

Argus prices for Middle East and Atlantic basin crude delivered to Asia

Surging Atlantic basin crude output is challenging traditional supplies of Middle East grades exported to Asia-Pacific, where trading firms and refiners measure the competitiveness of shipments from different regions using prices on a delivered basis. To illuminate the economics of these developing and volatile arbitrage flows, Argus started publishing prices for delivered crude to Singapore and China from the Mideast Gulf, west Africa and the North Sea earlier this year, complementing coverage of North American grades delivered to China that were introduced more than three years ago. This new suite of calculated prices allows for the direct comparison of value for 17 grades from different regions, adding to the three grades that Argus covers into the Shandong market based on delivered-ex-ship (des) transactional data.

The prices for delivered grades appear in the table titled “Mideast Gulf and Atlantic basin crude cfr Asia” on the Asia-Pacific section of the Argus Crude report. They are all calculated using their corresponding fob value plus the freight assessment for Very Large Crude Carriers (VLCCs) from the relevant origin published on Argus Freight. For each region and grade, Argus takes the most liquid and widely traded contract, which matches the month of loading, as the basis for the calculation of the delivered price, without any time spreads (difference in price for crude loading or delivered in different months).

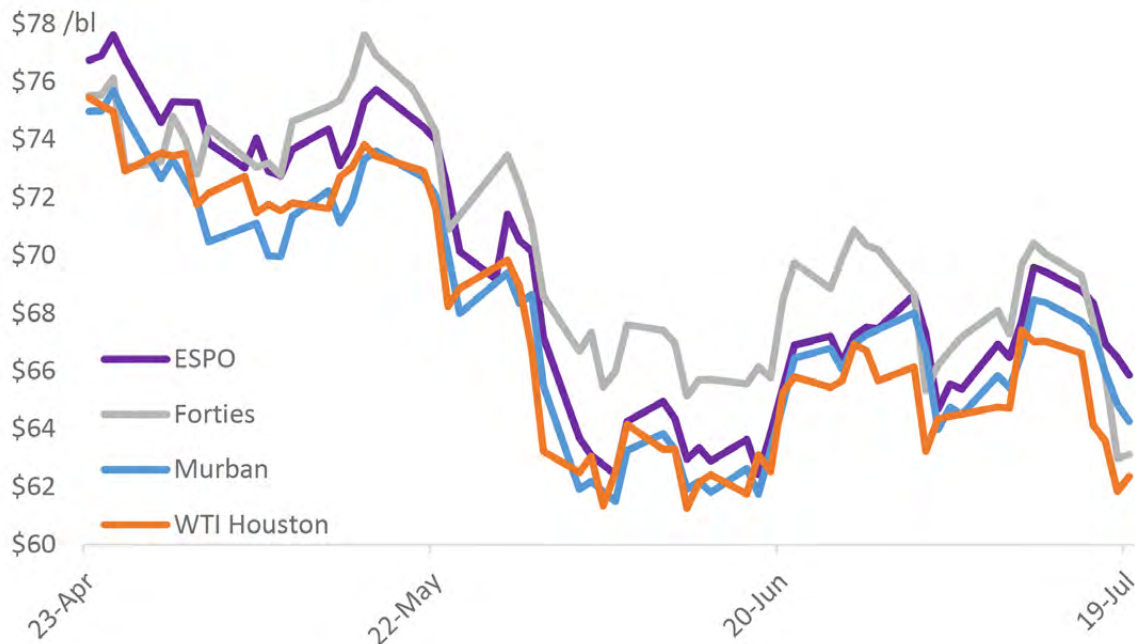
Argus now covers prices for 20 grades on a delivered basis to the Asian market as follows:

Origin and grade	Destinations	Methodology
Mideast Gulf		
Oman	Shandong, China	Transactions, bids & offers
Oman	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Dubai	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Murban	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Upper Zakum	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Qatar Marine	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Al-Shaheen	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Basrah Light	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Basrah Heavy	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
West Africa		
Cabinda	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Girassol	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Bonny Light	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Qua Iboe	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Escravos	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Djeno	Shandong, China	Transactions, bids & offers
North Sea and Russia		
Forties	China (Ningbo)	Calculated: fob value plus VLCC freight
ESPO Blend	Shandong, China	Transactions, bids & offers
Americas		
WTI Houston	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Mars	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
WCS Houston	Singapore & China (Ningbo)	Calculated: fob value plus VLCC freight
Lula	Shandong, China	Transactions, bids & offers

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The expansion of US crude production from the Permian basin, where WTI crude is pumped for pipeline shipment to export terminals on the US Gulf coast, is boosting the competitiveness of North American supplies to Asia-Pacific. The chart below shows the comparison of four grades that typically interact in the northeast Asian market: ESPO Blend from Russia, Forties from the UK, Murban from Abu Dhabi and WTI Houston from the US. The trends of their prices on a delivered basis show how WTI crude has most of the time landed cheaper than competing grades in South Korea and Japan so far this year, an example of how refiners across Asia-Pacific can use the new Argus prices as a reference for pricing and trade.

Delivered WTI consistently more competitive to northeast Asia



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