

# Report: Ambre Energy Unlikely To Succeed With U.S. Coal Exporting Plans

***Awash in Red Ink , Australian Firm Seen as Having Little Financial Ability to Deliver on 2 Major Planned Export Terminals in Washington and Oregon.***

SEATTLE, Feb. 13, 2013 /PRNewswire-USNewswire/ -- Ambre Energy, an Australian company that is currently touting plans for a pair of controversial coal export terminal sites in Washington and Oregon, faces mounting financial, regulatory and other challenges that make it unlikely to deliver on its promises in the U.S., according to a new report for the nonprofit Sightline Institute.

Available online at <http://www.sightline.org/ambre>, "*Ambre Energy: Caveat Investor*," the report catalogues a number of money woes for the company, including money-losing coal mines, large write-offs for failed overseas ventures, major liabilities for mine cleanup and pensions, troubled assets, high borrowing costs, and a need for \$1 billion in new capital to make its coal projects financially viable.

Highlights of the report include the following:

- **Substantial losses.** Since it was founded in 2005, Ambre has racked up more than \$124 million (Australian dollars) in accumulated losses, while taking in less than \$7 million in revenues.
- **High borrowing costs.** Ambre's financial records show loans with annual interest rates of 10 to 12 percent—strikingly high rates at a time when junk bond yields have fallen below 6 percent.
- **Money-losing coal mines:** The company's recently acquired U.S. mining business has hemorrhaged money, and one of its two mines recently announced plans to lay off nearly half its work force.
- **Massive liabilities.** Ambre's recent U.S. asset purchases come attached with massive mine acquisition, reclamation, pension, and medical obligations of at least \$240 million.
- **Substantial capital needs.** Ambre needs roughly \$1 billion in additional financing to move its coal export plans to fruition.
- **Failed overseas venture.** The government of Queensland, Australia recently blocked Ambre's proposed coal-to-liquids venture, forcing Ambre to recognize a \$10.7 million loss.
- **Regulatory uncertainty.** The company's coal projects face lengthy and costly environmental review requirements, permitting uncertainties, and new questions about its plans to avoid federal royalty payments by selling coal between its own subsidiaries.
- **High-risk business plans.** Even if Ambre can manage to bring its coal terminals online, it will still be exposed to sizable risks from rail and shipping costs, volatile international coal prices, and competition from better-established coal exporting rivals on the Pacific Rim.

Alan Durning , executive director, Sightline Institute, said: "**Ambre Energy is a very dicey proposition for investors. State and local governments and potential business partners should be aware of the severe financial risks the company carries.**"

Clark Williams-Derry , researcher and report author, Sightline Institute, said: "**Ambre Energy barely even qualifies as a bona fide coal company, much less a powerhouse in the coal export business. The company attempts to portray itself as well-established multinational coal conglomerate, but its financial records paint a picture of high-risk startup venture that had never even produced coal until 2011.**"

Tom Sanzillo , finance director, Institute for Energy Economics and Financial Analysis, said: "**Despite projections of robust short- and long-term global demand for more thermal coal, U.S. coal producers are challenged to find their permanent niche in the global marketplace. Slower growth in China and India tighten demand, a condition that favors existing suppliers. Price signals today do not present the same robust profit scenarios of even six months ago. Port projects and the mining sector that underwrites them were once filled with opportunity and optimism, but now face sobering uncertainty.**"

## **ABOUT SIGHTLINE INSTITUTE**

Founded in 1993, Sightline Institute provides leading original analysis of energy, environmental, and economic policy in the Pacific Northwest. For more information, see <http://www.sightline.org>.

SOURCE Sightline Institute, Seattle, WA