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# The evolution of North Sea Dated

Joint IEA-IEF-OPEC Technical Meeting  
Vienna

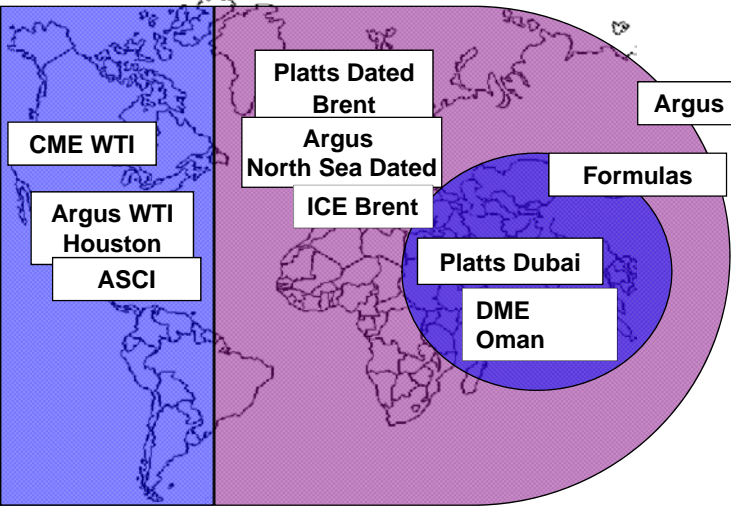
Michael Carolan (Editor, Argus Crude)  
28 March 2019

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Market Reporting  
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## Crude benchmarking around the world




The map is divided into three main regions:

- North America (Blue):** CME WTI, Argus WTI Houston, ASCI
- Europe and Africa (Purple):** Platts Dated Brent, Argus North Sea Dated, ICE Brent, Platts Dubai, DME Oman
- Asia and Oceania (Light Purple):** Argus ESPO, Formulas

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## The European crude market

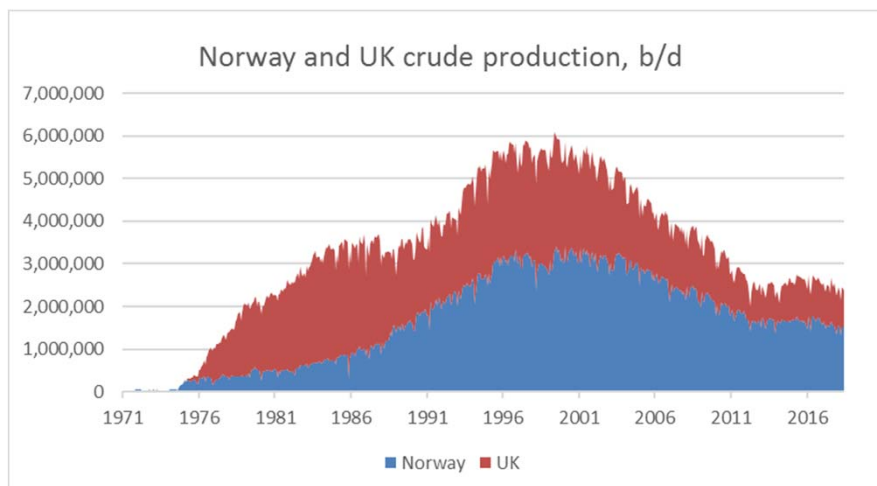
- North Sea production and trade volumes are in decline.
- Eastern arbitrage has significant effect on fob prices.
- Market calls for a more robust methodology have increased.
- There is a large flow of light sweet crude into the region.
- This can be used for additional price discovery.

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## Output decline slows after steep drop

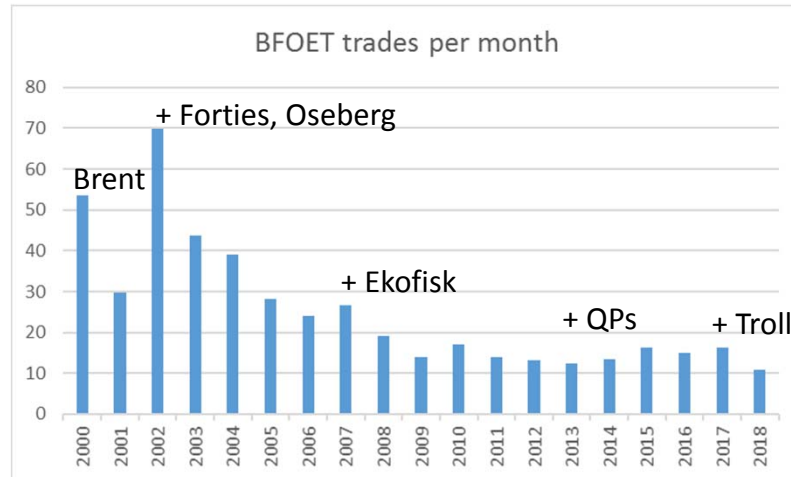


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## Trade volumes dwindle, despite added benchmark grades

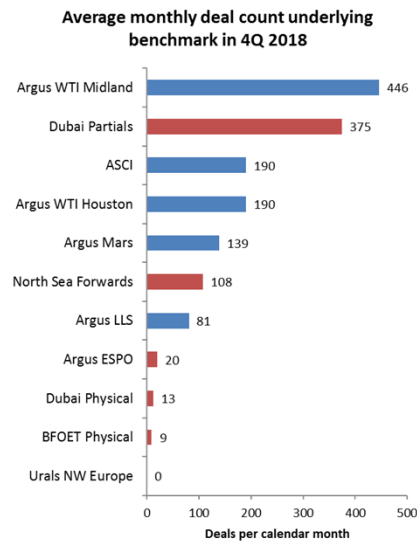
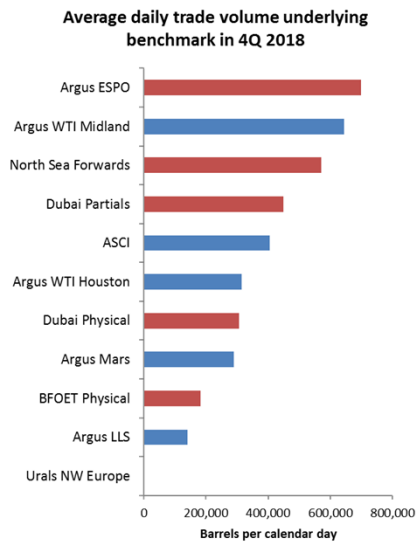


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## North Sea far less liquid than US markets

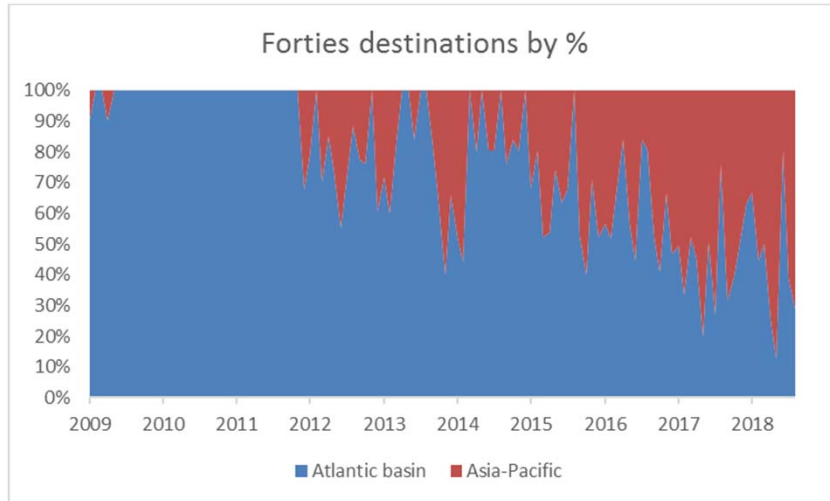


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## Forties has gone global – creating a two-tier market

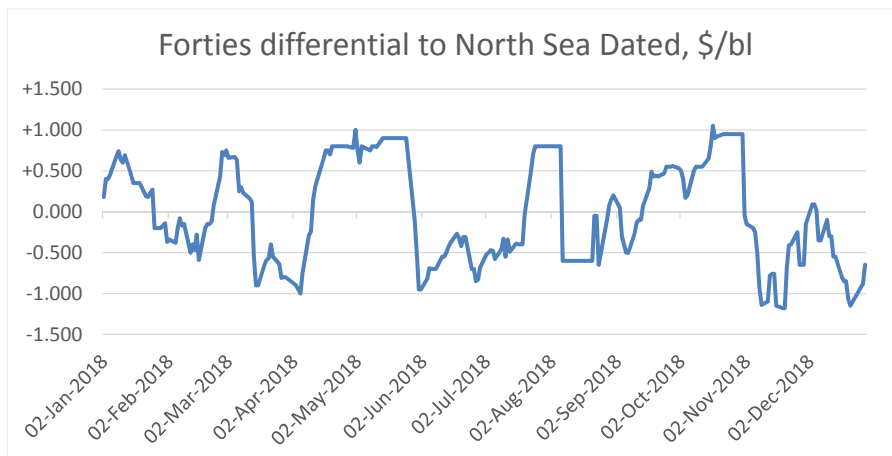


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## Volatile Forties

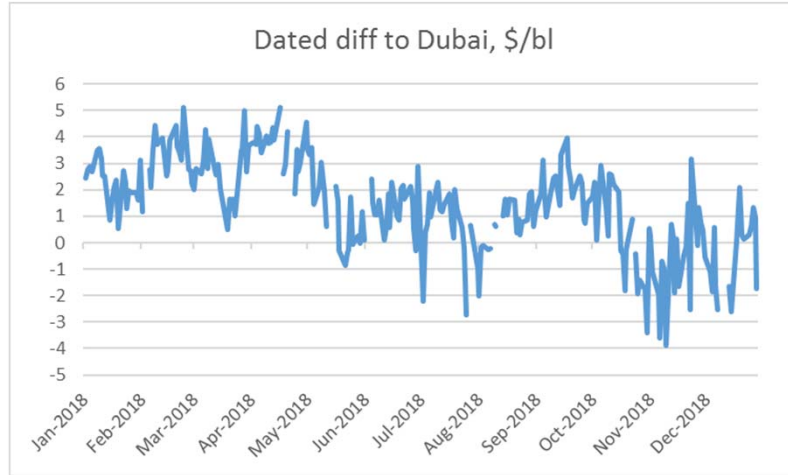


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## Dated surged against Mideast benchmarks in April...

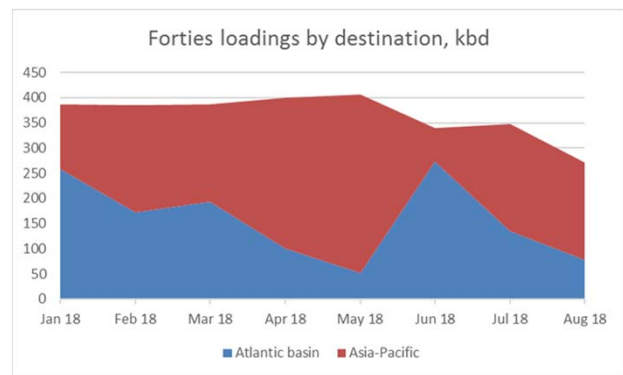
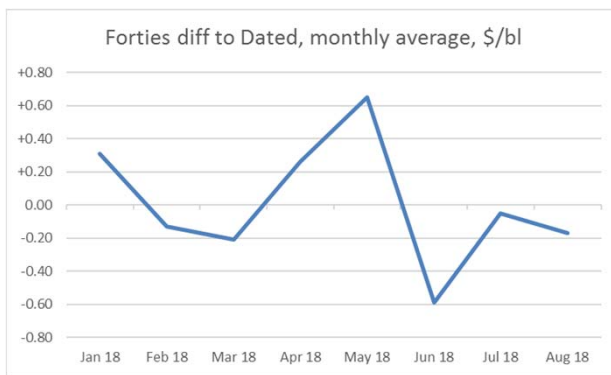


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## ...just as eastbound loadings peaked

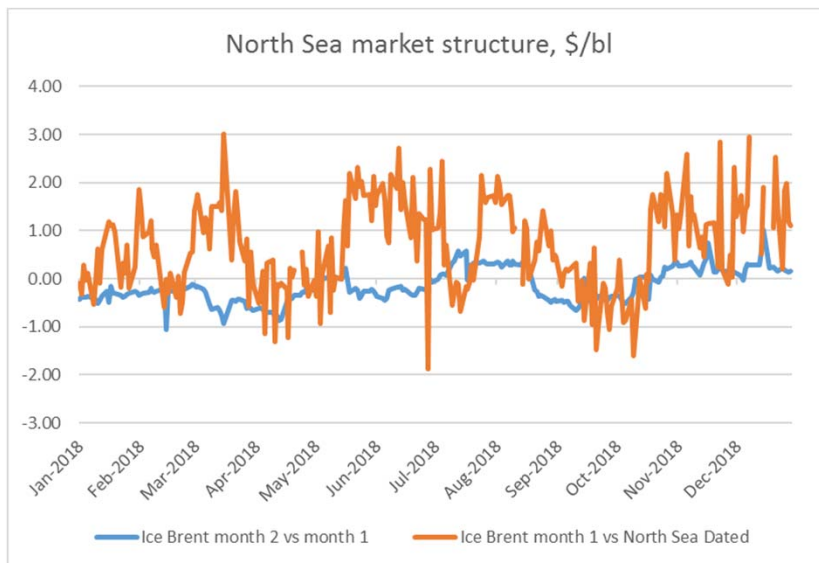


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## North Sea Dated can send a volatile signal



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## The North Sea benchmark elements

- Outright price (volume weighted average of forward trade)
- Contracts for Difference curve (aligns timing with physical date-range 10 days to month ahead)
- **Physical grade differentials for Brent, Forties, Oseberg, Ekofisk and Troll**
- Quality adjustments to bring more expensive grade components (Oseberg, Ekofisk, Troll) closer to others

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## What is the market price in Europe for light sweet crude?

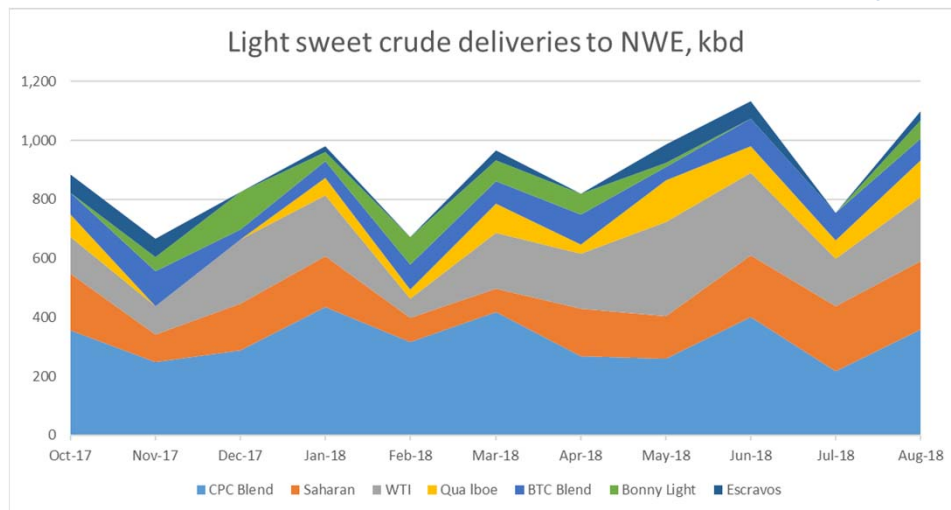


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## Potential pool of trade – needs transparency



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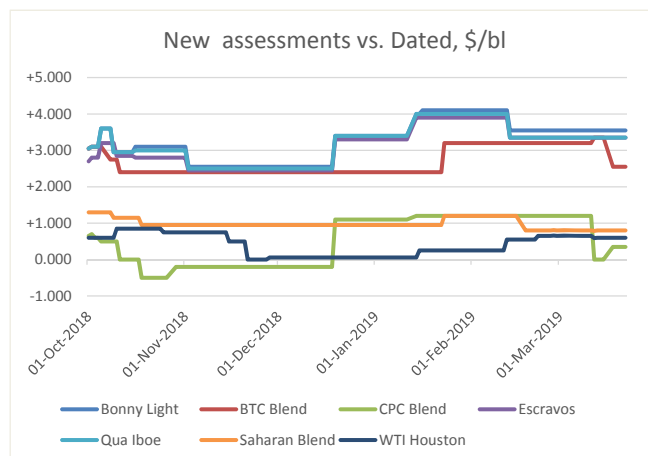
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## Argus launched cif Rotterdam assessments in Oct 2018

Delivered northwest Europe assessments					
	Basis	Diff	Bid	Ask	±
CPC Blend cif Rotterdam	Dated	+1.10	60.45	60.51	-1.11
BTC Blend cif Rotterdam	Dated	+2.40	61.75	61.81	-1.11
Saharan Blend cif Rotterdam	Dated	+0.95	60.30	60.36	-1.11
Bonny Light cif Rotterdam	Dated	+3.40	62.75	62.81	-1.11
Qua Iboe cif Rotterdam	Dated	+3.40	62.75	62.81	-1.11
Escravos cif Rotterdam	Dated	+3.30	62.65	62.71	-1.11
WTI cif Rotterdam	Dated	+0.06	59.41	59.47	-1.11

- Observations and feedback – CPC Blend, while liquid, is discounted to other light crudes and there are quality concerns. We have therefore excluded it from the benchmarking process.
- Several grades, not all, require quality premium adjustments in order to be relevant to the benchmark setting process. Exceptions: Saharan Blend and WTI.



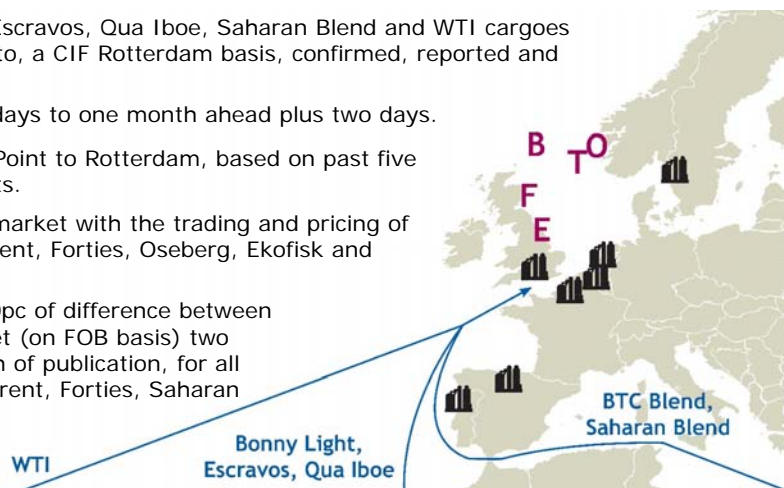
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## New North Sea Dated

- Bonny Light, BTC Blend, Escravos, Qua Iboe, Saharan Blend and WTI cargoes traded on, or normalised to, a CIF Rotterdam basis, confirmed, reported and assessed.
- Assessed for delivery 12 days to one month ahead plus two days.
- Freight deduction Hound Point to Rotterdam, based on past five working days' assessments.
- This aligns the delivered market with the trading and pricing of FOB North Sea grades, Brent, Forties, Oseberg, Ekofisk and Troll.
- Quality adjustments at 60pc of difference between grade and lowest in basket (on FOB basis) two months previous to month of publication, for all grades in basket except Brent, Forties, Saharan Blend and WTI.



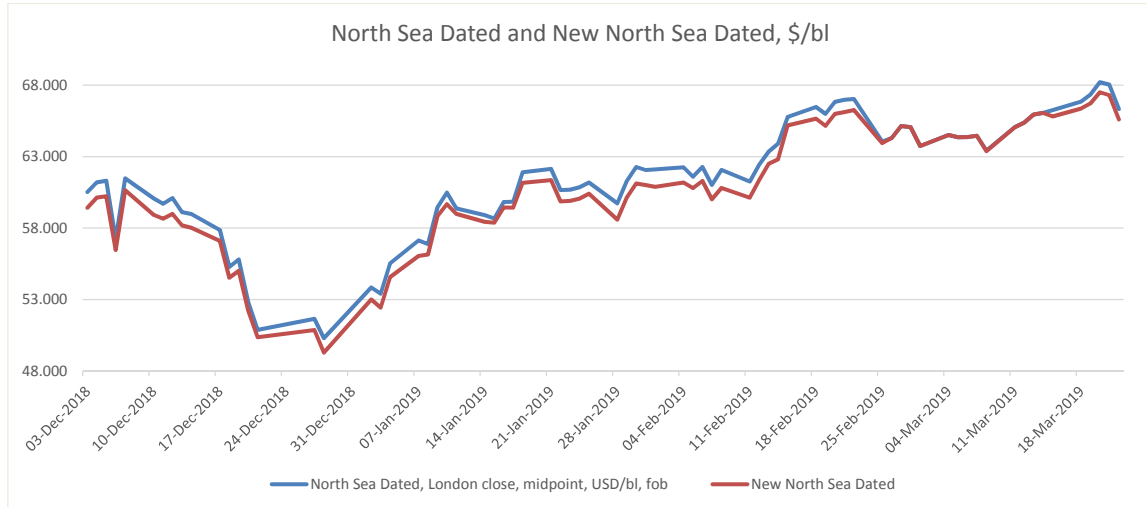
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# The new benchmark's performance



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# The new benchmark's elements

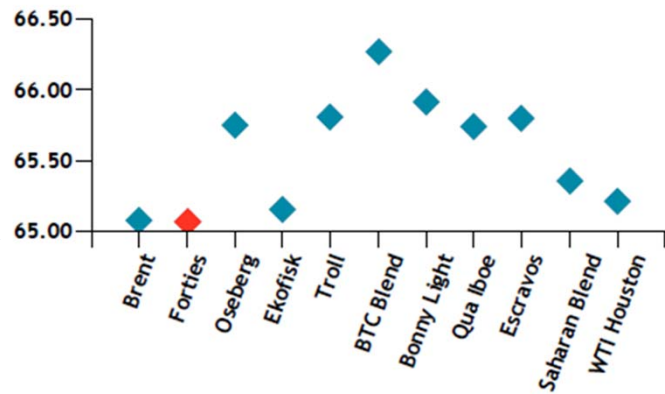
Argus Crude Issue 19-42 | Thursday 28 February 2019

### NEW NORTH SEA DATED

Item	Unit	Value	Price
North Sea Dated	\$/bbl	65.00	65.00
North Sea Dated trade	\$/bbl	65.00	65.00
London average	\$/bbl	65.00	65.00
WTI average	\$/bbl	65.00	65.00
Brent average	\$/bbl	65.00	65.00
Forties average	\$/bbl	65.00	65.00
Oseberg average	\$/bbl	65.00	65.00
Ekofisk average	\$/bbl	65.00	65.00
Troll average	\$/bbl	65.00	65.00
BTC Blend average	\$/bbl	65.00	65.00
Bonny Light average	\$/bbl	65.00	65.00
Qua Iboe average	\$/bbl	65.00	65.00
Escravos average	\$/bbl	65.00	65.00
Saharan Blend average	\$/bbl	65.00	65.00
WTI Houston average	\$/bbl	65.00	65.00

See p.6 of Argus Crude and crude methodology documents at [argusmedia.com/methodology](http://argusmedia.com/methodology)

Dated components on a fob Nsea basis



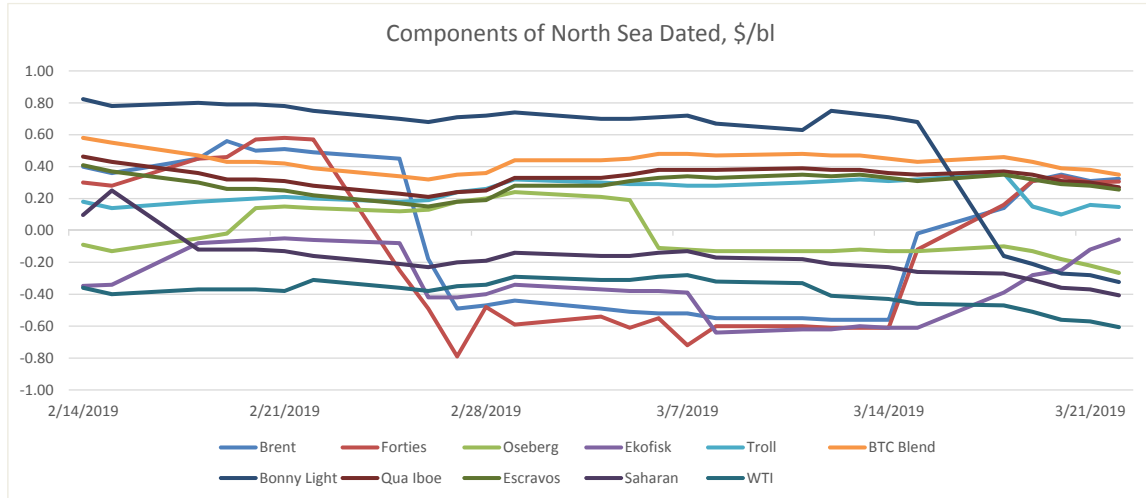
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## The new benchmark's elements

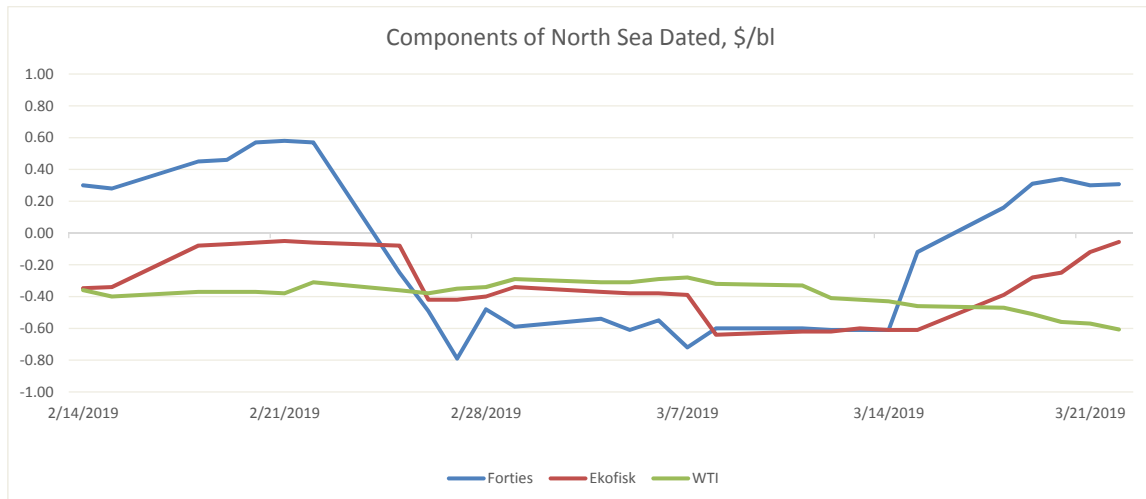


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## The new benchmark's elements



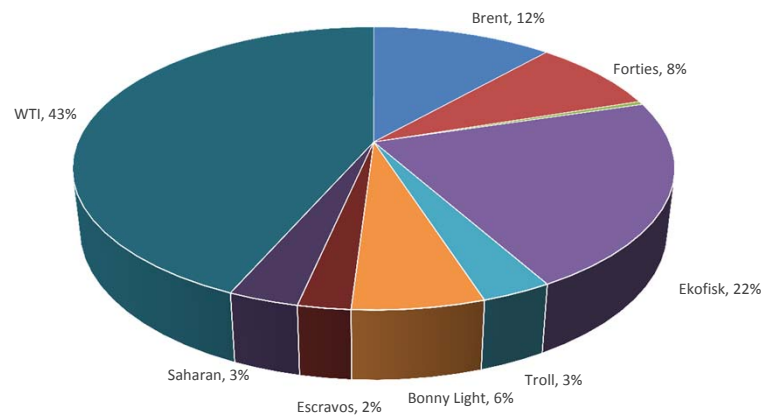
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## What sets New North Sea Dated

Benchmark-setting grades 2018



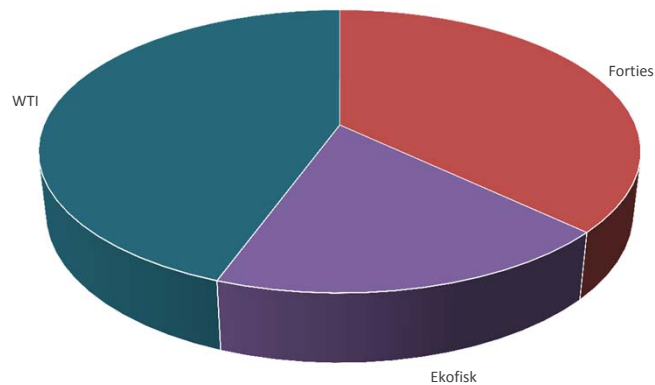
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## What sets New North Sea Dated

Benchmark-setting grades since launch

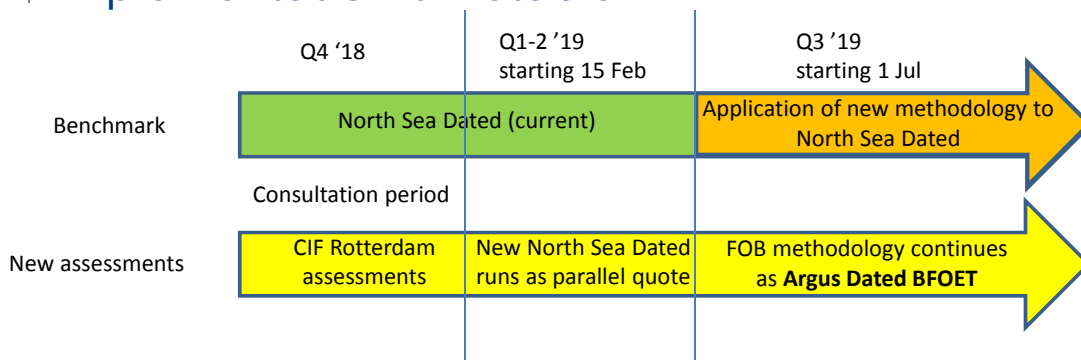


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## Implementation timetable



- Argus conducted a consultation process throughout quarter 4 2018.
- Argus will continue to publish the full range of current assessments. CIF Rotterdam does not replace FOB Ceyhan, FOB Bonny terminal, etc.
- The Argus North Sea crude benchmark will continue to be called **North Sea Dated** and published in the Argus Crude report. We will continue to publish a price without CIF elements, which will be called **Argus Dated BFOET**.

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## A representative benchmark helps all

- Liquidity and transparency aids the price discovery process.
- Refiners benefit from a market in which regional and imported grades are competitive with one another.
- Producers can set differentials with confidence.
- Traders can judge the arbitrage between regions.

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## In summary

- The North Sea Dated benchmark has become volatile and is regularly driven by factors outside the region.
- Asian demand, particularly for Forties and Ekofisk, can reduce the number of cargoes available for price identification.
- There is a steady flow of competing light sweet crude being delivered into the European market.
- If this trade is reported and assessed, it can be integrated into a more representative incarnation of the benchmark.

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## Thanks for listening!

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