



Sent via email on 12th July 2022

Please note that this is a consultation only and is referring to a potential change to be applied in 2024.

What are we proposing to do?

Change the Vessel Type (and consequently Boil Off Rate) specifications for the **Spark30 and Spark25 price assessments** from 160 TFDE (160) to 174 2 Stroke (174) **effective from Q1 2024.**

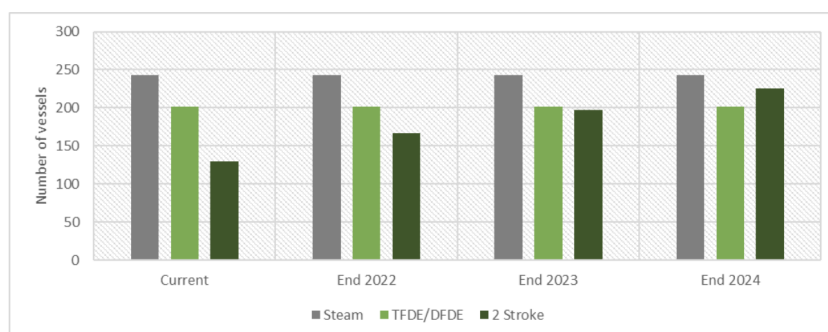
Why are we proposing this change and why now?

- To ensure our LNG freight price assessments adapt and evolve in line with both the spot market and the composition of the global LNG carrier fleet;
- To provide certainty on the timeline for the change in order to facilitate continued usage of the price assessments in longer term commitments; and
- To encourage liquidity on existing contracts whilst providing a known future date for switching to the updated vessel specifications.

Background:

The LNG vessel order book* shows that the new build vessels entering the global LNG carrier fleet in the coming years consist almost entirely of larger, more efficient 174-180k m³ vessels that utilise modern 2-Stroke engine technology. The Spark methodology currently specifies that the Spark25S and Spark30S prices reflect the round-trip cost of the relevant voyage when using a 160k m³ TFDE vessel. As activity in the spot market moves towards a different vessel specification for the typical transaction, Spark will adapt so that we continue to provide the best possible price assessment for our stakeholders.

Based on the current order book, the number of 2-Stroke vessels is due to surpass the number of TFDE vessels by 2024 as per the chart below. As such, we propose a change with a target of Q1 2024.



*Source: Kpler

When are we proposing to do it?

Pending the outcome of this consultation, we intend to implement the change on 01 January 2024 (see full timeline at the bottom of this email). The aim is to provide the market with certainty that no change will occur during calendar year 2023 and to not impact existing open interest on both Spark contracts.

How does the methodology actually change?

The proposed change would involve replacing the 'Vessel Type' and 'Boil Off Rate' as per the below:

Current wording:

- Vessel Type: 160,000 m3 TFDE
- Boil Off Rate: 0.1% of cargo tanks at 98.5% capacity for 160,000 m3 TFDEs

Proposed wording:

- Vessel Type: 174,000 m3 2 Stroke with no onboard liquefaction capabilities
- Boil Off Rate: 0.075% of cargo tanks at 98.5% capacity for 174,000 m3 2 Strokes

Timeline for consultation and change implementation:

Consultation Period: 12th July 2022 - 23rd August 2022

Communication of feedback and any changes: 1st September 2022 (indicative)

Change implementation (if applicable): 1st January 2024

Discussion topics for stakeholders:

- Do you agree with the proposal to amend the specification of the Vessel Type and Boil Off rates in Spark25 and Spark30 indices? If not, please share why and, if possible, suggest an alternate solution?
- Do you agree with the assumption of no onboard liquefaction system for the benchmark vessel?
- Do you agree with the proposed timetable for implementation?

- Any other comments?

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.

Thank you for your continued support.

Kind regards,

Henry

Henry Bennett
Head of Pricing, Spark.