

# FAQ on Platts CFR India Coal Price Assessments

## WHAT ARE THE PLATTS CFR INDIA COAL PRICE ASSESSMENTS?

Platts publishes six daily price assessments that reflect the transactable value for three standard calorific values, delivered within a 90-day forward period on a cost and freight (CFR) basis to specific ports on the east and west coasts of India.

Alongside the six new price assessments, Platts publishes four corresponding freight rates for thermal coal shipped on a standard panamax from Richards Bay to specified ports on the East and West Coasts of India and from Kalimantan to specified ports on the East and West Coasts of India.

The new price assessments provide power producers, cement manufacturers, coal traders and ship brokers with an independent, transparent source of India-related open-market spot prices for imported thermal coal.

## HOW IS THIS IMPORTANT TO THE MARKET?

Indian consumers are exerting increasing influence in the seaborne-traded thermal coal markets, making India one of the brighter prospects in the international coal market firmament, next to maturing markets such as Europe and Japan. In just a short space of time, the volume of thermal coal exports to India has increased to such an extent that the Asian country has effectively changed the traditional pattern of trade flows for coal exports, most notably in the case of Richards Bay exports.

Until 2009, Europe consumed the majority of thermal coal exported from Richards Bay terminal in South Africa. Nowadays, it is Asia, or more specifically India and China that are the main destinations for Richards Bay's thermal coal exports. In addition, a great deal of Indonesian thermal coal exports are traded on a spot basis to Indian customers. India has been called "the fastest growing importer of thermal coal" by the Australian Bureau of Agricultural and Resource Economics (Abare), an Australian government research agency that reports on international commodity markets. The Asian country's imports of thermal coal are forecast by Abare in its June 2010 quarter report to reach 68 million mt in the 2010 calendar year, a rise of 26% on volumes in the 2009 year. Abare expects India's demand for imported thermal coal to increase by 13% in the 2011 calendar year to 77 million mt. This demand is being stimulated by India's vast electrification program. India is to complete 18.8 gigawatts of coal-fired power generation capacity in the 2010-11 financial year, said Abare.

**Fig 41: India – Power generation and thermal coal imports**

Demand drivers	2009	2010E	2011E	2012E	2013E	2014E	2015E
Electricity Generated (GW)	159	170	184	198	214	231	250
Growth in Electricity Generating Capacity		7%	8%	8%	8%	8%	8%
Coal-fired Generating Capacity %	53%	55%	55%	55%	55%	55%	55%
Coal-fired Electricity Generated (GW)	84	94	101	109	118	127	137
Conversion: Coal (mt) for 1GW	4	4	4	4	4	4	4
Total Coal Requirement (mt)	337	374	404	437	471	509	550
Increase in Annual Coal Requirement from 2009 level		37	67	100	134	172	213
% of Imports to meet domestic requirement	17%	40%	40%	40%	40%	40%	40%
<b>Thermal imports (mt)</b>	<b>58</b>	<b>73</b>	<b>85</b>	<b>98</b>	<b>112</b>	<b>127</b>	<b>143</b>
Change yr/yr (mt)		15	12	13	14	15	16
Change yr/yr (%)		26%	16%	15%	14%	13%	13%

Source: Government of India – Power Ministry, Standard Chartered Research estimates



**CFR COAL PRICE ASSESSMENTS - INDIA**

India's demand for imported thermal coal is growing at a faster rate than China's. The increased coal tonnage bound for India has resulted in a demand for increased frequency in spot pricing in thermal markets. The change in the trading landscape has also seen the establishment and expansion of coal trading desks in India and Singapore of current and new coal players in the market. Official statistics from Richards Bay Coal Terminal indicate that 2009 exports to India totalled 17.7 million mt or 29% of total Richards Bay exports, up from 6.8 million mt, or 11% of total Richards Bay exports, in 2008. India's total imports were reported in the region of 60 million mt in 2009 up 100% year-on-year. Conservative projections are forecasting imports of 100 million mt by 2012.

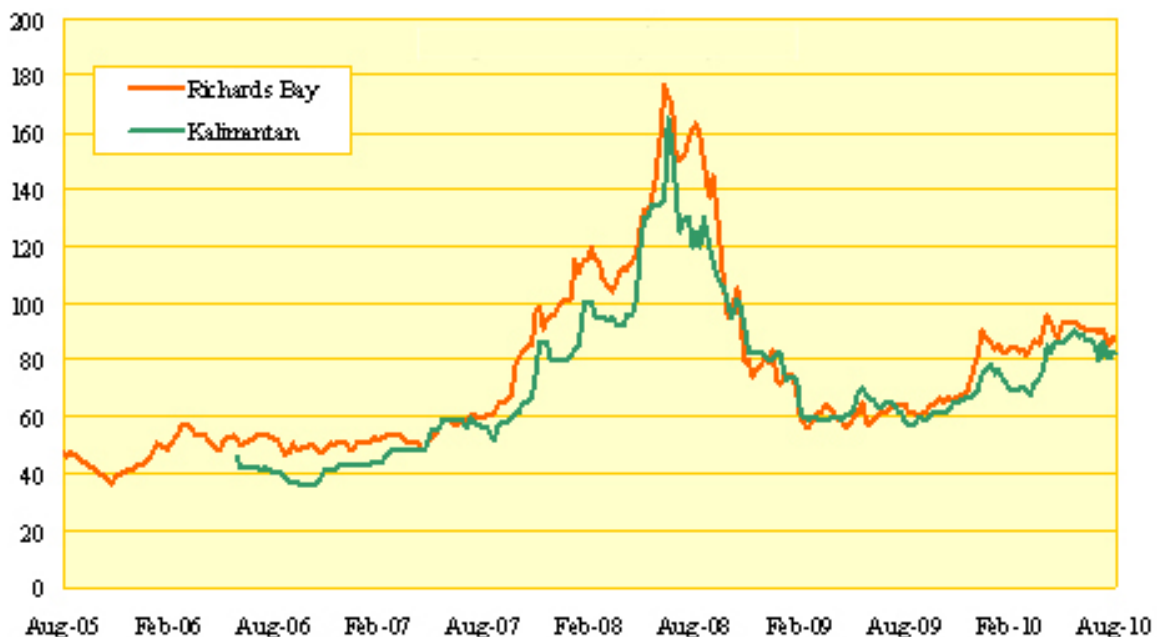
**WILL FINANCIAL DERIVATIVES FOR CFR INDIA EMERGE?**

As of October 2010, derivative financial (paper swap) CFR India contracts have not emerged, although they are anticipated due to the fast pace of market commoditization and development. Consistent, high-frequency spot cargo prices are typically a pre-requisite for the development of financial derivative instruments, as greater price transparency helps financial institutions and market players to understand and thereby manage the financial risks faced in the underlying physical marketplace.

**HOW ARE PLATTS CFR INDIA PRICES ASSESSED?**

Platts' experienced market reporters interview active market participants from across the industry spectrum on a daily basis. Platts' assessments take into account demand/supply fundamentals in key consumer markets such as confirmed spot cargo deals, firm bids/offers, current shipping costs and fundamental supply/demand conditions are collated, tested and analyzed. Assessments also take into consideration daily Asia-Pacific price movements in associated commodity markets including: FOB coal prices for Richards Bay, South African thermal coal, FOB coal prices Kalimantan, Indonesian thermal coal and spot freight rates for panamax-sized and supramax-sized vessels on these trade routes to Indian ports. This information will be gathered from participants involved in the Indian imported coal market including end users, traders, suppliers and other relevant parties. Platts then applies its methodology to assess the tradable value of CFR India coal. See Platts Methodology guide for more information.

**FOB Richards Bay 6,300/Kalimantan 5,900 kcal/kg  
5 year view (\$/mt)**



Source: Platts

### HOW CAN DAILY CFR INDIA SPOT PRICE ASSESSMENTS BE USED?

Platts assessments can be used by anyone needing timely, independent spot CFR India price information. Daily prices reflect changes in value that occur every single trading day. Consistent CFR India spot price information supports critical decision-making about cargo trade, arbitrage between regions, storing or transporting thermal coal to markets; investment in infrastructure projects, optimal production rates, processing margins and consumption levels. Platts spot prices also facilitate hedging, transfer pricing, differential pricing and taxation.\*

### WHAT OTHER COAL ASSESSMENTS DOES PLATTS PUBLISH IN ASIA?

In the Asia Pacific region Platts publishes a comprehensive suite of daily and weekly assessments including daily spot 90-day forward prices for FOB Newcastle (6,300 kcal/kg GAR), FOB Kalimantan 1 (5,900 kcal/kg GAR) and FOB Kalimantan 2 (5,000 kcal/kg GAR). On a weekly basis, Platts publishes spot 90-day forward prices for FOB Gladstone (6,500 kcal/kg GAR), FOB Qinhuangdao (6,200 kcal/kg GAR), Russia Pacific (6,300 kcal/kg GAR), CIF Korea West (6,080 kcal/kg NAR) and CIF Japan (6,080 kcal/kg NAR).

### WHERE CAN I FIND MORE ABOUT PLATTS CFR INDIA PRICE ASSESSMENT METHODOLOGY?

The methodology for Platts' India-bound thermal coal price assessments was developed in consultation with a cross-section of key industry players, and draws upon Platts' century of experience in benchmark price reporting in energy, and is underpinned by robust quality guidelines. For more information on coal, visit the Platts website at [www.platts.com/commodity/coal](http://www.platts.com/commodity/coal). For Chinese-language information on coal and energy markets, visit <http://www.platts.cn/>.

### WHERE ARE PLATTS CFR INDIA PRICE ASSESSMENTS PUBLISHED?

The CFR India East and West thermal coal price assessments are published daily in Platts Coal Trader International and weekly market analysis is provided in International Coal Report. The daily assessments are also published on the Platts real-time service Platts European Power Alert page EP 0910 and the assessments are available via Platts Market Data - Coal in the CI category.

### WHO SHALL I CONTACT FOR MORE DETAILS ON CFR INDIA?

For comments, feedback or questions please email [coal@platts.com](mailto:coal@platts.com).



## CFR COAL PRICE ASSESSMENTS - INDIA

<b>Timing</b>	The assessments reflect the price for coal delivered at Indian ports within the next 90-day (three-month) period.
<b>Specifications</b>	6,300 kcal/kg GAR, max sulfur 1.4%, 16% ash max. 5,900 kcal/kg GAR, max sulfur 1.4%, 15% ash max, total moisture range 15-17%. 5,000 kcal/kg GAR, max sulfur 1.4%, 16% ash max, total moisture range 22-25%.
<b>Basis and Location</b>	The daily assessments cover cargoes of imported thermal coal delivered on a cost and freight (CFR) basis to the west coast Indian ports of Kandla, Mumbai, Mormugao, Mundra, New Mangalore, Navlakhi and Pipavav and to the east coast Indian ports of Chennai, Ennore, Gangavaram, Haldia, Karaikal, Krishnapatnam, Paradip and Vizag.
<b>Volume</b>	The minimum-sized cargo considered relevant for price assessment purposes is 40,000 mt.
<b>Unit</b>	All prices are quoted in US dollars per metric ton (\$/mt) two decimal places.
<b>Timestamp</b>	The daily assessments are derived from firm trades, bids and offers prevailing at market close at 17.00 London time. No trades or firm bids or offers are considered for the assessment process after that time. Platts' market reporters will only assess coal based on demonstrable and verifiable data.

### INTERNATIONAL COAL REPORT AND COAL TRADER INTERNATIONAL

If you can't verify the prices you're paying for coal, how are you able to develop a price basis for your contracts? The daily coverage of Coal Trader International and weekly market data and analysis from International Coal Report gives you the competitive advantage you need, helping you track events in the global coal market, identify business opportunities and understand price movements.

#### Benefits

Traders use Coal Trader International assessments as a baseline to buy and sell coal on both a spot and long term basis—helping them to make more informed transactions. They also employ the news to evaluate specific events' impact on the market which saves valuable time and effort trawling over multiple sources of information.

**Analysts** read International Coal Report's news and market commentary to identify patterns and trends in the regional coal markets as well as keep track of major market developments, competitors, supply and market dynamics and regulatory issues to avoid spending time sifting through multiple websites, and newspapers.

**Finance/Compliance departments** reference International Coal Report assessments to resolve contract pricing issues, establish contract prices for billing and understand regional basis for contract price formulae.

**Business Development and Sales** draw on International Coal Report and Coal Trader International's news, market commentary and assessments to understand the market/pricing trends and stay on top of customer/counter-party activities as well as develop new business opportunities.

**Executive Management** reads International Coal Report's news and market commentary to track important market developments and news around competitors and customer companies. They employ the market assessments in developing pricing/budgeting strategies.

A subscription to Platts International Coal report provides access to the daily market coverage of Coal Trader International and the weekly insight of the International Coal Report by providing you with:

- Physical and financial market prices
- Updates on spot-market developments
- News of global steam coal tenders
- Coking coal market pricing and news
- Latest freight and rail developments
- Emissions news
- Environmental reports
- Daily forward curves for German dark spreads and German clean dark spreads

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### Coal Trader International

Volume 22 / Issue 297 / Wednesday, October 13, 2010

**Dhatia wins MMTC 100,000 mt thermal coal tender**

Indian private sector trading firm Dhatia International has won MMTC Limited's recent spot tender to import 800,000 mt of thermal coal.

Dhatia's bid of \$11.17 per ton is a 2% bid was the lowest followed by Adani's \$11.80 and Knowledge Infrastructure's \$11.77, an MMTC official told Reuters October 12. The port of discharge will be Paradip in Orissa on the east coast.

The coal will be supplied as soon as possible in two 40,000 mt shipments to Indian Power Supply Company Private Ltd, a joint venture company between Adani's Steel Authority of India Limited and Dhatia's Tolly Corp, which requires coal for its 300-MW power plant near the Bihar state port of Jharkhand.

—Sangeeta Datta, New Delhi

**Xstrata's Rolleston mine on FM, rainfall delays coal trains**

Heavy rain has hampered rail traffic around producer Xstrata's Rolleston mine in Queensland as well as delays to mine-to-ship coal loading operations on the rail network serving the Cloncurry-Morven coalfield in the southwestern corner of the Australian state.

Xstrata received 200 million litres of rain in the three-day period to the AMT October 12 and some areas around the mine itself were deluged with between 300 and 400 millilitres of rain in the same period, according to records on the Australian Bureau of Meteorology's website.

Xstrata said it expects the 20,000 tonnes per month for its Rolleston export thermal mine in the southern Bowen basin was still to be affected and stressed that its other Queensland coal operations in the Cloncurry Creek region could still face and Cloncurry and Morven export thermal coal mines were operating normally.

"Considering heavy rains across much of central Queensland has affected production at the Rolleston open cut thermal coal mine with some flooding and damage to extensive haul roads preventing the continued operation of heavy machinery and equipment," said James Cook, operations manager in charge of the October 12 coalfield report.

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**DAILY SNAPSHOT**

**Daily Physical Coal Trading, Oct 12**

CFR Asia (5,000 kcal/kg NAR)	CFR Europe (5,000 kcal/kg NAR)	CFR Africa (5,000 kcal/kg NAR)
97.80	70.41	88.00
FOB Richards Bay (5,000 kcal/kg NAR)	88.00	63.35
FOB Newcastle (5,000 kcal/kg GAR)	95.05	58.43
FOB Kaituma (5,000 kcal/kg GAR)	84.75	61.02
FOB Kaituma (5,000 kcal/kg GAR)	66.90	48.16
FOB ARA Super (5,000 kcal/kg NAR)	100.15	72.10

**Daily Physical Coal Trading, Oct 12**

CFR India	CFR Europe (5,000 kcal/kg GAR)	CFR Africa (5,000 kcal/kg GAR)
102.80	74.73	88.25
West (5,000 kcal/kg GAR)	80.40	57.88
East (5,000 kcal/kg GAR)	105.00	75.59
East (5,000 kcal/kg GAR)	96.25	69.29
East (5,000 kcal/kg GAR)	78.40	56.44

**Freight**

CFR ARA (5,000 kcal/kg NAR)	CFR Richards Bay (5,000 kcal/kg NAR)	CFR Newcastle (5,000 kcal/kg GAR)	CFR ARA Carbon Adjusted
97.80	70.41	88.00	62.28
95.25	67.13	84.75	104.92

**Weekly**

Freight, RB to ARA*	Freight, RB to India West	Freight, RB to India East	Freight Differential
13.75	9.90	11.20	8.14
2.45	1.76		

\* Friday's weekly freight rate courtesy of SEV

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### International Coal Report

Issue 952 / October 11, 2010

**India's STC issues 12 million mt NTPC steam coal tender, bids due November 18**

Indian government-run State Corporation of India Ltd (SCIL) has issued a tender call for 12 million mt of approved steam coal to be delivered to the country's largest power producer NTPC over the next two years. Technical and price bid offers are required by November 18.

The contract is to be delivered each year starting January 2011 and total quantity can vary up to 2%. Month supplies can be approved at STC's discretion.

Contracted parameters for coal pricing will include a 2009 kcal/kg gross calorific value, 30% ash and 0.50% sulfur air-dried basis and 10% total moisture air-dried basis.

"Delivery schedule and timely supply is the essence of the contract," said STC, which has been asked by NTPC to ensure regular supply after recent delays in import orders by another government trader, MMTC, STC's disclosure.

**New Hope, Xstrata both a "good fit" for takeover target Northern Energy analyst**

Northern Energy, an Australian coal producer, received a verbal takeover offer, making the company an ASX 100 candidate (ASX market), from Brisbane-based New Hope Corp, on October 8 after reporting a "roadmap" for an initial conditional cash offer of A\$1.5 billion.

New Hope's takeover approach could open the way for a major coal competitor such as Xstrata to have a tilt at gaining control of Northern Energy.

where shares soared 20% to A\$1.507 share October 8, analysts suggested.

Xstrata could possibly be interested in Northern Energy's, Elmore thermal coal asset due to its proximity to Xstrata's 30 million mt per year Victorian thermal coal project in Queensland's State Rivers coalfield.

"Given that Elmore is located 45 km from Waddi, Xstrata might be interested in buying Northern Energy," said a Northern Energy analyst.

**Platts Weekly 90-day Forward Benchmark Coal Price Assessments**

	08-Oct (\$/mt)	08-Oct (€/mt)
<b>Atlantic</b>		
FCB Barge ARA (5,000 kcal/kg)*	99.08	71.08
FCB Bofner (5,300 kcal/kg)	82.00	58.82
FCB Bofner (6,450 kcal/kg)	83.00	59.54
Poland Baltic (5,300 kcal/kg)	88.00	63.13
Russian Baltic (5,400 kcal/kg)	88.00	63.13
<b>Pacific</b>		
FCB Gladstone (5,200 kcal/kg)	99.50	71.38
FCB Qinhuangdao (5,200 kcal/kg)	113.50	81.42
Russia Pacific (5,300 kcal/kg)	105.50	75.08
CIF Japan (basket price)	112.00	80.34
CIF Korea West (5,080 kcal/kg)	106.50	78.55

\* Weekly average  
(For complete specifications, including sulfur & ash, consult methodology at www.platts.com)

**Market News Summary**

### Pacific Summary

Power utilities in South Korea, Taiwan, and the Philippines launched or closed spot and term contract solicitations last week for coal for Q4 2010 to Q1 2011

Newcastle stable at 80 through November on Indonesian coal as continuing

Coal pricing and, boosted by Indian demand

Expectations for Indian demand

Chads Bay of \$90/mt, the arbitrage

two weeks coal into

AN demand has

AR prices

ge, while

traders have taken note of a recent flurry of tenders call from South American buyers. Brazilian generator MPX issued a tender for 800,000 mt for delivery in 2011 and 2012.

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