



Sent via email on 8th November

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

This market consultation addresses 2 key areas:

1. Proposal to update the LNG Fuel Reference Prices for the Spark30 Atlantic 160 TFDE and Spark25 Pacific 160 TFDE contracts

2. Request for feedback on the submission and publication schedule

We are committed to ensuring that any changes to the Spark assessments are based on a transparent process that enables all key stakeholders to provide feedback during a defined consultation period.

1. Proposal to update the LNG Fuel Reference Prices:

This consultation concerns the LNG Fuel Reference Price used in the Spark30S/F/Fo contracts ("Spark30") and the Spark25S/F/Fo ("Spark25") contracts.

What are we proposing to change?

- Change the LNG Fuel Reference Price of the **Spark30** contracts to the 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.
- Specify that the LNG Fuel Reference Price of the **Spark25** contracts shall be the end of day settlement price of the JKM LNG (Platts) futures front month contract (PCC: [JKM](#)) as published by ICE Futures Europe.

Why are we proposing this change?

Currently, the LNG Fuel Reference Price in the Spark30 and Spark25 contracts is specified as the 'latest LNG prices into JKTC region'. This was based on feedback from

brokers and market participants that a liquid and hedgeable LNG price is most appropriate in LNG freight price assessments.

Recent volatility of LNG prices has resulted in a renewed focus on the treatment of fuel costs within the methodologies of the available LNG freight price assessments. Although Spark has received wide ranging support for the consistency of using LNG as a fuel at all times, some market participants suggested that the TTF natural gas price may be more appropriate as the LNG Fuel Reference Price in the Spark30 contracts, due to the delivery location at Gate terminal in the Netherlands. Although the TTF natural gas price is a pipeline gas price, it is also hedgeable, highly liquid and is a close proxy for an LNG price into Northwest Europe. Consequently, Spark is proposing to use the 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 as the LNG Fuel Reference Price in the Spark30 contracts.

In respect of the Spark25 contracts, the proposed change specifies which LNG Fuel Reference Price is being used. It is the view of Spark that the end of day settlement price of the JKM LNG (Platts) futures front month contract (PCC: JKM) as published by ICE Futures Europe is the most appropriate LNG Fuel Reference Price for use in the Spark25 contracts.

How exactly will the methodology change?

The proposed change involves replacing the defined term "LNG Price" within the Hire Calculation section with the more detailed defined term "LNG Fuel Reference Prices".

Current wording:

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

Proposed 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.

What does it mean in practice?

For example, using the Spark25S and Spark30S price assessments on Tuesday 19 October 2021:

- Spark25S: the LNG Fuel Reference Price would have been the end of day settlement price of the December 2021 contract month of the JKM LNG (Platts) futures front month contract as published on Monday 18 October 2021.
- Spark30S: LNG Fuel Reference Price would have been the daily settlement price of the November 2021 contract month of Dutch TTF Gas 1st Line Financial Futures (USD/MMBTU) contract as published on Monday 18 October 2021.

Key areas we are requesting feedback on:

- Do you agree with the proposal to use the ICE TFU prices as the LNG Fuel Reference Price in Spark30? If not please provide a suggested alternative (e.g. TTF, other)
- Do you agree with the proposed wording update regarding the Spark25 Fuel Reference Price?
- Do you agree with the proposed timetable for implementation below?

2. Request for feedback on the submission and publication schedule

As this market develops we want to ensure the SparkS publication schedule evolves in line with market conditions.

The current assessment schedule for SparkS prices is twice per week on Tuesday and Friday with an assessment window between 0800-1000 GMT. This was implemented on launch of the SparkS prices following extensive market consultation that concluded that at that time twice weekly was a suitable frequency based on physical market liquidity, and the assessment window was suitable as it allowed involvement from brokers and market participants in both Asia and Europe.

Key areas we are requesting feedback on:

- 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?

When are we proposing to make changes?

We are accepting comments and feedback on all of the above questions until 3 December 2021. Pending the outcome of this consultation, we are making preparations to implement the LNG Fuel Reference Price change on 04 January 2022, in time for the first assessments of Q1 2022. During the Consultation Period we will also review and consider all feedback received in respect of the submission and publication schedule.

The full timeline is as follows:

- **Consultation Period:** 8 November 2021 - 3 December 2021
- **Communication of feedback and any confirmed changes:** 9 December 2021
- **Change implementation (if applicable):** 4 January 2022

Please provide your feedback via email. Please note that any feedback provided may be attributed to you publicly unless you clearly state that you would like it kept confidential.