



## News Release

### GPD Systems Launches Oil-Like Standardized LNG Futures & Physical Cargo Contracts to Streamline Global Natural Gas Trade

HOUSTON, June 18, 2019 – GPD Systems, llc (GPD) announced today the launch of an initiative aimed at encouraging the adoption of oil-like industry-standard General Terms and Conditions (GTCs) for trading liquefied natural gas (LNG) cargos, futures, and swaps. The purpose of the effort is to help move the industry forward by simplifying the steps required to trade physical LNG cargos and related derivative instruments.

The GPD LNG solution applies a modified Brent crude model, a proven framework used successfully for decades as a trading platform, and the source of the international oil benchmark. The new GPD contracts and GTCs work in concert to improve global natural gas price discovery and LNG trading liquidity for all market participants, while providing commercials with new risk management tools and a guaranteed source or outlet for LNG cargos.

The GPD Patent (US No. 7676406) makes the seamless link between LNG Futures and Physical Forward contracts possible. After the front-month LNG futures contract expires, the GPD systems and methods enable the Futures Exchange Clearinghouse to match commercials with post-expiry net long or short positions of a predetermined cargo-size (e.g., 3,250,000 mmBtu or 325 futures lots) for Guaranteed Physical Delivery. All unmatched, less than cargo-size post-expiry futures positions in the expired month, are reduced to zero by the Clearinghouse at the Final Settlement Price, and re-established in the new prompt month at a price determined by the published Spread Index.

LNG expiry and delivery terms for both the GPD Futures and Physical Forward contracts are structured on One Full-Month Ahead schedules. Transfer of title takes place FOB the vessel flange, at a Loading Terminal nominated by the Seller from a diverse list of GPD-approved liquefaction and storage facilities. These terms ensure Futures/Physical price convergence and eliminate inland transportation and counterparty performance risk.

As in the Brent market, LNG participants can mitigate price risk exposure between Futures expiry and the three-day vessel loading window, by entering Over the Counter or Exchange-Traded swaps settling off the differences between Dated LNG assessments made by price reporting agencies, and the price of the agreed upon Futures or Physical Forward month.

Kirk Kinnear, founder of GPD Systems, llc explains, “Think of the contracts offered as a solid Three-Legged Stool supporting LNG futures, forwards and spot transactions. The linked terms are designed to be buyer/seller neutral and save time and money by

replacing bilaterally-negotiated Master Sales Agreements (MSAs) with a new streamlined industry-standard.” He adds, “To expedite the roll-out of these contracts, it would make sense for a Futures Exchange, a leading commercial, or an international LNG trade organization to convene a working group, comprised of members from each link in the value chain, to review and amend the provisions as required.”

Many participants in the global value chain, and regulators as well, have expressed frustration at the lack of LNG price transparency and the slow pace of contract reform. GPD offers a scalable solution that can be initiated promptly using existing Loading Terminals. The standardized contracts are designed to benefit natural gas producers, consumers, merchants and speculators by growing the LNG marketplace and making the global distribution of this cleaner energy source more efficient.

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For more information on the GPD suite of LNG physical and derivative contracts, please visit [www.GPDSystemsllc.com](http://www.GPDSystemsllc.com) or contact - Email: [info@GPDSystemsllc.com](mailto:info@GPDSystemsllc.com)  
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GPD Systems is a Houston, Texas-based intellectual property and consulting company.