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## Argus Consulting: Thermal coal price review



### Challenge faced

Our client, the monopoly buyer of electricity in the country, needed to set the price and be able to forecast the price for thermal coal used in the electricity tariff calculation.

Given the increased volatility that coal markets have been subjected to in recent years, the variety of coal grades being purchased, the independence of the market dynamics of these coal grades and the lack of transparent forwards markets for bituminous and sub-bituminous coal, this was a difficult task.

### Solution provided by Argus Consulting

Argus Consulting was able to provide the client with comprehensive analysis, best practice guidance and forecasts for our recommended thermal coal price benchmarks. Our findings also illustrated the cost savings that would result.

### Our analysis covered:

- Inter-country comparison of thermal coal purchasing patterns and regulatory practices, including the pricing basis for coal purchased from different countries, the typical formula being employed, the contract duration and spot-to-term purchase ratios.
- Price forecasts for benchmark thermal coal grades, including bituminous and sub-bituminous coal
- Procurement considerations, including technical constraints, supply security and coal quality
- Best practice regulation

### Outcome

Following our plant-by-plant analysis of thermal coal purchases, we were able to reveal to the client the differences between its purchasing patterns and those of other relevant countries. By uncovering factors including the coal grades purchased, the technical flexibility of different power plants and the amount of coal purchased by each facility, Argus Consulting was able to advise the client of the optimal thermal coal price benchmarks that it should use.

When the client compared our recommended benchmarks to the benchmarks it had previously used, it became aware of the resulting system-wide cost savings that it could achieve.

For more detailed information on this case study and similar projects completed by Argus Consulting, please [contact us](#).

### For more information:

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Coal  
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