

# **COAL PURCHASING STRATEGIES**

**an introduction**

**COALTRANS INDIA  
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Martin Bloemendal

# Traditional Situation (thermal coal)

- Technical orientation of consumers
- Electricity markets not liberalised
- Coal market not transparent
- Few environmental constraints

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[action@energy-edge.net](mailto:action@energy-edge.net)



# Traditional Strategies

- Security of supply
- Diversification of sources
- Long term contracts
- Confidential negotiations

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# Recent Developments

- Strong growth of seaborne coaltrade
- Liberalisation of electricity markets
- More environmental constraints
- Consolidation of coal producers

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# Recent Trends

- From generation to trade
- From special product to commodity
- From long term to spot
- From negotiation to index and screen

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# Some actual strategies

- Timing linked to electricity sales
- Tendering
- Index-linked contracts
- Coal buying + trading

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# Actual Situation

- Few (?) alternatives for buyers
- Discipline by suppliers
- High coal prices
- High freight rates

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# Prices (USD per ton of 25GJ)

	1993-2003 average	2004 average	2005 february
COAL FOB RB	28	50	45
FREIGHT SA – ARA	7	18	20
COAL CFR ARA	35	68	65

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# New Dynamics

- Need to increase boiler efficiency
- Need to compete
- Blending coals and coal with biomass
- Emissions management and trading

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# New Strategies ?

- Long term relationships/contracts
- Value of special coal qualities
- Exploiting specific skills/situations
- Deviating from competitors' behaviour
- **CREATING YOUR COMPETITIVE EDGE**

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# Thank you for your attention

## Discussion highly appreciated

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