Lower commodity prices prompt Consol Energy to warn of impending Q2 loss

TORONTO (miningweekly.com) – Falling coal and gas prices have pressed US fossil fuels producer Consol Energy to warn that it expects a loss for the three months ended June 30.

The NYSE-listed company on Monday said the loss was expected despite hitting second-quarter guidance for both the exploration and production (E&P) and coal business segments.

Consol also cautioned that it expected to book a significant impairment charge owing to a reduction in the carrying value of the company's conventional shallow oil and natural gas assets, mainly owing to continued depressed forward prices on the New York Mercantile Exchange, which was a commodity futures exchange owned and operated by Chicago-based CME Group.

This impairment charge was a noncash item that would not affect the company's reserves, Marcellus and Utica Shale segments, or net asset value. Also, the impairment would lower depreciation, depletion and amortisation moving forward, Consol advised.

The company added that it planned to unveil a new plan to generate free cash flow over the next 18 months, starting in the second half of 2015, while maintaining yearly gas output growth guidance at 30% for this year and 20% for 2016.

Coal miners across the globe had, since 2011, been dealing with falling coal prices, a global supply glut and competition from cheap natural gas, which had forced cash-strapped miners to idle unprofitable mines and retrench thousands of miners. However, falling oil and gas prices had dented E&P prospects as strong supply had quenched demand but fuelled high inventory levels.

Source: **MiningWeekly.com** July 21, 2015.