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London Metal Exchange sets out strategic pathway to drive growth

The London Metal Exchange and LME Clear (together, "**LME**") have set out their strategic pathway in response to its users views on its discussion paper on market structure. As part of its strategic pathway the LME has identified matters for immediate action as well as matter for development in the longer term. Among the matters for immediate action, the LME will reduce carry fees and intends to introduce a new financial over the counter OTC fee with effect from 1 January 2018 to ensure fairness in LME fee structures. To support its physical user base and further encourage use of the daily date structure – including tom-next and monthly rolls – the LME is substantially reducing short- and medium-dated carry fees. On 1 October 2017, short-dated carries executed by members on the Ring and LMEselect were reduced to US$0.15 and US$0.25 respectively, with inter-office and basis trades discounted to US$0.35. These levels are lower than those in force in 2011, prior to increases in third-party clearing fees and LME commercialisation. Client contracts for short-dated carries will be reduced to US$0.25. From 1 November 2017, a new fee category of medium-dated carry trades – where all legs fall within 35 calendar days forward from the closest prompt date – will be introduced. Trades in this category executed by members on the Ring and LMEselect will be reduced to US$0.25 and US$0.45 respectively, with inter-office trades discounted to US$0.70. Member-to-member basis trades and all client contracts in this category will be reduced to US$0.45. From 1 January 2018, the LME intends to introduce a fair booking fee for dealers issuing OTC client contracts that reference LME prices. This would seek to rebalance the current disparity in fees between members offering their customers LME client contracts, and those offering OTC contracts based on LME prices at a substantially reduced fee.

In the longer term the LME does not plan to make any changes in respect of those features which are crucial to its physical market – for example, its daily date structure. However, where user choice can be enhanced and trading efficiency maximised without impacting such features, the LME has also scoped out a number of key changes intended to take place over a longer period of time. The LME will seek to provide greater opportunities for client business by providing a broader range of execution and clearing services, which could include initiatives such as flexible client clearing, an optional T2 booking model and a separate dealer-to-client platform. In addition, and as part of its commitment to user choice, the LME intends to upgrade LMEselect with the provision of implied pricing, working with members to enable electronic access to 3rd Wednesday trading for those clients who wish it. With a view to reducing initial margin levels, the LME intends to transition to a Value-at-Risk model, and introduce an optional gross client omnibus account (GROSA) which will allow the LME to apply a lower margin methodology. In addition the LME will look to enhance its warrants-as-collateral service and investigate other collateral transformation tools to protect users in the event of future pressure – be that regulatory or risk-based – to transition to a Realised Variation Margin model. To support responsible algorithmic trading while discouraging behaviour which does not add to the market, the LME will consider infrastructure changes such as increased tick sizes, designed to encourage liquidity-additive behaviour and strengthen the relationship between the LME's key stakeholder groups. The LME also intends to enhance access to its market, while respecting its current membership structure, by creating a new membership category for introducing brokers. This will assist the LME to further expand its range of successful new precious and ferrous contracts. (Source: https://www.

lme.com/en-GB/News/Press-room/Press-releases/Press-releases/2017/09/LME-sets-out-strategic-pathway-to-drive-growth; 7 September 2017)

China Energy Company led consortium to acquire 14.16% stake in Rosneft Oil

China Energy Company Limited ("**CEFC**"), the largest private oil and gas company in China, has announced that together with Glencore Plc ("**Glencore**") and the Qatar Investment Authority ("**QIA**") it has substantially agreed terms on the purchase and sale of a 14.16% stake in the share capital of Rosneft Oil Company ("**Rosneft**") at a share price representing a 16.1% premium to the last 30-day volume weighted average price as of September 8, 2017. The proposed transaction has received preliminary approval from the National Development and Reform Commission of China. The completion of the transaction is subject to final negotiations and the receipt of regulatory approvals of applicable government authorities. The transaction will consolidate CEFC's position in the oil and gas sector giving it access to proven and probable reserves of more than 20 billion barrels of oil, enabling it to better serve Chinese energy demands. (Source: http://www.prnewswire.com/news-releases/cefc-china-to-acquire-a-142-stake-in-rosneft-from-glencore-and-qia-consortium-643272563.html; 8 September 2017)

Hong Kong Stock Exchange and Clearing Limited announces plans for 'Iron Ore Futures'

Hong Kong Exchanges and Clearing Limited ("**HKEX**") has announced plans to introduce cash-settled TSI Iron Ore Fines (62% Fe) and CFR China Futures ("**Iron Ore Futures**"), by the end of November 2018. HKEX's Iron Ore Futures contract will be its first ferrous metal product and will complement its existing precious and base metals products. According to Mr. Li Gang, the HKEX's Co-head of Market Development, the planned Iron Ore Futures will provide a transparent and efficient risk management and investment tool for physical and financial users who want to hedge their price risk or gain exposure in iron ore. Iron Ore Futures will be screen-traded on an exchange for transparency, efficiency and convenience and cash-settled in US dollars with both day trading and after-hours trading. (Source: https://www.hkex.com.hk/eng/newsconsul/hkexnews/2017/170927news.htm; 27 September 2017)

Port Hedland sees an increase of iron ore exports to China

Port Hedland, the world's largest bulk mineral port, has reported an increase of 2 tonnes in iron ore shipments to China from August to September 2017, representing a rise of 2.8%. The Western Australian port set a record high of over 44 million tonnes in May 2017, but figures fell heavily two months later in July to around 37.9 million tonnes, its lowest figure since February 2017. China represents Australia's biggest export market for iron ore, with September shipments to the Asian country accounting for 36.7 million of an overall 43.4 million tonnes, or around 84% of iron exports for September 2017 – an increase of 0.9% over the previous month. Port Hedland is a major exporter for several of Australia's iron ore producers, shipping materials for BHP Billiton Plc and Fortescue Metals Group, and its increased shipments are indicative of a rising global demand for metals. September's figures represent a near 85% increase over April 2013 figures, a month that saw record iron exports for the port at the time. (Source: https://www.australianmining.com.au/news/port-hedland-sees-iron-export-increase-china/; 6 October 2017)

China set to launch emissions trading scheme, putting more pressure on Australian coal exports

The Chinese Government has announced China will launch a national emissions trading scheme ("**ETS**") by the end of 2017, joining major regional economies India and South Korea in putting a price on carbon and placing further long-term pressure on Australian coal exports. While the scope of the proposed ETF will be more modest than Beijing originally planned, it marks another major step in the evolution of China's attitudes towards climate change. According to Mr. Zhang Xiliang of Tsinghua University, who advised the government on the ETS, the scheme would begin with power generators before being expanded to encompass eight key sectors by 2020, including steel making and aluminium. (Source: http://www.afr.com/business/mining/coal/china-set-to-launch-ets-putting-more-pressure-on-australian-coal-exports-20171002-gysle0; 2 October 2017)

Demand for LNG trucks soars in China as government curbs diesel sales in war on pollution

Sales of large LNG trucks are expected to significantly increase in China over the remainder of 2017 and 2018 as the Government introduces additional anti-pollution measures which include curbs on heavy-duty smog producing diesel vehicles. LNG trucks account for approximately 4% of the more than 6 million heavy vehicles (with a hauling capacity of between 40 and 49 tonnes) on China's roads. However demand for LNG trucks is now soaring as companies and manufacturers shift to gas-fueled vehicles. According to logistics consultancy company IHS Markit, in the first seven months of 2017 sales of LNG heavy-trucks increased by 540% to approximately 39,000. The switch to gas-fueled trucks is helping fuel demand for LNG in China, as are other government measures aimed at improving air quality, especially in the north of the country which is blanketed by hazardous coal-fueled smog for much of the winter. China, which is already the world's third-largest consumer of LNG, has seen imports jump 45% in 2017. Only vehicles meeting "National Five" emissions standards, similar to the Euro V standards for trucks and buses in Europe, will be allowed to operate at a number of northern China's major port facilities. (Source: http://www.scmp.com/news/china/policies-politics/article/2114406/demand-lng-trucks-soars-china-government-curbs-diesel; 8 October 2017)

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