US Coal Export Market and Terminal

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Director of Business Development
SunCoke Energy

Platts Coal Marketing Days
Sept 22-23, 2014

SunCoke Energy™
SXC and SXCP
Our Operations

Operations are strategically located to serve customers in the steel and power industries

SunCoke entered Coal Logistics Business with acquisition of Kanahwa River Terminals (KRT) and Lakeshore in 2013

KRT – 3 Terminals (Coal Logistics)

Lake Terminal (Coal Logistics)

Vitoria, Brazil

Odisha, India

Indiana Harbor

Middletown

Haverhill 1

Haverhill 2

Granite City

Jewell Coke

Coal Mining*

114M tons of reserves

* Segment classified as discontinued operations in Q3 2014 pending expected potential sale and closing by year-end 2014.
SXC/SXCP Organizational Structure

SXC owns:
- 2% GP interest
- 54% LP interest
- 100% IDRs

SunCoke Energy™

SXC provides via Omnibus Agreement:
- Commercial contract support; 5 yrs from IPO
- Preferential rights to coke growth in U.S. & Canada
- First rights to SXC coke assets, if divested

- Domestic Coke
  - Middletown (2% interest)
  - Haverhill (2% interest)

- Coal Mining* (~114M tons reserves)
  - Granite City
  - Indiana Harbor
  - Jewell Coke

- Int’l Coke

Coal Logistics
- KRT
- Lake Terminal

Cokemaking
- Middletown (98% interest)
- Haverhill (98% interest)

* Segment classified as discontinued operations in Q3 2014 pending expected potential sale and closing by year-end 2014.
## Growth Strategy

<table>
<thead>
<tr>
<th>Area of focus</th>
<th>Cokemaking</th>
<th>Coal Logistics</th>
<th>Iron Ore Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>Greenfield development and/or acquisition of existing cokemaking facilities with long-term off-take agreements</td>
<td>Acquisition or development of selective coal handling &amp; processing assets, with long-term off-take arrangements and limited commodity exposure</td>
<td>Investment in ferrous side of steel value chain, such as in concentrating, pelletizing and transport/handling of iron ore</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>• Production ramp-up at Indiana Harbor</td>
<td>• Exploring greenfield development opportunities</td>
<td>• Evaluating potential greenfield DRI opportunities</td>
</tr>
<tr>
<td></td>
<td>• Received permit for new plant in May 2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Preferential rights</strong></td>
<td>• Preferential rights to cokemaking growth opportunities</td>
<td>• Two acquisitions completed</td>
<td>• Received favorable rulings on qualifying income status of concentrating &amp; pelletizing and DRI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Evaluating targeted opportunities</td>
<td></td>
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</tbody>
</table>
SunCoke Coal Logistics - KRT

- Access to all U.S. East Coast, Gulf Coast and Great Lakes ports; Two railroads at Ceredo – CSX and NS
- Serves 2 SunCoke facilities as well as steel, coal and utility companies
- Provides precision blending services
- Acquired for $86M

<table>
<thead>
<tr>
<th>Ceredo Coal Terminal</th>
<th>Ceredo Liquids Terminal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Throughput Capacity: 18M tons/year</td>
<td>Three 250K gallon finished prod tanks</td>
</tr>
<tr>
<td>Storage Capacity: 425K tons</td>
<td>Four heated 1M gallon raw storage tanks</td>
</tr>
<tr>
<td>Rail/Barge in; Rail/Barge out</td>
<td>Truck, Barge, Rail in/out</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kentucky Coal Terminal</th>
<th>Quincy Coal Terminal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Throughput Capacity: 6M tons/year</td>
<td>Throughput Capacity: 6M tons/year</td>
</tr>
<tr>
<td>Storage Capacity: 250K tons</td>
<td>Storage Capacity: 250K tons</td>
</tr>
<tr>
<td>Truck in; Barge out</td>
<td>Truck in; Rail/Barge out</td>
</tr>
</tbody>
</table>
SunCoke Coal Logistics - Lakeshore

<table>
<thead>
<tr>
<th>Asset</th>
<th>Location</th>
<th>Acquisition Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Coal blending site adjacent to SunCoke’s Indiana Harbor facility</td>
<td>East Chicago, Indiana</td>
<td>$29.4 million</td>
</tr>
</tbody>
</table>
### US Coal Logistics – Market Size

<table>
<thead>
<tr>
<th></th>
<th>Rail</th>
<th>Barge</th>
<th>Truck</th>
<th>Terminals (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tonnage (tons)</strong></td>
<td>600M-800M</td>
<td>150M-350M</td>
<td>100M-200M</td>
<td>350M-550M</td>
</tr>
<tr>
<td><strong>Per Ton Rate</strong></td>
<td>$16-$19</td>
<td>$5-$8</td>
<td>$4-$7</td>
<td>$3-$8</td>
</tr>
<tr>
<td><strong>EBIT Margin</strong></td>
<td>25%-30%</td>
<td>15%-20%</td>
<td>5%-10%</td>
<td>20%-30%</td>
</tr>
<tr>
<td><strong>Profit Pool</strong></td>
<td>$2.4B-$4.6B</td>
<td>$100M-$600M</td>
<td>Up to $100M</td>
<td>$200M-$1.3B</td>
</tr>
<tr>
<td><strong>Capital Intensity</strong></td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td><strong>Fragmentation</strong></td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

**Note:** Tonnage estimates reflect primary mode of transportation for any multi-modal shipping

1. Per ton rates represent all-in service offerings (e.g., any combination of blending, storage, sampling, crushing, transloading, etc.)
2. Rates sourced from internal analysis and EIA & STB reports; barge and truck transportation rates reflect coal transported to electric power plants
3. EBIT margins derived from internal analysis, logistics company financials and industry-wide estimates
Seaborne thermal coal exports represent three quarters of total global coal supply.

Indonesia supply growth of 9.6% ’09–’15E; total exports nearing 400Mt while Australia growth of 6.4% and projected exports to 200Mt+ in ’15E.

Export increases to be met by productivity growth rather than increased mine development/investments.

Source: World Coal Association, Wood Mackenzie
• Australia to remain dominant supplier of metallurgical coal globally; 2013 exports totaling 150M+ tons or 55% of total seaborne metallurgical coal

• US exports expected to fall slightly to below 50M tons as APP mines remain disadvantaged vs. lower cost mines

Source: World Coal Association, Wood Mackenzie
US Coal Exports

- Europe is the largest importer of thermal coal from the US
- Europe and Asia followed by S. America are the largest importers of US Met coal
- China’s import growth expected to slow as domestic production increases, steel production growth slows, new environmental regulations implemented
- Slight European decline in Met imports in 2013 driven primarily by decreased steel production

**Thermal Coal Exports by Destination**

- Americas
- Europe
- Asia
- Other

**Met Coal Exports by Destination**

- Americas
- Europe
- Asia
- Other

*Source: EIA short-term energy outlook*
Export from the five major E. Coast terminals has grown significantly adding both steam and met exports to Europe, Brazil, and Asia; expected to drop-off in ‘14 & ‘15.

Coal Exports from Baltimore, MD

Coal Exports from Norfolk, VA

Source: EIA
Downside analysis suggests that Hampton Roads exports (NS, DTA, KM) has historically been less impacted by declines in export volumes.

Variability in throughput in relation to the average throughput over the last 3-4 years is less for Hampton Roads terminals compared to Baltimore.

- Analysis suggests that Lambert’s Point sees the least variation.

Source: T. Parker Host “East Coast Coal Export Report”
Summary

• The global seaborne coal trade remains healthy and will be a vital part of the global economy for the foreseeable future

• After peaking in 2012, US coal export volumes are forecast to decline for the next 18-24 months

• Weakness in Europe, slower growth in Asia, and increased seaborne coal supply from low cost Australian producers will impact the three primary export areas of the US (West Coast, Gulf Coast, and East Coast)

• Despite Appalachian coals being marginally competitive on a global cash cost basis, US East Coast exports are primarily driven by European and South American demand – two areas where the US is logistically advantaged
US Coal Export Market and Terminal - Appendix

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Asian Demand

India is now forecast to become the largest single market for seaborne thermal coal, helping to offset muted import demand growth in China.

- Although China has been the key driver in thermal seaborne demand as of late, it faces headwinds from oversupply, environmental regulations, and a more diverse fuel mix shifting towards renewable energy.

- India forecasted to become the biggest single market for seaborne thermal coal, as domestic production falls behind demand of the country’s highly coal-dependent power sector (~70% coal share of overall fuel mix).

Source: World Steel Dynamics, Goldman Sachs “The Thermal Coal Paradox”
Thermal coal headwinds from heightened regs. and increased renewable energy use; Steel production expected to rebound and drive greater European met consumption

**Thermal - Coal Fired Boiler Utilities**

(% Power Generation from Coal)

(% Total EU Power Generation)

- Main European US export markets include the UK, Netherlands, Italy, and Germany, whose power generation collectively represents a large share of total EU production
- Headwinds from strict environmental regulations., greater dependence on renewable energy, availability of Russian natural gas, and US LNG exports threaten coal’s share of power generation mix

**Met – Steel Production**

- **Total Steel Production**
- **Total Crude Steel Production - BF/BOF**
- **Total Met Coal Consumption**

1. Based on power generation structure in EU-28 in 2011
2. Recently announced planned AM Liege Coke Plant closure has potential to reduce met. coal demand by 0.5Mtpa

Source: World Steel Dynamics, European Association for Coal & Lignite, Platts
South American met coal demand is expected to grow steadily on increased steel production.

**Met – Steel Production**

- **Total Steel Production**
- **Total Crude Steel Production - BF/BOF**
- **Total Met. Coal Consumption**

*Source: World Steel Dynamics*