



ICIS Methanol Methodology Consultation

Response 3

General Questions

Q1 - *This methodology seeks to provide a reliable measure of physical market value. How well do you think the ICIS methodology achieves this aim?*

Unfortunately the icis assessments in the three main markets have become superficial and regularly struggle to capture the market dynamics. Deals are missed and the ranges are often inaccurate. Historically icis reporters attended industry events and took time to win the trust of market participants. The result was a willingness of participants to share information openly and the reporters had an indepth knowledge of the market. Reporters seem to have minimal time to devote to each market and have minimal involvement in the day to day operations of the market.

The methodology if applied thoroughly would work. Unfortunately the methodology is not applied with a detailed market coverage or understanding.

Q2 – *Are there alternative methodologies you would like icis to consider? Describe strengths & weaknesses?*

No. The role of icis is to report the prices of deals done. The issue is in the way the current methodology is executed.

Q3 – *How well do the ICIS prices published in this report serve your business? Are there additional prices you would like to see?*

The icis report has failed to serve our business and we are considering whether we apply icis pricing in our 2014 contracts. Distinction needs to be made between restricted and non restricted origin of deals assessed to avoid grouping non comparable deals in a single assessment.

Q4 – *Is there any other information that you believe would be helpful to ICIS?*

Market understanding is a function of the time and energy devoted to it.

Questions specific to methanol pricing reports

Q5 – *In the Methanol Europe weekly pricing report, do you think the report should add a monthly contract price assessment in addition to the existing quarterly contract price assessment?*

Yes we believe a monthly contract assessment should be added to the european report.



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Q6 – *In the Methanol Asia-Pacific weekly pricing report, do you think the report should add a CFR China (Iran origin), or CFR China (non-Iranian origin), to the existing CFR China (all origins) price assessment?*

Yes CFR China Iran origin and CFR China non-Iran origin assessments should replace the existing CFR China quote.

Additional Questions

Q1 - *Do you think the current China price reflects market situation?*

No. The report is unduly skewed by the Iranian origin material such that the report gives a very misleading impression of market pricing. The current CFR China quotation is damaging the business of the suppliers of non Iranian origin cargo and as a consequence has contributed to the substantial reduction in imports to China.

Q2 - *Do you think the price range is wide?*

Yes the price range is too wide. Attempting to assess Iranian origin alongside non Iranian origin is like trying to assess two markets in a single quote. Unfortunately it serves neither market well.

Q3 - *We will keep the original CFR China (all origins) quotation. Do you agree to publishing a parallel price quotation that reflects only Iran or non Iranian cargoes selling in China?*

There should be two separate quotes to distinguish Iranian and non Iranian.

Q4 - *If you support 3), the sub price quotation might be illiquid (i.e. Thinly traded, few or no deals), do you agree to participate in fixed numbered spot trades that will support the assessment accuracy?*

We routinely trade fixed price already.

Q5 - *What is the preferred time for launching the new price quote?*

It should be communicated during Q4 to come into effect in Jan 2014.

Q6 - *We intend to add the wording (Singapore/ West Malaysia) to the CFR SE Asia major ports to better reflect ports assessed. Method of assessment remains unchanged; we have only been assessing these markets in SE Asia. Do you agree?*

I am not sure this really makes much difference as the market already assigns discounts and premiums to capture the different logistics costs associated with serving certain ports.