



## Letter of reply

Dear Sir

In response to the surprisingly emotional article, 'New EU rules may be a fix for something that isn't broken', we would argue that it is not only regulators who are looking for a verifiable solution to benchmarking, but actually the market more generally.

We believe that price reporting has a place in less liquid markets and we continue to support the important work PRAs undertake in these markets. However, markets such as naphtha in the Mediterranean, where there are only a handful of trades a day, are different in nature to markets such as UK and European natural gas, with perhaps 5,000 trades a day going through the three leading, competing OTC broking firms, let alone the added ICE exchange publicly traded volumes. Highly liquid markets clearly offer the opportunity for objective and transparent benchmarks, based on verifiable transactions. Furthermore, several of the leading gas market participants are reluctant – (and in some cases openly refusing) – to allow their traders to communicate at any level with PRAs, thus further compromising the quality of assessment based price reporting.

The author derides the Tankard indices and draws parallels with the Libor benchmark. However it is important to note that the problem with Libor was precisely that it was a subjectively reported benchmark, not based on verifiable trades. The two are therefore not comparable. Meanwhile, for the author to raise questions about broker impartiality is a clear misunderstanding – brokers are wholly independent and regulated as such and are subject to the highest levels of regulator scrutiny.

The author's comment that Tankard produces prices very similar to the PRA assessment overlooks the basic fact that this is because the large tradeflows which Tankard collate take place before any assessment can. If anything, then, PRA assessments can only ever *follow* the Tankard expressions.

The concept of Tankard has been very well received and while the market is naturally going to take time to move away from the existing benchmarks, it is clear that regulatory, price and client pressure will bring its methodology increasingly onto the centre stage, and will recognize Tankard's trade-backed approach as an obvious opportunity to improve transparency, accountability and objectivity within the natural gas markets.

Yours faithfully

Gordon Bennett, Paul Newman, Andrew Polydor

Tankard