

Strategic Coal Pricing and Contract Negotiations

24 - 25 June 2019 | Singapore

Key Learning Outcomes

- The Coal Commodity Cycle and its Impacts on Coal Prices
- Scrutiny of Coal pricing, demand, shipping and procurement strategies 2019 and beyond
- The Fundamentals of Determining FOB Coal Prices
- Methodologies and data sources for estimating FOB coal price indices
- Methods and data sources for estimating and interpreting dry bulk shipping costs
- Supply and Demand considerations for price setting and structuring
- Documenting price adjustment provisions in Coal Supply Agreements
- Relationship between coal price and coal quality
- Price re-openers: How to address in a Coal Supply Contract
- Coal price negotiations – key issues to take into account
- Payment terms, interests and penalties
- Regulatory factors and their impacts on coal prices

Who Should Attend

- Coal Mining Companies and Suppliers
- Coal Traders
- Coal Buyers
- End users and consumers of coal
- Financiers
- Lawyers, Accountants and Industry
- Consultants
- Coal Derivatives Traders and Professionals from Commodity Exchanges
- Government, State Owned Enterprises, and Regulators

Course Director

Dr. Bart Lucarelli, Managing Director - Power & Utilities, **AWR Lloyd**

Dr. Bart Lucarelli has 40 years of experience in professional energy sector, most of which spent in Asia on senior positions, including Energy Economist at Lahmeyer International (Europe, Africa and Asia), Business Development Manager at BHP Power (US, HK & Asia), Project Development Director at Interger (ASEAN), and currently Managing Director for Power & Utilities at AWR Lloyd. He has more than 20 years of hands-on experience designing coal procurement tender packages, negotiating long-term coal sales agreements and assisting IPPs with the implementation of coal tender packages. Dr. Lucarelli was also Board Member and had chaired various organisations including Energy Committee of the Thailand Chapter of American Chamber of Commerce; AMCHAM (Philippines), Malawi Government's Energy Advisor. Bart is currently consulting many countries on their energy projects, including Vietnam, Indonesia, Laos, Pakistan, India, Australia.

Attend in a team and save more!

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All participants receive
a Course Certificate



Strategic Coal Pricing and Negotiations

About the Course Director

Dr. Bart Lucarelli is Managing Director of Power and Utilities at AWR Lloyd, a financial advisory services company that provides its clients with strategic planning and transaction support. Its professional focus is on power, fuels and mining and works on behalf of private power producers, coal and gas suppliers, lenders and governments. Dr. Lucarelli has 40 years of professional energy sector experience with most of those years spent in Asia. Since 2006, he has worked extensively on projects related to the procurement and pricing of coal for coal-fired IPP projects in Asia. He has focused his efforts on assisting IPPs design and implement competitive coal tenders for both new and operating coal-fired IPP projects in Asia and assisting them with the negotiation of the coal supply and transportation agreements.

His coal related experiences since 2000 include:

- Assisting 8 international IPPs with power projects located in Thailand, Vietnam, Indonesia, the Philippines and India with the implementation of coal tender packages and then helping them to negotiate long term, coal sales agreements with Indonesian and Australian coal suppliers
- Serving as the General Manager of the Quezon Power Company, a 460 MW coal-fired power plant located in the Philippines, from 2001 to 2004
- Assessing the technical and economic feasibility of implementing coal upgrading systems at Indonesian mine sites
- Evaluating and ranking proposals (for a state government) to demonstrate advanced technologies for upgrading Australian brown coal
- Conducting a due diligence analysis of a prospectus to build and operate advanced coal blending facilities at large coal export terminals in China;
- Conducting a comprehensive "Future of Coal in Asia study, which (i) analysed the coal industries of Australia, Indonesia, China and India and their Asian markets and (ii) compared the economics for coal-fired power plants against natural gas-fired plants and solar and wind
- Publishing 3 chapters in "The Global Coal Markets (Cambridge University Press, covering the coal industries of Indonesia and Australia and technologies for mitigating CO2 emissions from the coal industry.

Dr. Lucarelli resides in Bangkok. He has a PhD from the University in California, Berkeley.

About the Course

The challenges in coal pricing are many, and negotiating a good deal requires a combination of market information, tactics and commercial knowledge. With a range of price drivers and market variables to contend with, and price volatility currently being the norm, buyers, sellers and traders need to be on top of their game to secure good deals.

Coal Pricing is both a strategic planning and hands on course that will help participants appreciate the various market and industry factors involved in setting and managing coal prices under coal sales agreements. With the sole objective of improving the bottom line, this course is aimed at all professions and companies involved in coal purchase, sale transactions, and will help them make better pricing decisions. Our course director will educate participants on market fundamentals, pricing tactics, negotiation skills, supply agreements, risk management, and other related issues from both supply and demand side perspectives.

What Past Delegates Said About Our Coal Courses

"The programme is absolutely related to my work, help improve my understanding of the coal market"

Amir Rizman Ramali, Executive, TNB Fuel Services

"A comprehensive seminar with insightful intelligence"

Yaw Mia Jie, Reporter, Argus Media

"Trainer is very experienced in the subjects presented, I enjoy picking up new knowledge from the course"

Vindie Eu, Manager, Cement Industries of Malaysia (CIMA)

"Extensive information and data provided about other jurisdictions. A lot of information on using coal and renewable fuel"

Rosli Bin Abdul Hamid, VP, Teknik Janakuasa

"I have gained much better picture of what is going on in coal and power industry within ASEAN, particularly in Philippines. Great attendance for a training course which encourages effective networking"

Nicole Alexandria Nethercott, Energy Trader, GNPowder Mariveles Coal Plant



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COURSE OUTLINE

Course Registration: 8:30am
Course Commencement: 9:00am
Course Conclusion: 5:00pm

Explanation of Timings: These times act as a guide and may be modified slightly on the depth of class discussion and whether assessments are being conducted.

Course Programme: This program is a guide and may be altered to better address participant requirements on a consensus basis.

2-DAY COURSE OUTLINE

DAY 1

OVERVIEW OF THE ASIAN COAL MARKET AND INDONESIAN AND AUSTRALIAN COAL INDUSTRIES

- Introduction to seminar objectives and organizational approach
- Asia-Pacific Thermal Coal Production, Exports, Consumption Trends (2010-2018)
- Brief History of Coal Price Discovery methods in Asia + Evolution of Price Indices (1970 - 2002)
- Introduction to Major Issues affecting the Asia Pacific Coal Industry and Asian Coal Markets
 - ✓ Shifts in Coal Availability by Quality
 - ✓ Government Regulation
 - ✓ Climate Change and Shifts in lender and investor interest
 - ✓ Transport- IMO Marpol Annex VI

FOB PRICE REPORTING BASIS AND INDEX REVIEW

- Types of coal prices and the significance of reporting basis to coal price
- Main FOB steam coal price indices currently being used in Asia
- Methodology and data sources for each of these coal price indices
- Coal index price series: How have they varied between 2010 and 2018?

- Steam coal commodity cycles & the impacts of "market sentiment" on FOB steam coal prices
- Strengths and weaknesses of each index including comparative trend analysis
- Using statistical methods to select an appropriate coal price index
- Common mistakes and errors in setting and interpreting FOB coal prices

DETERMINING THE COST OF SHIPPING

- Methodology and data sources for calculating shipping costs
- The Baltic Exchange indices and their role in setting sea transport costs in Asia
- NETPAS as a tool for calculating shipping distances
- Case study & sensitivity analyses of shipping costs using sea transport cost model
 - ✓ Distance (Australian vs. Kalimantan ports)
 - ✓ Fuel usage efficiency vs. speed
 - ✓ Price of bunker
 - ✓ Term of contract
 - ✓ Consecutive vs. non-consecutive voyage contracts
 - ✓ Port declared as open position for vessel
 - ✓ Loading/unloading rates
- Port costs

- Short exercises for calculating Sea Transport Costs from Indonesia to India and China via either a Panamax or a Cape vessel

FOB PRICE SETTING: COAL PRODUCER'S PERSPECTIVE

- Cash costs as a tool for making short term production decisions
 - ✓ Components of total cash costs and expected margins
 - ✓ Examples of cash cost estimates for Indonesian and Australian coal suppliers
 - ✓ Relationship between a coal supplier's expected coal price and his coal quality
 - ✓ Factors affecting cash costs of coal producers over time
- Long term production decisions based on DCF analysis

FOB PRICE ASSESSMENT: IPP COAL BUYER'S PERSPECTIVE

- Short and long-term demand considerations
- DCF methodology for evaluating new power plant projects
- Comparison of levelized tariffs for coal vs. gas-fired power plants under different price scenarios for coal and natural gas
- Implications for power plant technology selection

DAY TWO

PRICE PROVISIONS OF A TYPICAL COAL SUPPLY AND TRANSPORTATION AGREEMENT (PART 1)

- Process of soliciting coal bids and negotiating price provisions of a CSTA
- Selecting an FOB price index, setting and changing the initial coal price over time

PRICE PROVISIONS OF A TYPICAL COAL SUPPLY AND TRANSPORTATION AGREEMENT (PART 2)

- Ordering of optional and pre-COD quantities
- Cancelling shipments
- Possible terms and rationale for Buyer's relief of minimum take obligations
- Timing of payments (days grace, LC requirements, interest for late payment)
- Provisions for replacing a discontinued or obsolete price index

FOB PRICE ADJUSTMENTS RELATED TO COAL QUALITY

- Standards for sampling and testing of coal quality

- Contract terms for addressing quality discrepancies
- Definition of a "statistically significant" quality difference
- Draft surveys at load port and discharge port: How to reconcile any differences
- Options for Seller to "make good" a rejected shipment

TRANSPORT PRICE ADJUSTMENT TERMS AND RELATED PRICE PROVISIONS

- Base quantity transport price contract terms
- Base quantity transport price adjustment equations

PRICE CASE STUDY 1

INDONESIA'S HBA/HPB COAL PRICE REGULATION

- Market analyses and coal pricing 2018, 2019 and beyond
- The methodology for calculating HPBs for specific coal types
- Illustration of how HPBs are calculated and

their relationship to coal prices that are published periodically by Platts, Argus Media and globalCOAL

- Potential impacts of HPBs on Indonesia's export coal prices and the demand for Indonesian coal
- Do holders of CCOWs have to sell their coal exports at the HPB?

PRICE CASE STUDY 2:

Attendees will complete a quantitative exercise using Excel for which they will calculate the HPB for a specific coal type and then compare that the HPB price on a US\$/GJ basis against the gcNEWC price after normalizing the gcNEWC price for the same CV as the coal type used for the HPB calculation

SEMINAR WRAP-UP INCLUDING FINAL Q&A SESSION

Strategic Coal Pricing and Negotiations

5 EASY WAYS TO REGISTER

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FEE PER DELEGATE	EARLY BIRD RATE Register and Pay on or before 26 April 2019	NORMAL RATE Register and Pay after 26 April 2019
<input type="checkbox"/> 2 Day Training Course	SGD 3,295 (SAVE SGD 200)	SGD 3,495

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**Applicable to Normal Rates only*

- Special Group Discount pricing is applicable to groups of 2 or more delegates from the same organisation registering for the same event, at the same time. Fee stated is the discounted price PER DELEGATE. Only one discount applies - either the early bird rate OR the Special Group Discount.
- All fees stated include luncheons, refreshments and complete set of documentation. It does not include the cost of accommodation and travel.
- A 7% Goods & Services Tax (GST) is applicable to all Singapore based companies for Singapore venue.

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Delegate 3 Details

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Who is Head of your Department?

Who is Head of Training?

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Company Name: Main Business/Activity:
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- Payment Method (Please tick): I enclose my bankers draft / cheque payable to IBC Asia (S) Pte Ltd
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Email: aili.tan@meritushotels.com Website:
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CANCELLATIONS / SUBSTITUTION

Should you be unable to attend, a substitute delegate is welcome at no extra charge. Cancellations must be received in writing at least 10 business days before the start of the event, to receive a refund less 10% processing fee per registration. The company regrets that no refund will be made available for cancellation notifications received less than 10 business days before the event.

IMPORTANT NOTE

Please quote the name of the delegate, event title and invoice number on the advice when remitting payment. Bank charges are to be deducted from participating organisations own accounts. Please fax your payment details (copy of remittance advice, cheque or draft to +65 6508 2407).

Attendance will only be permitted upon receipt of full payment. Participants wishing to register at the door are responsible to ensure all details are as published. IBC assumes no further liability or obligation, beyond the refund of the paid registration fee, in the event of postponement or cancellation by IBC.

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