Coal Trading and Hedging Masterclass

Intensive 5-day residential training course

16-20 June 2003, Møller Centre, University of Cambridge, UK

In just five days you will find out how to:

- Assess your organisation’s risk
- Design, evaluate and execute the appropriate coal hedging strategy
- Analyse coal options
- Construct, evaluate and price structured products
- Use spark spreads as a trading strategy for coal
- Include multi-commodity trading into your coal trading strategy
- Create hybrid trading solutions by bundling OTC products with traditional coal contracts

Organised by

Coaltrans Conferences
This course will show you how to combine proven trading and hedging techniques with your intuitive trading skills. Upon completion of this course, you will be able to:

- Effectively interpret a forward curve
- Identify and price options that are in your existing contracts and real assets
- Identify risks/develop and execute hedging strategies
- Evaluate/negotiate structured product transactions
- Integrate financial settlements into your current buying/selling programmes
- Choose from the best of both worlds: your traditional methods and the OTC market
- Understand how trading can help you (and hurt you)

The fuel, electricity and transportation markets are interdependent and our integrated approach to instruction is focused on the critical factors:

- Mastery of the trading fundamentals: Forward curves, basis trading, options, structured products, hedging strategies, swaps, freight futures
- Understanding coal’s ‘ecosystem’: The global coal chain (supply, transport, loading/unloading, storage), the liberalised electricity market, the competition (gas, petcoke, oil, hydro, nuclear), greenhouse gas trading, the market drivers for supply, demand and price volatility

Who should attend?

- Coal producers
- Coal buyers
- Coal traders
- Exporters/Importers
- Non-coal energy traders & marketers
- Banks & financial institutions
- Shipping & logistics managers
- Brokers
- Middle & back office managers
- Risk managers

The Venue

Cambridge, as one of the most beautiful cities in Britain, conjures instant images to mind: the breathtaking view of King’s College Chapel from across the river; carpets of daffodils along the Backs of the colleges in springtime; thousands of students cycling frantically to lectures; lazy summer punting on the River Cam. The City manages to combine its role as an historic city with a world-renowned University and an internationally acknowledged centre of excellence for learning achievement. The Møller Centre was specially created for residential training courses and is just 15 minutes walk away from Cambridge University City. It is a stylish venue with superb facilities for training, relaxation and sporting activities.

For latest programme updates please visit our website on www.coaltransconfeences.com
COAL TRADING AND HEDGING -

DAY 1 - MONDAY 16 JUNE 2003

SESSION I
INTRODUCTION

Instructor
Stephen Doyle, President, Doyle Trading Consultants

TOPICS
- Trading beliefs
- Right brain/left brain: using it all.
- Monetising Fear/Vanity/Greed
- Demonising Fear/Vanity/Greed (famous trading blow-ups)
- Learning from the traditional risk management methods
- The roles of the major trading players
- The moving targets of trading
- Using objectivity and consistency to establish a market view

EXERCISE
- Simulating the mayhem on a trading floor (breaking into teams)

SESSION II
STATE OF THE LIBERALISED GAS & ELECTRICITY MARKETS

TOPICS
- How liberalised are the markets?
- Update on power trading
- Power plant dispatch prices (gas, coal, nuke, hydro, etc.)
- Transmission and the effect on coal markets
- Prognostications: Big winners/Big Losers

SESSION III
COAL FUNDAMENTALS

Instructor
Phillip Costello, Marketing – Coals & Coke – European Markets, Noble Europe

TOPICS
- Major producing countries (ports, volumes, important issues, etc.)
- Major producers (trends and issues) and Major traders (exporters/importers)
- Major qualities, brands (trends and issues)
- Mastering the idiosyncrasies: Supply, demand and volatility drivers
- Country risk issues
- How does petcoke impact steam coal prices? How does coking coal impact steam coal prices?
- The role of ocean freight

EXERCISE
- Create a quality/origin/freight/country risk matrix

SESSION IV
STORAGE, HANDLING & INLAND TRANSPORTATION

TOPICS
- Ports (Origin and Destination)
- Inland freight issues (barge and rail)
- Terminal costs and Storage costs
- Blending capabilities
- Ocean freight chartering
- The impact of logistics on basis differentials

Day One Team Homework: Create three-year consensus forecasts for coal and ocean freight.

DAY 2 - TUESDAY 17 JUNE 2003

SESSION V
FORWARD CURVES

Instructor
Peter Sceats, Managing Director, acuma:

TOPICS
- Price forecasts vs. price curves
- Components of a forward curve
- The role of storage & handling costs
- The misunderstood animal: the importance of the bid/ask spread
- Demystifying the convenience yield
- Arbitraging the forward curve
- Obeying the price curve/Doing what the market tells you to do
- The great profit debate: Mark to market vs. accrual accounting

EXERCISE
- Analyse the team homework; creating a forward curve; calculating the convenience curve; designing trades to ‘arb’ the forward curve

SESSION VI
BASIS TRADING

Instructor
Peter Sceats, Managing Director, acuma:

TOPICS
- The art and science of basis trading
- Types of basis spreads: quality, time, inter-fuel, spark spreads
- Removing confusion from basis trading
- Identifying and hedging basis exposure
- Invaluable tips for dealing with brokers and executing basis trades.
- Basis trading strategies (speculative and hedge)
- The ultimate basis trades: spark spreads
- Using basis trading as a smoke screen

EXERCISES
- Learning ‘basis speak’, identifying and hedging the basis exposure

Day Two Team Homework: Set the stage for a monumental basis disaster.

DAY THREE – WEDNESDAY 18 JUNE 2003

SESSION VII
OPTIONS I

Instructor
Stephen Doyle, President, Doyle Trading Consultants

TOPICS
- Using intuition: the Stairmaster approach to options
- Puts, calls, strikes, premiums and other essential terms
- Black-Scholes Model - assumptions and pitfalls
- The Greeks and the geeks who interpret them
- The risk/reward game
- Where do the trading profits/losses come from?

EXERCISES
- Using the Black-Scholes Model to evaluate options; testing the garbage in/garbage out theory; stress testing inputs
SESSION VIII
OPTIONS II

 Instructor
Stephen Doyle, President, Doyle Trading Consultants

TOPICS
- Delta hedging (Beautiful in theory and a nightmare in practice)
- Put/Call parity and synthetic options
- Real options (and how the energy world almost collapsed)
- Imbedded options (Mines, power plants, storage facilities, etc.)
- How to apply your options expertise to your businesses right now.

EXERCISES
- Identifying and pricing imbedded options

SESSION IX
SWAPS AND COMMODITISED PHYSICALS

 Instructor
Sean Gilbertson, Chief Executive Officer, Global Coal

TOPICS
- Concept of financial vs. physical
- Strengths and weaknesses
- The role of the index and methodology for price reporting
- The history of swaps in coal trading (various indices being used)
- Why the financial markets are interested in swaps
- Risks of structuring financial swaps with physical transactions

EXERCISES
- Combining the physical leg with the financial leg; advanced swap applications

SESSION X
FREIGHT FUTURES

 Instructor
Pierre Aury, Head of Freight Trading, AEP Energy Services Ltd

TOPICS
- Overview of the freight futures market
- Baltic Freight Index (strengths and weaknesses)
- Who uses the freight futures market?
- Determining which route to use for which coal origin
- Strengths & weaknesses of freight futures
- Integrating freight futures into the chartering department
- Using freight futures to ‘arbit’ the coal market (and vice versa)
- Swaptions in the freight futures market

EXERCISE
- Design arbitrage trades using origin, ARA and freight future curves

SESSION XI
HEDGING

 Instructor
David Jenkins, Director – European Energy Products, Tradition Financial Services (TFS)

TOPICS
- Speculation vs. Hedging
- Two-step hedging process: identifying the risk/managing the risk
- Evaluating hedging alternatives (creating a matrix)
- Dealing with FX risk
- Establishing a hedging program in your organization
- Determining how much risk is acceptable
- The importance of auditing existing hedges

EXERCISES
- Identify the exposure/Recommend the trade; create a hedge matrix

SESSION XII
TRADING ESSENTIALS

 Instructor
Stephen Doyle, President, Doyle Trading Consultants

TOPICS
- OTC Brokers vs. Screen Trading
- Twenty rules for working effectively with OTC brokers
- Understanding the clearing process and booking-out process
- The devil (and the profit) is in the details: back office functions
- Understanding the role of the risk manager
- Meet Dr. No.: managing your credit exposure
- Steps to establishing a trading function in your organisation
- Trading on a shoestring budget: web-based trading platforms
- How to know if there is a rogue trader in your organisation

EXERCISE
- Booking out of a daisy chain

SESSION XIII
STRUCTURED PRODUCTS I

 Instructor Peter Sceats, Managing Director, acuma

TOPICS
- Imbedding the building blocks of trading into profitable trades
- Types of structured products
- Traders: Structured products and deal flow
- Hedgers: Structured products and tailored risk portfolios
- Pricing the structured transaction
- The importance of creditworthy counterparties

EXERCISE
- Identify and price the imbedded building blocks

SESSION XIV
STRUCTURED PRODUCTS II

 Instructor Peter Sceats, Managing Director, acuma

TOPICS
- Combining the traditional market with the traded market
- Identifying the force majeure risks
- Spark spreads
- Multi-commodity trading strategies
- Optimising your working relationships with third party energy marketers (i.e. How to get them working for you)
EXERCISES
- Design a spark spread trade; construct a structured product

SESSION XV
GREENHOUSE GAS

Instructor
Albrecht von Ruffer, Head of Emissions Markets – Europe, Natsource

TOPICS
- Essential overview of Greenhouse gas
- What is the current forward curve telling us?
- Incorporating greenhouse gas trading into the hedging and trading strategies
- The stranded assets threat: Can generators and coal producers hedge the exposure?

Course Dinner in a Cambridge University Hall

DAY FIVE – FRIDAY 20 JUNE 2003

SESSION XVI
TRADING COMPETITION I: HEDGING (TEAMS)

TOPICS
- Rules for hedging rounds
- Trading awards (best overall strategy, least expensive, most innovative)
- Review of which strategies were successful and which were not.

SESSION XVII
TRADING COMPETITION II: SPECULATING (INDIVIDUALS)

TOPICS
- Rules for speculation rounds
- Trading awards (Most profits, most creative strategy, future felon award)
- Review of which trading strategies were successful, which were not.
- How did the strategies in the speculative round differ from the hedging round?

SESSION XVIII
GRADUATION & WRAP UP

TOPICS
- Summary/Review
- Concluding remarks
- Handing out diplomas

THE EXPERT INSTRUCTOR FACULTY

COURSE DIRECTOR
Stephen Doyle, President, Doyle Trading Consultants

Stephen Doyle is the president and founder of Doyle Trading Consultants, LLC, a firm that provides trading services and training to the energy sector. Steve is one of the few energy professionals whose expertise includes global coal trade, OTC/futures coal trading and emissions trading. The first fifteen years of his career was involved in the international coal trade as Vice President/General Manager of Ruhrkohle Trading Corporation’s export division and as the President of Integrity International. In 1997, Steve left the international coal trade and became one of the pioneers in the nascent OTC and futures markets in coal and emissions. In 1998, he traded the world’s first international coal swap. In subsequent years, he played a leading role in bringing coal and emissions trading to the mainstream energy players. Stephen Doyle is the past president and on the board of directors of the New York Coal Trade Association. He is a member of the Councils of Advisors. Steve received his bachelor’s degree from the University of Colorado and an MBA in International Management from Thunderbird, the American Graduate School of International Management.

Pierre Aury, Head of Freight Trading, AEP Energy Services Limited

Pierre joined AEP Energy Services Ltd in December 2001 and now heads Freight Trading activities. This encompasses physical as well as freight derivatives trading in the coal, iron ore and grain and time charter markets. Previously Pierre was Head of Freight Trading for Enron in London, CEO of Fila Shipping and Trading Ltd in Istanbul, General Manager of Albrecht von Ruffer Pacific Services in Sydney and Chartering Manager in Cetragora in Paris. Before joining Cetragora Pierre was at sea as an officer on merchant vessels of Louis Dreyfus. In addition, Pierre Aury is the present Chairman of the PFMUG (Freight Market Information User Group). He holds an executive MBA (ICG Paris) and a Seagoing Master’s and Chief Engineer’s certificate.

Phillip N. Costello, Trader, Noble Group

Phillip is based in London as a trader for the Noble Group of companies. Noble Group has offices throughout the world and supplies industry with raw materials and transport. Trading coal has been his career focus since 1981. Phillip has demonstrated expertise in every link of the coal trading chain: procurement, transportation, blending, quality control, chartering and sales. In addition to the Noble Group of companies, Phillip has brought value to firms such as Ruhrkohle Trading, Rhinebraun Thyssen, Neste Oy, SGS and Integrity International.

Sean Gilbertson, Chief Executive Officer, Global Coal

Sean graduated from the University of the Witwatersrand, Johannesburg, South Africa with a BSc in Mining Engineering with concomitant underground experience on deep-level gold and platinum mines. Sean then had an Internship on the futures trading desk of a leading Johannesburg stockbroker after which he worked in logistics and systems support for a coal marketing and trading company in Zuger, Switzerland. He gained broad investment banking experience with Deutsche Bank in Frankfurt, Germany and then as a project financier for Deutsche Bank in London specialising in gas-fired IPPs (Independent Power Projects) and public/private sector partnerships.

David Jenkins, Director, European Energy Products, Tradition Financial Services (TFS)

David has worked in the energy derivatives markets since 1986 working as both a trader and a broker. He has worked at Drexel Burnham lambert, Goldman Sachs and since 1992 Tradition Financial Services (TFS). He is a director of Tradition Financial Services (TFS) and is responsible for all energy products in Europe.

Albrecht von Ruffer, Head of Emission Markets, Europe, Natsource-Tullett (Europe) Ltd

Albrecht is head of emissions markets in Europe at Natsource, based in London. He brokered the first trade under the Danish emissions trading system, as well as the first ever swap of two different national GHG compliance tools between UK and DK. He also works in the markets for Kyoto Compliance Tools as well as green certificates and physical green power. He joined Natsource in February 2001 after working for Allianz Insurance Company (Los Angeles & Berlin). He holds an MSc in Business & Environmental Technology from Imperial College and a BSc in Ecology and Environmental Economics from QMW & LSE, London.

Peter Scates, Managing Director, acuma:

Peter has been in the commodity markets since 1979 working as trader, broker and consultant. In 1993 after leaving the oil sector, of the commodity markets, he launched the entity now operating as acumaconsult. He headed up the European Coal Futures project in 1997 and then, engaged by OTC broking company (TFS Energy), opened a pioneering coal derivatives brokerage business. Here, he devised and launched the benchmark index for the Atlantic Basin coal trade and is credited with arranging the world’s first coal derivative transactions in 1998. In subsequent years Peter Scates set up the coal and power trading businesses of a major European utility and went on to deploy a complete set up solution for BHP Billiton with regards to energy coal risk management and trading. Peter, through acumaconsult, continues to offer specialist commodity and energy markets consultancy to a wide range of clients.

THE COAL TRADING HANDBOOK

An insider’s guide to coal trading and the coal industry.

Hill & Associates, the foremost authority on the coal industry, and Stephen Doyle, founder of Doyle Trading Consultants, LLC and recognised coal trading expert, has combined forces to produce an unparalleled report on the coal industry and coal trading.

This book will be available to all registered delegates at a special discounted price. For more information about the book, please visit www.hillandassoc.com.
REGISTRATION FORM

COAL TRADING AND HEDGING MASTERCLASS
16-20 June, 2003 • Møller Centre, University of Cambridge, UK.

If you you wish to register more than one delegate, please photocopy this form for each person.

Date ........................................................................................................................................................................................................

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II 1.  Please debit my CREDIT CARD No.

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II 3.  CHEQUE should be drawn on a UK Bank and be made payable to Coaltrans Conferences Ltd. A receipted invoice will be sent to all delegates.

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Registration fee

Organisations registered for VAT in the UK may reclaim the tax. Delegates from outside the UK but within the European Community may also be able to reclaim the VAT. Organisations outside the UK and the EC should check with their excise authority as to which domestic fiscal regulations apply.

The fee includes accommodation for the nights of 16, 17, 18 and 19 June. All meals, tuition, training equipment and course materials. Any additional nights can be arranged through Coaltrans (at delegate's own expense).

The registration fee is: £2995 + VAT @ 17.5% = £3519.12 per delegate.

Reduced registration fee for two or more delegates is £2545.75 + VAT @ 17.5% = £2991.25 per delegate per delegate

There are also local taxes and fees on accommodation, which will be included in the delegate's bill. The event includes all meals, tuition, training equipment and course materials. Any additional nights can be arranged through Coaltrans (at delegate's own expense).

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Cancellations

If delegates cannot attend, you must cancel your registration in writing before 19 May, 2003 to receive a refund, less a 10% administration charge. We cannot accept verbal cancellations. Cancellations received after 19 May, 2003 are liable for the full conference fee. However, substitutions can be sent to attend in your place at no extra charge. In the event of a force majeure, Coaltrans is obliged to postpone or cancel the event, Coaltrans is not liable for any travel or accommodation expenses incurred by delegates or their organisations.

Please complete and return this form together with a copy of your credit card number, bank transfer or cheque, payable in UK Sterling to Coaltrans Conferences Ltd, and send by post or fax to: Coaltrans Conferences Ltd, Nestor House, Playhouse Yard, London, EC4V 5EX, UK.

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