

# IEA-IEF-OPEC workshop

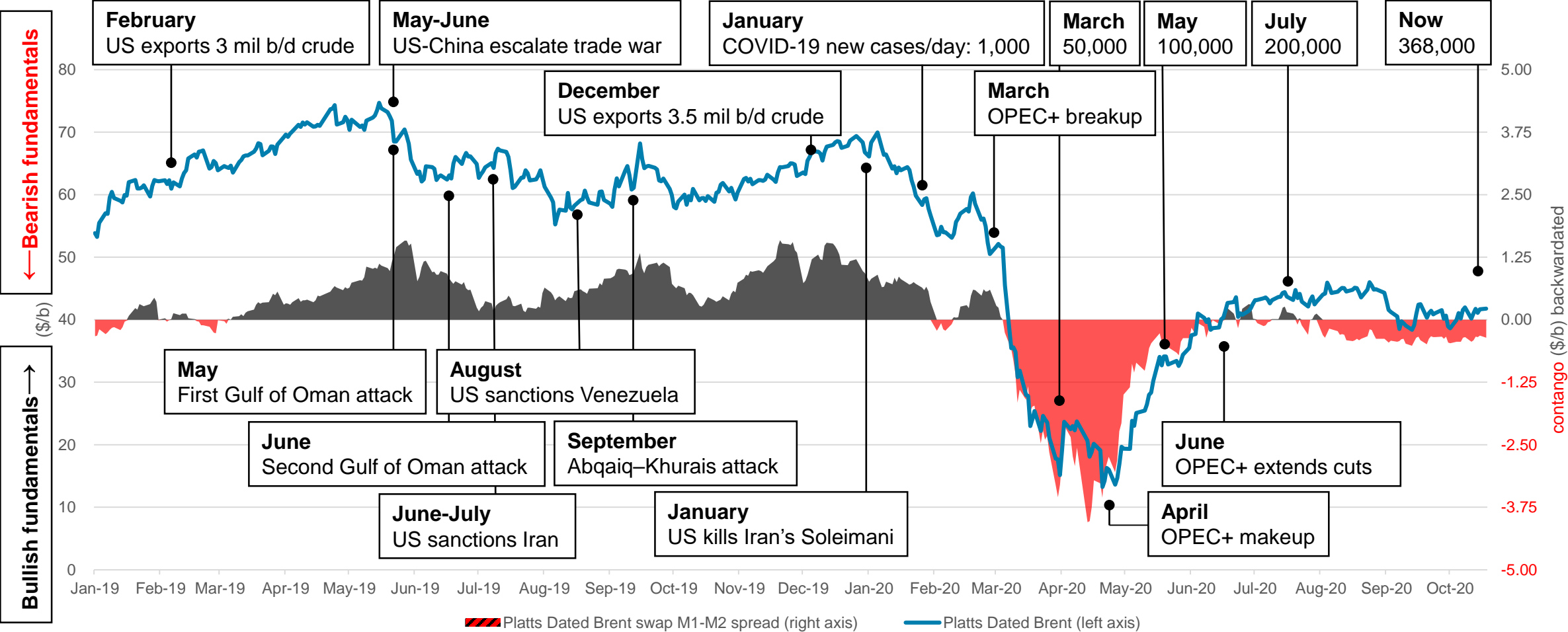
Vera Blei  
Global Director, Oil & LNG Markets

22 October 2020

## Session III: ETFs and the futures markets Lessons from recent oil market volatility

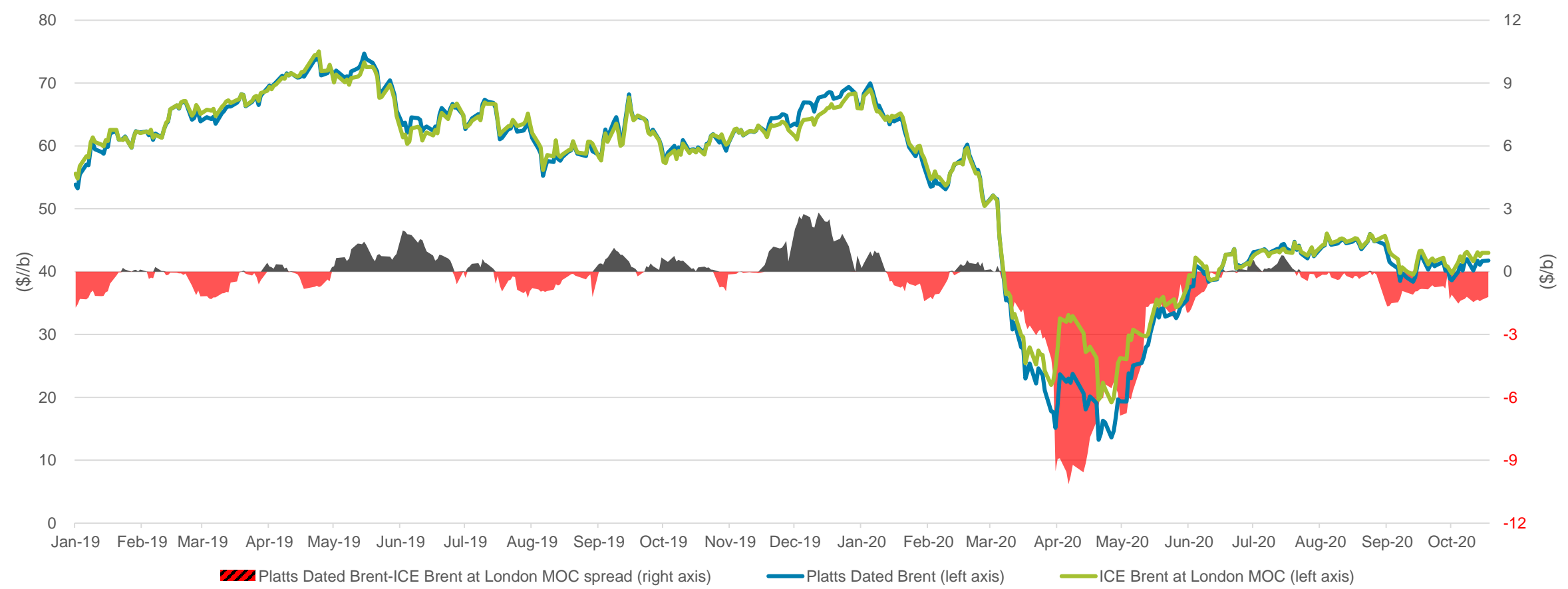


# COVID-19, OPEC+ breakup/makeup combined for one-two punch



Source: S&P Global Platts

# Waning super-contango realigns Platts Dated Brent, ICE Brent



Source: S&P Global Platts

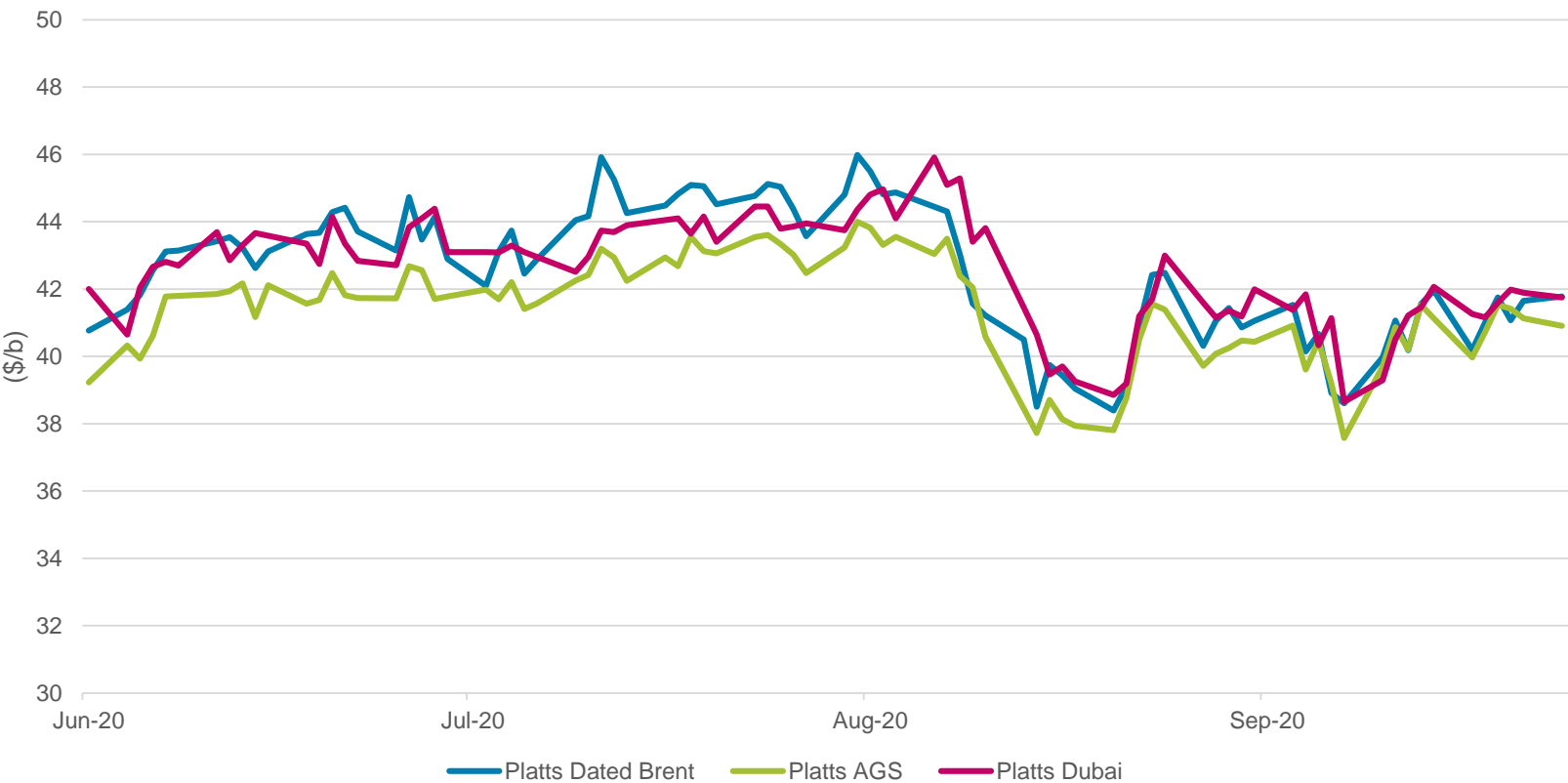
# WTI negative collapse at Cushing not seen in other US benchmark locations



Source: S&P Global Platts

# Platts AGS gives crude market the waterborne third leg it needed

Platts global suite of crude benchmarks



Source: S&P Global Platts

S&P Global  
Platts

August 2020

Platts American GulfCoast Select FAQ

THE NEW BENCHMARK FOR US CRUDE OIL

**What is Platts American GulfCoast Select (AGS)?**

Platts AGS (Platts symbol: AGSAA00) is a new benchmark assessment for high-quality light sweet US crude loading at ports across the Gulf Coast. It reflects the value of that crude at the intersection of the domestic and global market free of any domestic logistics-driven price distortions.

**Why now for Platts AGS?**

The industry has called out for an alternative to the legacy US crude-pricing mechanism of pairing the NYMEX WTI contract with volume-weighted average physical assessments. As trade flows have changed, Cushing has become an unsuitable location for a physical crude oil benchmark given its finite storage and lack of access to the water. The negative pricing event of April 20 exposed how Cushing's vulnerability to local infrastructure economics can lead to sharp divergence from the Gulf Coast market. That day also demonstrated how the volume-weighted average approach to physical crude assessments outside of Cushing fails to reflect tradable outright value when the NYMEX WTI pricing basis has outsized intraday price moves.

**Why an FOB-basis waterborne benchmark for the US market?**

As shown by widespread participation in the Platts Dated Brent and Platts Dubai ecosystems, bids, offers and trades for partial or full cargoes provide the most robust price information to underpin a physical assessment and ultimately derivatives for a globally consumed crude stream.

**Can US export volumes sustain a benchmark?**

Even in the current challenging global economic environment, Platts Analytics forecasts US crude exports to maintain a level of 1.5 MMb/d in 2021 with about 500 Mb/d going to Canada. This equates to about two Aframax cargoes per day departing the US Gulf Coast—more than adequate volume to sustain a benchmark.

**PLATTS AGS METHODOLOGY**

**What crude does Platts AGS assessment reflect now?**

Platts AGS reflects the Platts WTI Midland grade transported to the Gulf Coast from the Permian Basin via the BridgeTex, Longhorn, Midland-to-ECHO I/II, Permian Express, Cactus I/II, EPIC and Gray Oak pipelines. The Platts WTI Midland grade specifications are:

**Bringing the US market a Brent of its own.**



- Sulfur: 0.2% or less by weight as determined by ASTM Standard D-4294;
- Gravity: Not less than 40 degrees American Petroleum Institute (API), nor more than 44 degrees API as determined by ASTM Standard D5002;
- Vanadium: 2 ppm or less as determined by ASTM Standard D5708 Method B;
- Nickel: 2 ppm or less as determined by ASTM Standard D5708 Method B;
- Reid vapor pressure: Less than 9.5 pounds per square inch at 100 degrees Fahrenheit as determined by ASTM Standard D6377;
- Basic Sediment, water and other impurities: Less than 1% as determined by ASTM Standard D4007.

Platts believes this set of specifications captures a significant proportion of direct-from-Permian supply while accommodating the technical needs of most global refiners.

**What crude could Platts AGS reflect in the future?**

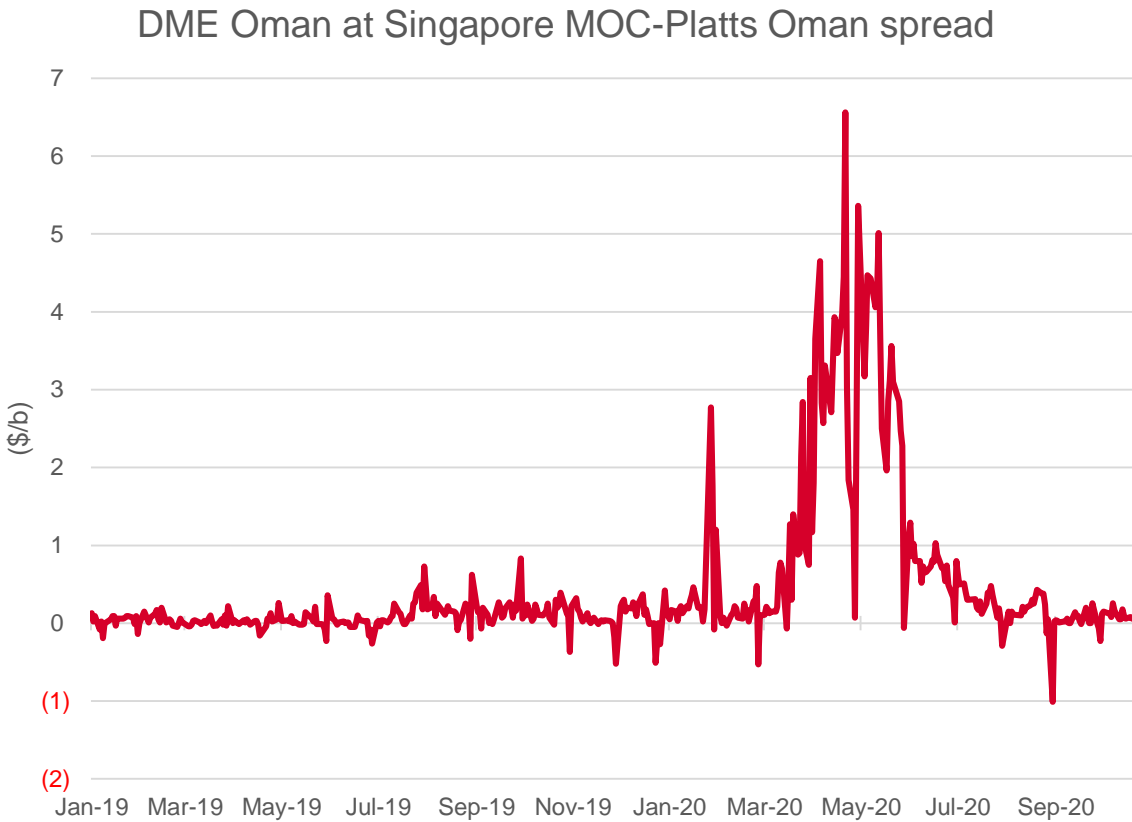
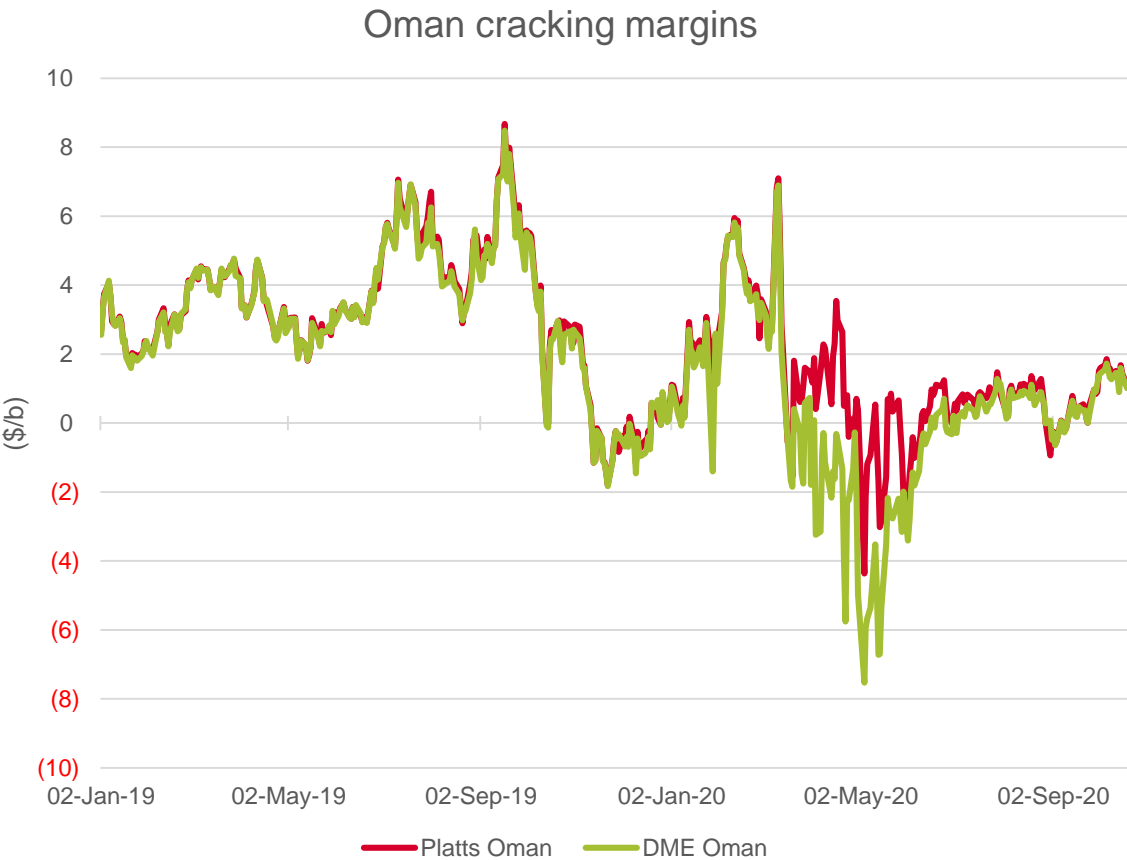
Platts will continue to review the specifications reflected in this assessment. We welcome any feedback regarding changes that would make the benchmark more market-representative, including specifications for metals and distillation points. Platts may also add other crude grades including Bakken in a Platts AGS basket, in the same way multiple streams underpin the Dated Brent and Dubai global benchmarks.

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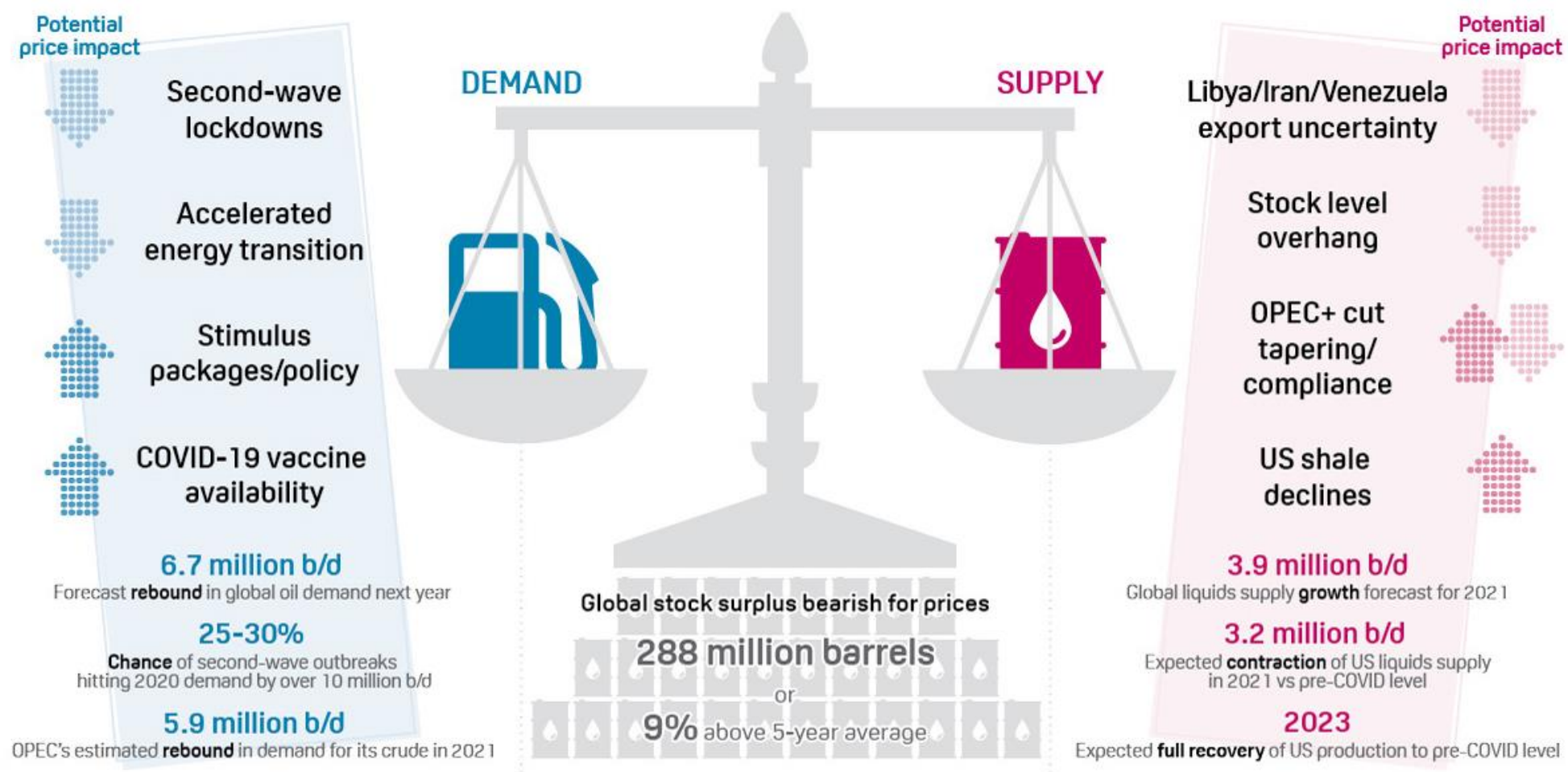
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# Middle East grades not immune to physical-futures disconnect



Source: S&P Global Platts

# Global oil market recovery hangs in the balance



Source: S&P Global Platts

# QUESTIONS AND ANSWERS