

LNG Assessment Methodology

Relevance of Rim Assessment Methodology

Rim Assessment Methodology is considered appropriate since it is based on the following:

1. Purpose of price assessment

The purpose of price assessment in all of Rim's reports is to enable trades to take place at prices that are transparent and reasonable. We achieve that by indicating levels at which deals can be transacted among players in the energy market.

2. Transactions taken into consideration

For each price index, our price assessment is based on quantities, delivery period and areas with the most liquidity. Further, details such as the value and quantity on which the assessment is based, market information which is used as a reference, and other platforms such as the Rim Trading Board and specific markets including trades carried out in Exchanges are included in the methodology of each report.

3. Time window taken into consideration

For each price index, the time window considered appropriate for our price assessment is that which is deemed to be the most convenient and effective during Asian trading hours including Japan.

4. Priority in price assessment

For each price index, among traded prices in transactions that take place between agreed parties or in other markets, bids and offers, the priority as to which price is considered first for assessment is determined and details are given in the methodology of each report.

5. Selection of players to gather information from

When selecting players to obtain information from, we take into account the quantity handled and the amount of influence on the market, without any bias towards buyers or sellers. We gather market information from many players including Majors, oil and gas producers, oil companies, traders, dealers and end-users. Each report team determines that there is no bias in the players it obtains information from in terms of area and the type of information they have. Should the player found to be suspicious or to be an exception, the reporter and team leader may, after obtaining approval from the president, remove him from

the list of players to gather information from.

6. Method of information gathering

The quality of reporters performing price assessments is vital. From a fair and neutral standpoint, the reporter has to exert due diligence on a regular basis to cultivate such quality and improve his skills. Reporters that have received such training will carry out information gathering mainly by telephone but also by email and chat. To ensure the credibility of the player from whom information is gathered, the reporter will call the player's company directly to confirm that the player is indeed working for that company.

7. Reliability and adequacy of market information

Each reporter performing price assessment determines whether information obtained from market players is adequate, whether the trade was done by the parties involved, whether the information was suspicious by checking with the relevant parties and other multiple parties, with further investigation carried out if necessary. If a piece of information is found to be suspicious, additional information gathering will be carried out before making a judgement as to whether or not to remove the information for consideration for price assessment. The player providing market information is expected to all information relevant that meets the conditions for price assessment stated in Rim's Assessment Methodology, which is published on our website. If it is necessary to check whether the information provided is suspicious, we may consider obtaining information from the back office.

8. Supervisor

Role of Supervisor

At least one independent supervisor is assigned to each report. Before each report is issued, the supervisor checks if the price assessment and its basis are in line with the Assessment Methodology. After the review is conducted, a proof of the review either in the form of an email sent by the supervisor to each team or a PDF copy signed by the supervisor is kept in the folder of each team.

Maintaining quality of the review

Where necessary, the president conducts checks to determine if the supervisor's review is appropriate. After a spot check, a proof of the spot check in the form of a PDF document signed by the president will be kept in the folder of each team.

Selection of supervisor

In principle, a supervisor is selected from outside the relevant report team and has knowledge and experience in the product and market for which price assessment is conducted. The selection of supervisors requires approval from the Board of Directors.

9. Maintaining consistency in price assessment

Internal training and thorough reviews by supervisors are conducted to maintain consistency in price assessment.

10. Making the Assessment Methodology available

The Assessment Methodology approved by the Board of Directors is uploaded on our website, whereby external market players involved in trading, players providing market information and our subscribers can access. The Assessment Methodology includes the following:

- Trades considered for price assessment
- Standard quantity
- Assessment window
- Priority for assessment
- Selection of players providing market information
- Method of information gathering
- Reliability and adequacy of market information
- Reasons for using specific units for quantity (barrel, BTU etc.)
- System of review by supervisor
- Trades not considered for price assessment
- Policy of maintaining consistency in price assessment
- Process of regular reviews and amendments to Methodology
- Amendments to price assessments

11. Regular reviews of Methodology

The Methodology is reviewed at least once a year (during the Board of Directors' meeting held in October) or when substantial changes have taken place in the market, and revisions will be considered where necessary. When reviewing the Methodology, we obtain views from external market players and our subscribers. If necessary, we disclose the inquiries we pose to external parties in our reports or website but basically, their replies are not disclosed for confidentiality reasons. If, however, our sources agree, we may disclose their replies.

12. Amendments to Methodology

If amendments to the Methodology are deemed to be necessary, discussions are conducted within each report team and amendments are submitted to the Board of Directors for approval. After the amendments are decided, the effective date of the amendments is clearly stated and changes to the Methodology will be announced on our website in principle one month before, but at least two weeks prior to the effective date.

13. Amendments/Changes to price assessment

Although typing and spelling mistakes may be amended, we do not change our price assessments with information provided after the price assessments are issued.

I . DES Japan Assessment Methodology

(Scope of Price Assessment)

The assessment of the DES Japan daily price is based on concluded deals and bids/offers in the DES Japan physical market and Japan OTC Exchange (JOE) LNG market. The assessment of the DES Japan daily price may also refer to concluded deals and bids/offers in other markets such as the DES Northeast Asia market.

(Price Assessment Window)

The window for assessment runs from 15:00 hours Tokyo time the previous trading day to 15:00 hours Tokyo time for the day the assessment is published.

(Price Assessment Methodology)

1) All trades that take place and all bids/offers placed on DES Japan physical cargo market and JOE LNG during the assessment window are applied to assess the DES Japan daily price with factors such as supply/demand situation also taken into consideration. Among them the most updated trades and bids/offers are given priority for assessment.

2) In the absence of actual trades, the DES Japan daily price is assessed based on the mean of the highest bid and the lowest offer placed in the DES Japan physical cargo and JOE LNG market as of the closing time for that day. In the event the spread between the highest bid and the lowest offer is too far apart and the mean is found irrelevant, the mean will not be applied and the DES Japan daily price will be assessed

within the highest bid and the lowest offer. In such case, trades and bids/offers in the DES Northeast Asia will be referred.

- 3) In the event there are no actual trades concluded in the DES Japan physical cargo and JOE LNG market and no bids and offers in the DES Japan physical cargo and JOE LNG market during the assessment window, the DES Japan price will take into consideration actual trades, bids and offers in other markets such as the DES Northeast.
- 4) In the event that the lowest offer falls below the highest bid during the price assessment window in the DES Japan physical market and the JOE market, the DES Japan daily price will be assessed based on these lowest and highest values if they are deemed reasonable after a close examination of the market conditions at that time.
- 5) In the event that bids higher than and/or offers lower than values of actual trades that took place in the DES Japan physical market or JOE LNG market appear just prior to the close of the assessment window for that day, the assessment will be made based on those higher bids and lower offers as well as the actual trades, if those higher bids and higher offers are deemed reasonable following a close examination of market trends and market conditions.
- 6) Even in the event that a significant gap between concluded prices and bids/offers in the JOE LNG market and in the DES Northeast Asia market including the DES Japan market prevails, the DES Japan daily price will be assessed based on concluded deals and bids and offers in the physical markets. Concluded deals and bids and offers in JOE market will also be referred.

(Volume)

One contract on the JOE LNG is applied to 50,000 million British thermal units (mmBtu), equivalent to about 960 metric tons (mt), and to 250,000 million British thermal units (mmBtu), equivalent to about 4,800 metric tons (mt). For a physical cargo in DES Japan market, the maximum volume will be 3.12 million mmBtu or roughly 60,000mt, which can be loaded on standard-sized vessels with capacity around 140,000 cubic meters. In addition, RIM may also take into account relatively larger Q-Flex and Q-Max vessels for the DES Japan assessment.

(Delivery Period)

The DES Japan delivery period is divided into twelve one-month periods. With regards to expiration of the front month contract of JOE market, the contract can be traded until the 15th of the prior month. In the event the 15th falls on a weekend or holiday, the last day of the contract will be the previous business day. From the 16th of each month the front month contract moves two months forward, that is, into the month after next. In the event, the 16th falls on a weekend or holiday, the first day of the contract will be the next business day. With regard to the period for physical cargoes in DES Japan, refer to section II-4 A. a).

(Delivery period to be assessed)

II Physical Cargo Assessment

1. Assessment Window

As of 17:00 hours Tokyo time on the day the assessment is published.

2. Assessment Method

RIM assesses market based on trading information obtained in the OTC market during the above time windows, including deals reported and bids/offers indicated, and other factors such as supply/demand conditions. Priority is given to the most recent deals or bids/offers.

3. Quality of cargoes to be assessed

RIM recognizes LNG with 9,000-12,000 kilo calorie per 10,000 cubic meters as standard.

4. Markets to be assessed

A. Northeast Asia

a) Northeast Asia (DES)

(Type of trade form)

Delivery Ex-Ship (DES)

(Countries or areas)

Japan, South Korea, Taiwan and China

(Delivery period to be assessed)

*Three half-month periods: 30-45 days, 46-60 days, and 61-75 days ahead of the current business day.

(Volume)

RIM assesses the price of a cargo of around 60,000 metric tons onboard conventional 135,000-cubic meters LNG tankers. RIM also takes into account prices of cargoes loaded on relatively larger Q-Flex and Q-Max, and relatively smaller vessels.

(RIM North Asia Index)

RIM announces the "RIM North Asia Index", a monthly cumulative average price of the above *three delivery periods on a daily basis. For instance, as of the 20th of the month, RIM announces the cumulative average of three delivery windows from the 1st to the 20th.

b) RIM Northeast Asia Forward

(Type of trade form)

Delivery Ex-Ship (DES)

(Countries or areas)

Japan, South Korea, Taiwan and China

(Delivery period to be assessed)

The RIM Northeast Asia Forward assessment is a daily assessment of prices three to nine months ahead of the current month. Monthly spreads are derived from forward curves of UK ICE Brent crude, NBP natural gas futures markets as well as supply and demand condition.

(Volume)

The same as above.

d) RIM Northeast Asia Seasonal Index * As of September 2012

RIM estimates the average price for each season (Spring, Summer, Autumn, Winter) based on the Northeast Asia Forward assessments for six months. RIM announces the average assessment of the prices of cargoes delivered in each season.

<u>Season time frame.</u>	<u>Appearance in report</u>
Spring (April - June)	September 16- March 15
Summer (July - September)	December 16- June 15
Autumn (October – December)	March 16- September 15
Winter (January – March)	June 16- December 15

B. Others

a) Middle East (FOB)

(Type of trade form)

Free on Board (FOB)

(Countries or areas)

Abu Dhabi, Qatar, Oman, and Yemen (other countries in the Middle East are also considered).

(Loading period to be assessed)

Three half-month periods: 30-45 days, 46-60 days, and 61-75 days ahead of the current business day.

(Volume)

RIM assesses the price of a cargo of around 60,000 metric tons onboard conventional 135,000-cubic

meters LNG tankers. RIM also takes into account prices of cargoes loaded on relatively larger Q-Flex and Q-Max, and relatively smaller vessels.

b) Middle East (DES)

***Started on Jan 5, 2012.**

(Type of trade form)

Delivery Ex-Ship (DES)

(Countries or areas)

Kuwait and Dubai (other countries in the Middle East are also considered).

(Delivery period to be assessed)

Three half-month periods: 30-45 days, 46-60 days, and 61-75 days ahead of the current business day.

(Volume)

RIM assesses the price of a cargo of around 60,000 metric tons onboard conventional 135,000-cubic meters LNG tankers. RIM also takes into account prices of cargoes loaded on relatively larger Q-Flex and Q-Max, and relatively smaller vessels.

c) India (DES)

***Started on Jan 5, 2012.**

(Cargoes to be assessed)

Prices are based on values of cargoes to be discharged in India for the designated delivery period.

(Type of trade form)

Delivery Ex-Ship (DES)

(Countries or areas)

India.

(Delivery period to be assessed)

The same as DES Middle East.

(Volume)

The same as DES Middle East.

d) DES Europe (DES)

*** “delivery period” changed on May 16, 2012**

*** changed from FOB Atlantic Basin to DES Europe (June 16, 2011)**

(Type of trade form)

Delivery Ex-Ship (DES)

(Countries or areas)

Britain, France, Belgium, Spain and Portugal (other countries in Europe are also considered).

(Fixed and Market-linked price assessment)

RIM assesses DES Europe prices based on fixed price discussions as well as the premium/discount levels to the British National Balancing Point (NBP) futures. RIM assesses the fixed price by adjusting a premium or discount from the previous business day's NBP.

(Delivery period and volume)

Three half-month periods: 15-30 days, 31-45 days, and 46-60 days ahead of the current business day.

(Volume)

The same as DES Middle East.

e) Atlantic (FOB):

***Started November 2013**

(Type of trade form)

Free on Board (FOB)

(Countries or areas)

Trinidad & Tobago, Nigeria, Norway and other European areas. Peru on the west coast of South America and Algeria along the North African coast of the Mediterranean Sea are also considered.

(Delivery period and volume)

Three half-month periods: 15-30 days, 31-45 days, and 46-60 days ahead of the current business day.

(Volume)

The same as DES Middle East.

f) South America (DES)

***Started in November 2013**

(Type of trade form)

Delivery Ex-Ship (DES)

(Countries or areas)

Brazil, Argentina and Chile. Mexico's east and west coasts and the Dominican Republic are also considered (freight rates for Mexico and Dominica cargoes are taken into consideration).

(Volume)

The same as DES Middle East.

III. Freight Market

(Price Assessment Window)

As of 17:00 hours Tokyo time on the day the assessment is published.

(Type of trade form)

Spot rates for each route per mmBtu and daily rates. The assessment includes fuel cost and boil off cost.

(Route)

Middle East-Northeast Asia, Atlantic-Northeast Asia, and Middle East-Europe routes.

* Added from November 2011

(Type of tankers)

Conventional LNG tankers; carrying capacity of 135,000 to 150,000-cubic meters.

LNG tankers with cost-efficient engines; carrying capacity of 160,000 to 170,000-cubic meters.

RIM also considers freight rates of Q-Flex, Q-Max, and relatively smaller vessels.

(Condition of assessment)

RIM assesses spot charter rates based on the following conditions:

- Number of days in a voyage and area for voyage
- Market for one voyage from loading point to discharging point.
- Number of days per voyage as follows:
 - (a) 30 days for a Middle East-Northeast Asia route
 - (b) 54 days for an Atlantic-Northeast Asia route
 - (c) 22 days for a Middle East-Europe route
- RIM sets the loading as well as discharge ports as follows:
 - (a) Middle East = Abu Dhabi, Qatar, Oman, and Yemen
 - (b) Northeast Asia = Japan, South Korea, Taiwan, and China
 - (c) Europe = Britain, France, Spain, Belgium, and Portugal
 - (d) Atlantic = Trinidad and Tobago, Nigeria, and Equatorial Guinea
- Factors included in freight assessment
 - (a) spot chartering rate
 - (b) fuel cost
 - (c) boil off
 - (d) port charge at the loading and discharge ports
 - (e) for a Middle East-Europe route, RIM includes a Suez Canal charge

(Bunker market for fuel of tankers)

The assessment of 380cst fuel oil at Tokyo Bay, Singapore and Rotterdam from the previous business day is shown on the report.

IV. JCC Price (Japan Crude Cocktail Price)**JCC Price (Japan Crude Cocktail Price)**

The forecast price includes insurance and freight for delivery to Japan.

(Forecast of JCC)

--- Rim forecasts the JCC price using Dubai crude as a base. Rim forecast the price based on the following conditions.

-Forecast method

- (1) Dubai crude oil price
- (2) Price difference with Dubai crude oil
- (3) Freight
- (4) Insurance

Rim determines JCC forecast price based on the above (1) – (4) conditions.

V. Others

--Units of assessment

Rim assesses the prices in US dollar per million British thermal unit (mmBtu) except some items such as JCC. Rim follows industry practice in LNG trading, which is conducted in US dollar per mmBtu.