

CRU Prices

Copper

Methodology and
Definitions Guide

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THE INDEPENDENT AUTHORITY
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Methodology and Definitions Guide - Copper

1 Scope

This guide covers copper products prices in all geographical markets and should be read in conjunction with the *CRU Group Compliance Framework and Methodology Guide*. It details commodity-specific methodology which have precedence, with all other aspects covered by the Group methodology guide.

2 Methodology

CRU collects cathode premia, scrap discounts, and treatment and refining charges as part of its assessment of broader market conditions that are published in the Copper Monitor and Copper Raw Materials Monitor. These premia, discounts and charges are gathered from regular discussions with a wide network of market participants. This network is frequently reviewed to ensure a balance of buyers and sellers, and to reflect actual activity in the market. CRU also conducts consultations with the market about its methodology – all answers are treated as confidential.

Frequency

All premia, treatment charges and discounts are provided once a month, except for the Chinese cathode premium CIF Shanghai, which is provided once every two weeks. Premia for copper cathode reflect deals completed up to two weeks prior to the day of publication. Treatment and refining charges for copper concentrate and scrap discounts reflect deals concluded in the calendar month prior to publication.

Assessment Method

Analysts use telephone and email services to collect premia, discounts, and treatment and refining charges as well as to verify the information received.

We endeavour to record actual transactions but we also include bids and offers. More weighting is given to transactions when assessing a price from a range of possible levels.

Price determination in an illiquid market

Data is gathered through consultation with producers, consumers and traders. Published premia reflect the average of the deals concluded within the time frame under consideration. Outliers are excluded from the assessment. If a market has been quiet with no deals concluded, premia are rolled over. However, if the overall market trend is strongly upward or downward but there were no transactions concluded, bids and offers will be used to form the assessment.

Treatment and refining charges and scrap discounts represent CRU's assessment of the level at which business has been concluded, following discussions with industry participants.

Exclusion of outliers

Expert judgement may be used in the exclusion of a data point as an input to the calculation of a final price. In doing so consideration may be given to the range and distribution of data collected in the same timeframe from other data providers; previous data received from the same data provider; non-price information received from the data provider and the current market state from any other source. Inclusion or exclusion of input data in the final price is recorded.

Any price data that deviates from the previous assessed price range or the collected price data for the trading period will receive extra scrutiny. For example, if a transaction is considered to be a potential outlier, supporting documentation as a means of further authentication may be asked for. Supporting documentation is typically a contract or purchase/sales order, but other documentation may be accepted. Supporting documentation may not be asked for when, in CRU's judgement, the data is otherwise corroborated or deemed valid.

Expert Judgment

Expert judgement may apply to decisions on what type of price data is submitted; if the deal is executed at arms-length; if normalisation of price data submitted is required; the means of any normalisation, and the inclusion of a data point in the calculation of the final price (exclusion of outliers).

An analyst will consult with one or more colleagues before any application of expert judgement if in any doubt, or where collective input would improve the quality of a judgement.

Deactivated premiums, discounts and charges

A premium, discount or treatment and refining charge will remain active as long as it can be demonstrated that there are a sufficient number of buyers and sellers and/or traders which allow for the analyst to make an accurate assessment. If the quotation suffers from limited transparency or if business dynamics change, it will be deactivated. Its history will still be available to clients for a fee, should they require it, but no further information will be collected for that product from the time it is deactivated.

Sizes and Specifications

Transaction sizes and specifications vary by commodity type. Details are listed below.

Timing

Spot assessments typically reflect transactions for a product to be supplied within 30 days.

3 Definitions

Cathode Premia

Europe – CIF NW European Port

Material:	LME Grade A cathode
Price basis:	CIF Rotterdam
Packaging:	2.0-3.0 tonne bundles
Type:	Spot
Currency:	US dollar
Weight Unit:	Metric tonne
Size:	100-500t
Delivery:	Prompt
Pricing:	Premium above the official LME cash settlement price for copper at the time of contract confirmation
Duties/Tariffs:	0%
Frequency:	Monthly

USA – East Coast delivered

Material:	Comex Grade 1 cathode
Price basis:	East Coast delivered
Packaging:	4,400-6,600lb bundles
Type:	Spot
Currency:	US cents
Weight Unit:	Pounds
Size:	0.22-1.1M lbs
Timing:	Prompt business for delivery within 1-2 weeks
Pricing:	Premium above the official first position Comex price for copper at the time of contract confirmation
Duties/Tariffs:	1.0% import duty on material subject to the general rate of duty
Frequency:	Monthly

USA – Midwest delivered

Material:	Comex Grade 1 cathode
Price basis:	Midwest delivered
Packaging:	4,400-6,600lb bundles
Type:	Spot
Currency:	US cents
Weight Unit:	Pounds
Size:	0.22-1.1M lbs
Timing:	Prompt business for delivery within 1-2 weeks
Pricing:	Premium above the official first position Comex price for copper at the time of contract confirmation
Duties/Tariffs:	1.0% import duty on material subject to the general rate of duty
Frequency:	Monthly

China – CIF Shanghai

Material:	LME Grade A cathode
Price basis:	CIF Shanghai
Packaging:	2.0-2.5 tonne bundles
Type:	Spot
Currency:	US dollar
Weight Unit:	Metric tonne
Size:	100-500t
Timing:	Prompt business for delivery within 1-4 weeks
Pricing:	Premium above the official LME cash settlement price for copper at the time of contract confirmation

China – CIF Shanghai cont.

Duties/Tariffs: 0% for importing to bonded warehouses
 Frequency: Monthly

China – Delivered Shanghai

Material: SHFE #1 Standard Copper Cathode (equivalent to Grade A cathode)
 Price basis: Delivered Shanghai
 Packaging: Up to 2.5 tonnes
 Type: Spot
 Currency: Rmb
 Weight Unit: Metric tonne
 Size: At least 100t
 Timing: Prompt business for delivery within 1-4 weeks
 Pricing: Premium above the SHFE cash settlement price for copper at the time of contract confirmation
 Frequency: Monthly

China – Delivered Guangdong Province

Material: SHFE #1 Standard Copper Cathode (equivalent to Grade A cathode)
 Price basis: Delivered Guangdong
 Packaging: Up to 2.5 tonnes
 Type: Spot
 Currency: Rmb
 Weight Unit: Metric tonne
 Size: At least 100t
 Timing: Prompt business for delivery within 1-4 weeks
 Pricing: Premium above the SHFE cash settlement price for copper at the time of contract confirmation
 Frequency: Monthly

Scrap Discounts

Europe Scrap Discounts

Material: #2 scrap
 Price basis: Delivered
 Packaging: Container
 Type: Spot
 Currency: US dollar
 Weight Unit: Tonne
 Timing: Prompt
 Pricing: \$/t scrap
 Duties/Tariffs: 0%
 Frequency: Monthly

USA Scrap Discounts

Material: #2 scrap
 Price basis: FAS
 Packaging: Container
 Type: Spot
 Currency: US dollar
 Weight Unit: Tonne
 Timing: Prompt
 Pricing: \$/t scrap
 Duties/Tariffs: 0%
 Frequency: Monthly

China Imported Scrap Discounts

Material:	#2 scrap
Price basis:	CIF Foshan
Packaging:	Container
Type:	Spot
Currency:	US dollar
Weight Unit:	Tonne
Timing:	Prompt
Pricing:	\$/t scrap
Duties/Tariffs:	0%
Frequency:	Monthly

China Domestic Scrap Discounts

Material:	#2 scrap
Price basis:	Ex-merchant
Packaging:	Container
Type:	Spot
Currency:	US dollar
Weight Unit:	Tonnes
Timing:	Prompt
Pricing:	\$/t scrap
Duties/Tariffs:	0%
Frequency:	Monthly

Glossary of abbreviations

INCO TERM RULES FOR ANY MODE OR MODES OF TRANSPORT:

EXW – Ex-Works
FCA – Free Carrier
CPT – Carriage Paid To
CIP – Carriage and Insurance Paid To
DAT – Delivered at Terminal
DAP – Delivered at Place
DDP – Delivered Duty Paid

INCO TERM RULES FOR SEA AND INLAND WATERWAY TRANSPORT:

FAS – Free Alongside Ship
FOB – Free On Board
CFR – Cost and Freight
CIF – Cost Insurance and Freight

COUNTRY ABBREVIATIONS USED:

We use ISO 3166 alpha-2 standard country codes