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# S&P Global Platts JKM™



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**S&P Global**  
Platts

# Platts Key Facts

**12000**

DAILY PRICE  
ASSESSMENTS AND

**1400+**

EXCHANGE  
TRADED CASH  
SETTLED FUTURES

**100+**

YEARS OLD

**1000+**

EMPLOYEES  
INCLUDING

**250+**

EDITORS

LEADING  
BENCHMARK IN  
OIL WITH

**BRENT**

BEING

**>60%**

**EMERGING  
BENCHMARK**

IN GLOBAL LNG  
WITH

**JKM™**

INFORMATION  
REACHES

**10000**

CUSTOMERS  
ACROSS THE  
SUPPLY CHAIN IN

**15000**

COMPANIES

INFORMATION  
REACHES

**2500+**

COMPANIES IN  
NORTH AMERICAN  
& EUROPEAN GAS

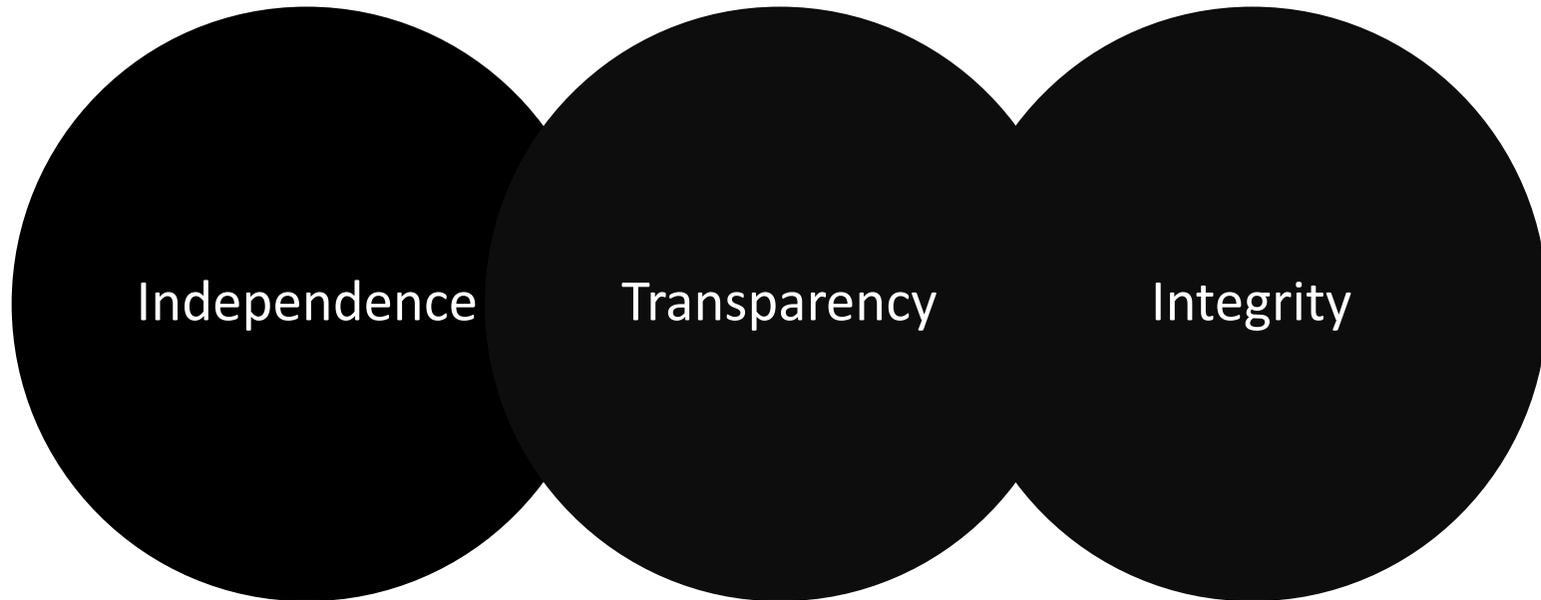
**350**

IN GLOBAL LNG

A8

can we clean up sizing on these?  
Author, 2015/10/27

# Platts Principles

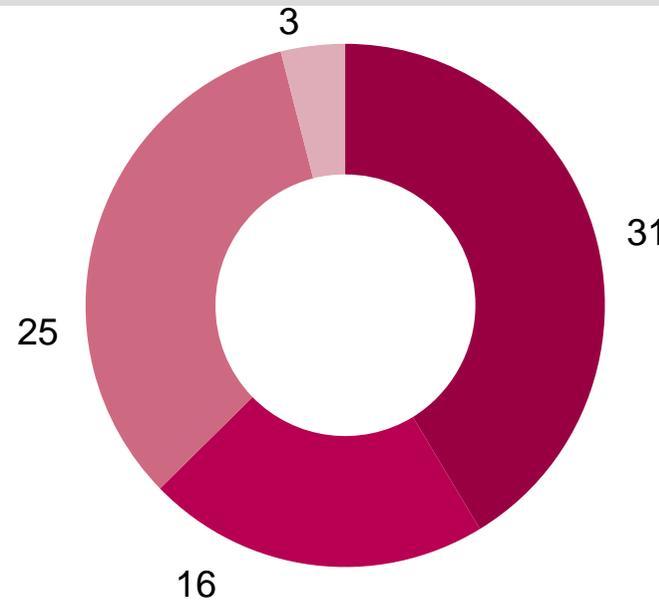


Supported by:

- IOSCO commitments in oil and non-oil commodities (including JKM)
- Editorial standards and guidelines
- Robust methodologies and defined changes processes
- Risk & compliance structures

# JKM Process

## 75 Contributor Companies



■ End users ■ suppliers

■ Traders ■ Other

NB: Direct contributors to JKM assessment process. Larger number of contributors in Asia more broadly

Does not include multiple entities of the same parent company

## Providing Transparency, Publishing & Testing Data Inputs

**Heards - Asia LNG: Northeastern trader estimates December and January deals at around \$7.3/MMBtu**

By Max Gostelow  
Published on - 10/11/2016 08:11:51

**Heards - Asia LNG: Northeastern trader estimates December deals at around \$7.2/MMBtu to \$7.3/MMBtu**

By Max Gostelow  
Published on - 10/11/2016 07:36:41

**Heards - Europe LNG: European trader reports Pacific December bids at \$7.00/MMBtu**

By luke\_stobart  
Published on - 09/11/2016 17:28:05

# JKM Future state: Understanding price as a function of time, quality & location

## Time

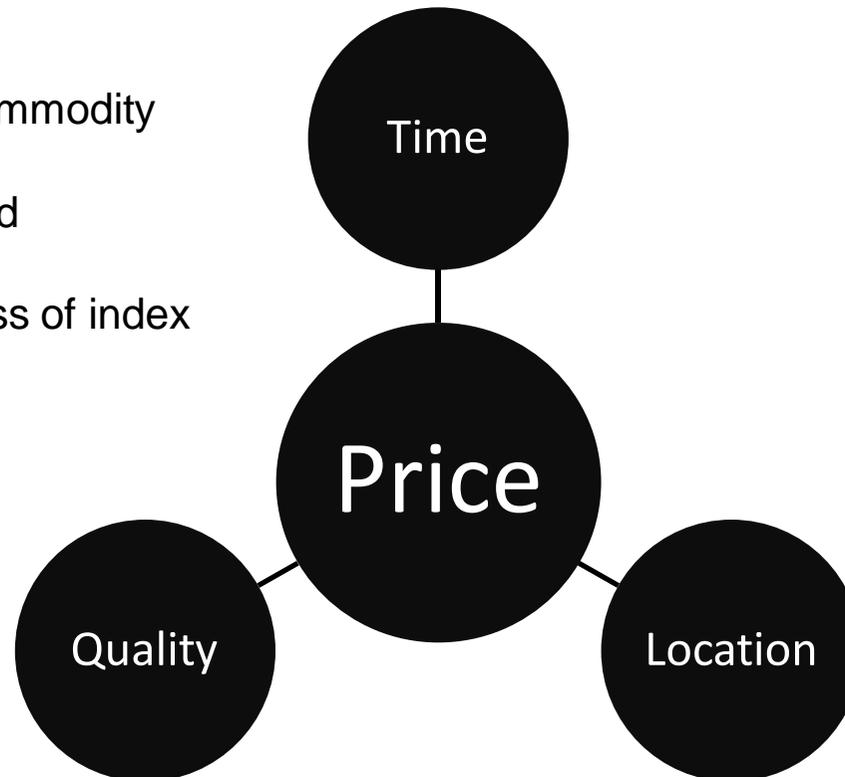
- ☑ Allows for cross commodity comparisons
- ☑ Facilitates M2M and VAR accounting
- ☑ Improves usefulness of index

## Quality

- ☑ Increased bifurcation due to quality differences
- ☑ Improves usefulness of index

## Location

- ☑ Freight differences
- ☑ Logistical constraints at certain location
- ☑ Improves usefulness of index



# Offering market solutions: Towards a Platts eWindow?

Product	Hub	Strip	+	-	Sell	Buyer	Qty	Bid	Offer	Qty	Seller	Buy	Last	Volume	Mkt State
Platts Dubai	Partial	Jan17				SIETCO	25	43.48	43.60	25	UNIPECASIA		43.50	25	Pricing
						MERCURIASG	25	43.48	43.70	25	CHINA OIL				
						GLENCORES	25	43.47	43.80	25	SKEISG				
						TOTSA	25	43.40							
						SKEISG	25	43.40							
						CHINA OIL	25	43.30							
Platts Dubai	Partial	Mar17				UNIPECASIA	25	44.55							Pricing

## eWindow Benefits:

- Real time price formation
- Firm and testable bids and offers
- Executable trading
- Structured & transparent process
- Opportunity for participants to prove value
- Enables broader participation
- Counterparty management
- Concentration of liquidity
- Creates better price discovery via convergence of values
- Competitive bids and offers

<b>Surveyed &gt;65 market participants so far</b>	Is the market ready for an eWindow assessment? 64% YES / 36% NO or NOT YET
	Would you participate in a future LNG eWindow? 80% YES / 20% NO

# JKM™ Adoption

## Physical

**Mexico's CFE:** Previously tendered for 31 cargoes June 2013 through December 2014 at approximately The company has continued to use JKM as a pricing reference with actual pricing at either a premium or discount to JKM

**Woodside operated NWS** project introduced the JKM as one of the pricing bases in LNG sell tenders in early 2012, alongside options for either Platts Asian Dated Brent or a fixed price.

**Chubu Electric and BP:** Chubu Electric's 16-year-long LNG deal with BP partially uses Platts' Japan Korea Marker LNG spot prices for up to 10% of supply volumes, market sources told Platts. Market sources said the Chubu-BP deal includes a price linkage of 5-10% of Platts' JKM LNG spot prices

**Chubu Electric and GDF Suez:** Chubu signs SPA 1.2 million mt/year with GDF Suez with a percentage of the deal linked to JKM. Chubu has publicly said that it will continue to seek indexation to spot prices for future contract negotiations in order to seek greater flexibility; has also said that it will seek to hedge against equivalent JKM swap for current deal. Chubu is Japan's second largest utility.

**Thailand's PTT** concluded a one-year 500,000 mt LNG supply agreement in 2011 with Spain's **Repsol**, concluded using a formula of the JKM plus 50 cents, various sources said.

**Shell** has exposure to JKM following acquisition of Repsol's assets. **JERA** has exposure to JKM through JV partner Chubu Electric

**RWE** . signed strip deal with TEPCO for 2013/2014 winter cargoes against JKM; hedged close to 3 cargoes on swaps market.

**Conoco** sold against JKM (minus alpha) for volumes from Kenai, Alaska, to **Kansai**, Japan, in deal for winter cargoes in 2014

Jordan's **NEPCO** introduced JKM as one of the pricing bases for LNG buy tenders in 2015

**Brazil's** downstream power capacity auctions have option to be pegged against Platts assessed NBP, fuel oil and JKM.

India's **PPAC** has used the JKM to price its domestic gas market as part of a basket of fuels

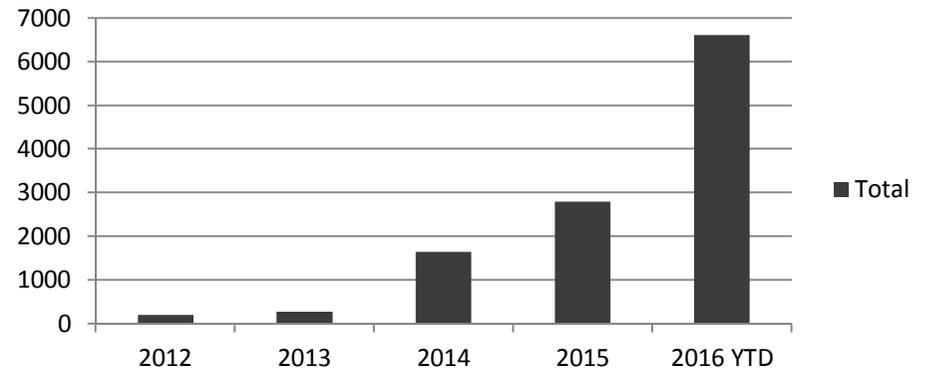
NOTE: JKM is also used to price spot/strip deals

# Market players are increasingly hedging their exposure to the physical JKM through JKM swaps

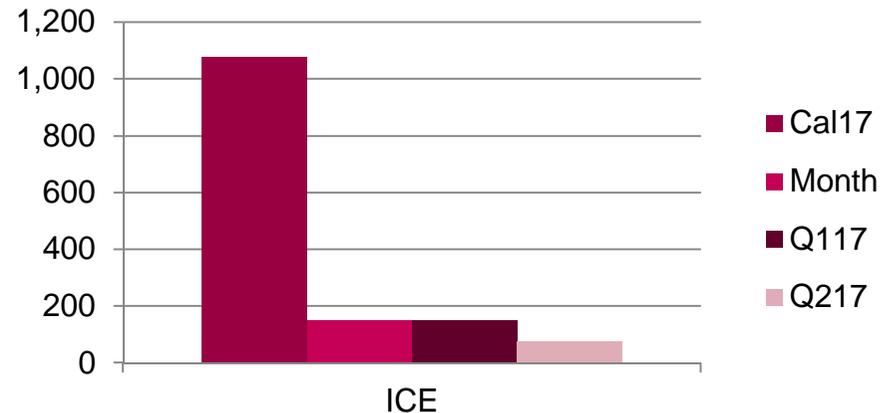
## Key Facts

- “ Sophistication is growing as evidenced by
  - Spread trades (inter-month and to NBP)
  - Trades on tenors further out (quarters, seasons, calendar years)
  - Increased volume size
- “ Participation is growing (26 active participants in ICE cleared futures Sept 2016).
- “ Several financial institutions providing liquidity
- “ Significantly more volume traded bilaterally
- “ Increasing interest from parties in Asia
- “ 1 lot = 10,000 MMBtu

## Swaps cleared through ICE



## October Liquidity



Source: ICE

# Q&A

**We welcome your feedback**

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