

Platts LNG Market on Close FAQ

What is the MOC assessment process and has Platts changed its assessment methodology for JKM LNG?

Platts has always used the Market On Close methodology to assess LNG prices, including the benchmark JKM. What's new is that since June 2018, companies have begun reporting firm and transparent bids, offers and trades in the Platts MOC process. The MOC is a day-long process that ends at 4:30pm Singapore time—the timestamp for Platts LNG assessments in Asia. During the process, Platts editors survey the market for information on bids, offers, trades as well as market fundamentals. In addition, Platts also publishes information from companies that report firm, named bids, offers and trades in the MOC assessment process. All the published information goes into the day's assessment. Firm bids, offers that are open to the larger market, and any trades resulting from those bids and offers, take precedence in the assessment process.

Where is this information published?

Firm bids, offers and trades from companies are published manually by Platts editors in the form of headlines. This information can be seen on <https://lng-moc.platts.com> and Page 001 of Platts Natural Gas Alert (PGN). Companies can submit their bids, offers and interest to trade to Platts editors via platts_lng_moc@spglobal.com, ICE Chat: Platts_asia_lng, or +65 6530 6417. The information is not currently published via the eWindow communication tool.

How can a company register to participate in the LNG MOC process?

Entities that wish to participate in the LNG MOC should contact pricegroup@spglobal.com. The Platts Price Group then conducts a participation review to establish that the company is credible, creditworthy and an active participant in the broader market for that commodity. The entities can also request more information on how MOC works and Platts guidelines governing the process. Entities must be reviewed for each specific market and evaluated against the editorial criteria for that market. Therefore, each entity must undergo the participation review process for LNG, regardless of an established participation level in another Platts MOC process. For more information on the participation review process, please visit www.platts.com/market-on-close.

Can any company trade a bid/offer published by Platts in the MOC process?

Trades reported in the Platts MOC are purely bilateral and governed by the typical trading and credit terms between

any two companies. A company who wishes to trade a bid/offer published by Platts, must communicate the interest to Platts editors, who'll then publish their expression of interest to trade in the MOC. Both parties to the trade must then communicate directly with each other and following bilaterally concluding the trade, inform Platts editors of the same.

How can I submit bids and offers? What is the cutoff?

Buyers and sellers must submit any bids and offers with complete information to Platts editors by phone, instant message or email before 16:00:00 Singapore time or 08:00:00 GMT.

Platts requests participants submit bids or offers well ahead of the cut-off in order to have sufficient time to review them for reasonability.

Buyers and sellers may withdraw their bids or offers at any time during the MOC by communicating to Platts editors. Counterparties must clearly communicate their interest to trade a published bid or offer to Platts editors. Bids or offers that are traded in the MOC may be repeated at the same or a less competitive price.

Are only firm bids, offers and trades in the LNG MOC considered for the JKM assessment?

Besides information published in the LNG MOC process, Platts editors also engage directly with producers, consumers, traders, brokers and shippers to gather price information. Platts publishes this information and uses it to assess intraday values, which serve as the reference point for any firm bids, offers and trades in the MOC process. The information gathered through market surveys is considered in the final assessment alongside bids, offers and trades reported in the MOC. The firm bids, offers that are open to the whole market, and trades resulting from that take precedence in the final assessment.

What are the timing and increments guidelines for reporting data in the LNG MOC?

Buyers and sellers can improve the price of their published bids/offers by a maximum of US\$0.05/MMBtu every two minutes. Participants may improve their bids/offers by a minimum of US\$0.01/MMBtu. Platts has increment guidelines in order to ensure that all published MOC data is fully tested in the market, and may notify the market of any adjustment to the standard increments in the event of market volatility or a disruptive event.

What information is required in order to be published in LNG MOC?

The following must be clearly stated: Terms of Delivery (FOB or DES), loading (FOB)/discharge (DES) location, laycan, quantity, price, quality, ship criteria and nomination procedures. Participants must also clearly state any optionality related to the bid/offer parameters such as volume, location or quality at the time of submission. Platts will review these optionalities for reasonability, prior to publication in LNG MOC.

How do the credit and trading terms work on published trades in LNG MOC?

Transactions reported in LNG MOC are bilateral trades between counterparties and should reflect their standard bilateral credit and trading terms. Counterparties are expected to perform on trades with counterparties in the LNG MOC based on their typical bilateral trading and credit terms that have been applied and accepted by both counterparties in the open market. Subsequent to Platts publishing an expression of interest to trade a bid or offer, companies must communicate directly with each other to consummate the trade and confirm the same to Platts editors.

What is the expectation for trade performance?

Platts expects trades reported in LNG MOC to be physically performed, and for parties to be reasonable when circumstances require a party to substitute ship or receiving terminal. Participants should not unreasonably withhold substitutions or hamper the established delivery process. From time to time, Platts may review performance of trades reporting in LNG MOC to maintain the integrity of the assessment process. Platts reserves the right to not publish bids, offers and trade information from a company that fails to perform as per standard industry practice and Platts guidelines.

What are intra-day values and why does Platts publish them?

Starting June 12 2018, Platts started publishing intraday values for JKM LNG time stamped at 15:00 Singapore time. The intraday values reflect Platts assessment of JKM LNG value at the time of publication. Platts reviews bids and offers price levels in the MOC process for reasonability relative to the published intraday values.

What do Platts JKM LNG assessments reflect?

Platts JKM LNG assessments reflect 1030-1130 Btu/scf calorific cargoes of 135,000-175,000 cubic meters delivered into ports in Japan, South Korea, mainland China and Taiwan. Bids or offers for alternative locations and standards may be published, subject normalized for reflection in the final assessment. For JKM's full methodology, please see: <https://www.spglobal.com/platts/en/our-methodology/methodology-specifications/natural-gas/liquefied-natural-gas-lng-assessments-and-netbacks-methodology>.

Can companies bid or offer JKM derivatives in the MOC. How are derivatives and floating price bids/offers used in the assessment process?

Platts will publish bids, offers and interest to trade from approved participants in the JKM derivative MOC process.

Transactions for LNG derivatives reported in the MOC are bilateral trades between counterparties, and should reflect their standard credit and trading terms. Any company submitting a bid or offer that can only be traded on a cleared basis, and which would be processed as a block cleared derivative before final confirmation, should state as such in their bid or offer at the time of submitting for publication.

Platts requires participants to bid or offer LNG derivatives at a minimum size of 50,000 MMBtu, and multiples thereof. The JKM derivative is a monthly contract based on the Platts daily assessment price for the JKM. Platts publishes assessments for these derivatives for three forward contract months, two quarters and one calendar year.

JKM derivatives are financially settled in reference to the average of the published JKM over the period from the 16th calendar day of the month that is two months prior to the contract month, and ends on, and includes the 15th calendar day of the month prior to the contract month. For example, the September JKM derivative would settle on the average of the Platts September JKM published from July 16th to August 15th.

Platts assesses the JKM physical and derivative prices independent of each other. Therefore, a bid/offer for JKM derivative is viewed only as a demonstration of value for the derivative market and not physical JKM LNG.

In addition to fixed price, companies can also submit bids/offers for physical LNG cargoes on a floating basis. Platts physical LNG price assessments use a variety of inputs, including outright price bids/offers, floating price bids/offers, and combinations of fixed and floating prices.

When submitting floating bids/offers, MOC participants should clearly state the basis period - for example "basis JKM July 16-Aug 15".

Platts' objective is to assess the prevailing tradable outright price of the commodity at the close of the market assessment period. Outright price submissions take precedence in the editorial process at all times. For example, an outright price bid or offer (ie, \$11.50/MMBtu) may invalidate a floating price basis bid or offer (ie, JKM plus \$1.00/MMBtu) during the assessment process if the prices demonstrably coexist in conflict at any moment in time.

How can market participants contact Platts editors for questions or to submit an MOC order?

Platts editors can be contacted via platts_lng_moc@spglobal.com, ICE Chat: Platts_asia_lng, or +65 6530 6417.

S&P Global Platts

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For more information, please visit us online or speak to one of our sales specialists:

NORTH AMERICA

+1-800-PLATTS8 (toll-free)
+1-212-904-3070 (direct)

EMEA

+44-(0)20-7176-6111

LATIN AMERICA

+55-11-3818-4100

ASIA-PACIFIC

+65-6530-6430

RUSSIA

+7-495-783-4141