Webinar on LNG market data reporting and answers to questions from market participants

Market Information and Transparency Department
ACER
11 January 2023, 14h00-15h00
Purpose of the webinar

- To clarify the main concept and definitions of the Guidance on reporting LNG market data
- To present business as well as technical questions submitted by reporting parties
On 30 December 2022, a new Council Regulation (EU) 2022/2576 entered into force requiring:

- LNG market participants to submit (from 30 December 2022) daily LNG market data to ACER
- ACER to produce and publish a daily LNG price assessment (from 13 January 2023).

Market participants who are subject to the new LNG reporting obligations are required to:

- Register in the Centralised European Register of Energy Market Participants (CEREMP) and identify themselves as an ‘LNG market participant’; and
- Create a user account at TERMINAL.

Guidance on the registration process of LNG market participants in CEREMP and TERMINAL is available here

Guidance on reporting LNG market data is published also on the ACER website (link here)
Portfolio vs Spot

Data Field No.11: Type of contract

<table>
<thead>
<tr>
<th>No.</th>
<th>Field Identifier</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>11</td>
<td>Type of contract</td>
<td>The field identifies the type of contract based on which the transaction occurred</td>
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</table>

**Allowed Values**

<table>
<thead>
<tr>
<th>Type</th>
<th>Length</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spot</td>
<td>Single choice</td>
<td>Spot</td>
</tr>
<tr>
<td>Portfolio Short Term (less than 2y)</td>
<td></td>
<td></td>
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<tr>
<td>Portfolio Mid Term (2-5y)</td>
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<td></td>
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<tr>
<td>Portfolio Long Term (5y+)</td>
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- **Portfolio type contracts** are short-, mid- and longer-term arrangements between counterparties based on which they can execute particular transactions that result in fixing a price (can result in an outright price or an indexed value).

→ The details of the portfolio framework contracts are not in the scope of reporting.

→ The particular transactions concluded under the Portfolio type contract are in the scope of reporting
  
  → Field No. 11 Type of contract shall be still indicated as Portfolio contracts, take into consideration the duration of the relevant Portfolio contract.
  
  → Example: if the Portfolio contract applies in the period from 1 July 2020 until 31 December 2022 (2.5y), the execution to deliver a cargo took place on 25 December 2022 and the delivery window is in Week3 of 2023, the reporting party shall indicate 'Portfolio Short Term (less than 2-5y).

- **Spot-type contract** is considered any transaction that does not refer to a Portfolio type contract (portfolio framework arrangement) between the counterparties.
Commencement of the reporting obligation

QUESTIONS

1. Can ACER confirm that no legacy transactions (i.e. concluded before 31.12.2022) are to be reported, even if the execution date (delivery/settlement) is after 31.12.2022?

2. Can ACER confirm that bids/offers do not to be reported until 31.3.2023?

3. Could you please clarify from which date you expect data to be provided by LNG MPs and if you also expect the reporting of data related to bid/offer/transaction/cargo agreed before the beginning of the reporting activities (i.e. outstanding data)?

4. An LNG transaction may be concluded prior to the commencement date of reporting, but, after the commencement date of reporting, (i) a decision is made to, or (ii) an option is exercised to re-route the shipment for delivery into the EU. Is such an LNG transaction subject to the reporting requirements?

ANSWER

Particular transactions concluded under the Portfolio type contract after the entry into force of the Regulation are reportable, even if the Portfolio type contract has been agreed before the entry into force. Please note here that the LNG transactions become reportable at the time of the agreement and not at the time of (or after) the delivery.

As of the entry into force of the Regulation (i.e. 30 December 2022) LNG market participants shall submit daily to ACER the LNG market data which also includes bids and offers.

Spot transactions agreed after the entry force of the Regulation are reportable.

If an LNG transaction which was concluded prior to the commencement date of reporting, but, after the commencement date of reporting (i) a decision is made to, or (ii) an option is exercised to re-route the shipment for delivery into the EU, it becomes a reportable transaction. The timestamp shall indicate the date of the decision to deliver in the EU, and the price shall indicate the agreed price of the transaction.
QUESTIONS

1. Please clarify if long-term contracts (LT) are the same as portfolio frameworks? Would a LT for x years with fixed price, volume and delivery windows (with some optionality) also be required to be reported?

2. In the case of a long-term contract where the price may be indexed, is only this contract reported or also each execution (delivery)? What is the relevant date in this case (physical delivery date, invoice, delivery knowledge, delivery schedule)?

3. Can you please clearly define what a Spot transaction is? Is there a time limit on this e.g. delivered within 30 days of the transaction?

4. Could you please confirm that cargo deliveries executing of a portfolio agreement should be reported in the form as TRANSACTION? If yes, how field 11 (Type of contract) should be filled in for cargo deliveries executing of a portfolio agreement?

5. For portfolio contract with volume optionality, could you please confirm that details related to Original contract quantity (fields 6.1 and 6.2) and Contract value (7.1 and followings) are not required? If we understood correctly, those fields seem to be mandatory on TERMINAL. How could we report them in case of portfolio contract?

ANSWER

If under the mentioned long-term contract further particular transactions can be concluded which fix the price, it should be considered as Portfolio type contract, therefore it's not reportable (only the particular transactions concluded under it). If the LT contract has fixed price, volume and delivery windows (i.e. arrival start and end date) and there is no need for further agreements in order to conclude particular transactions to deliver, it should be considered as Spot-type contract regardless for which date in the future the delivery widow is set. The executions (i.e. actual delivery) are not reportable transactions.

Particular transactions concluded under the Portfolio type contract shall be indicated as Portfolio type contract under field (11) in the reporting form, while taking into consideration the duration of the relevant Portfolio contract. The details of the Portfolio type contract are not reportable.
QUESTIONS

1. Transaction or Cargos to be reported? If LNG transactions (including multiple cargos) have to be reported, then some field cannot be reported (e.g. vessel name, how to report multiple delivery points?)

2. How should a cargo be reported, if it was planned for delivery in EU, but finally it was redirected to a destination outside the EU? (i.e. should a cargo only be reported, if the delivery in the EU is 100% sure/actually happened)? The ultimate/final decision made to send the cargo to a specific location i.e., is not made at a fixed point in time. How do we address a change in where a cargo will ultimately end? The cargo could be sold multiple times?

3. In case of multiple cargos under the same contract with the same price/formula and the same delivery port, is it possible to aggregate the reporting in one report, indicating as delivery window the arrival start date planned for the first cargo and the arrival end date planned for the last cargo?

ANSWER

For multiple cargo transactions that occur in the same day, reporting parties shall fill in separate reporting forms as long as the delivery time, delivery zone or prices of the different cargos vary among themselves. If the previous conditions are equal, reporting parties can report a unique transaction that corresponds to the sum of all the volumes.

Field (9) Vessel ID and field (14) Delivery point can have multiple values in the reporting form. Vessel ID is reportable if available at the time of the reporting (indicative vessel names can be reported).

If an LNG transaction at the time of the agreement specifies EU delivery it becomes reportable regardless whether the actual future EU delivery will happen or not.
For all transactions (i.e. Spot or particular transactions concluded under a Portfolio type contract) the price information required by fields 5.1-5.8 are reportable. If there is only an outright price (without a formula), field 5.2 and 5.3 can be left empty.

If the reported transaction is was concluded under a Portfolio type contract, field 12 (Portfolio contract price formula) shall describe the Portfolio-type contract formula. The field is not applicable for Spot type transactions.

There is no requirement to include the freight cost in the price, neither the hedging profit and loss.
According to the reporting guidance the following terms can be applicable for a transaction:

- **DES** = Delivery ex ship: the seller is responsible for the LNG until it is delivered to a specified port. After delivery, all obligations shift to the buyer. The delivery point is specified in the contract. Referencing DES is an industry practice despite the fact that the term has been officially discontinued. A DES type of delivery may be understood as equivalent to the currently adopted Incoterms rule DAP (‘Delivered at Place’).

- **FOB** = Free on board: the buyer acquires the LNG and is responsible for shipping. The delivery point may not be specified in the original contract. As for reporting obligations:
  
  - If the FOB transaction (or if relevant the bids and offers) at the time of agreement specifies any EU destinations, the transaction shall be reported.
  
  - If the FOB contract does not specify an EU destination at the time of agreement, but the buyer ultimately decides to deliver to the EU, the transaction becomes reportable, at the latest by the time when the buyer communicates the final programme at the EU LNG terminal. In that case, the transaction timestamp reported in Data Field (17) shall indicate the timestamp when the LNG FOB transaction took place (contract was confirmed).
QUESTIONS

1. Reporting on long term contracts. How do we define which are to be included if they are FOB?

2. Which price of a FOB delivery into the EU should be reported? The fixed price of the original FOB deal, or including freight and insurance? Or if sold on to buyer on other terms (e.g. DES) with delivery into the EU, should the price of the this next leg of the deal be reported?

3. According to the Guidance we understand that for FOB contract that does not specify an EU destination at the time of agreement, but the buyer ultimately decides to deliver to the EU, the transaction becomes reportable, at the latest by the time when the buyer communicates the final program at the EU LNG terminal. In case the contract foreseen the communication of the Annual Delivery Program (ADP) between buyer and seller, could you please confirm that the acceptance of the ADP is the trigger element for the reporting of such cargos?

4. Where an LNG market participant buys LNG on a DES basis and such LNG transaction provides for a destination option that goes beyond the Union (but includes the Union), and the option of the final discharge port has not been exercised, is such LNG transaction reportable? For illustration, the LNG purchase transaction could be on a DES UK or EU delivery port to be declared at a date in the future.

ANSWER

DES and FOB transactions are reportable if the contract specifies any potential EU delivery at the time of the agreement.

If the FOB contract does not specify an EU destination at the time of agreement, but the buyer ultimately decides to deliver to the EU, the transaction becomes reportable.

In general, the reported price should not include the freight and insurance cost.

If an FOB contract is sold to a buyer on DES terms with delivery into the EU, this is considered a reportable transaction with the relevant price agreed for this transaction.
QUESTIONS

1. What is the trigger element for new transactions to be reported? Our understanding is that transactions should be reported only when it is legally binding, meaning that framework agreement (e.g. EFET Master Agreement) are not reportable while individual contracts and other bilateral contractual structures (e.g. ESP) are to be reported once the confirmation notice / the contract is signed.

2. When should a transactions concluded under a long-term framework contract must be reported? When the Annual Delivery Programme (ADP) is defined, when the specific cargo arrival is firm?

3. In the lifecycle of an LNG transaction, it is customary that a transaction is confirmed by way of email. That said, it is also a common term in the master sale and purchase agreements that a transaction is not binding until the confirmation notice of the transaction is signed, which can be a few days or weeks after the exchange of emails confirming the transaction. Where there is a condition that a transaction is only binding when the confirmation notice is signed by both parties, is the timeframe for reporting and time stamp to be reported determined by: The exchange of emails confirming the transaction; or The time / day when the last counterparty signs the confirmation notice for a particular transaction?

4. Data field 17 “transaction timestamp”: is it necessary to match perfectly with the time values used by the counterparty, in case of bilateral transactions?

5. How precise will deal time stamps need to be? Would it be acceptable to report with mm instead of ‘ss’ if not technologically possible to achieve internal ‘ss’ time stamping?

ANSWER

Particular transactions concluded under Portfolio type contracts are reportable at the time of the agreement to deliver in the EU. Transactions should be reported at the time of the final agreement between the two counterparties to the transaction, not at the time of the formal signing of the contract.

It is not expected that the counterparties reconcile the timestamp (or any) information with each other in their reporting.

The reporting shall indicate the actual transaction time as precisely as possible, as a string representation of the ISO 8601 date and time format (UTC). Reporting of SS is not mandatory.
QUESTIONS

1. Can ACER confirm that “bids/offers” in the sense of this Regulation only comprise bids/offers done on relevant platforms (as only then we would consider them as firm bids/offers)?
   • Bids and offers registered at a trading platform, or communicated to entities impacting the price formations, or communicated bilaterally to the counterparty without registration are to be reported.

2. Is it correct to say that only a bid or offer that is contractually capable of acceptance, where acceptance of such bid or offer will result in a binding contract between the Buyer and Seller shall be reportable (each a “Firm Bid” or “Firm Offer”)? Putting it from another perspective, is it correct that indicative, non-binding bids and offers and other exploratory discussions on price levels are not covered by the reporting requirement?
   • We agree with the indication that only a bid or offer that is contractually capable of acceptance, where acceptance of such bid or offer can result in a binding contract between the Buyer and Seller shall be reportable. However, we understand these can also be indicative, non-binding bids and offers.

3. In case bid/offer is promptly accepted by the counterparty, do we correctly understand that only the reporting of the transaction is due (once the confirmation notice / the contract is signed) and that there should not be the double reporting also of the bid/offer?
   • We understand that in this case the bids and offers are also to be reported.

4. Should the reporting of a bid or offer be bilateral or should only the counterparty that has requested or submitted a bid or offer proceed with the reporting? Who needs to report bid and offer? Our understanding is that it is only the submitting counterparty.
   • Bids and offers are to be reported by the counterparty who submits them.

5. If an LNG market participant issues a tender for the purchase of one or more LNG shipment for delivery in the Union, and the issuer of the tender receives a number of offers to supply, is the issuer of the tender required to report each of the offers received under the tender?
   • The issuer of the tender is not expected to report the offers received, but the counterparties submitting the offers are.

6. Are fields 8.1 and 8.2 (Arrival window) applicable also for bid and offer reporting?
   • Yes, the fields are applicable.
QUESTIONS

1. A concluded LNG transaction may be amended on a date after the LNG transaction has been reported. Is there a requirement to amend the initial report on that LNG transaction on the date of the amendment?

2. A concluded LNG transaction (i) may become voided, for example in the situation where a condition precedent not fulfilled by the condition precedent deadline, or (ii) a party may be excused from performing the LNG shipment due to force majeure. Is there a requirement to report that such an event?

3. How to correct erroneous reporting, or if terms of deals are mutually and subsequently changed?

4. What should be done if errors are found in the submitted report after 4:00 p.m. (no correction possible)?

ANSWER

Lifecycle events (e.g. amendments to the terms after the agreement, cancellation of the agreement) to the transactions are not reportable when reporting LNG market data to ACER.

The user manual of TERMINAL provides indication on how to perform the correction of erroneously submitted reports. The data reported can be edited and changed until 16:00 of the day of submission – after this period, the data can be accessed only in read-only mode for the next 48 hours. After 16:00 the reporting party shall contact ACER to report the error.
Not in the scope of reporting

QUESTIONS

1. Is it correct to say that sale and purchase transactions of (i) heel within a conventional sized LNG vessel and (ii) LNG for cool down of LNG vessels are excluded from the scope of data reporting?

2. Could you please confirm that transactions where the physical delivery involves vessels with a capacity less than 75,000 cubic meters of LNG are not reportable, even if their activity relates to regassification into LNG terminal and not to Small Scale LNG activities?

3. Do bookout / cashout / washout / buyback transactions need to be reported? For illustration, A Seller and a Buyer may enter into an LNG transaction for delivery of the shipment in France. On a date subsequent to the date the LNG transaction was entered into, the Seller and Buyer may agree to cancel the LNG transaction with a party paying the other party a cancellation fee.

4. Are small-scale LNG activities and related shipping operations downstream from the LNG terminal excluded?

5. Are intragroup transactions excluded, i.e. LNG deals between 2 legal entities belonging to the same group?

6. Are swaps between market parties within an LNG terminal?

ANSWER

The following non-exhaustive list indicates LNG data that is excluded from the reporting according to the reporting guidance:

- Long-term portfolio framework contracts
- In-tank transactions, bids and offers at re-gasification terminals
- Small scale LNG transactions where the physical delivery involves specialised vessels with a capacity less than 75,000 cubic meters of LNG
- LNG truck loading and unloading
- Cargo swaps, such as for the optimisation of regasification capacities or to manage either size, location and date mismatches
- Intragroup transactions (for the definition of intragroup you may refer to Q&A III.3.26 in ACER’s Q&A document on REMIT)
- Transactions at virtual storages
QUESTIONS

1. If an LNG market participant’s technology and systems are set up for once-a-day capture and representation, and where their systems do not have the capacity for real-time data capture and reporting, is reporting once a day be acceptable?

2. If the counterparty does not have an ACER code, not being registered and not wanting to be, can we use the code ACERNONMP.EU?

3. Can one of the transaction parties report on the other’s behalf?

4. When will the number of persons authorized to report on behalf of the entity importing LNG to the EU be increased from a maximum of 2 to more persons?

5. There should be the possibility to set “office accounts” on TERMINAL in order to allow multiple users to perform - also simultaneously - the reporting and to manage office needs (days off, illness, strikes, bank holidays different from ACER holidays…)?

6. When will functionality be added to enable a data upload or automated feed to TERMINAL? If so, will you provide a test environment?
The Regulation requires real-time reporting (as close to real time as technologically possible). Reporting parties shall make their best effort to comply with the Regulation to the best extent possible in all scenarios.

The current manual reporting of LNG market data may be improved in the future. But for the time being reporting parties need to adjust to the current reporting regime.

TERMINAL allows the reporting of the LNG transaction even if the counterparty does not have an ACER code. ‘Counterparty not registered’ shall be selected in the respective drop down list in TERMINAL.

Currently counterparties cannot submit reports of LNG market data on behalf of each other.

The TERMINAL User Manual provides guidance on how to perform corrections/amendments to the already submitted reports.

Currently there is no TEST environment available for TERMINAL.

Adding a functionality be added to enable a data upload or automated feed to TERMINAL is not foreseen for now.

Group emails can be registered in TERMINAL as long as the address is in the corporate domain and is registered in CEREMP.
• ACER plans to organise webinars on LNG market data reporting on a periodic basis

• Based on the received input the guidance document is planned to be updated, as well an FAQ document will be prepared

• Queries on LNG market data reporting are to be sent at transaction.reporting@acer.europa.eu
Thank you.

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