Foreign bidding war for Rio's Australia coal mines

June 11 2017

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Rio, the world's second-largest miner, is exiting coal mining in Australia at a time of falling prices and market volatility.

The Anglo-Australian firm in January said it was selling Coal & Allied, to Yancoal Australia—which is majority controlled by China's Yanzhou Coal, one of China's largest mining groups by market capitalisation—for US$2.45 billion.

But Glencore, which already owns mines near the Coal & Allied assets in New South Wales state, has jumped into the fray, offering US$100 million more, Rio Tinto said in a statement.

"The Rio Tinto board and management will give the proposal appropriate consideration and respond in due course," the miner said Saturday.

The Yancoal deal permitted Rio to look at other offers if they were considered superior.

Glencore said it would also buy Mitsubishi's minority stakes in some of the mines for US$920 million if the Rio deal went through.

Glencore said Friday the Rio purchase "would unlock large scale mining and operating synergies" and gave the miner until June 26 to accept its fully-funded proposal.

"Glencore's combined portfolio of mines in the Hunter Valley would have production capacity of 81 million tonnes per annum of high energy coal that feeds increasing Asian demand for high efficiency, low emission coal," a company statement added.

The Glencore proposal is subject to Australian regulatory approval. Yancoal has already been given the green light for its deal by Australia's Foreign Investment Review Board.

Yancoal already operates several mines across the country, including in

NSW, while Glencore operates 18 open cut and underground coal mines in Australia.

Glencore, which in 2016 had revenues of US$177.4 billion, in May approached US agribusiness firm Bunge about a possible combination, a sign the firm had turned a corner after a two-year slump in commodity prices.

The downturn had prompted Glencore chief executive Ivan Glasenberg to scrap dividends, sell assets and trim debt.

Citation: Foreign bidding war for Rio's Australia coal mines (2017, June 11) retrieved 17 July 2024 from https://phys.org/news/2017-06-foreign-war-rio-australia-coal.html