



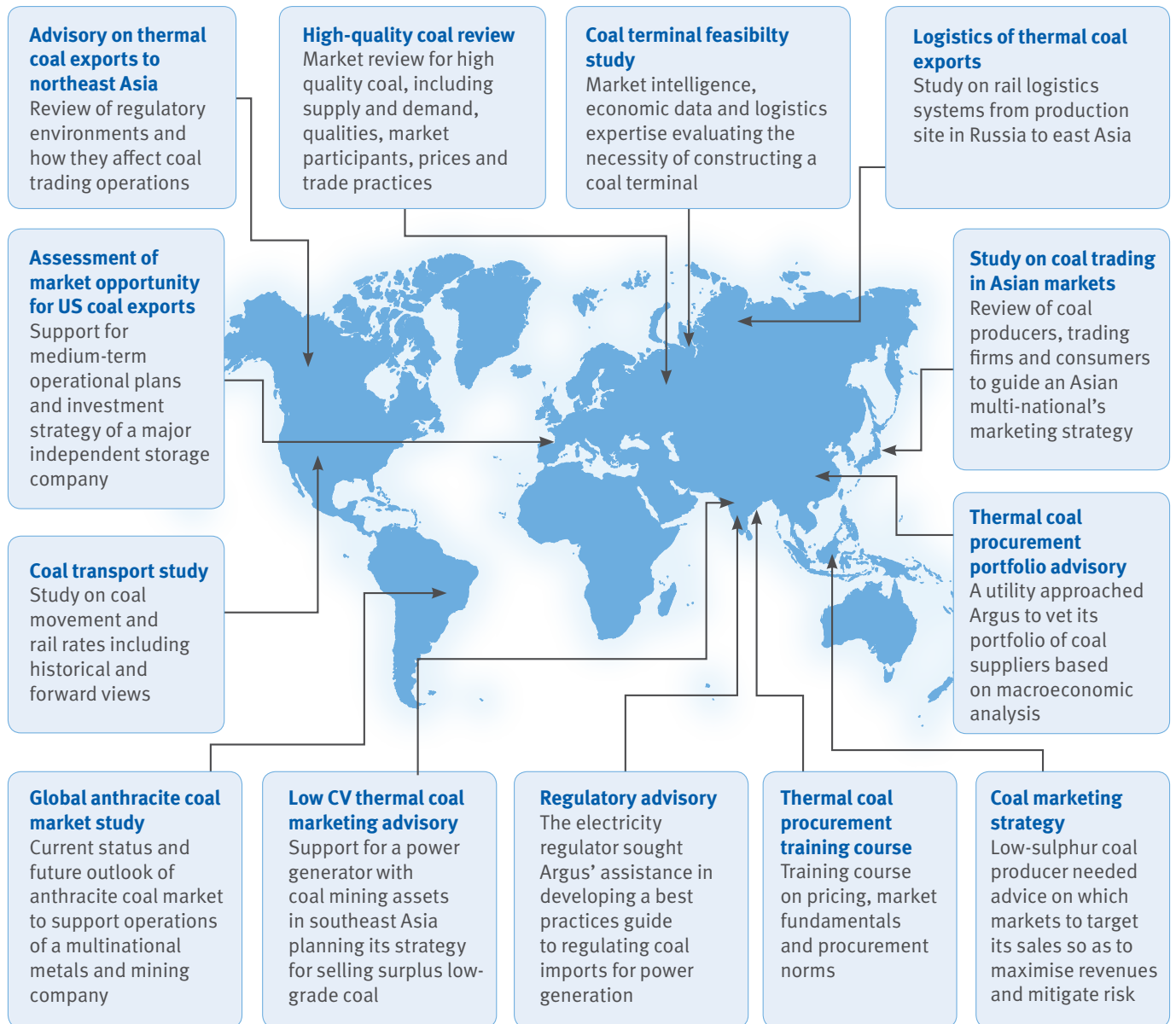
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# Argus Coal Consulting Services

Tailored research for clients seeking deep insight into the thermal coal markets



Argus Coal Consulting Services has been engaged by some of the leading participants in the coal industry for various projects.



Market Reporting

Consulting

Events

Coal

illuminating the markets

# Argus Coal Consulting Services

## About Argus Consulting Services

Argus Consulting Services offers tailor-made research and bespoke training to clients seeking the highest quality data, analysis, insight and commentary on crude, refined products, generation fuels, petrochemicals, fertilizer and metals markets. Our key strengths include our market expertise, strong industry network and proprietary industry data that ensures real value is delivered to our clients.

Offering a wealth of knowledge and experience, the global team works with corporates, lenders and investors, governments and regulatory bodies and professional services firms.

### Services Offered:

- ▶ Feasibility studies
- ▶ Project valuation
- ▶ Due diligence
- ▶ Strategic planning
- ▶ Policy and regulatory analysis
- ▶ Market entry studies
- ▶ Market supply strategy
- ▶ Price and fundamentals forecast

## Argus Coal Consulting Services: Case studies

### Best practise guide to thermal coal procurement: An advisory service

Client profile: South Asian electricity regulator

#### Client Request

The client, a south Asian electricity regulator, was looking to develop a robust means of regulating thermal coal-fired power plants in the country. Of particular interest to the regulator was the development of a regulatory system that would raise the efficiency of thermal coal purchases into the country. This objective was embedded in the need to ensure that the electricity tariffs were not distorted.

#### Project Approach

Argus Consulting Services, as an independent adviser, was commissioned to provide the regulator with a best practise guide to thermal coal buying. Argus' consultants analysed and audited 24 coal purchase contracts, as well as shipping contracts. The purpose of the initial investigation was to assess the efficiency of the current buying practise.

Subsequent to this assessment, and after carrying out face-to-face interviews with the purchasing teams from the power plants and the regulators, Argus produced a set of benchmarks for the following:

- Thermal coal prices as per the coal quality and country of origin
- Freight rates
- Port charges
- Upper bound to the journey time
- Loading/unloading rates
- Optimal formulas to be used in regulation
- Amount of leeway given to mispriced cargoes

Given that the freight rates are not routinely assessed, Argus developed a freight model that the regulator could use to benchmark the rates that the electricity providers produced to them.

#### Results Delivered

The report, which was a best practise guide to thermal coal buying, gave the regulator the tools to appropriately enforce optimal pricing of thermal coal. This ensured that the electricity price facing consumers was market based.



### Analysis of the global low CV thermal coal market

Client profile: South Asian power utility

#### Client Request

The client, a power utility, had invested in coal mining assets in southeast Asia, and required support in planning its strategy for selling surplus low-rank (poor quality) coal into Asia-Pacific markets. The client required a strategic assessment of potential consumers for its excess production and a view on how the market will develop in the short to medium term

#### Project Approach

Argus carried out a detailed analysis of the market, which provided the following:

- Overview of the global coal market
- Regional overview of the low-rank coal market. This included mine-level assessments on the supply side and plant-level assessments on the demand side to give an accurate picture of the current market and forecast market development
- In-depth view of the main market participants and market operation covering suppliers, trading firms and consumers
- Summary of logistics including costs, major routes and bottlenecks, and how these factors are shaping the market
- Outlook for the market considering changing regional and global fundamentals
- Marketing strategy and recommendations for staff offices
- Provision of contact details and approval to contact key trading firms and consumers willing to initiate discussions with new suppliers

To complete the study Argus made use of its proprietary data, supported by additional primary and secondary research including direct communication with market participants via our market reporting teams based in Singapore and Beijing. Interviews were also done with selected industry participants to provide better insight into market fundamentals and outlook.

#### Results Delivered

The report provided the client with a detailed analysis of the low-rank coal market in addition to an overview of the wider market to understand the context of their investment decision. It also provided a clear strategy for selling their excess production and information to support their decision-making process when considering contract terms, target consumers and marketing strategy.

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### Optimal coal procurement portfolio assessment

Client profile: Northeast Asian power utility

#### Client Request

A utility responsible for the transmission and distribution of electricity has a significant proportion of its electricity generated from thermal coal, mainly from Indonesia. Given its short- to medium-term exposure to Indonesian thermal coal, the principal concern of the company's planners was the security of supply.

Given Indonesia's thermal coal production and trade flows were evolving under changing regulations and demand drivers for its different thermal coal grades, Argus Consulting Services was asked to provide an assessment of the reliability of Indonesia as a supply source.

#### Project Approach

The study comprised the following components:

- Indonesian thermal coal policy and regulatory analysis
- Assessment of the increasing demand for coal from Indonesia's domestic sector (i.e. power and industry)
- Logistical bottlenecks in the country
- Structure of coal contracts
- Outlook for the supply of coal on an aggregate basis

These were then contextualised against the companies that our client had chosen to buy their coal from. The contractual, operational, price and volume risks, which these companies are exposed to when supplying coal to their customers, were examined in particular.

#### Results Delivered

This study has had comprehensively looked at Indonesia's coal mining sector, the prevailing policies and regulations, the country's domestic coal requirements, the logistics of coal movement in the country, coal contract structures, the current market scenario and the risks to buying coal from Indonesia.

### Product market entry strategy

Client profile: Southeast Asian thermal coal producer

#### Client Request

Our client was looking to expand production of its low-sulphur grade coal. It expected its coal to get to the seaborne thermal coal market. Crucial to this decision to expand production at its extant concession was future demand for thermal coal. The coal markets in particular and the commodity markets in general were oversupplied at the time when the study was commissioned. Given its decision to increase output of its sub-bituminous, low-sulphur coal, our client was keen to have a third-party opinion as to where the medium- to long-term demand lay for coal in key coal importing countries in northeast, southeast and south Asia.

#### Project Approach

Argus Consulting Services provided a report that comprised the following:

- Current market demand analysis of Asia  
Argus analysed the demand for coal at a country and regional level. The countries/regions included:
  - o China
  - o India
  - o Southeast Asia
  - o Northeast Asia

The coal grades that were typically sold in each region/country was discussed from the perspective of the market entry strategy. The contract structures typically employed were analysed, as well as the competitors in these markets.

- Future demand market analysis (2015-25)  
Argus used its database of planned electricity generation capacity, as well as domestic coal production and imports to date, to arrive at an outlook for coal demand in the key regions/countries under analysis.
- Price forecast analysis (2015-25)  
Argus' bespoke pricing model was used to produce the outlook for five thermal coal grades.

#### Results Delivered

Based on the analysis that covers the current and future market demand for thermal coal in the countries mentioned in report, Argus provided recommendations for the markets that would be viable offtakers of our client's output.

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### Thermal coal markets training course: Pricing, market fundamentals and procurement norms

Client profile: South Asian state-owned electricity company

#### Client Request

The client, a south Asian state-owned electricity producer, requested a customised training course for its coal purchasing team to help the company best manage the challenges thrown up by thermal coal.

#### Project Approach

Argus Consulting Services provided a training programme that covered the following:

- Market context — current fundamentals
- Market context — outlook
- Pricing of thermal coal
- Review of pricing mechanisms in Asia
- Historical price analysis and forecasts

The implications that price movements will have on the firm's bituminous coal purchases will be discussed.

#### Results Delivered

The team carried out a three-day training programme and provided the participants with slides in PowerPoint format.

For more information, please contact us at [marketingsg@argusmedia.com](mailto:marketingsg@argusmedia.com).