mr. Acosta said given the high quality of its coal, Colombia can compete in Asia with the main existing suppliers to the region.

For now, China's coal imports from Colombia are tiny—a fraction of those from Australia and Indonesia.

"It is clear that China has a lot to contribute to Colombia," Mr. Acosta said. "It can improve mainly Colombia's cost competitiveness in coal exports. Transportation cost for one ton of coal from the center of the country is more expensive or higher than the production cost. Definitely infrastructure is needed in this regard."

Colombia was the world's fifth-largest exporter of coal in 2012 after Indonesia, Australia Russia and the U.S., according to World Coal Association data.

—Wayne Ma in Beijing contributed to this article.

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