Appetite for risk: Glencore's growing coal portfolio

Assessing the risks of Glencore's large and growing coal portfolio

ACCR

Executive Summary

In 2024, coal made up nearly 50% of Glencore's industrial EBITDA. With the acquisition of Elk Valley Resources' (EVR) metallurgical coal mines and an intention to expand coal production by almost 30%, Glencore's already large coal exposure is set to grow towards 2050, with a number of assets operating beyond this time.

Across all International Energy Agency (IEA) scenarios, however, coal energy is projected to enter terminal decline before 2030. This means that even in a non-Paris aligned world, Glencore will be navigating an operating environment where less thermal coal is required. The future for metallurgical coal is also narrowing; all IEA scenarios project long-term decline for met coal, and policies supporting low-carbon steelmaking are accelerating across the globe.

Yet, Glencore has to date failed to articulate a plan for how it will manage the risks of this growing coal exposure. Its commitment to "a responsible phase-down of our thermal coal production"[1] sits at odds with plans to grow production.

While the company has touted EVR as a source of cashflow[2], this acquisition brings additional coal exposure and inherited risks which need careful management.

Glencore's Chief Executive says "cash is king" [3], but for long-term shareholder value, an appetite for cash must also come with an appetite for managing risk.

1. Glencore 2024-2026 Climate Action Transition Plan.
2. Glencore Press Release, 5 July 2024 - Glencore receives final regulatory approval for the acquisition of Elk Valley Resources (EVR).
3. 'Cash is king': Why Glencore kept faith with coal – Financial Times, 8 August 2024.

Key Points

- Glencore’s already large coal exposure is expanding into the headwinds of the global energy transition – where even with non-Paris aligned outcomes, less thermal coal will be required. Yet Glencore has not demonstrated a plan to manage this risk.
- Chinese coal demand has a material impact on the global coal trade, and as one of the world’s largest coal exporters, Glencore’s business is exposed to changes in demand. With renewables forecast to become increasingly important to China’s energy mix, and coal facing more competition and displacement from renewables, the outlook for sustained coal demand over the medium to long-term remains uncertain.
- Glencore's recent acquisition of EVR increases the company’s met coal reserves fivefold, adding to its coal exposure – in particular, due to its long-dated coal mines. Glencore's recent Annual Report continued to exclude the EVR assets from group climate reporting, which means investors have limited insight into how the company is progressing towards its emissions targets.
- ACCR modelling suggests that if Glencore did integrate EVR into its group climate reporting and adjusted its baseline in accordance with the Greenhouse Gas Protocol, then it would be unlikely it could achieve its 2030 emissions reduction target.
- The large-scale water contamination from EVR’s metallurgical coal mines means that Glencore has inherited responsibility to administer one of the world's largest water quality management plans, with ongoing treatment costs. Future additional costs and legal and regulatory action remains a possibility.

Contents

Glencore's coal exposure

Already one of the world's largest coal exporters, Glencore's acquisition of EVR's metallurgical coal mines and the proposed expansion of existing thermal coal operations will see its coal exposure increase towards 2050 and beyond.

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Glencore is one of the world's largest coal exporters, with coal making up nearly 50% of its industrial EBITDA

In 2024, Glencore's industrial assets accounted for:[1]

- **7% of global thermal coal trade**, nearly double the volume of thermal coal exported by the United States
- **9% of the global metallurgical (met) coal trade**, up from 3% due to the acquisition of EVR. This is about the same as Japan's total met coal imports.

Coal makes up nearly 50% of Glencore's industrial EBITDA, making it a major source of profit and exposing the company to changes in coal prices and demand.

Chart 1: Global thermal coal trade

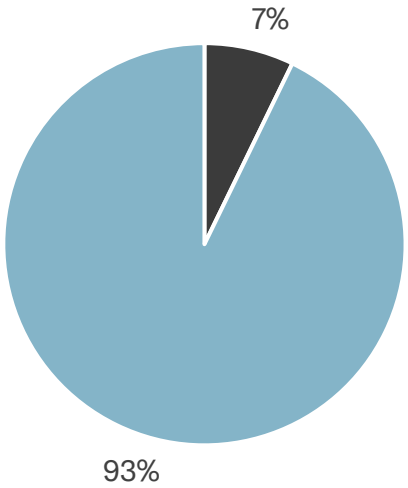


Chart 2: Global met coal trade

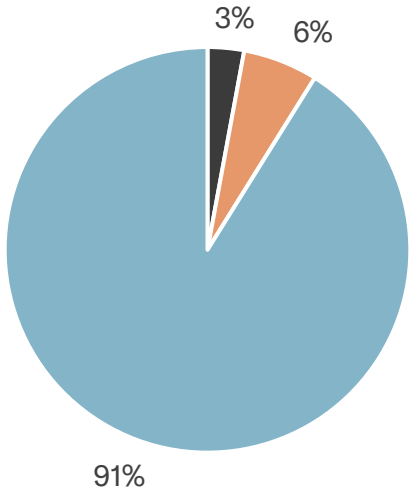
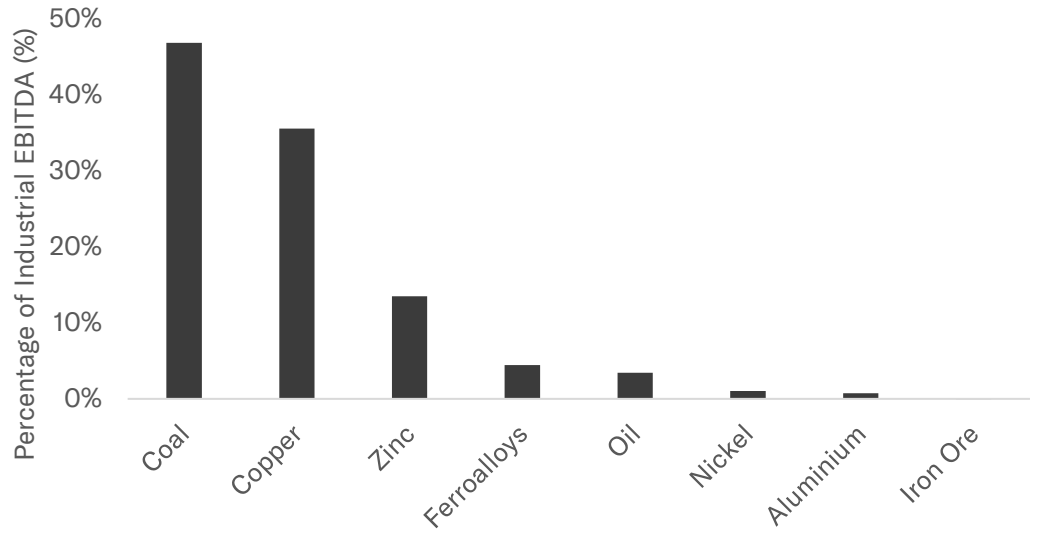


Chart 3: Glencore's 2024 industrial EBITDA by commodity



Source: IEA Coal 2024, Glencore 2024 production report, Teck Resources 2024 (Q2) production report

1. Global trade numbers sourced from IEA Coal 2024 (pp. 114-116). Glencore's traded coal volume is estimated using its 2024 production report (p. 8), excluding coal designated for domestic use. To allow for a full-year comparison, 77% of Teck Resources' H1 2024 coal production (p. 20) is attributed to Glencore, following its acquisition of a majority stake in EVR. Semi-soft coal is classified as met coal for this estimate.

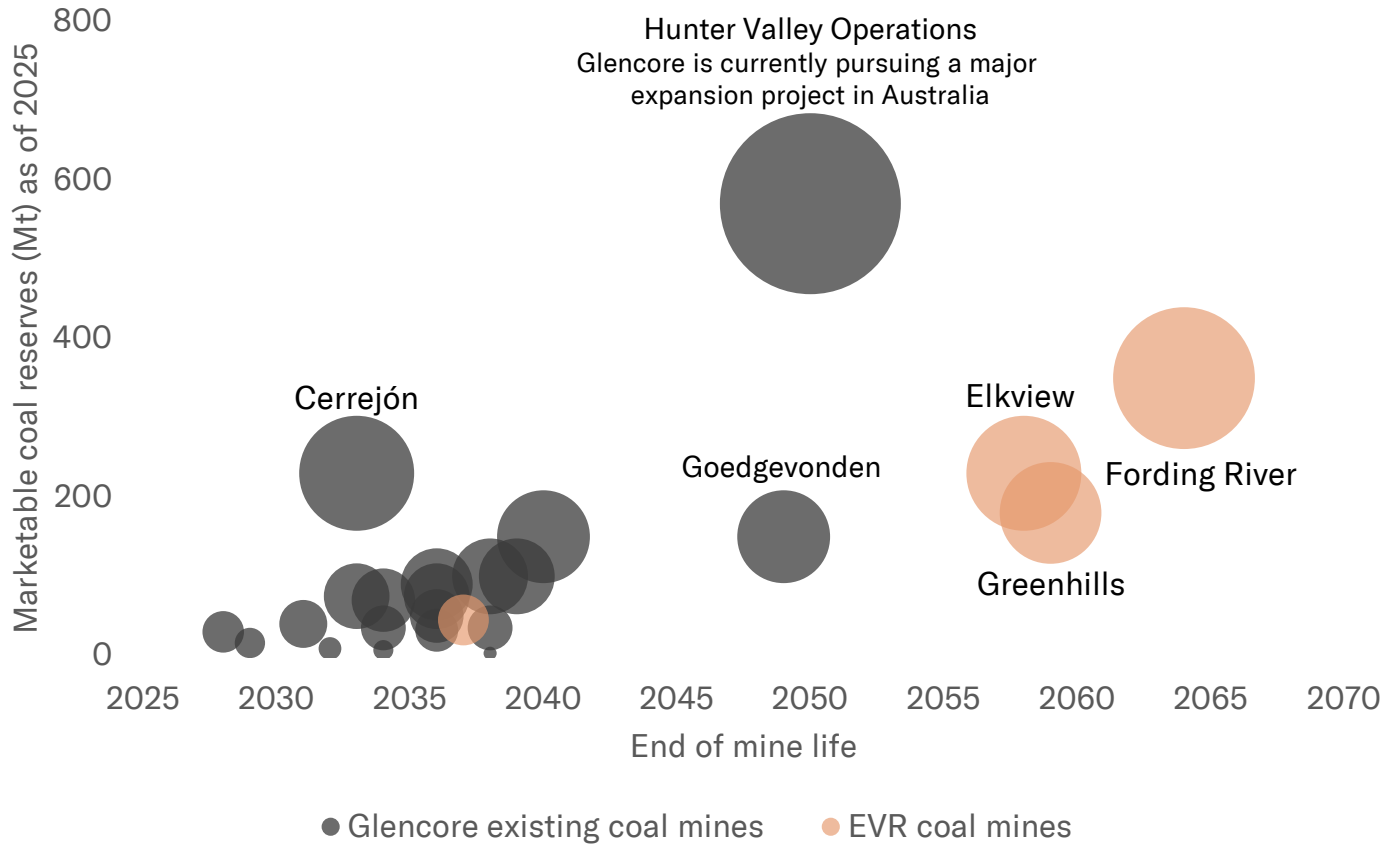
By holding several long-term coal assets with large marketable reserves, Glencore is exposed as the energy transition accelerates

Glencore holds a significant number of long-term coal assets with large marketable reserves, including its recent EVR acquisitions and planned Hunter Valley Operations (HVO) expansion.

This means:

- Glencore expects to hold coal assets beyond 2050, which it intends "to operate… to the end of their economic life"[1]
- the company is increasingly exposed as the energy transition accelerates.

Chart 4: A review of Glencore's coal assets by mine life[1] and marketable reserves[2] outlines the extent of the company's operations and its long-term exposure to coal[3]



Source: Company disclosures, ACCR modelling

1. Mine life is the techno-economic end-of-mine life, not approved mine life, as outlined in the 2024 Resources and Reserves Report. Glencore has stated its intention to "continue to operate our mines to the end of their economic life" (2022 CATP, p. 34).
2. Glencore, 2024 Resources and Reserves Report, pp. 29-37. Marketable reserves are calculated at the mine level, not based on Glencore's equity share.
3. See Appendix (slides 25-26) for a detailed breakdown of Glencore's portfolio, including mine life distribution and progression by coal type and project category.

Glencore plans to expand production from its existing thermal coal portfolio by almost 30%

Glencore plans to expand its existing portfolio of mostly thermal assets - targeting an almost 30% boost in coal production by 2050.

The HVO Continuation Project alone is set to use $2.7 billion[1, 2] of capex and consume nearly 1% of the world's remaining 1.5ºC carbon budget.[3]

Chart 5: Proposed coal expansions projected to increase Glencore's coal output by ~30%

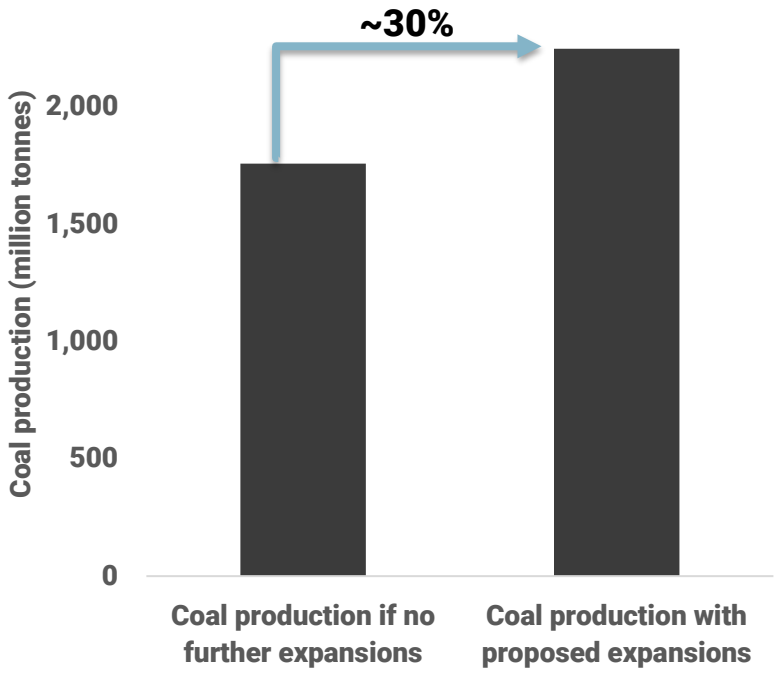
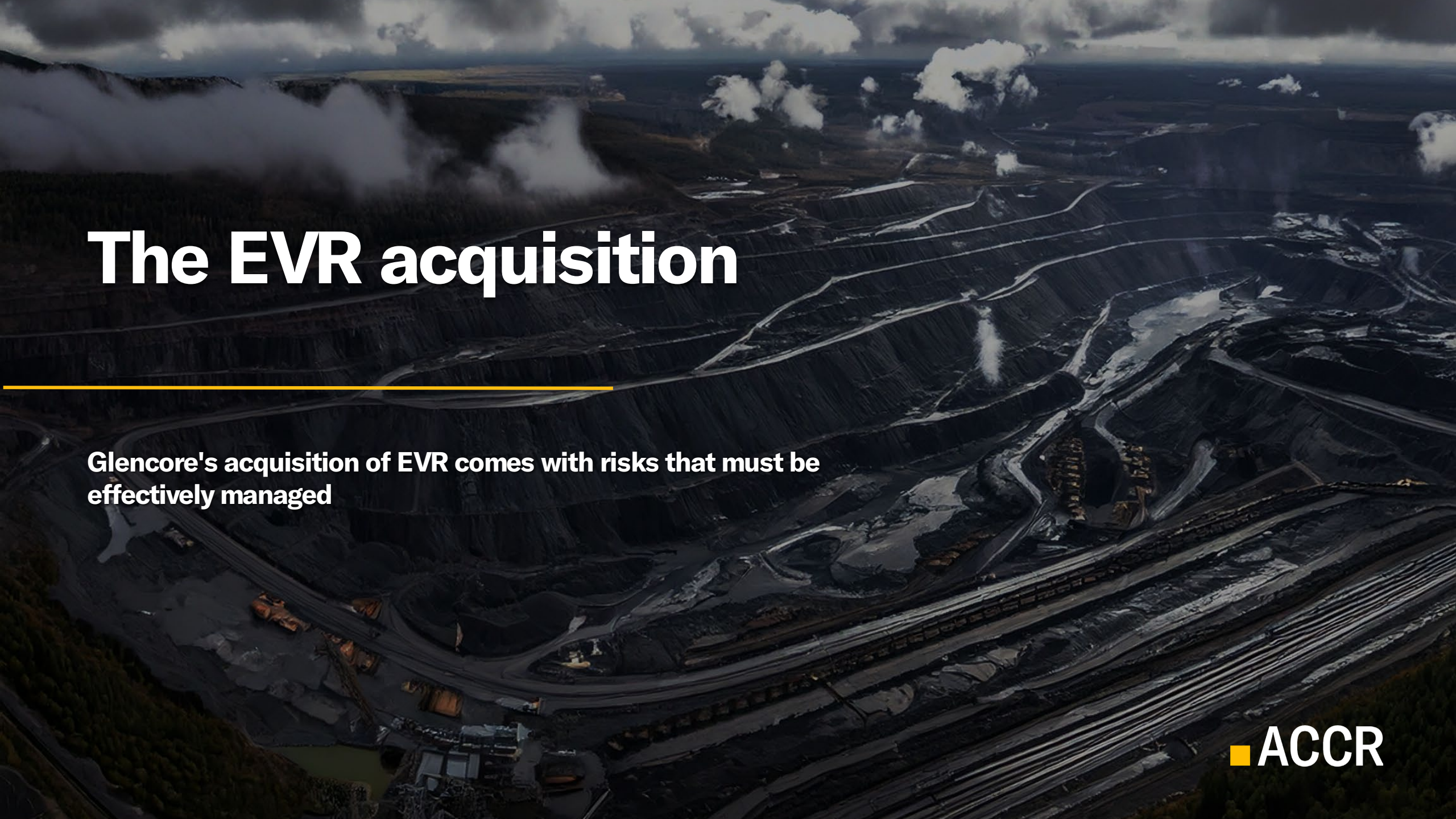


Chart 6: Glencore is pursuing six Australian expansions, with HVO Continuation holding the largest reserves

Source: Company disclosures, ACCR modelling

1. EY, Revised Economic Assessment of the Hunter Valley Operations continuation project, p. 14. Project lifetime capex of AU$4.3 billion (real undiscounted 2024 terms) was converted to US dollars using an exchange rate of 0.63 USD/AUD (as listed on 25/02/25).
2. All monetary values are expressed in US dollars (USD), unless otherwise specified.
3. Lamboll, R.D., Nicholls, Z.R.J., Smith, C.J. et al. Assessing the size and uncertainty of remaining carbon budgets. Nat. Clim. Chang. 13, 1360–1367 (2023). https://doi.org/10.1038/s41558-023-01848-5. The remaining carbon budget (RCB) is adjusted to reflect the start of 2025, based on 2023 emissions data from the 2024 World Energy Outlook and estimated 2024 emissions from Carbon Brief analysis.



The EVR acquisition

Glencore's acquisition of EVR comes with risks that must be effectively managed

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Glencore's EVR acquisition increases metallurgical coal reserves fivefold, yet the company continues to exclude these assets from its group climate reporting

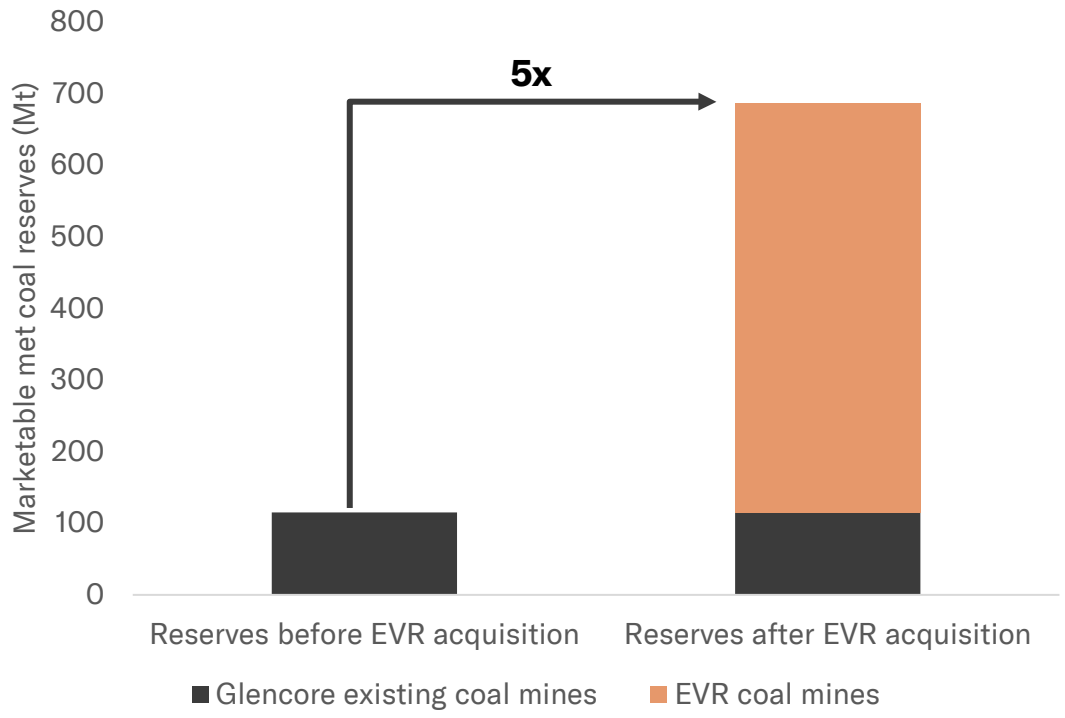
In July 2024, Glencore acquired 77% of EVR from Teck Resources for $6.93 billion,[1] about 12% of its market cap.[2] This acquisition increases Glencore's met coal reserves fivefold.

The GHG Protocol requires acquisitions to be included in group climate reporting with restated baselines.[3] Almost a year on, Glencore continues to exclude the EVR assets from group climate reporting, including on the company's progress towards its emissions targets, and is still assessing how to integrate EVR into its climate strategy.[4]

Failure to integrate the EVR assets into group climate reporting means:

- **investors have an incomplete view of emissions and reductions**
- **EVR assets could fall outside the scope of Glencore's emissions reduction targets and may instead be subject to weaker commitments.**

Chart 7: The EVR acquisition increases Glencore's marketable met coal reserves fivefold



Source: Company disclosures, ACCR modelling

1. Glencore, Acquisition of a 77% interest in Teck's steelmaking coal business for US$6.93 bn.
2. S&P Capital IQ, 19 November 2024.
3. The Greenhouse Gas Protocol, pp. 35-39.
4. Glencore, 2024 Annual Report, pp. 24-26. "We continue to report on performance [toward emissions targets] excluding EVR assets."

The EVR acquisition, along with proposed expansions, could make Glencore's emissions reductions targets difficult to reach

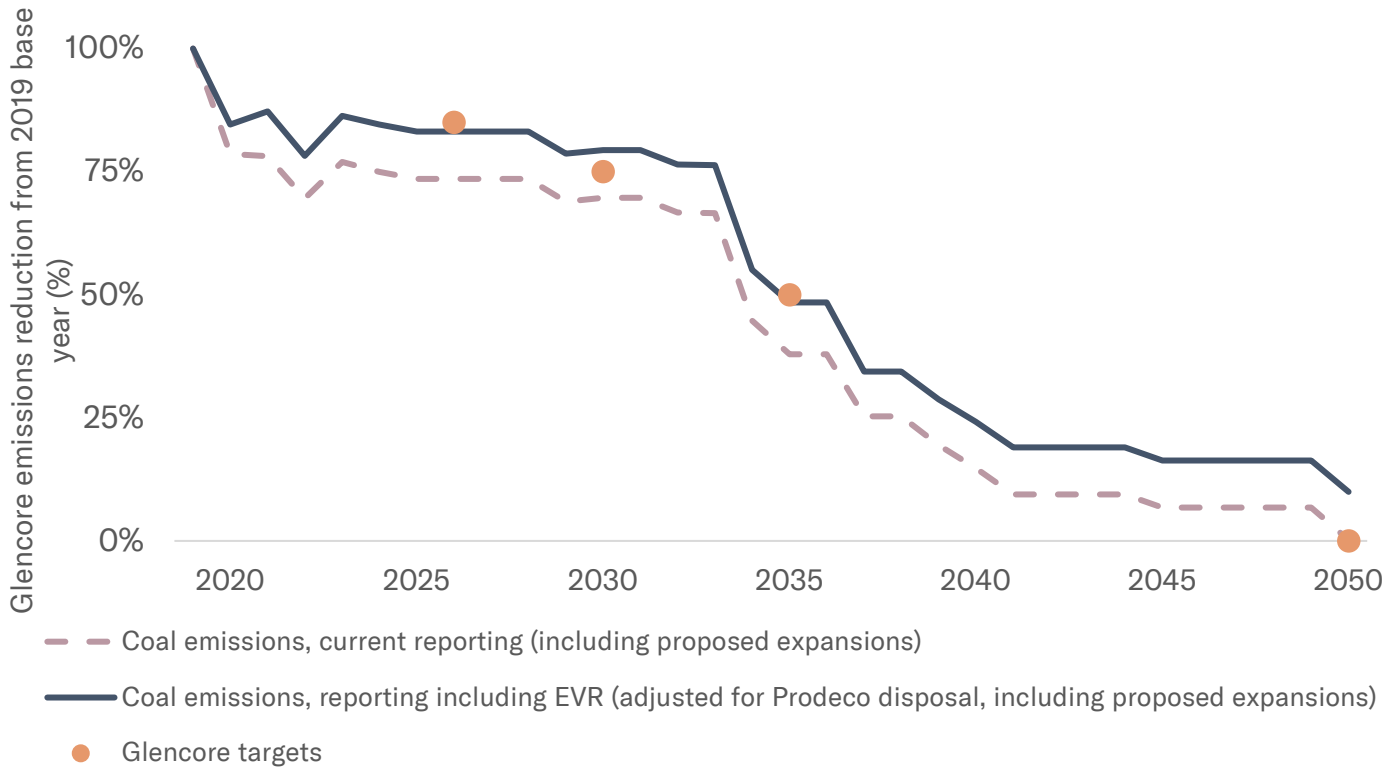
We modelled what the impact would be on the company's ability to meet its emissions reduction targets if Glencore integrated EVR and adjusted the baseline appropriately for the Prodeco disposal in accordance with the GHG protocol.[1] (Chart 8)

We found that Glencore's 2030 target may be out of reach. The slower emissions decline rate could also bring Glencore closer to exceeding its 2026 and 2035 emissions targets.

A core part of Glencore's approach to meeting its emissions reduction targets is coal mine depletions.[2] However, the pace of decline at the long-term EVR mines is slower than at Glencore's pre-existing mines.

Investors require far greater oversight into the impact of the EVR acquisition on Glencore's forward emissions productions and the company's ability to meet its emissions reduction targets.

Chart 8: ACCR modelling shows that integrating EVR and accounting for the Prodeco disposal slows Glencore's emissions decline, making the 2030 target unlikely and bringing emissions closer to the 2026 and 2035 targets



Source: Company disclosures, ACCR modelling

1. See previous ACCR research on the impact of the Prodeco mine on Glencore's baseline: *Analysis: Glencore's 2024-20226 CATP*, p. 11.
2. Glencore, 2024 Annual Report, p.24. Referred to as "Portfolio Depletion" in chart.

The EVR mines come with ongoing water treatment costs and future cost uncertainties due to large-scale water contamination

Glencore has taken on liability risks from managing "**one of the world's largest water contamination plans.**"[1] This requires it to double water treatment capacity by 2027 and triple it by 2036. Based on preliminary engineering, long-term water treatment costs are estimated at CA$6 per tonne of coal.[2]

However, ongoing monitoring and government investigations could significantly increase water management costs, further affecting project economics and limiting EVR's ability to secure mine life extensions.

The uncertainties in water quality management costs include:[3]

- ongoing environmental monitoring, modelling and permitting timelines which will shape final costs
- unforeseen impacts or technical challenges uncovered through ongoing research, which may shift preliminary cost estimates
- long-term water treatment that is expected to continue indefinitely after mining ends, imposing costs even after revenue ceases.

Future legal and regulatory risks cannot be ruled out.[4]

> **Ongoing monitoring, as well as our continued research into treatment technologies, could reveal unexpected environmental impacts, technical issues or advances associated with potential treatment technologies.**
>
> **This could substantially increase or decrease both capital and operating costs associated with water quality management or could materially affect our ability to permit mine life extensions in new mining areas.[3]**

1. Teck Resources, 2020 Sustainability Report, p. 14.
2. Teck Resources, 2022 Annual Report, pp. 25-26. Long-term operating costs associated with water treatment are projected at approximately CA$4/t, with long-term construction costs averaging CA$2/t annually, totalling CA$6/t. "Certain cost estimates to date are based on limited engineering".
3. Teck Resources, 2023 Annual Report, p. 24.
4. See Appendix (slide 27)

EVR's supply costs have risen since 2021, shifting its position on the global supply curve

From 2021 to 2023, EVR's supply costs surged, reducing its relative competitiveness and squeezing project economics (Charts 9 and 10). Teck estimates that site costs rose by 58% across this period,[1] driven by inflation in key supplies, increased reliance on contractors, and higher labour costs.[2]

While Glencore has reported a 14% drop in free on board (FOB) costs since acquiring EVR, citing higher volumes and supplier discounts,[3] its met coal unit costs remain above 65% of global producers (Chart 11). As a high-cost producer, Glencore's met coal assets are exposed to being squeezed if the market tightens and / or water treatment costs increase.

Chart 9: 2021 global met coal cost curve shows that EVR assets were relatively low-cost[4]

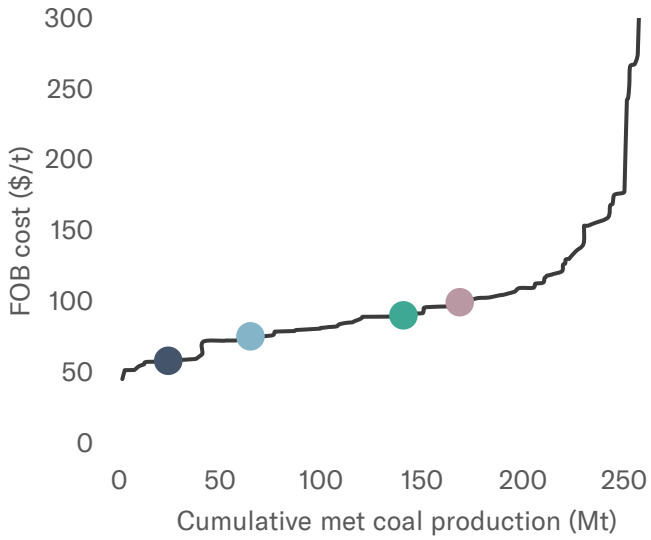


Chart 10: EVR assets saw a material cost increase on the 2023 global met coal cost curve[4]

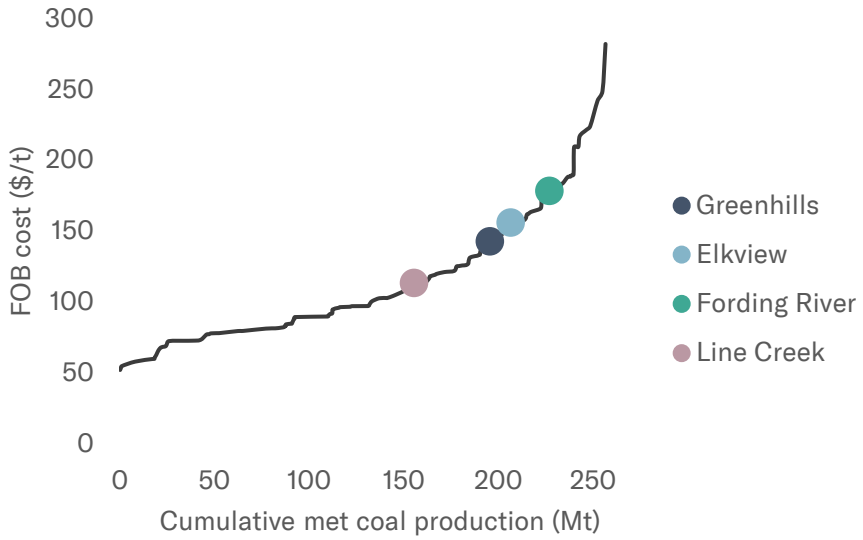
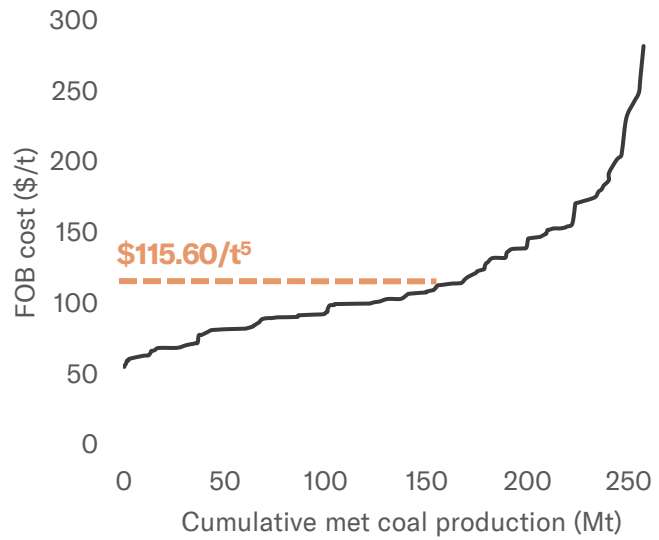


Chart 11: Glencore's 2024 met coal costs exceed 65% of global supply



Source: S&P Global Market Intelligence (via Capital IQ), Glencore 2024 Preliminary results (p. 25)

1. Site costs rose from CA$65/t in 2021 (Teck 2021 Annual Report, p. 45) to an estimated average of CA$102.50/t in 2024 (Teck 2023 Annual Report, p. 26), a 58% increase.
2. Teck Resources, 2023 Annual Report, p. 26.
3. Glencore, FY2024 Earnings Call Transcripts.
4. See Appendix (slide 28) for quality-adjusted cost curves comparing 2021 and 2023.
5. The $115.60/t FOB unit cost represents Glencore's group-level met coal portfolio (Glencore 2024 Preliminary results, p. 25).

Global headwinds

Glencore's coal portfolio faces headwinds from a declining global coal market as the energy transition progresses.

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The IEA's projection of long-term coal energy decline affects all coal exporters, including Glencore

Coal energy is projected to enter terminal decline across all the IEA's scenarios (Chart 12). This means that even in a non-Paris aligned world, coal exporters, including Glencore, are likely to be navigating an operating environment where less thermal coal is required.

The IEA's 2024 Stated Policies Scenario (STEPS) pathway for coal use is now aligning closely with the 2021 Announced Pledges Scenario (APS), which demonstrates that real-world policy developments are closing the gap with national pledges (Chart 13).[1] This trend increases the onus on coal businesses to responsibly manage the risks of a faster energy transition.

Chart 12: Energy from coal declines in all IEA scenarios going forward

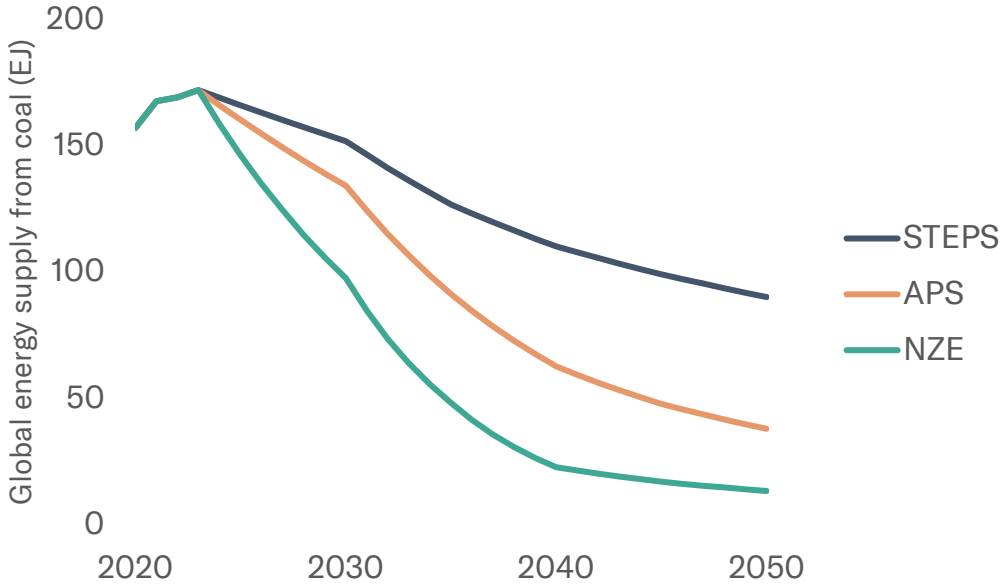
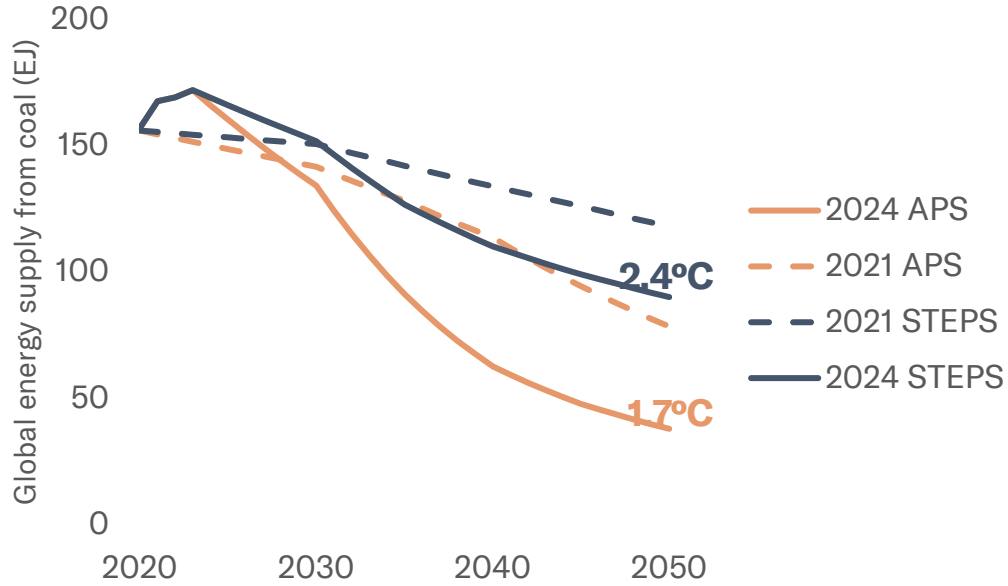


Chart 13: The latest STEPS projection now closely aligns with the 2021 APS, indicating a conversion of coal pledges to policies



Source: IEA World Energy Outlook extended datasets (2021, 2024)

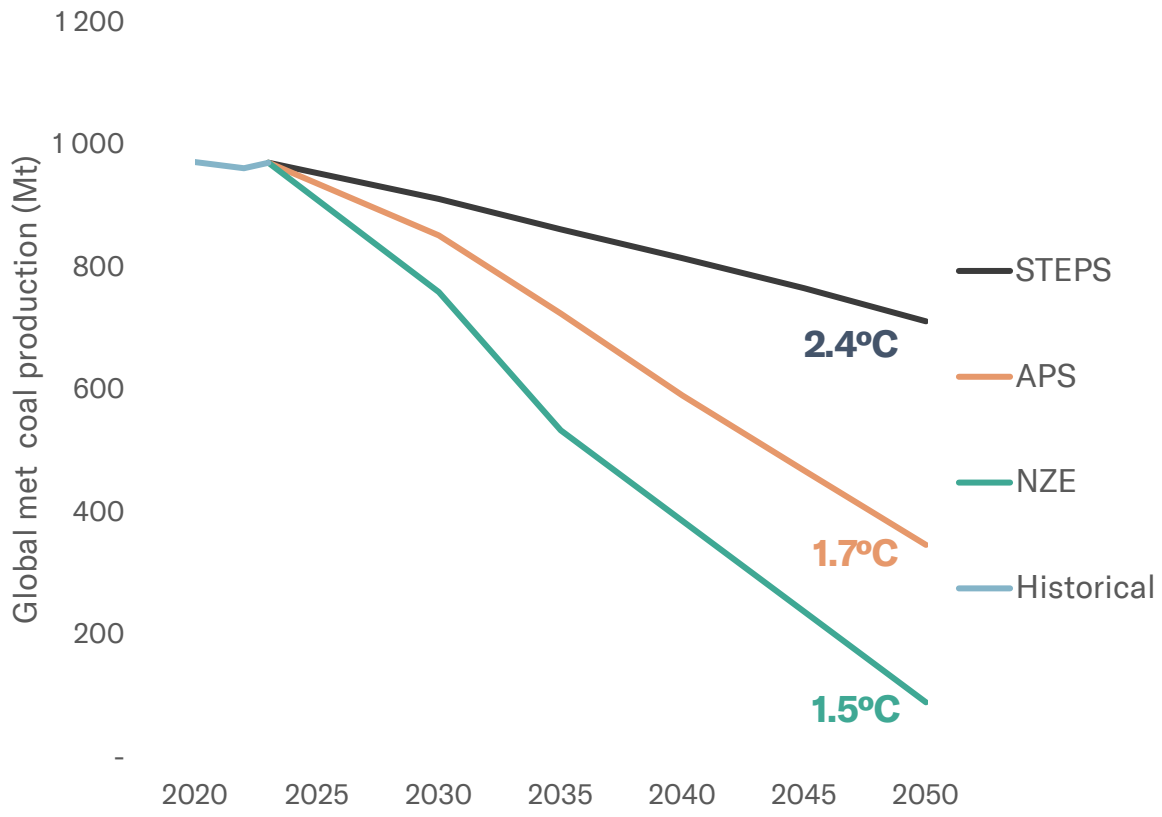
1. The Paris Agreement's "pledge and review" mechanism is intended to improve targets and policies over time.

Metallurgical coal also faces long-term decline under all IEA scenarios, as policy settings supportive of green and low-carbon steel accelerate

A number of key jurisdictions are enacting policies that will expedite the decline of met coal as a part of the steel-making process:

- China has integrated the steel sector into its national emissions trading scheme. Producers exceeding the declining emissions baselines must purchase allowances. According to Transition Asia, current carbon prices (approx. $14/tCO$_2$e) can reduce the green steel premium to 35%.[1, 2]
- India's Ministry of Steel released “Greening the Steel Sector in India – Roadmap and Action Plan" which announced it will create green steel policy and consider government procurement for decarbonised steel.[3]
- The EU's Carbon Border Adjustment Mechanism (CBAM), in effect since 2023 and fully operational by 2026, places a carbon price on imports like steel to prevent carbon leakage. This raises costs for carbon-intensive exporters, pushing producers in ASEAN, China, India, and the US to adopt low-emission methods.[4]

Chart 14: The IEA projects met coal to decline under all its scenarios, including its STEPS and APS scenarios, with NZE requiring nearly a 50% reduction by 2035



Source: IEA 2024 World Energy Outlook

1. Transition Asia, Steel Enters China’s National Emissions Trading Scheme.
2. China’s Ministry of Ecology and Environment (生态环境部, MEE), Work Plan for Including the Steel, Cement, and Aluminium Smelting Industries in the National Carbon Emissions Trading Market.
3. Government of India - Ministry of Steel, Greening the Steel Sector in India: Roadmap and Action Plan.
4. Wood Mackenzie, Playing by new rules: How the CBAM will change the world, A shift in global steel trade patterns.

Chinese coal imports are crucial for Glencore and the global coal trade, with any shifts in demand from China influencing trade flows and market dynamics

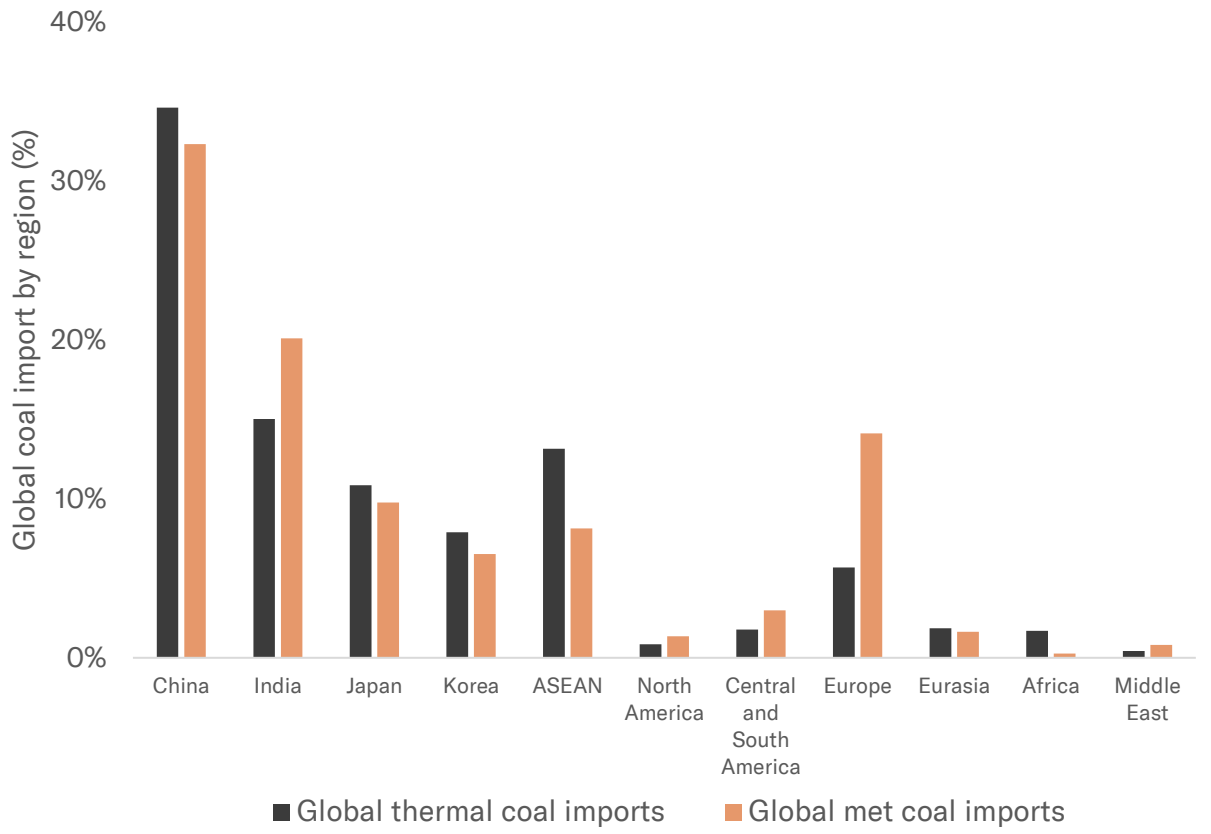
China drives the global coal trade, importing 35% of global thermal coal and 32% of met coal.[1] Any shift in Chinese imports disrupts supply equilibrium, impacting trade flows and prices.

As one of the largest coal exporters, Glencore is exposed to these market movements, particularly to signals of structural decline in China's coal imports.

90% of Glencore's coal exports originate from Australia, Canada and Colombia,[2] all of which rely on China as a key export market:

- In 2024, China accounted for 24% of Australia's coal exports,[3] with Australian coal making up 55% of Glencore's total exports.
- China imported 21% of Canadian[4] and 11% of Colombian[5] coal in 2023.

Chart 15: Chinese coal imports make up 35% of thermal and 32% of metallurgical coal globally. Changes in demand can significantly impact global trade flows



1. IEA, Coal 2024, pp. 111-119.
2. Glencore's traded coal volume is estimated using its 2024 production report (p. 8), excluding coal designated for domestic use. To allow for a full-year comparison, 77% of Teck Resources' H1 2024 coal production (p. 20) is attributed to Glencore following its acquisition of a majority stake in EVR.
3. Hellenic Shipping News, Dry Bulk Shipping: Australia's Coal Exports to China Soared by 51.4% in 2024.
4. The Coal Hub, Canadian coal exports up 9.6% year on year.
5. The Coal Hub, Colombian coal exports.

Relative to coal, China added nearly four times more wind and solar grid capacity last year

Over the past five years, China's growth in operational renewables capacity has accelerated (Chart 16) to the point where it now exceeds coal by 30% (Chart 17).

In 2024 alone, China added 357 GW[1] of new wind and solar capacity, nearly quadrupling the 94.5 GW[2] of coal capacity (a 10-year high) it added in the same period.

Chart 16: China has added four times more renewables capacity than coal in the last five years

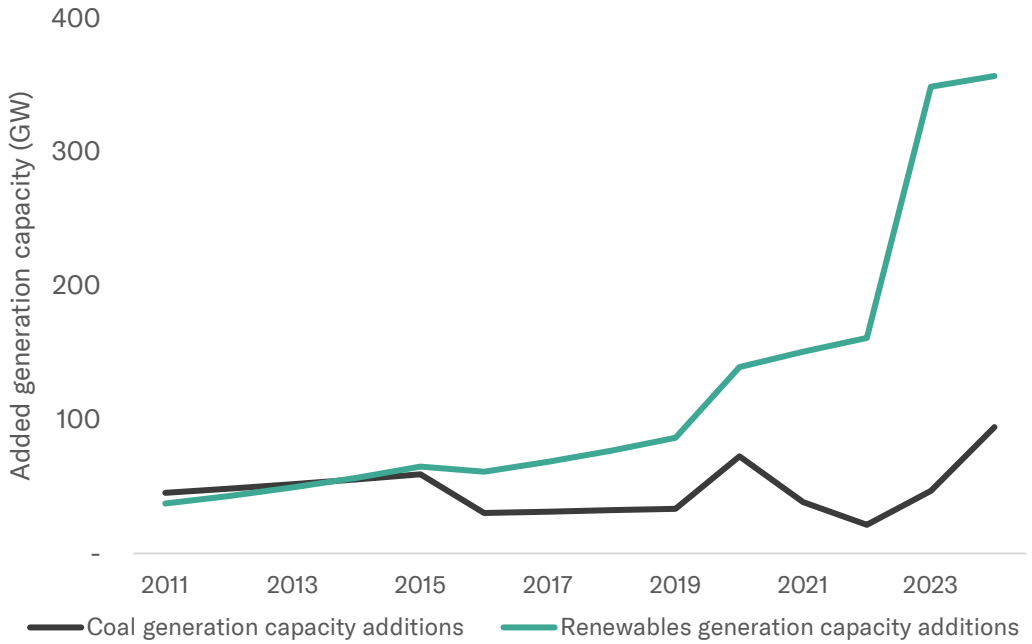
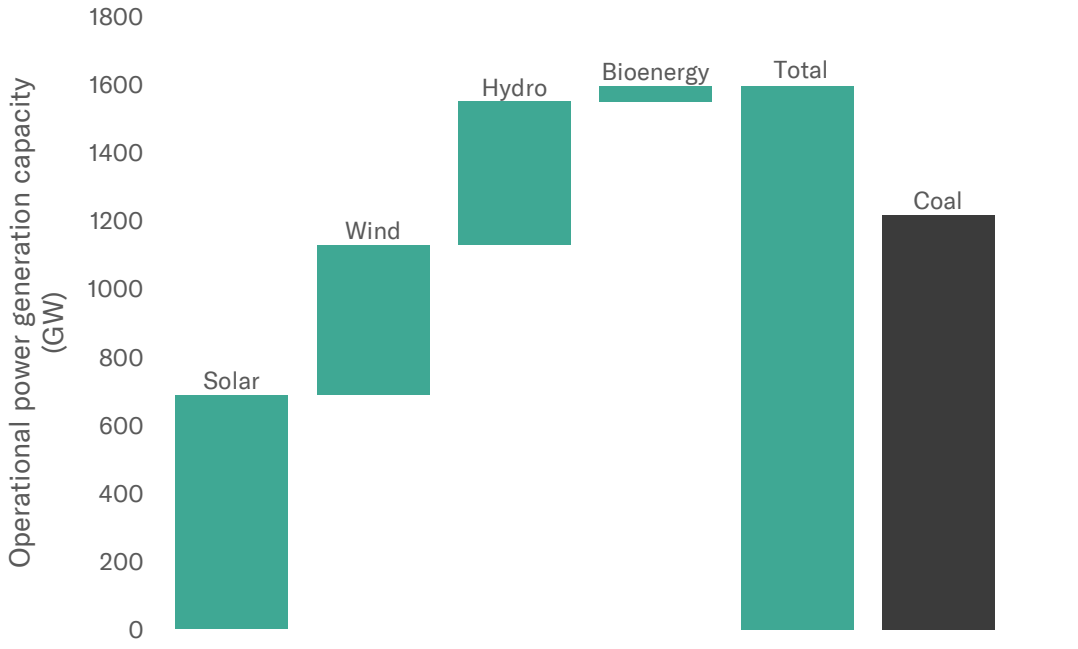


Chart 17: China's renewables capacity now exceeds coal by 30%



Source: IEA World Energy Outlook extended datasets (2021, 2024)

1. Carbon Brief, Analysis: Record surge of clean energy in 2024 halts China's CO_2 rise. 277 GW of solar and 79 GW of wind was connected to the Chinese grid in 2024.
2. CREA, China - Coal power biannual review H2 2024, pp. 4, 8-11.

Renewables are forecast to become increasingly material to China's energy mix, driven by exponential capacity rollouts and cost declines

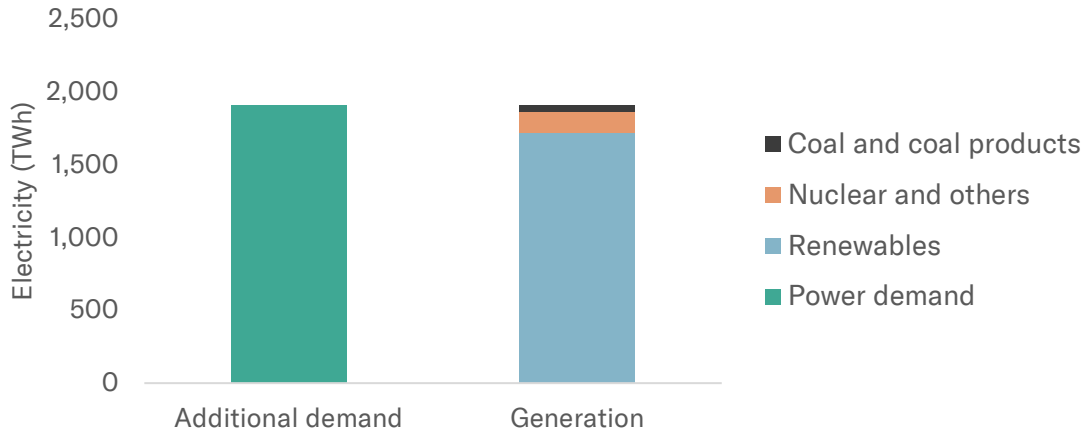
The IEA expects renewables to meet nearly all China's additional electricity demand through 2027 (Chart 18), driven by exponential capacity rollouts and steep cost declines.

Solar and wind are now both cheaper than coal (Chart 19). Solar is 91% cheaper than it was 15 years ago, and wind 69% cheaper.[1]

As the storage and transmission capacity of renewables scale, coal is forecast to become less central to the energy mix:

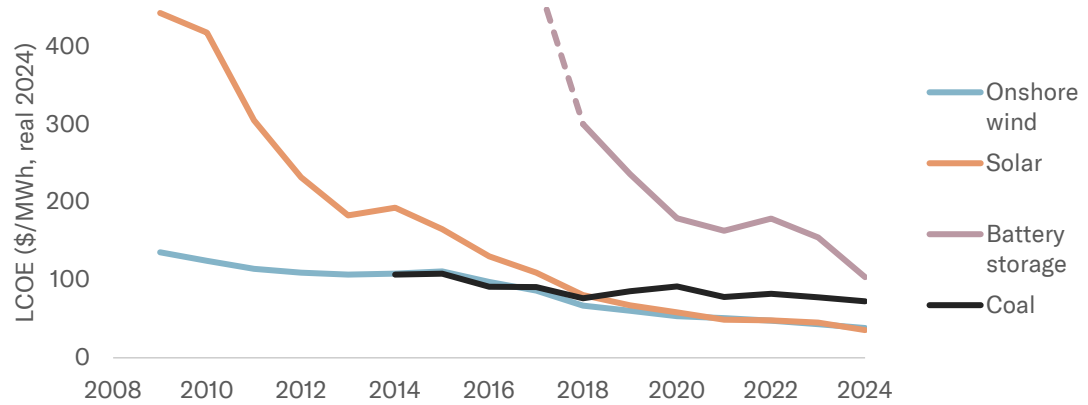
- In the short-term, constraints on storage for renewables means the amount of required coal generation will depend on weather conditions such as precipitation, solar irradiation and wind speeds.[2]
- In the medium to long-term, coal will face increasing competition and displacement from a renewables sector backed by market-based pricing[3] – which will be introduced in June 2025.

Chart 18: Forecast change in Chinese electricity demand and generation, 2024-2027



Source: IEA Coal 2024 (p. 23)

Chart 19: Levelized Cost of Electricity for solar and onshore wind is now lower than coal



Source: BloombergNEF, Levelized Cost of Electricity Update 2025: Charts and Data

1. BloombergNEF, Levelized Cost of Electricity (LCOE) Update 2025: Charts and Data. Assuming fixed-axis PV for solar.
2. IEA, Coal 2024, pp. 23-24.
3. Carbon Brief, How China's renewable pricing reforms will affect its climate goals. From June 2025, China will replace fixed coal-linked tariffs for solar and wind with a market-based auction system. The shift reflects falling renewable costs, increases competition, and is expected to boost renewable energy's market share while reducing coal's dominance.

The Chinese government's mandate to retrofit all coal plants by 2027, aimed at improving grid flexibility and integrating more renewables, makes the foundation for sustained coal demand brittle

Despite a surge in renewable capacity, long-term Power Purchase Agreements (PPA) in China's power system are locking electricity buyers into contracts covering at least 80% of projected coal output.[1] This rigidity:

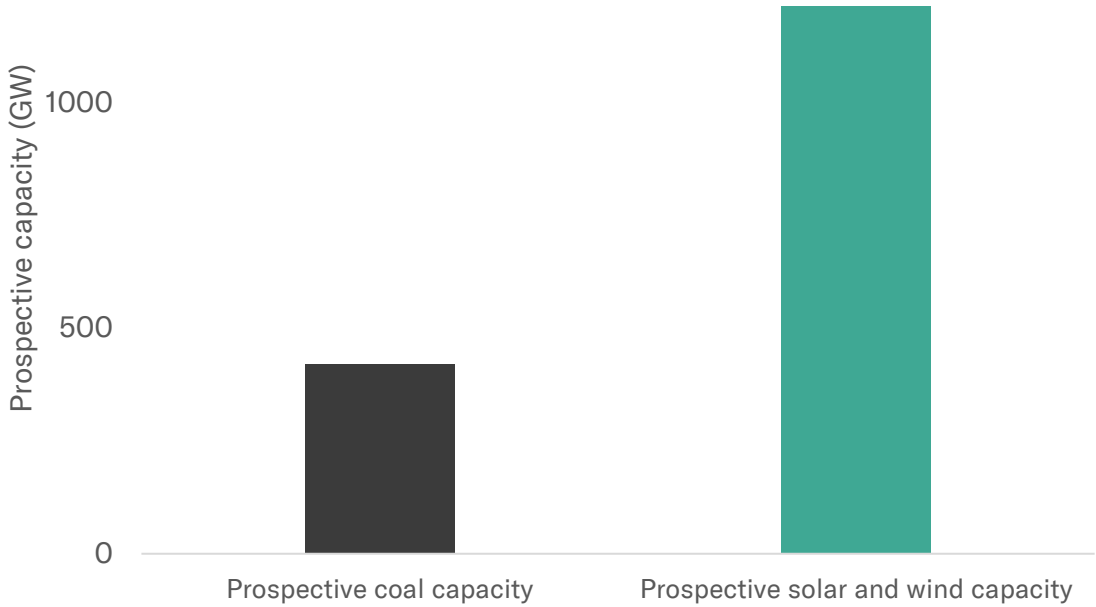
- prioritises coal even when cheaper renewables or spot-coal pricing are available[2]
- artificially prolongs coal's dominance by driving renewable curtailment,[2] fuelling coal overcapacity,[3] and distorting market signals.[4]

In the short-term, buyers may prefer the reliability of coal until energy storage capacity expands. However, over the longer-term, this preference may not hold:

- Recent coal plant construction records do not imply higher coal consumption. A government mandate to retrofit all eligible coal units by 2027[5] aims to enhance grid stability, plant flexibility and operation at lower loads - outcomes that can support a greater share of renewables in the energy mix.

- China's prospective wind and solar capacity is now three times higher than coal (Chart 20), meaning its energy system is approaching a tipping point where renewables could increasingly displace coal, if market reforms and grid flexibility support their full integration.

Chart 20: The prospective pipeline for solar and wind projects is about three times larger than for coal



Source: Global Energy Monitor

1. CREA, China - Coal power biannual review H2 2024, pp. 4, 8-11.
2. Ibid. pp. 8-11. Renewable curtailment has increased as electricity buyers prioritise coal obligations to avoid penalties. In 2024, solar generation fell 48.2 TWh short of expected output (5.47% curtailment), while wind utilisation declined despite favorable conditions, underscoring structural constraints from coal PPAs.
3. Ibid. pp. 8-11. Coal overcapacity is evident in provinces like Guangdong, where 43 billion kWh of contracted coal power went unsold from January to September 2024.
4. Ibid. pp. 8-11. Despite declining spot coal prices, local governments maintain high coal quotas, limiting buyers' access to cheaper and cleaner alternatives. From June 2025, China will replace fixed coal-linked tariffs for solar and wind with a market-based auction system, aiming to boost renewables' market share and reduce coal's dominance through lower costs and greater competition (Carbon Brief, How China's renewable pricing reforms will affect its climate goals).
5. IEA, Meeting Power System Flexibility Needs in China by 2030 (2024), pp. 24-25. Since 2021, China has retrofitted 300 GW of coal capacity, exceeding its 2025 target of 200 GW. In February 2024, authorities mandated flexibility upgrades for all eligible coal units (500-700 GW) by 2027.

Long-term coal plant load capacities in China are projected to decline in STEPS and APS

Despite adding an estimated 270 GW of coal capacity since 2020, which is 31% more than the previous five years, long-term forecasts project that China's plant load factors will decline in scenarios based on the region's stated policies (Chart 21) and announced pledges (Chart 22).

Since 2021, iterations of the IEA's World Energy Outlook have also generally projected lower coal capacity, reinforcing that installed capacity alone does not imply increased future coal generation.

Chart 21: Forecast Chinese coal plant load factors in STEPS have generally declined across successive WEOs

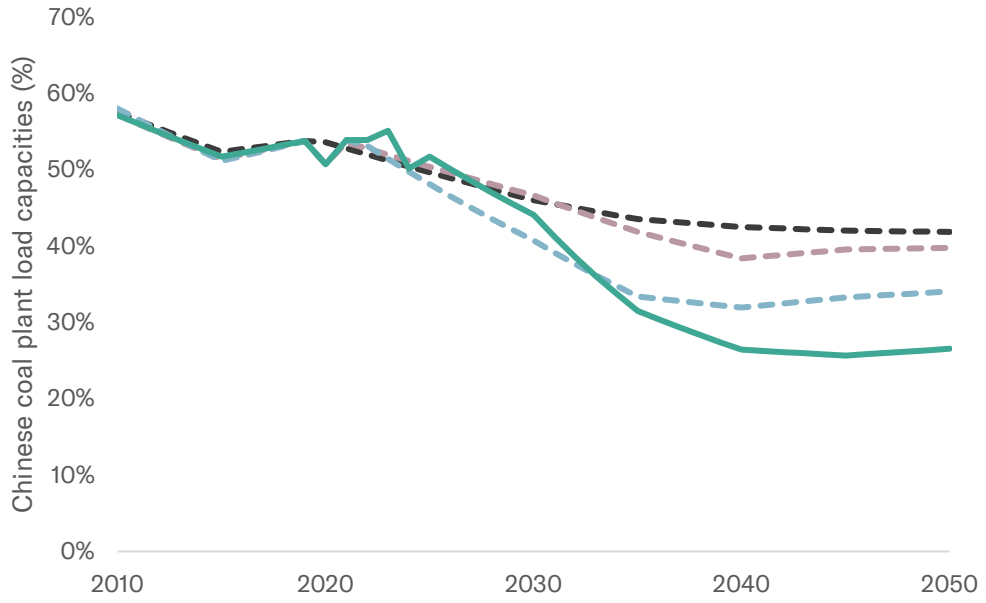
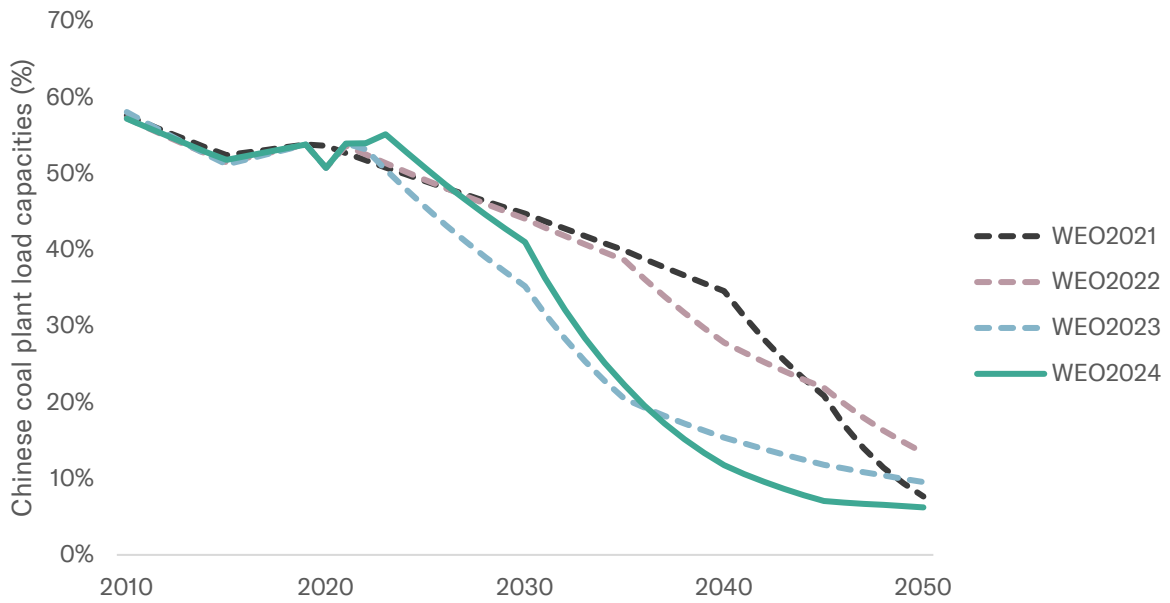


Chart 22: Forecast Chinese coal plant load factors in APS have generally declined across successive WEOs



Source: IEA WEO extended datasets, ACCR modelling

Stewardship considerations

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Key stewardship considerations for investors

- Nine months post the finalisation of the EVR acquisition, the clock is ticking on when Glencore will incorporate all its coal assets into a consolidated view of its forward emissions profile. Investors require an updated disclosure to provide clarity on the company's ability to meet its emissions reduction targets while properly incorporating its sizable and long-dated EVR coal mines. Glencore’s 2030 target may now be out of reach.
- Growing headwinds for Chinese coal demand in future, including the increasing competitiveness of renewables due to cost reductions and policy changes, are worth considering alongside Glencore's coal outlook.
- All the IEA scenarios project long-term decline for thermal and metallurgical coal. The most recent projections account for the real-world policy developments that are closing the gap with national pledges. Investors would benefit from understanding how Glencore is responding to growing policy support globally for reducing coal energy dependency and for green steel production pathways that don't require met coal.
- Glencore should outline how its significant planned thermal coal extension, the Hunter Valley Operations Continuation Project, fits within its commitment for the responsible wind-down of its integrated coal assets.

Appendix

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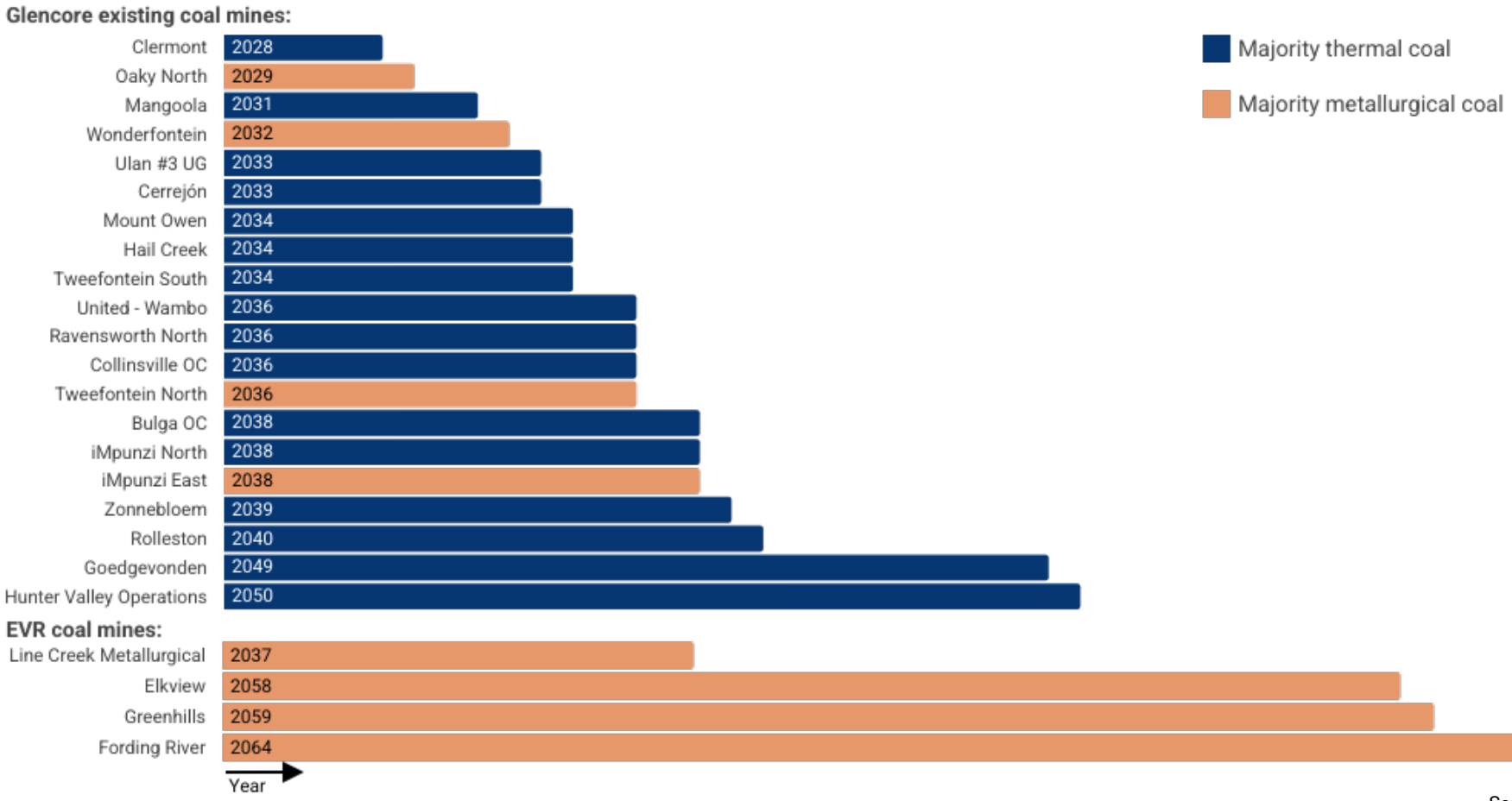
EVR assets have a 35-year average mine life[1], more than double the 17-year lifespan of Glencore's current assets

Chart A.1: Overview of the lifespan of Glencore's current assets, relative to EVR assets

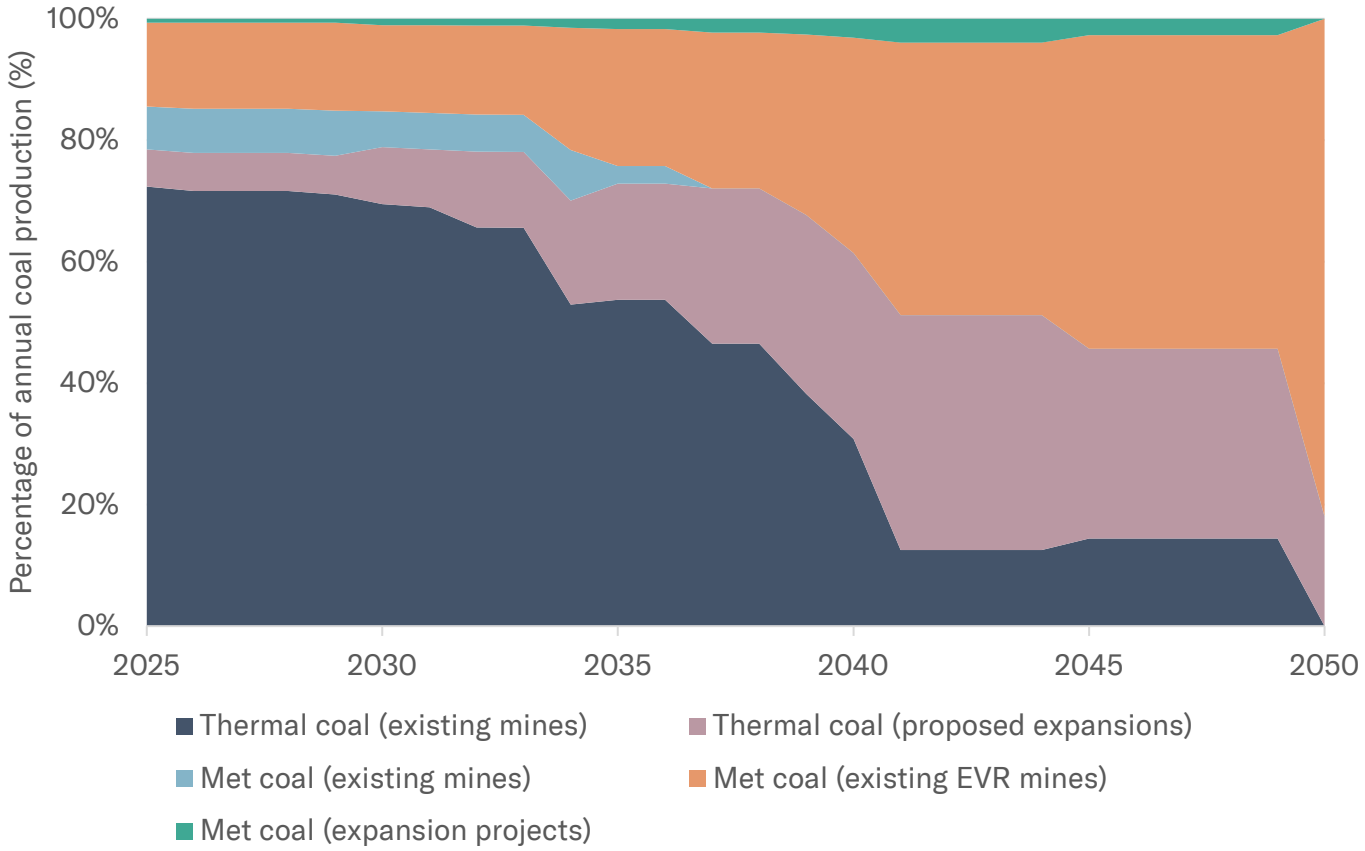


Source: Company disclosures, ACCR modelling

1. Glencore, 2024 Resources and Reserves Report, pp. 29-37. Average is weighted by reserves at mine site.

Despite acquiring EVR, thermal coal production is projected to account for 60% of Glencore's total coal output in 2040, underscoring the transition risk posed by thermal coal expansion

Chart A.2: Glencore's projected coal production by coal and project type



Source: Company disclosures, ACCR modelling

EVR legal risk: selenium contamination at mines

EVR mines have been linked to selenium contamination in local waterways, prompting the Elk Valley Water Quality Plan (EVWQP) – "one of the world's largest water quality management programs."[1]

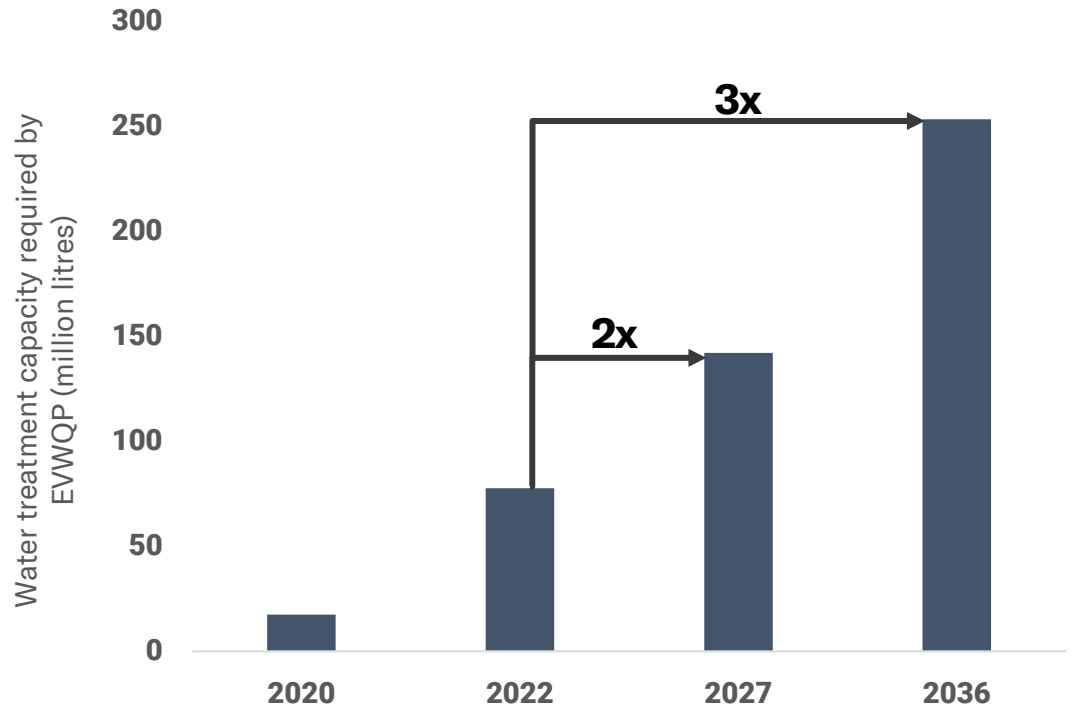
EVR has already invested $1 billion[2] into the construction and management of water treatment facilities and allocated up to $175 million[2] in 2024 - roughly 6% of its 2023 coal operating income.[3]

The plan requires EVR to double its water treatment capacity by 2027 and triple it by 2036[4] (Chart A.3), with potential for additional obligations from ongoing studies and enforcement.

An international joint commission of Canadian and US authorities, working with Indigenous groups and experts, is studying the full extent of contamination to guide future actions.[5]

This could impose additional regulatory and enforcement requirements on EVR beyond the current plan.

Chart A.3: The water management plan requires EVR to double water treatment capacity by 2027 and triple it by 2036[4]



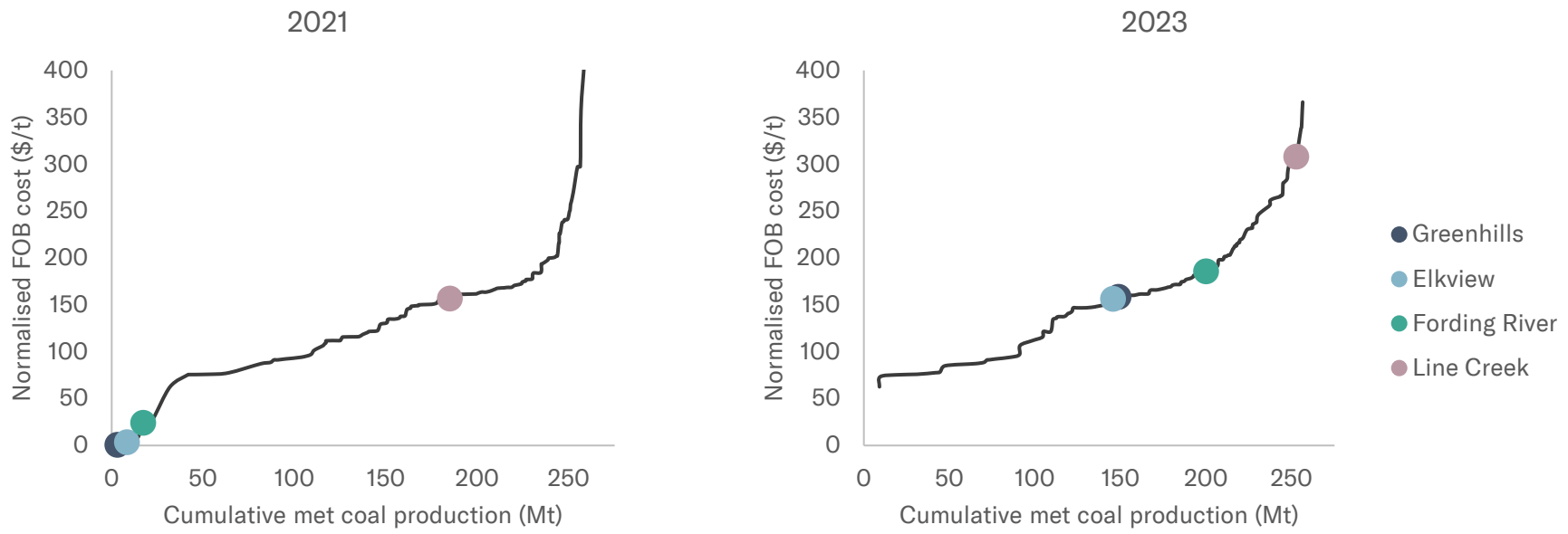
Teck Resources, Elk Valley Water Quality Plan 2022 Implementation Plan Adjustment Overview, pp. 9-11

1. Teck Resources, 2020 Sustainability Report, p. 14.
2. Teck Resources, 2023 Sustainability Report, p. 40. CA$1.4 billion and CA$250mn was converted to US dollars using an exchange rate of 0.70 USD/CAD, as listed on 25/02/25.
3. 2023 coal segment operating income derived from Consolidated Financial Statements For the Years Ended December 31, 2023 and 2022, p. 65.
4. Teck Resources, Elk Valley Water Quality Plan 2022 Implementation Plan Adjustment Overview, pp. 9-11.
5. International Elk - Kootenai/y Watershed Water Pollution Study, Proposal to address transboundary water pollution in the Elk-Kootenai/y watershed.

Even after adjusting for coal quality, EVR's mine costs rose between 2021 and 2023, weakening their competitive position

S&P Capital IQ adjusts for quality by converting product premiums and discounts, which usually impact revenue and margins, into production cost adjustments. This allows for a clearer comparison of a mine's cost competitiveness against a global benchmark price, covering different product types and specifications in a single curve. For met coal, adjustments are made against the premium hard coking coal price, considering factors like coke strength after reaction, volatile matter, total moisture, ash and sulfur.

Chart A.4: Met coal cost curves normalised for coal quality to allow asset-level comparison



Source: S&P Global Market Intelligence (Capital IQ)

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