ICIS Methanol Methodology Consultation

Response 8

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?*

We think the ICIS methodology does not fully achieve the objective of providing a reliable measure of physical market value in a sustainable way mainly because:

(i) Weekly market evaluations eventually consider unconfirmed (reported) deals or buying/selling ideas

(ii) Low liquidity spot markets

(iii) Low/High range price approach

If prices are assessed on unconfirmed market talk, numbers easily deviate from a real market assessment and become not representative of physical market value as many times these buying and selling ideas are not finally transacted.

Additionally, we believe the objective is even more compromised in a market which lacks spot liquidity.

In weeks when no or few transactions are reported, the pricing notions made based on market sentiment often reflect the sentiment of traders and buyers whom are looking for lower prices, and to a less extent the spot market tightness and difficulty of securing spot molecules.

Finally, providing an average price that comes from a low & high range average by definition moves you away from a physical market assessment as it does not consider the volume or number of transactions of a specific week.

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

We suggest following alternative methodologies:

(i) Have a weighted average weekly price rather than a price coming from the weekly high and low range price (For China, this would need to be implemented in conjunction with a separation of CFR China (Iran origin) and CFR China (non – Iran).

(ii) Avoid unconfirmed deals as much as possible

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 prices in EU, would serve better the business if we would see more clarity and consistency in the manner that the European Contract Price is settled. In the case of Asia Pacific, as there is no publicly referred contract pricing indicators, there is a large volume of contract cargoes transacted with link to spot price references. With major participants in the spot market being traders and end users, the spot price is difficult to represent a balanced and objective view of the market value of contract cargoes. We believe that a contract pricing reference based on regular discussions or settlements between producers and end-users would be helpful to provide a more balanced view of the market value of contract cargoes.

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

In case of Korean price, it is recommendable to pay more attention to domestic distribution price, where you can collect more reliable data as there are confirmed deals done every week.

In South East Asia, it is advisable to include other ports such as Bangkok, MTP in Thailand and Merak and Gresik in Indonesia where they are several spot buyers.

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?*

We are open to a monthly pricing if this serves better our customer's businesses. A well-defined and transparent methodology, process and transition period would need to be duly communicated to the market.

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?*

We strongly support reporting a different price for CFR China (Iranian origin) and CFR China (non-Iranian origin). With sanctions of Iranian products in effect, the supply & demand balance for Iranian origin and non-Iranian origin products is fundamentally different now. Iranian products have limited outlets outside China and various constraints of being transacted even in China, therefore reporting one single pricing indicator for CFR China that includes all Iranian products, is not able to represent the market value of non-Iranian origin products.

This idea may cause little confusion in the market, but market participants disabled to handle Iranian origin product should be happy to refer to CFR China (Non Iran Origin) and those able to handle Iranian origin could rely on either CFR China (all origins) or CFR China (Iran Origin).

In case you continue to report a single price reference for China, then is strongly recommendable to continue to report only CFR China without taking Iranian price into consideration.

As a separate and global comment, whenever the market is facing a situation of distressed cargoes, a deeper assessment should be done to understand the volume/impact of these, and analyze the ad hoc treatment accordingly.

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Additional Questions

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

We think it does but to limited extent. This is related to our opinions on above questions 1 and 6.

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

We believe the price range should be determined by the market once the price references are properly defined and distressed cargoes are excluded from the range.

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?*

Please refer to our response in above Q6.

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 have been participating in spot trades to realize that the assessment accuracy has room to improve. We support any initiative to improve the reporting accuracy to reflect a fair value of the market.

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

As many contracts are renewed on a calendar year basis, we would recommend you to launch any new price quotations from January 2014, with minimum 3 months prior notice.

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?*

As by definition SEA market consists of several countries and various ports, major and/or minor, we would disagree to limit your assessment only to Singapore/West Malaysia but strongly recommend you to include more ports, whether they are minor or not, such as Bangkok, MTP, Merak & Gresik, as long as deals are about imported cargo.