



GPD SYSTEMS, LLC

STANDARD TERMS AND CONDITIONS FOR THE SALE OF LNG

The economic purpose of the proposed standardized GPD Systems, LLC (GPD) physical and derivative LNG contracts listed herein is to grow the global natural gas marketplace by making it easier to transact business. By lowering transaction costs, improving price discovery, trading liquidity and offering better risk management tools, markets beyond the reach of producing country pipelines will experience more efficient access to LNG.

Unlike previous attempts to standardize LNG trading terms, the GPD effort modifies a Brent crude oil model introduced by Shell UK in 1990. The resulting benchmark contract has been used successfully for decades to price oil at designated North Sea tanker loading terminals. The standardized general terms and conditions (GTCs) listed are designed to be buyer/seller “neutral” and serve as a fresh alternative to the inefficient bilaterally-negotiated Master Sales Agreements currently used in the global LNG industry.

To expedite the roll-out of these contracts, a futures exchange or international LNG trade organization must take the initiative to name and convene a working group representing a cross-section of value chain stakeholders, to review and amend as needed the GPD GTCs proposed for the following contracts:

1. Physical Forward LNG – Agreement for Sale on One Full-Month Terms

An over-the-counter product used by commercials to trade physical cargos loading one month or more out in future under industry-standard terms.

2. LNG Futures (Physical-Settlement)

An exchange-traded futures product seamlessly-linked to the Physical Forward LNG contract by the patented (US No. 7676406) GPD post-expiry position matching systems and methods.

3. Dated LNG

A physical or derivative product which enables market participants to manage price risk from the time a monthly futures or physical forward contract expires, to the time the dated physical cargo loads.

- a. **Physical** - A cargo of LNG traded with an assigned three-day loading window for delivery FOB buyer’s vessel at an approved GPD loading terminal nominated by the seller.
- b. **Derivative** - A swap pricing off the assessment made by a designated price reporting service for physical LNG cargos loading 10 days forward from the date of publication to one full month ahead. The swap may be structured to settle off the relationship between the Dated LNG price and the front-line LNG Futures price (DFL), or a designated Physical Forward month price assessment contract for difference (CFD).

4. Spot LNG

A one-time over-the-counter transaction negotiated between commercials for the sale/purchase of a loaded LNG cargo.