



# ICIS Propylene Methodology Consultation

## *Response 4*

First of all I would like to thank you for the opportunity to share our point of view regarding the settlement process of propylene.

During our first months trying to understand and observing the process we could verify that the process has inherited some practices and structure that we cannot agree with as listed below.

1. The current process has no clear criteria and methodology describing and selecting who can be a “buyer” or “seller”. (What is the minimum contracted quantity to be considered? Are these contracts being verified? Is volume actually delivered?)
2. Only few players reflecting a smaller share of the traded contracted volumes are effectively participating in the process. The current methodology (2+2) settles the price for the whole market and sometimes they represent very small market share of the total propylene market.
3. There are conflicts of interest at the integrated producers of propylene and ethylene. (Are measures in place to verify “buyers” and “sellers” are participating in line with their industry balances?)
4. The current ICIS Propylene Methodology by communicating initial settlements in our opinion bears the risk of being considered as pricing signaling influencing the pricing in the market. ICIS and others acts as an indirect communication channel transferring pricing intentions and ranges which can be construed as price collusion.

Ideally we would like to see a process that results in a published price which better reflects the market value of the product with transparency and involvement for the majority of the players. Thinking how we could change the current process closer to the ideal scenario we would like to suggest the following process.

### **I. CRITERIA FOR PARTICIPATION**

1. Every player that has a contract (minimum 1 year) can participate in the settlement.
2. Only contracts with monthly frequency should be considered.
3. Any derivative Propylene buyer should be considered provided they match the criteria
4. Any kind of delivery term is accepted (pipeline, railcar, barge, truck, etc.)
5. Contracted imports should be considered.
6. Swaps and spot arrangements are excluded.
7. The participant has to declare in writing to be in a net buy or net sell position and to comply with the participation criteria.



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## **II. CRITERIA FOR SETTLEMENT**

1. All agreed monthly prices between the companies with verified agreements are communicated to ICIS after monthly agreement has been reached. If no agreement is reached, no price is confirmed and communicated.
2. ICIS is not to report indicative prices or initial settlement prices. ICIS should not discuss any indicative prices or initial settlements. In our opinion, this activity is critical from an anti-trust perspective as it could be seen as influence on prices and aiding anti-competitive behavior.
3. Price would not be publicized before a minimum of 60% (starting point) of the contracted market is agreed. If such minimum value is not reached, no price should be publicized, as any value would not be representative of the actual market prices.
4. The final price would be calculated using the volume weighted average of the agreed prices.
5. The C2 prices and the C3 prices should be disclosed simultaneously.

The process would avoid price influence and price determination by ICIS on behalf of the industry. ICIS would merely be reporting what the industry settlement is.

Over time, the price of propylene will become more visible and iterate to a truly free negotiated market weighted average price as more buyers and sellers participate and can influence the result.