

Platts Introduces Ash Differential to Thermal Coal Pricing

New Pricing Specificity Broadens Usefulness, Additive to Market Confidence

PR Newswire
SINGAPORE

SINGAPORE, Aug. 22, 2012 /PRNewswire/ -- [Platts](#), a leading source of energy, petrochemicals and metals benchmarks, today introduced a valuation mechanism that will bring greater clarity and specificity to thermal coal pricing based on ash content. Ash is the non-combustible residue left after coal is burnt.

"The new valuation mechanism is an important methodology addition to our assessment process for thermal coal prices," said James O'Connell, Platts senior managing editor, international coal, at the occasion of this week's CoalTrans Australia, an industry conference in Brisbane. "For the first time, buyers and sellers in the spot market have access to a pricing methodology that brings a higher degree of precision to coal valuation by accounting for variations in ash, which can be wide-ranging."

Platts now applies a "normalization" value, expressed as a percentage of total price and in U.S. dollars per metric ton, to each 1% of additional ash content in thermal coal within the published standard range of 17% to 23%. This makes apparent the premium and discounts that can arise within a single grade of coal, because coal, though like-kind in quality, can vary by individual chemical properties.

Prior to this innovation, the Platts assessment process considered ash content in the 17-23% range and normalized to a standard specification of 20%.

The methodology change applies specifically to Platts' price assessment process for FOB Newcastle 5500 NAR 17-23% ash, an assessment for thermal coal loaded free on board (FOB) at Newcastle, Australia with an energy-producing calorific value 5500 kilocalories per kilogram and delivered seven- to 45 days forward on a net-as-received (NAR) basis.

Platts FOB Newcastle 5500 NAR 17-23% was first launched in January to address the industry's need for a global benchmark for lower calorific thermal coal produced and consumed in the Asia-Pacific region.

"Anytime you can fine-tune pricing for quality nuances, it would not be unreasonable to expect a knock-on effect of increased market confidence and deeper liquidity," said O'Connell.

Platts publishes more than a dozen daily and weekly thermal coal assessments for Asia and other regions, serving the price information needs of thermal coal producers, power producers, cement manufacturers, coal traders and ship brokers. The Platts FOB Newcastle 5500 NAR and other coal assessments are published in [Coal Trader International](#) among other publications and services.

Platts' price assessment methodologies for coal have been developed in consultation with a cross section of key industry players and draw upon Platts' century of experience in benchmark price reporting in the energy markets. Assessments reflect transactions and bids and offers as determined between buyers and sellers in the open spot market.

To learn more about [Platts' price assessment process](#) and other available [Platts products and services](#), visit www.platts.com. For information on Platts experts available for media interviews, visit the [Platts Media Center](#).

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About The McGraw-Hill Companies: McGraw-Hill announced on September 12, 2011, its intention to separate into two companies: McGraw-Hill Financial, a leading provider of content and analytics to global financial markets, and McGraw-Hill Education, a leading education company focused on digital learning and education services worldwide. McGraw-Hill Financial's leading brands include Standard & Poor's Ratings Services, S&P Capital IQ, S&P Dow Jones Indices, Platts energy information

services and J.D. Power and Associates. With sales of \$6.2 billion in 2011, the Corporation has approximately 23,000 employees across more than 280 offices in 40 countries. Additional information is available at <http://www.mcgraw-hill.com/>.

CONTACT:

Kathleen Tanzy
212-904-2860
Kathleen_tanzy@platts.com

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CONTACT:

Kathleen Tanzy
212-904-2860
Kathleen_tanzy@platts.com

SOURCE Platts

CONTACT: Elizabeth Catalano at Elizabeth_catalano@platts.com or +44 207 176 6024

Web Site: <http://www.platts.com>

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