

# Introduction to Coal Trading & Hedging



**Gain vital knowledge about the latest tools, techniques and tactics for hedging and trading in the coal market.**

## Course Date & Location

**When:** June 17-18, 2008  
8 a.m. – 4 p.m. both days  
**Where:** Sheraton on the Hudson  
500 Harbor Boulevard  
Weehawken, NJ 07086  
Phone: 201.617.5600

## What You Will Learn

Do you trade a little, trade a lot, hedge a little, hedge a lot, support those operations or manage them? Then now is the time to expand the depth of your knowledge.

Successful coal trading and hedging can add an enormous value to a firm, a lack of understanding can easily lead to disastrous results. It is therefore, vital for participants to be knowledgeable about the latest tools, techniques and tactics available for trading and hedging today.

Designed from the perspective of a coal hedge & trader, this introductory 2-day coal course covers many topics that are of special interest to all in the coal sector. The course moves logically from a macro overview of the basic concepts to advanced topics with many examples. The program is filled with an extraordinary amount of valuable information for participants at all levels. This session will focus on the use of conventional futures & options strategies as well as physicals and OTC. The session will use a series of examples (using current market data) to demonstrate the use of the principles of trading & hedging at every level of the coal infrastructure. A short listing of some of the things you will learn & be exposed to follows:

- Fundamentals of the international coal sector
- The vocabulary of coal trading and hedging
- The what, why, how and who of coal
- Primary coal production locations and trends
- The important quality factors
- The market participants
- Coal supply and trading activities
- Market behavior
- Coal supply and trading activities
- Transportation considerations
- Coal futures contracts and hedging applications

## Who Should Attend

The course is applicable to all levels of the coal infrastructure. Anyone who would like to gain an understanding of the basic concepts of this significant and evolving market. Individuals in every functional area of responsibility in all aspects of coal buying, selling, trading, hedging and transportation will benefit from this program. Traders, hedgers & managers will find the course highly beneficial. Some of the more specific areas follow: **Coal buyers, coal producers, coal sales and marketers, coal traders and hedgers, futures and OTC brokers (especially brokers catering to the above type companies), utilities and power marketers, shipping and logistics personnel, lenders to the coal trading industry, accounting and financial personnel.**

## Program Registration Fees

1<sup>st</sup> delegate: \$1,895  
2<sup>nd</sup> delegate: \$1,595  
3<sup>rd</sup> delegate: \$1,395\*

Fee includes full two-day course, expert instruction, course materials, continental breakfast & lunch.

## CPE Credits



This course earns 13 CPE credits. EMI awards credit hours towards CPE and Certified Purchasing Manager status (CPM).



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## Course Syllabus

### **DAY ONE...Coal Trading** (8:00 a.m. – 4:00 p.m.)

#### ▣ **Session 1: Overview of the Coal Industry.**

During this opening session we will delve into coal industry fundamentals. It will be a no-nonsense “coal primer” with detailed analysis of the supply, demand and volatility drivers. This session will also present an overview of both the U.S. and the global coal markets, looking at supply, demand, ocean freight and trading. We will end the session by summarizing the “Who’s Who” in the coal sector... top coal producers, the biggest mines, leading consumers (separated by regulated and unregulated), major exporters, major importers, active OTC traders (U.S. and globally), and leading OTC brokers.

#### ▣ **Session 2: Setting the Stage.**

Let’s set the stage by reviewing the basics of coal trading—markets, tools and techniques. Is it a good business? We’ll look at the evolution of coal trading starting with the pre-futures market days to today’s world.

#### ▣ **Session 3: Introduction to Coal Trading.**

Questions we will address in this session include: Is coal trading the start of something big? How does trading fit into the normal physical international logistics of the coal industry? Is physical coal a commodity? What is the role of coal trading in the commoditization process? Where is all of the trading taking place...OTC or futures?

#### ▣ **Session 4: Coal Market Structure.**

We’ll discuss the three main coal trading sectors: The U.S., Europe, and Asia. As we try to understand the risk and reward for trading in each sector, we’ll look at and discuss why each of these sectors is at different levels of commoditization and the types of trading that occur in each area. Which players dominate which sector and why? Which sector has the most profitable trading opportunities? Why should you select one trading sector over the other?

#### ▣ **Session 5: Behavior of the Market & Participants – Philosophy & Psychology.**

Before moving into technical tools and techniques let’s pause to get a better understanding of market behavior. Just a few of the things that make traders react are following the trend, contrarian theory, interpreting the news, waves, and fear and greed. We’ll discuss the philosophy and psychology of the trader and point out some no-nonsense rules that should be a part of everyone’s trading repertoire to successfully compete in this fast-moving and highly volatile energy market.

#### ▣ **Session 6: Money Management.**

We all know the three most important things about the real estate market are location...location...location. Well the three most important things about trading are money management...money management...money management, topped with discipline. We’ll discuss a litany of the rules and approaches that work when trading any commodity in any market. The key to successful trading is longevity. One needs to be in to win it.

#### ▣ **Session 7: Coal Freight Risk Management.**

We will begin this session by discussing and developing an understanding of freight risk. We will outline the impact of freight on coal trading. We will discuss the Freight Forward (FFA) market and contracts. And we will look at the activity level and structure of this increasingly important part of the freight market.



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## DAY TWO...Coal Hedging (8:00 a.m. – 4:00 p.m.)

### ▣ **Session 1 – A Walk Down the Coal Risk Management Path.**

This session will detail the design of a typical risk management program, covering the corporate policies, procedures, board resolutions, FASB 133 requirements and checks and balances required that would meet the most diligent auditor's requirements. These steps are a pre-requisite to understanding the various tools and techniques that are normally employed to manage risk. We will also discuss the three big questions of risk management ... What is the company's risk profile? What percentage of the business do we hedge? How far forward into the future do we go? These questions are difficult to answer, but not impossible.

### ▣ **Session 2 – Understanding the Terminology, Tools & Techniques of Coal Hedging.**

The journey will start with a historical overview of the development and characteristics of all of the markets and tools used for energy hedging – the what, why, who and how. There are three tool bags in the risk management arsenal: 1) Physical purchasing methods 2) Regulated futures markets 3) Self-regulated Over-the Counter markets. This session sets the stage and presents a macro view of all of the tools available to your risk manager.

### ▣ **Session 3 – Managing Coal Price Risk.**

We will begin this session by first separating and discussing physical coal risk from financial coal risk. We will delve into demand-side risk management as well as supply-side risk management. Where is all of the hedging taking place...OTC or futures?

### ▣ **Session 4 – Self-Regulated Instruments: OTC – Derivatives Tool Bag.**

This is the third tool bag in the hedger's arsenal and one that is growing in leaps and bounds. The individual instruments, the size of the contract and electronic exchanges are making these customized instruments a very cost-effective tool for hedging. This session will discuss hedging examples using various types of swaps, who the players are, and how to get started.

### ▣ **Session 5 – Keeping All of Your Options Open.**

If you originally thought options were not a viable tool you will be surprised to see how functional and easy it is to incorporate them into your risk management portfolio. There are only two types of options and two things you can do with each type of option. There are four elements that go into the cost of an option. This session will bring it all together and provide effective option strategies using both options on NYMEX futures and OTC swaptions to hedge your price and margin risk.

### ▣ **Session 6 – Case Study – Coal Risk Management.**

This case will demonstrate many of the principles discussed in the course. We will present a comprehensive risk management case that goes from setting up a program to executing a program. We will use coal as the commodity to hedge from an end-user's perspective.



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## About EMI Instructors



### Learn From the Experts that Experts Trust

EMI experts are frequent editorial contributors to petroleum magazines & are trusted by today's leading news sources. Our experts have been featured in:

*The Wall Street Journal* • *USA Today* • *The New York Times* • *The Washington Post* • *Journal of Commerce* • CNN • NBC • CBS • ABC  
• Williams Energy News Live

EMI's leading industry experts have an average of over 30 years of knowledge and experience in:

**Energy • Commodity trading • Risk management**  
**• Education • Consulting • Financial services**

Plus many years of managing marketing, international trading, manufacturing, consulting, start-up operations and project finance operations of well-known companies; integrated major oil companies as well as international trading companies.

EMI's industry experts have also provided risk and value management analysis, advice, information, and services to a variety of companies in the electric power industry. Clients have included power marketers, integrated utilities, retail power providers, hedge funds, and power plants.

Highlights of our instructors' experience include: • Developing a suite of models for a variety of power markets that quantify value and risk • Managing spark spread portfolios for hedge funds in the power markets • Operating in futures trading pits as a market observer in the power markets • Developing working papers for investigations and performing compliance audits in the power industry • Helping Texaco initiate its first use of futures exchanges as an integral part of hedging/trading strategy • Chief Operating Officer of Triwell Marketing and refining • Director of OPIS, Oil Price Information Service, a management-consulting and educational services group that solely focused on the downstream energy industry • Member of Board of Directors of Longview Refinery • Member of the New York Mercantile Exchange Petroleum Advisory Board • Expert witness for a hearing before the subcommittee on surface transportation for the Commerce, Science, and Transportation Committee of the US Senate • Supplied expert testimony to a US Senate subcommittee hearing on diesel petroleum product pricing • Supplied testimony to the Federal Highway Administration regarding fuel tax evasion • Expert witness in a MTBE litigation against the major oil companies • Publishers of *The Daily Hedger*, *BTU's Daily Gas Wire* and *BTU's Daily Power Report*, which advise thousands of petroleum professionals daily.

Our instructors are frequent expert speakers for numerous petroleum industry events and trade associations including: • DOE DESC World Energy Conference • OPIS Fleet Fueling • NYMEX • Fuel Management University • NATSO • ATA • AAA • Dairy Distribution • eyeforEnergy eCommerce • OPIS Supply Summit • CIOMA • American Society of Mechanical Engineers • American Society of Lubricating Engineers • Ambrust Aviation • NACHA.

Over the years EMI has developed a series of intensive courses covering all aspects of Energy from production all the way to managing the impact price and volatility on the margin of end-users, resellers, traders, marketers, shippers, retailers and refiners. Our instructors have had the privilege to instruct thousands of professionals representing all aspects of the energy industry, including every major oil company (i.e. Exxon Mobil, BP, Shell, Equilon, Motiva) major power utilities (i.e. Sempra, Edison Mission, Berkley, Toronto Hydro, Dominion, Conectiv) small marketers (i.e. Sprague, Getty, Southern Counties, Western Petroleum) trucking fleets from 50 to 10,000 (i.e. UPS, U.S. Postal Service, Yellow, Pepsi, Werner), gasoline-powered fleets hyper-markets (i.e. The Pantry, Wawa, BJs Wholesale) and many fortune 500 energy consumers.



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## Reserve Your Seat Today!

### Four easy ways to register:

1. Call PMA Conference Management at 201.871.0474 or send email to: [register@pmaconference.com](mailto:register@pmaconference.com).
2. Complete & fax this form to 253.663.7224.
3. Complete & mail the form to: PMA Conference Management, POB 2303, Falls Church, VA 22042.

<b>A</b> <b>Registration Fees:</b>  \$1,895 for full two-day program  This fee includes expert instruction, course materials & lunch.	<b>Discount for Additional Attendees:</b>  2 <sup>nd</sup> delegate \$1,595  3 <sup>rd</sup> delegate \$1,395
<b>B</b> <b>Enrollment Information (please print clearly)</b>  <b>NAME:</b> _____ <b>COMPANY:</b> _____ <b>ADDRESS:</b> _____ _____ <b>PHONE:</b> _____ <b>FAX:</b> _____ <b>E-MAIL:</b> _____	
<b>C</b> <b>PAYMENT METHOD</b>  <input type="checkbox"/> Please invoice my company (payment must be received prior to course date) <input type="checkbox"/> MasterCard <input type="checkbox"/> Visa <input type="checkbox"/> American Express  Card Number _____ Expiration Date ____/____/____ Card Holder Name _____ Card Holder Signature _____	

REFUND/CANCELLATION POLICY:  
 Attendees may reschedule for a different date or course with no penalty. 100% refundable with 14 days cancellation notice. 80% refundable with 5 days cancellation notice. Cancellations are non-refundable day of or after course.