Anglo American to shed its SA thermal coal assets

Anglo American is to transfer its thermal coal assets in South Africa to a new company, Thungela Resources Limited, amid growing pressure from shareholders who want to minimise their exposure to fossil fuels.

The proposed demerger recognises the diverse range of views held by Anglo American's shareholders in relation to thermal coal and therefore provides them, including those with specified investment criteria, with the choice to act on such views and, following the implementation of the proposed demerger, to either retain, increase or decrease their interests in Thungela. The proposal also allows Thungela to attract new shareholders and to access new sources of capital as an independent company offering direct exposure to thermal coal, a statement from Anglo says.

The separation will be implemented through:

- the transfer of Anglo's operations to a new holding company, Thungela Resources Limited,
- the demerger of the Thungela shares to Anglo American shareholders,
- and the primary listing of Thungela's shares on the Johannesburg Stock Exchange and standard listing on the London Stock Exchange.

But, although chief executive, Mark Cutifani, says: "Anglo American has been pursuing a responsible transition away from thermal coal for a number of years now," there is no actual reduction in carbon emissions as Thungela will continue producing thermal coal.

Anglo American will provide an initial cash injection of R2.5bn (approximately $170m) and further contingent capital support until the end of 2022 in the event of thermal coal prices in South African rand falling below a certain threshold.

Transition

Following the implementation of the proposed demerger, Anglo American's marketing business will continue to support Thungela in the sale and marketing of its products for a three-year period with an additional six-month transitional period thereafter.

This transitionary arrangement ensures that customers receive a consistent service and supply of thermal coal while Thungela concentrates on enhancing the performance of its operations while continuing to receive optimal value for its products in the market. The three-year term, and the additional six-month roll-off period, also provide time for Thungela to build its own global marketing capabilities should it choose to do so.