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Frequently Asked Questions

Argus Round Voyage LNG freight rates



What is Argus doing in the LNG freight market?

Argus has assessed laden LNG freight rates since 2012. To complement these rates, Argus has now launched the Argus Round Voyage (ARV) rates for tri-fuel and dual-fuel vessels that represent the full economics of LNG freight round-voyage transactions for three key benchmark routes, and are published every UK working day in the Argus LNG Daily report.

What is the methodology behind the new ARV rates?

The ARV rates are an assessment of the total amount payable by the charterer to the shipowner to charter a tri-fuel or dual-fuel vessel for the three routes, divided by the assumed number of days for a full round voyage, resulting in a \$/day rate.

ARV rates are published daily for the following benchmark routes:

- ARV1: Australia-northeast Asia (assumed 21-day round voyage)
- ARV2: USGC-northwest Europe (assumed 28-day round voyage)
- ARV3: USGC-northeast Asia (assumed 51-day round voyage)

The ARV rates are for a standard, fungible vessel, offered cold for single-cargo fixtures beginning between five days after the date of assessment and the end of the following calendar month, with the following specifications:

- Vessel size: 155,000-165,000m³
- Dual-fuel diesel electric (DFDE) or tri-fuel diesel electric (TFDE)
- Typical boil off: 0.1-0.125pc
- Ice-class carriers are excluded from the assessment

The most up-to-date Argus LNG Daily methodology is available at www.argusmedia.com/methodology/methodology-listing. The specifications and methodology governing these rates are the result of extensive market consultation and are designed to facilitate the hedging of freight cost risk. With a clearly defined methodology and specifications, backed by a transparent control framework, users can have confidence in the ARV rates.

Why has Argus decided to launch round-voyage rates?

To fully enumerate the risk of the spot LNG shipping market, an LNG freight rate needs to capture all the variable costs that a charterer pays an owner for a vessel charter. These include considerations such as whether the ballast leg is charged at a different day rate, whether the charterer is charged to return the vessel back to the loading port or elsewhere, and whether any other costs are added or subtracted. The ARV rates include all costs paid from charterer to owner ensuring that they capture any change in the transaction costs for a standard voyage on the benchmark routes, and are normalised to a \$/day unit based on a fixed number of days.

Why does the industry need trusted LNG freight benchmarks?

With the recent elevated LNG freight rate volatility and as new liquefaction capacity comes on line supporting a rise in export shipments, the requirement for trusted benchmarks to manage the increased risk to LNG market participants has grown. ARV rates can be used as a demurrage rate, or as a market rate to link long-term charter agreements in physical contracts, ensuring a fair market rate for both sides for the duration of the agreement. LNG freight derivatives that settle on ARV rates can be used to hedge freight risk or to manage risk between global gas hub positions.

Natural gas/LNG
illuminating the markets

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Argus Round Voyage LNG freight rates

Argus LNG freight day rates (29 October)				
	\$/day	Argus PA Code	Refinitiv RIC	Marketview Symbol
ARV1: Australia-northeast Asia	151,240	PA0027286	LNGFRROUND=ARG	#PA0027286oPRPT
ARV2: USGC-northwest Europe	160,582	PA0027287	LNGFRDAY=ARG	#PA0027287oPRPT
ARV3: USGC-northeast Asia	164,318	PA0027860	LNGFRDVARV3=ARG	#PA0027860oPRPT
LNG freight laden day rate TFDE - east of Suez	122,000	PA0017305	LNGFR05=ARG	#PA0017305oPRPT
LNG freight laden day rate TFDE - west of Suez	133,000	PA0017304	LNGFR04=ARG	#PA0017304oPRPT

What makes Argus LNG freight rates better than alternatives?

Argus ARV rates are published on every UK working day. LNG freight rates are volatile, and a daily rate is required to accurately manage that risk.

The ARV rates are informed by a diverse and global set of information contributed by charterers, vessel owners, trading firms and brokers.

Argus does not insist that participants in the ARV rate assessment process provide contributions in a fixed format. Different market participants think about LNG freight pricing in different ways and Argus accepts market information in multiple formats, including lumpsum plus day rate, day rate plus ballast bonus, a simple round voyage rate, and more. This flexibility ensures that the amount of information available for the ARV rates is not restricted.

Argus price assessments are used by market participants the world over and by regulated securities exchanges in major trading hubs. Argus operates a rigorous and transparent

control framework to govern our price reporting activities, underpinned by our global compliance policy, including a rolling programme of internal and external audits.

How to get in touch with Argus on LNG freight

To participate in the Argus assessment process, please contact:

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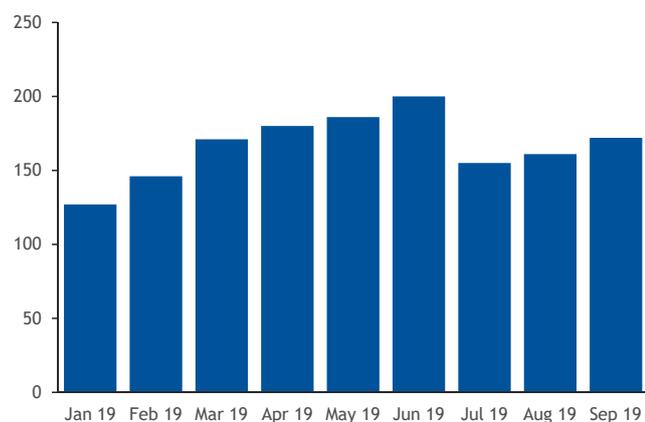
+65 6496 9927

For details on using these rates in physical or financial contracts, please contact:

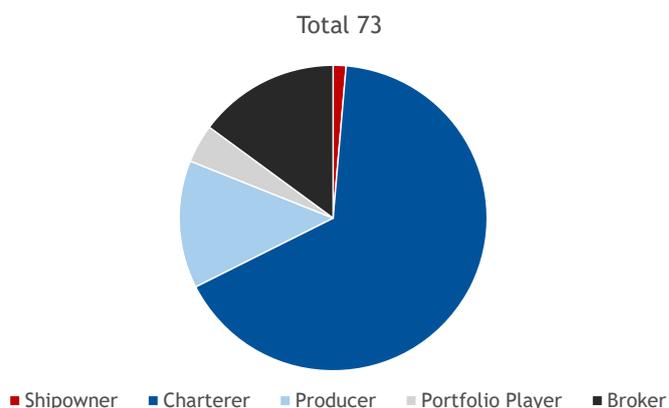
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Monthly submissions to Argus LNG freight assessments



Contributors by type in 2019



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