



State of the Coal Market: Products and Players

May 15th, 2008 ▪ RMI 7th Annual Customer Meeting ▪ General Session



ICAP United, Inc.
Coal Desk
An affiliation of ICAP Energy

Who We Are...

- **Division of ICAP (IAP.L), world's largest interdealer financial broker**
- **ICAP Energy is a leader in natural gas, power, crude, coal, emissions, and other OTC energy products**
- **ICAP Energy bought United Power in 2005, and merged the domestic coal desks in 2007, using the name ICAP United**
- **Domestic coal desk made up of 4 brokers, headquartered in Louisville, KY - Matt Keck, Dan Vaughn, Ian Tapsall, Manzar Iqbal**

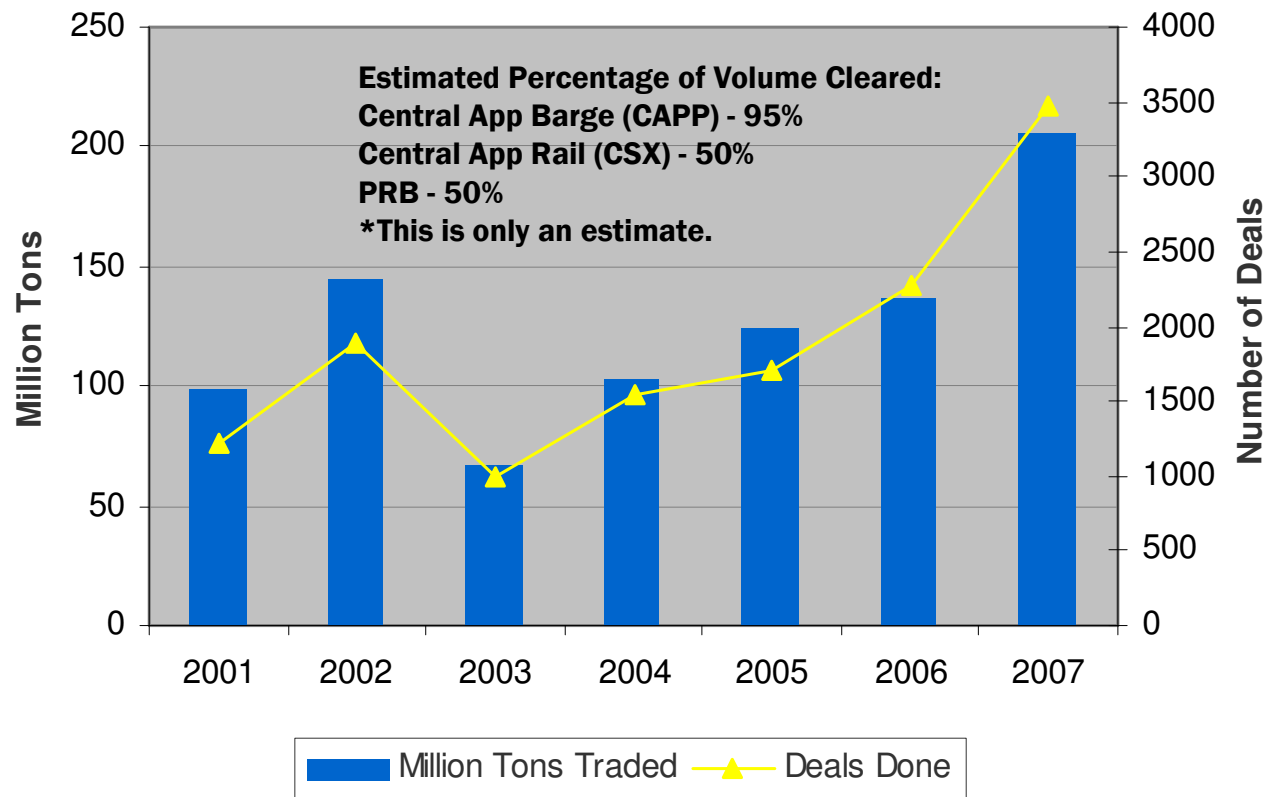
Who are the players?

- **ICAP United brokered coal deals with 97 different counterparties in the past 12 months**
- **23 Regulated Utilities, 13 Unregulated Utilities, 31 Producers, 21 Banks/Traders, 9 Coal Dealers**

How much is trading?

OTC Coal Volume By Year

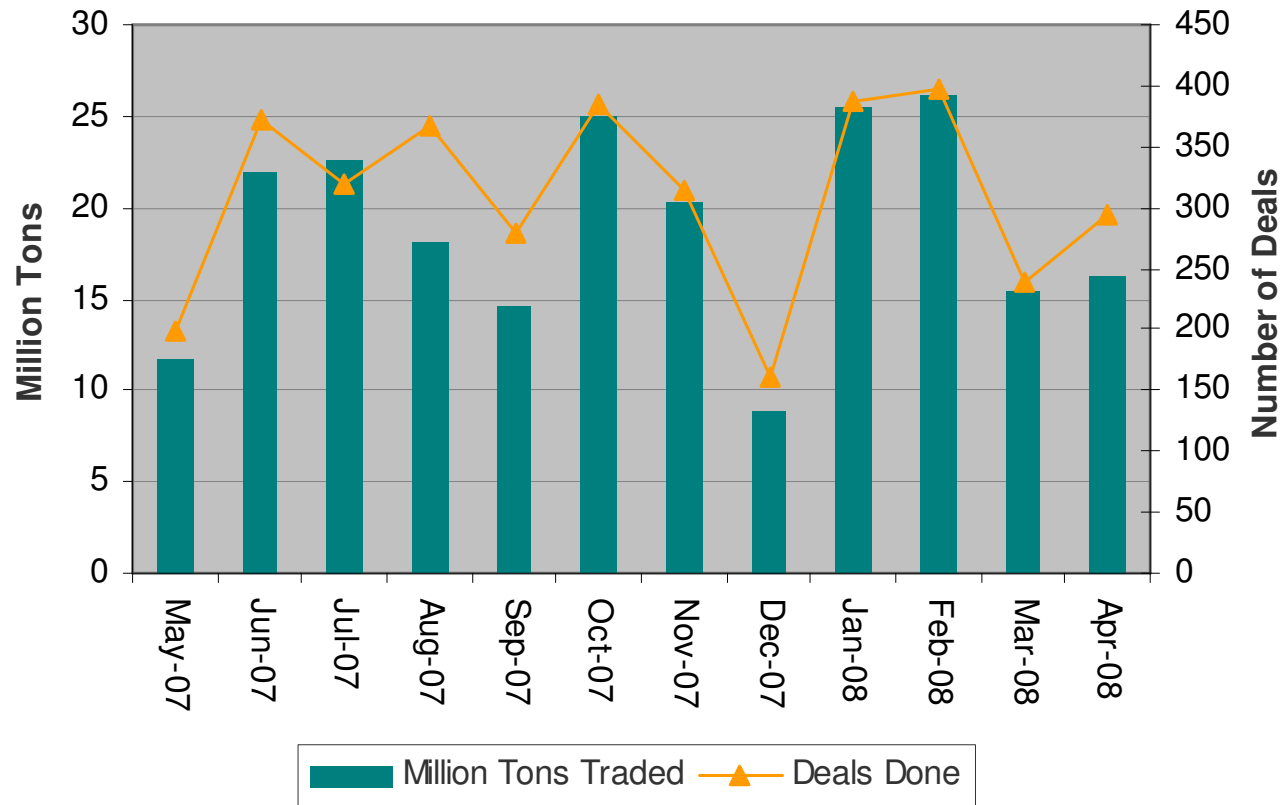
(All Reported Trades in Market)



How much is trading?

OTC Coal Volume Past 12 Months

(All Reported Trades in Market)

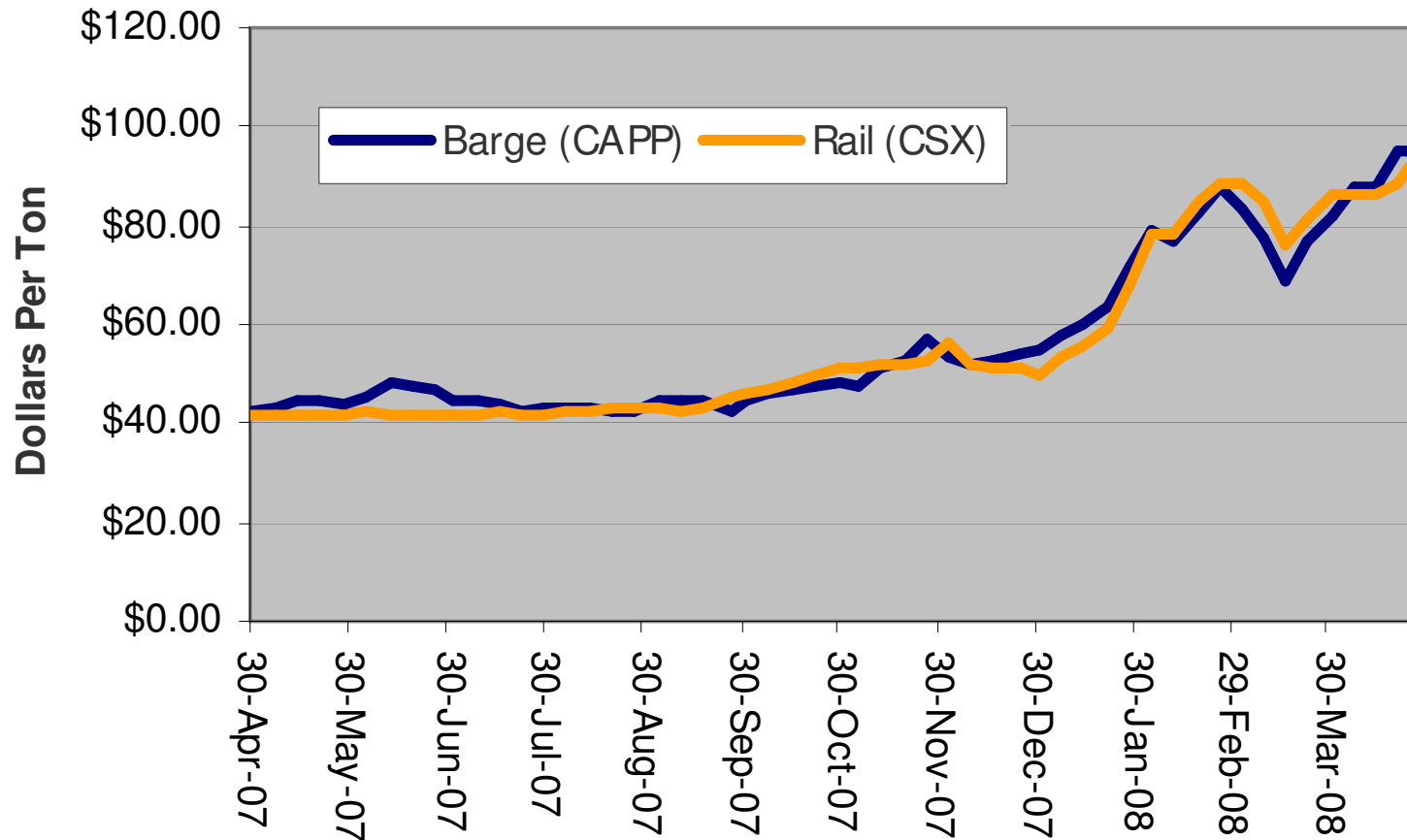


What are the products?

- **“Nymex” look-alike barge (Big Sandy River, 12000, 1.%S)**
 - **Cleared and Physical**
- **“PRB” (8800, 0.8 lbs SO₂/mmBTU, Rail)**
 - **Cleared as financial swap against the Platts OTC broker index**
 - **Also trades physical using bilateral credit, and as physical index**
- **“Rail” (12500, 1.0%S, Big Sandy/Kanawha CSX)**
 - **Cleared as financial swap against the Platts OTC broker index**
 - **Also trades physical using bilateral credit, and as physical index**

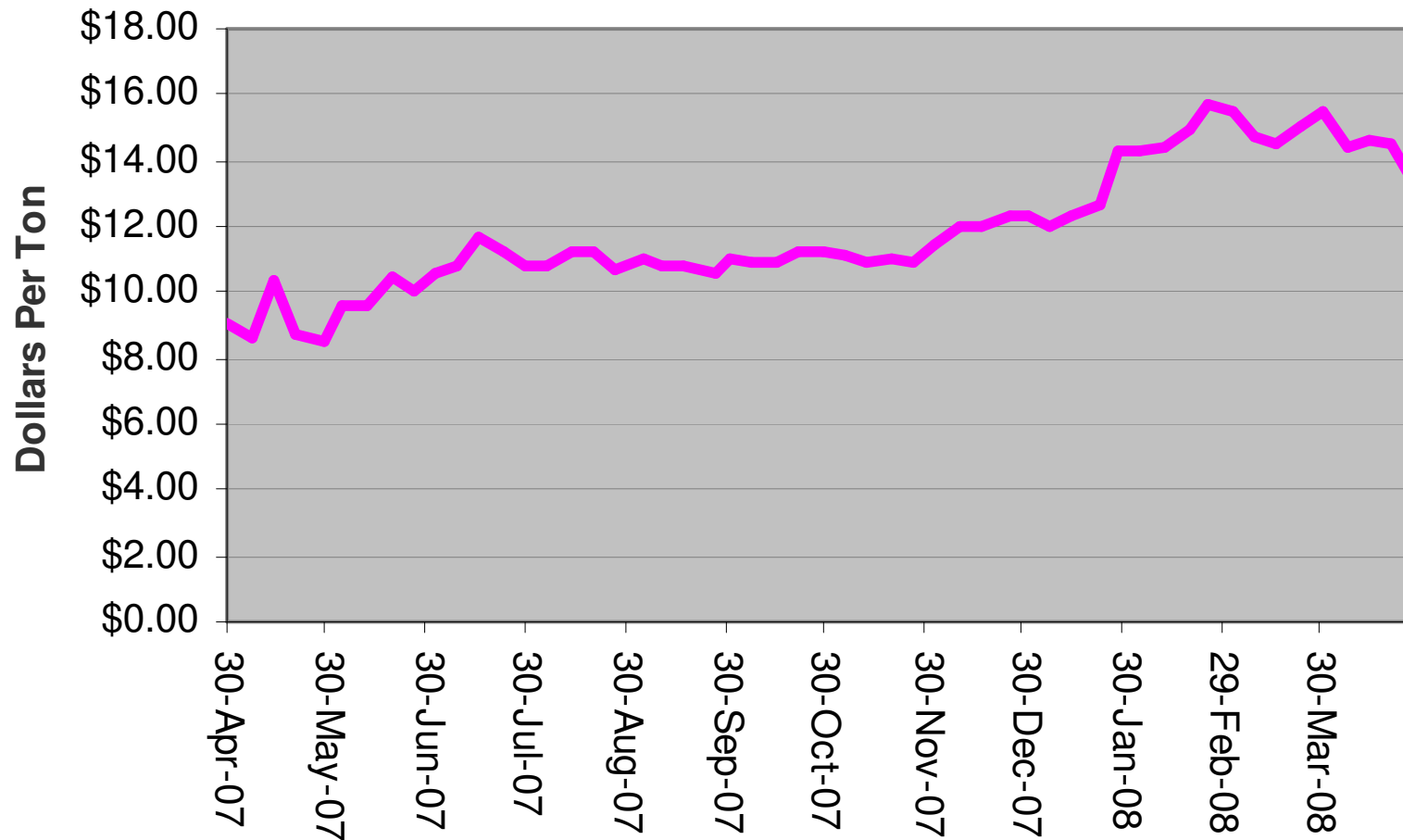
What have prices been doing?

Central App Coal Prices Past 12 Months



What have prices been doing?

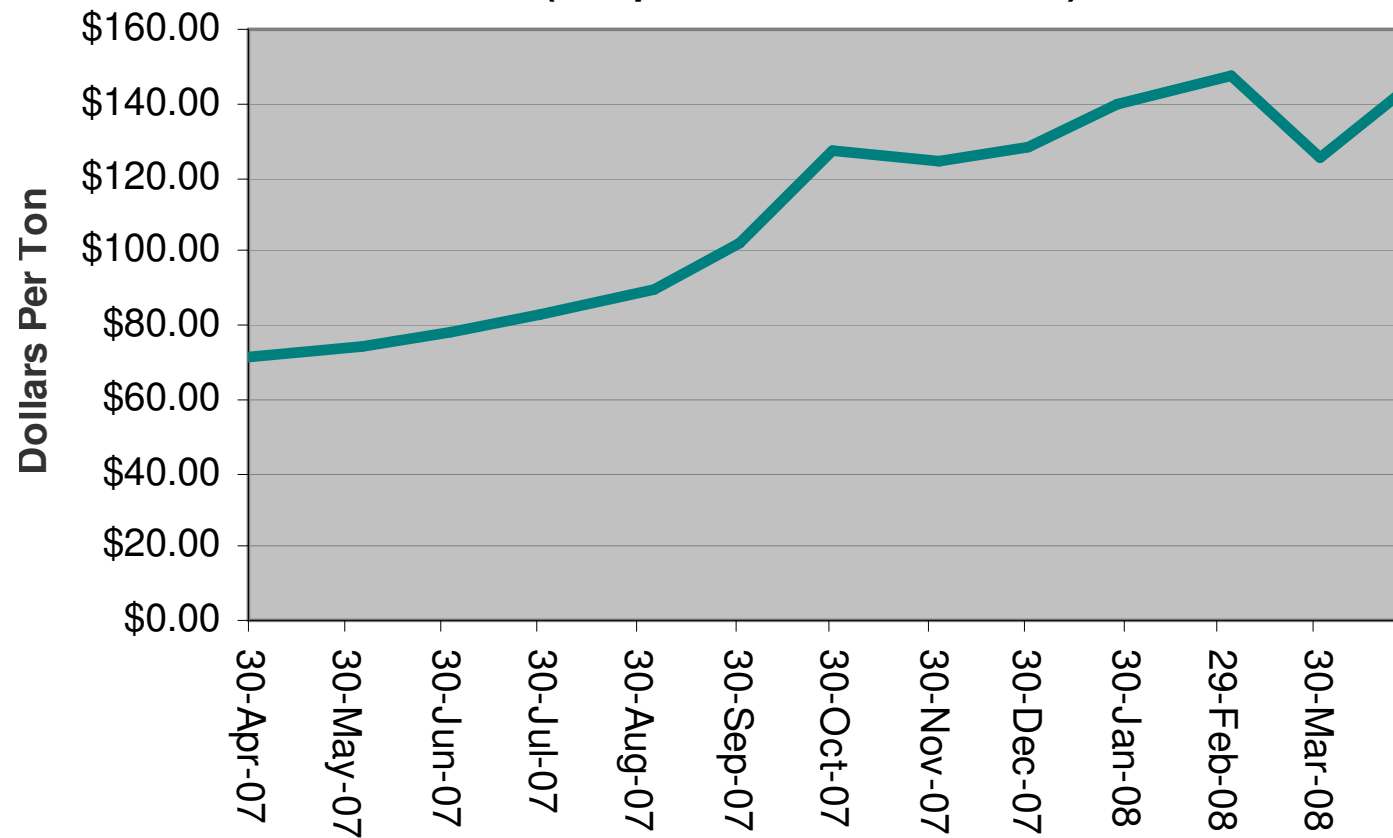
PRB Coal Prices Past 12 Months



What have prices been doing?

API2 Coal Prices Past 12 Months

(European Coal Delivered ARA)



How naturals use OTC to hedge

- **Buy/Sell the physical (either prompt or 1-2 years out) for those that produce/burn matching product**
- **Buy/Sell the physical index to lock in coverage, and set the price later when advantageous or at delivery (for those with matching product)**
- **Buy/sell the closest match, either phys or financial, and offset position later**
- **Another idea: Structured financial swap**

Other benefits of OTC

- Quick execution
- Liquidity not seen in direct market
- Clearing provides a good credit counterparty
- Provides price signals earlier than direct market
- Greatly impacts direct market