

PIT TO PORT

Colombia



Cerrejon Integrated Coal Operation Expansion, North Colombia

Cerrejon is the Colombian operating company of the largest open cut, export focussed coal mine in the world. Cerrejon is owned in equal parts by Anglo American, BHP Billiton and Xstrata. It has been variously described as being 'the most efficient coal mine operation in the world' and representative of 'international best practice'.

The coal mine was established in the 1980s as a 15 Mtpa operation. Since then it has expanded in stages to its existing 32 Mtpa operation. Cerrejon now plans to expand to 40 Mtpa output by 2015, and then progressively to 60 Mtpa, to take advantage of the significant coal reserves within its lease area and the projected healthy international markets.

The Phase 1 Expansion from 32 Mtpa to 40 Mtpa involves a US\$1.3 billion investment by the shareholders in mining equipment, coal chain infrastructure upgrades including a new dual quadrant shiploader at Puerto Bolivar, and increased rail car and locomotive capacity as well as hiring 1,200 people on the payroll and generating approximately another 3,500 indirect jobs. The project was formally approved by the shareholders in late July/early August 2011.

An EPCM contractor (SNC Lavalin-SKM Joint Venture) was appointed in January 2011 to deliver the coal chain upgrades.

Evans & Peck's role

Evans & Peck has supported Cerrejon since October 2010 by:

- providing commercial advice during the evaluation of the EPCM tenders
- leading the negotiation team for the EPCM Agreement
- providing an Interim Project Director to lead Cerrejon's project management team until the appointment of a permanent Project Director
- leading the project to shareholder approval and funding commitment for the Phase 1 Expansion
- preparing the Project Execution Plan and delivery sub-plans

- providing ongoing commercial and technical support to the Cerrejon project management team.

Results

Evans & Peck has brought two essential benefits to Cerrejon's project management team – major capital project experience and leadership in that regard.

Leadership was essential to meeting the schedule for completion of the Phase 1 Expansion Feasibility Study and to meet the individual requirements of Cerrejon and each of its shareholders.

We have also provided major capital project experience to complement the operational knowledge of Cerrejon's project management team.

Detailed design by the EPCM contractor commenced in February 2011.

Commissioning of the expanded facility is planned for the third quarter of 2013, after which there will be a progressive ramp up to 40 Mtpa output.

FACTS AND FIGURES

Client: Cerrejon and its shareholders, Anglo Coal, BHP Billiton and Xstrata

Project value: US\$1.3 billion

E&P involvement: 2010 - 2011

"Evans & Peck added extraordinary value to Cerrejon throughout the process of selecting and contracting an EPCM partner for our P40 Expansion Project and subsequently in helping us complete the Feasibility Study which won the approval of the Boards of our three shareholders for this \$1.3 billion investment."

Leon Teicher, President of Cerrejon
October 2011

Providing major capital project experience and leadership to benefit the largest coal mine in the world



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