Beat: Business

Drummond´s Colombian Coal: in the eye of the hurricane

Government order to suspend coal loading

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USPA NEWS - After a 52 days workers´ strike which led a loss of US$ 259 million, Drummond Company, Inc. and its affiliates coal mines in Colombia nowadays face a decision made by Colombia's regional harbour authority, which ordered to suspend coal loading operations due to the damage done to local environment.

Last December, Drummond was notified about a fine approximately of 3,5 million dollars for finding the company guilty of an environmental disaster because of spilling 500 Tons of coal from a barge to Caribbean Sea on January 2013. The sanction was applied after running out legal instances and facing constant rejections from Drummond.

After receiving the announcement, on January 3rd 2014 national media reported that the company violated the prohibition of loading coal using barges. Colombian Minister of Environment, Luz Helena Sarmiento, affirmed that government would not let enterprises leave out regulations.

Right after the Minister´s declaration, the president of the company said that Drummond could not accomplish direct loading since the beginning of this year. According to José Miguel Linares, the strike delayed the program of updating the system in Ciénaga´s harbour, which would be ready around March 2014. Colombian government contradicted that statement because neither the workers nor the country are responsible for Drummond´s actions.

Now, Drummond Company has notified customers for coal exported from Colombia that it has been forced to declare Force Majeure as a result of the Colombian government's decision to halt“”effective January 13, 2014“”all coal shipments from its operations within the country, company officials.

The notice dated January 8, reads:

"We regret to inform you that Interocean must declare Force Majeure as a result of actions taken against Drummond in Colombia at our port in Ciénaga. Drummond experienced a long and protracted labor strike last year, of almost two months, during which time all of its operations in Colombia were under Force Majeure.

As a result of the strike (“¦) the building of the fixed pier at Puerto Drummond was delayed. Drummond undertook intense talks and negotiations with the Colombian government to delay the implementation date of a direct ship loading system for three months in order to allow us to complete the construction.

However, yesterday Drummond received notice that as of Monday night, January 13, 2014, the Colombian government will be closing the harbour until the direct ship loading system is completed.

This action leaves us no choice other than to declare Force Majeure effective January 13, 2014. We shall continue our efforts and discussions with the Colombian government to explore alternatives for the port closure issue, but absent consideration of other possible alternatives by the government we anticipate loading will be suspended until March 2014."

Even though both decisions: the one made by the Ministry and this one by Drummond, could affect Colombian economy, one of the most important effects is related to people´s confidence in legal institutions and in sovereignty caring less about economic interests.

María Constanza García, head of Mining National Agency (ANM, in Spanish) has said that the law is done to be obeyed and that direct load of coal is not a new topic for Drummond.

Besides, it has been outlined the economic issue which would affect not only producer states of coal (Cesar and Magdalena) but also

the stock market. However this could change depending on contingency plan of the company.

It is important to say that Colombian decision only affects harbour´s load, because the mine would not stop its operations, so that Drummond will continue producing coal but it shall be stored until direct load is ready.

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