

Global Ethylene Markets

General Methodology Consultation of 10 April 2016

Section 1: General Questions

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

Neither the current ICIS "Ethylene Methodology" nor the "General Methodology" (which applies to all price assessments) achieves this aim.

In our opinion, the methodologies do not provide an appropriate basis for a reliable price assessment of contract prices, which can only be achieved with a methodology that requires both the usage of real net-transaction-prices and a transparent price formula.

The current "Ethylene Methodology" gives only a brief overview of the ethylene market, the specification and the types of prices available from ICIS but does not determine any requirements with regard to the data used for calculation of the prices, apart from the requirement that data for contract prices shall be confirmed by two different producers and consumers ("2 + 2"). A contract price is not reported for Asia-Pacific, although both contract and spot prices are reported for Europe and the US Gulf, which makes the price even more non-transparent. Likewise, the "Ethylene Methodology" does not explain the procedure how ICIS obtains the relevant prices from the surveyed market participants. The "General Methodology" gives also very little detail on the procedure for contract prices, as it only requires confirmation of "*at least two agreements between recognized contract partners of significant size*", without further specification of these terms. Thus, it is not comprehensible to us if and how ICIS ensures that the prices are obtained from reliable sources and whether they reflect the real market situation. Moreover, ICIS gives no detailed illustration of the calculation method, with which the finally reported price ranges are determined. It would be necessary to have more details, e.g. about the surveyed market participants and the level of discretion used by the ICIS price reporters to evaluate the prices in case of missing transaction confirmations. On these topics, the "Ethylene Methodology" does not give any information at all and the "General Methodology" is quite vague. Therefore, both the "General Methodology" and the special "Ethylene Methodology" are very non-transparent and moreover, they do not offer an adequate possibility of supervision.

Beside this, it has to be considered by ICIS that there is a significant risk that market participants who report to ICIS might misuse the ICIS methodologies and system to keep the price on a high level. This makes real competition between those market participants at least from our perspective quite questionable.

In our opinion, a reliable price assessment for contract prices can only be achieved with a price calculation that is purely based on real net-transaction-prices after deduction of rebates and discounts. Otherwise, the reported contract prices do not reflect the real market situation and especially smaller suppliers and consumers are left in the dark with regard to the granted rebates and thus the existent price level in the market. Moreover, in our opinion ICIS should consider to exclude from its price reports transactions above the significant size (as requested in its "General Methodology") with consumers that are at the same time producers of the relevant product. These consumers would benefit from excessive prices, which leads to an increased risk of manipulation.

Consequently, we are of the opinion that ICIS should adjust its methodologies accordingly

in order to provide clear guidelines for the price assessment procedure, based on real net-transaction-prices and offering an adequate possibility of supervision.

- 2. Are there alternative methodologies you would like ICIS to consider? If so, please describe these methodologies and their strengths and weaknesses as mechanisms for measuring physical market value. Please explain their strengths and weaknesses relative to current methodology.**

N/A

- 3. How well do the ICIS price assessments published in this report serve your business? Are there any additional prices you would like to see?**

N/A

- 4. Is there any other information that you believe would be helpful to ICIS in its review of this methodology? If so, please give details.**

N/A

Please treat our response to this methodology consultation as anonymous (response can be published without attribution).