

Spark LNG Cargo market consultation: Publication Frequency and cargo specifications.

Date: 26 July 2023

This market consultation is to address the following areas:

1. Proposal to increase the publication frequency for the SparkNWE Basis and SparkNWE DES LNG price assessments to daily from twice per week.
2. Proposal to update cargo specifications to align to the upcoming SparkClose process.

1. Proposal to increase the publication frequency for the SparkNWE Basis and SparkNWE DES LNG price assessments to daily

We are proposing to change the publication frequency of the following prices, **from twice per week (Tuesdays and Thursdays) to every business day following the UK Public Holiday calendar.**

- SparkNWE-B-1H, SparkNWE-B-2H, SparkNWE-B-F and SparkNWE DES LNG

Please note the publication schedule for the below prices will remain unchanged:

- SparkSWE-B-F, SparkSWE DES LNG (every Tuesday, Thursday)
- SparkNWE-B-Fo, SparkSWE-B-Fo (every Thursday)

Pending the outcome of this consultation, **we intend to implement the change on 18 September 2023.**

Why are we proposing this change?

Over the last 18 months the volatility of the NWE DES LNG price, and notably also the volatility of the differential between the NWE DES LNG price and the TTF pipeline gas price, has increased significantly as illustrated below. Alongside this, physical volumes of LNG flowing into Europe have increased in reaction to the global energy crisis. This increase in volatility and liquidity has increased the demand for a robust, reflective European LNG benchmark, and in response to this Spark plans to upgrade the SparkNWE prices to daily frequency.



Left: Historical chart of SparkNWE Basis to TTF (Source: Spark). Right: LNG imported volume to Europe (source: Kpler)



A more granular dataset with daily frequency would also enable a futures settlement mechanism that matches the daily settlement of the highly liquid ICE TFU contract. A daily settlement allows improved management of spread positions between ICE listed NWE LNG futures contracts (launched in December 2022) and the TTF futures, supporting more effective risk management of the increasingly important NWE DES to TTF differential.

The below comparison highlights how this change will align the relevant contracts. For full details of these contracts please see the specifications on the ICE website (ICE TFU [here](#) and ICE NWL [here](#)).

Trading Screen Product Name	Dutch TTF Natural Gas 1st Line Financial Futures (USD/MMBtu)	NWE LNG (Spark) Futures	A spread position between the contracts
ICE Contract Symbol	TFU	NWL	TFU - NWL
Expiration Date	Two Business Days prior to the first calendar day of the delivery month	Two Business Days prior to the first calendar day of the delivery month	Aligned
Contract Size and Unit	1 lot = 10,000 MMBTU	1 lot = 10,000 MMBTU	Aligned
ICE Endex TFM FX conversion	WM/Refinitiv Closing EUR/USD Spot Rates as published by Refinitiv at 4pm UK time on the day the settlement price was published by ICE Endex	WM/Refinitiv Closing EUR/USD Spot Rates as published by Refinitiv at 4pm UK time on the day the settlement price was published by ICE Endex	Aligned
Final Settlement	Arithmetic mean of the settlement prices as published by ICE Endex for the Dutch TTF Gas Base Load Futures (TFM) on each Trading Day during the period that the expiring month is the front month	Arithmetic mean of the sum of the ICE Endex Dutch TTF Gas Base Load Futures (TFM) and SparkNWE Basis on relevant Spark assessment days during the period that the expiring month is the front month.	(Once “Spark assessment days” are every UK business day and assuming no holiday schedule misalignment for the settlement period) Aligned to result in a net settlement of the arithmetic mean of the SparkNWE Basis during the period that the expiring month is the front month

2. Proposal to update cargo specifications to align to the upcoming SparkClose process.

Spark is currently in discussions with stakeholders on introducing a new process to the SparkNWE assessment process called SparkClose. This process will allow firms to submit, and be matched against, named, firm bids and offers which will have a defined, mechanical impact on the final SparkNWE price.

A full consultation on introducing this new process will follow in due course, and we are inviting firms to pre-register their involvement now. For more information on SparkClose and the pre-registration process please get in touch via pricing@sparkcommodities.com.

In order to facilitate on platform, firm bids and offers, Spark are proposing a standardisation of various specifications for the benchmark cargo, as below.

Proposed additions:

- **TTF Indexation:** Basis to the TTF, Where "ICE TTF" is the arithmetic mean of the settlement prices as published by ICE Endex for the Dutch TTF Gas Base Load Futures (TFM) for the balance of the Trading Days during the period that the delivery month is the front month starting from the next business day, except on the final business day of the period that the delivery month is the front month when it will start on the current business day. Every settlement price is converted from EURO to United State dollar (USD) using the WM/Refinitiv Closing EURUSD Spot Rates as published by Refinitiv at 4 pm UK time on the day the settlement price was published by the ICE Endex. When there is no WM/Refinitiv Closing EURUSD Spot Rate published, the next previous WM/Refinitiv Closing EURUSD Spot Rate as published by Refinitiv will be used for settlement purposes.
- **Discharge Terminal Nomination:** Single terminal if the transaction date is within 15 days of the start of the delivery window, otherwise a range of terminals and buyer nominates single terminal no later than 15 days prior to delivery window.

Proposed changes:

- **Discharge Volume:**
 - From: 3,200,000 to 3,600,000 MMBtu +/- 5%
 - To: 3,200,000 to 3,800,000 MMBtu +/- 2-5%
- **Delivery Window:**
 - From: 2-5 days, narrowed to 1-2 days by buyer within the relevant contract month.
 - To: 1 day if the transaction date is within 20 days of the start of the delivery window, otherwise 1-3 days narrowed to 1 day by buyer no later than 20 days prior to the delivery window.
- **Quality range:**
 - From: GHV: 1030-1130 Btu/scf, Max Ethane content: 10%/mol
 - To: In line with specifications for the relevant terminal.



Areas we are requesting feedback from stakeholders

- Do you agree with the proposal to move SparkNWE prices to a daily publication frequency, and the timeline for this change?
- Do you agree with the specification changes proposed for the benchmark cargo for the SparkNWE price assessment?

If you have any comments on this change, please email us with your feedback. Please note that any feedback received may be made public unless you include that you would like it kept confidential.