



ICIS Propylene Methodology Consultation

Response 5

General Statement

We are aware of the different interests by multiple parties not the least the publisher ICIS on providing pricing information. We will continue our policy of supporting and utilizing price reporting systems as long as they adhere to all legal requirements as well as provide independently auditable proof of unbiased reporting. In all cases we strongly discourage pricing by editors “on market sentiment”.

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 encourage and support the effort to document and ascertain an auditable, legally correct process. We suggest to provide a list of “dos and don’ts” with regard to fair trade rules for your information sources on your website. Such rules should be formally accepted by participants who provide information to ICIS. ICIS should save these acceptance statements internally.

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

See below Q5-10

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

We have used pricing information for a long time. We value it.

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

1. We explicitly support the substance of the IPRO code and recommend that this code is accepted unilaterally by ICIS in case the other parties to the IPRO code are reluctant to sign it.

2. We recommend that you issue a general and uniform description of the ICIS methodology (“headlines”) and – separately - supplement it in detail according to the specifications and needs of each reported product. This would support a documented and traceable approach. E.g. the general description (“headlines”) could include the following topics:

- a) list of suitable interviewees: producers, traders, end-consumers, shipping market
- b) minimum amount of interviewees to be contacted by ICIS before issuing a pricing report: our proposal is that at least 8 market participants (see a) must be interviewed



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- c) minimum amount of competitors participating (that means: providing information to ICIS): our proposal is that at least 5 competitors (e.g. suppliers) – each active on the merchant market – have to participate
- d) types of contracts to be distinguished: annual contracts - quarterly contracts – monthly contracts – spot market
- e) frequency of the publication of the ICIS report: daily – weekly
- f) definition of the specification of each targeted product
- g) exchange rate: reference and date
- h) type of buyer: large – medium – small
- i) specific terms of the contracts:
 - point of delivery
 - time of delivery
 - region of production/trade
 - cargo size
 - terms of payment (if available on a general basis)
 - import duties
 - minimum/maximum transaction volume to be recognized
- j) grades of reality of deals: confirmed contract prices (“2+2”) / confirmed deals for spot prices – reported deals (unilaterally) – bids/offers heard – buying/selling ideas – rumoured deals – (in absence of deals) surrounding demand/supply factors like feedstock prices or derivative market prices.

3. In addition to prices ICIS reports about (general) market developments. The ICIS methodology should provide a chapter in which the approach of ICIS in getting such information is described. E.g.: published reports of ICIS do not reveal the origin of the individual information (except for publishing information which is publicly available or announcements of the companies e.g. press releases/downtimes of plants).

4. In order to get more detailed feedback we recommend that you circulate the amended draft methodologies for comment of the interested parties.



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Questions specific to propylene pricing reports

Q5 – Transaction relevance

1. “Two plus Two” confirmation as base for monthly contract prices has worked in the past. Unless the pricing duration will be extended again this seems practicable and sufficient.
2. In addition a minimum volume threshold determining relevance could be included: the annual minimum quantity related to each of at least 2 contractual partner should exceed 100.000 mt/a.
3. Last but not least we recommend to exclude such companies which
 - a) are on the demand side but buy only 20 % or less of their whole demand due to the fact that they are producers for captive use,
 - b) are on the supply side but produce only 20 % or less of their sales volume,
 - c) are on the supply side but sell only 20 % or less of their whole production due to the fact that they are producers mainly for captive use.

These restrictions reflect that the market participants as defined cannot be clearly allocated to the producers`, traders` or buyers` side as they act ambiguously. This ambiguity could distort price reports.

Q6 – Applications

In practice the suggestion means that in the 2+2-process the application fields for Propylene have to be different. We are aware that this means an extra effort for ICIS in identifying these different pairs and explicitly support the proposal. A statistical (on an annual basis) representation of minor application segments present on the buyers` side (60% PP-producers !) would be the minimum requirement to avoid dominating influence by one application, where market environment might be very different from others.

Q7 - Involved parties

3+3: this proposal supports the non-traceability of the prices to the participants. This requires extra efforts of ICIS and we do not know whether this idea can be implemented in reality.

Withholding the “initial settlement number” until the second pair emerges we emphasize as a necessary way of ensuring more independent price negotiations and also avoiding “price signaling”. A drawback might result in potentially more deals with different numbers. The parties however will define inter-party agreements how to deal with these situations as they have done in the past.



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Q8 - *Chem grade spot*

On spot level we prefer to have chem grade CIF pricing to continue. In the absence of deals they could be left open with price sentiment given in the text portion.

Q9 - *Recent survey*

Independent of previous answers we ask you to use our comments to this consultation only on confidential basis.

Q10 - *Asia propylene*

Principally it is preferred to have a bandwidth as narrow as legally possible. Mathematical midpoint is not helpful (parties could agree on this themselves) however if a weighted midpoint (taking volumes into account) is presented this might be useful. Information on price differences according to trade destinations is essential to judge trends.

