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Spark LNG Freight Market Consultation Response: LNG Fuel Reference and Publication Schedule

Our market consultation closed on Friday 3rd Dec. Thank you to everybody who got in touch to provide feedback - market engagement is invaluable to us and we are always keen to hear from our stakeholders on how we can adapt and improve the Spark products.

As promised, we are sharing the feedback we received with all market participants. Transparency is critical as we try to drive greater adoption and liquidity in the LNG FFA market.

As a reminder, we asked you for feedback on two areas - LNG fuel reference prices and the Spark publication schedule/frequency.

Proposal to update the LNG Fuel Reference Prices

What did we propose?

- Change the fuel reference price for **Spark30** to the front month ICE TTF Gas 1st Line Financial Futures (TFU) price.
- Specify that the **Spark25** fuel reference price shall be the ICE JKM front month futures price.

What did the market say?

Several firms - including brokers and traders - supported the proposed change to the price used in the Spark30 contract. No firms objected to that change or to the proposed clarification relating to the price used in the Spark25.

What happens next?

We will remove the defined term "LNG Price" from the Hire Calculation section of the Spark methodology and replace it with the more detailed defined term "LNG Fuel Reference Prices". In line with our proposed timetable, the change will be effective for the first assessment of Q1 on **4th January 2022**.

Current wording:

- LNG Price: based on latest LNG prices into JKTC region for month of delivery of vessel.

New wording:

- LNG Fuel Reference Prices:
 - **Spark25 contracts:** last available end of day settlement price of the JKM LNG (Platts) futures front month contract (PCC: JKM) as published by ICE Futures Europe.
 - **Spark30 contracts:** last available day's daily settlement price of the Dutch TTF Gas 1st Line Financial Futures (USD/MMBTU) front month contract (PCC: TFU) as published by ICE Futures Europe

Request for feedback on the submission and publication schedule

What did we ask?

- Do you support an increased frequency of assessments per week for SparkS? If so do you have a suggested optimal schedule?
- Do you believe the physical market is now sufficiently liquid to enable an increased assessment frequency?
- Do you have any comments on the assessment window timing of 0800-1000 GMT?

What did the market say?

In terms of publication frequency, multiple firms supported an increase to the frequency of assessments, ideally moving to a daily publication. The counter argument made by others was around the lack of increase in physical market activity to justify an increase in assessments. On balance, the market was in favour of moving to a daily assessment, primarily driven by the principle that a daily publication could help drive liquidity in the FFA market as well as helping to limit significant price movements that can result from the Tuesday/Friday assessment schedule.

We have discussed the question with all eligible brokers (i.e. those that contribute to the SparkS prices) and appreciate the time and effort that goes into being a contributing broker. Having the support of our eligible brokers is vital in creating an effective market, driven by meaningful and robust assessments and, as a result, we

are committing to the following timeline. We hope this provides certainty and clarity to all market participants.

Starting from the first assessment of Q2 2022 on Friday 1 April:

- Spark25S and Spark30S will be assessed daily.
- SparkFo, and all Owner and PP prices will be assessed weekly, every Tuesday.
- SparkF prices will be discontinued.

In terms of the assessment window, the vast majority of firms were happy to continue with the 0800-1000 GMT window as it supports market participants in Asia and aligns with other relevant global benchmarks.

What happens next?

We will enact the change to the LNG Fuel Reference Price for the first assessment of Q1 2022, and will begin making preparations for the switch to a daily assessment for the first assessment of Q2 2022.

As always, we are open to feedback and discussion around the above points or any other element of the Spark platform or tools, so please do reach out.

We continue to work on other improvements and new products and will be in touch about those in due course.

Thank you for your continued support.