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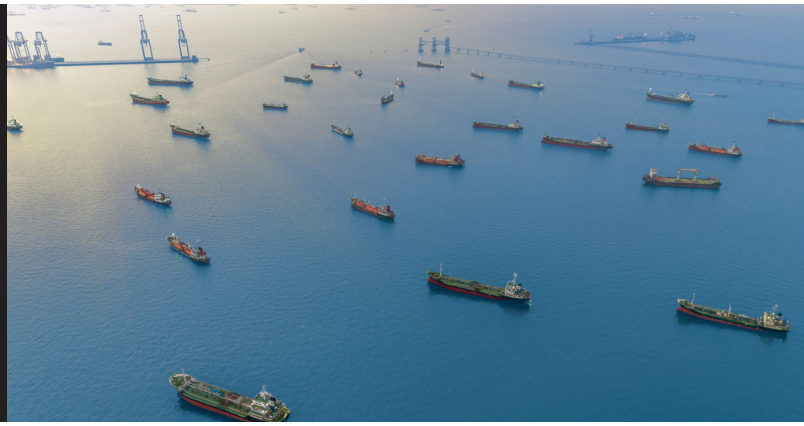
Argus White Paper:

Argus Differentials to Murban



Murban is rapidly becoming a gauge for measuring arbitrage from the Atlantic basin to Asia-Pacific, thanks to its ability to be freely traded and the phasing out of its destination restrictions. With the Ice Futures Abu Dhabi (IFAD)'s listing of Murban crude futures, Argus aims to bring transparency to the physical value of each individual crude stream relative to this emerging exchange-traded marker.

For which grades does Argus publish differentials to Murban?

Argus publishes differentials to IFAD Murban for 19 different crude grades that commonly flow to Asia-Pacific, including 14 in the Middle East, three in Russia and two Asian-timestamp prices of WTI Houston and North Sea Dated.

Why is Argus publishing differentials against Murban for crude grades that typically trade against other benchmarks?

The ICE Futures Abu Dhabi (IFAD) Murban crude futures contract is the main pricing mechanism for Murban itself and for all other crude grades exported by Abu Dhabi (Upper Zakum, Das and Umm Lulu). With its light sour quality, and wide usage in Asian refineries, Murban has the potential to become a reference value for crude in Asia-Pacific because it competes directly against the marginal barrel coming to the region from the US. Market participants already track the relationship between the grades they produce and/or supply with Murban.

Will Argus carry on publishing spot differentials for these grades against their incumbent markers?

Argus continues to track the liquidity of trade for each of the above grades against their traditional benchmarks and publishes those spot differentials in the Argus Crude report, separately from the new differentials against Murban.

Dubai, Oman and the official selling prices (OSPs) issued by the region's national oil companies (NOCs) are among the incumbent markers (underlying outright prices) for these grades. These differentials constitute the prevailing mechanism for valuation of spot cargoes in the Mideast Gulf crude market and at this point their valuation against Murban is an additional feature as part of the Argus objective to bring transparency to emerging markets.

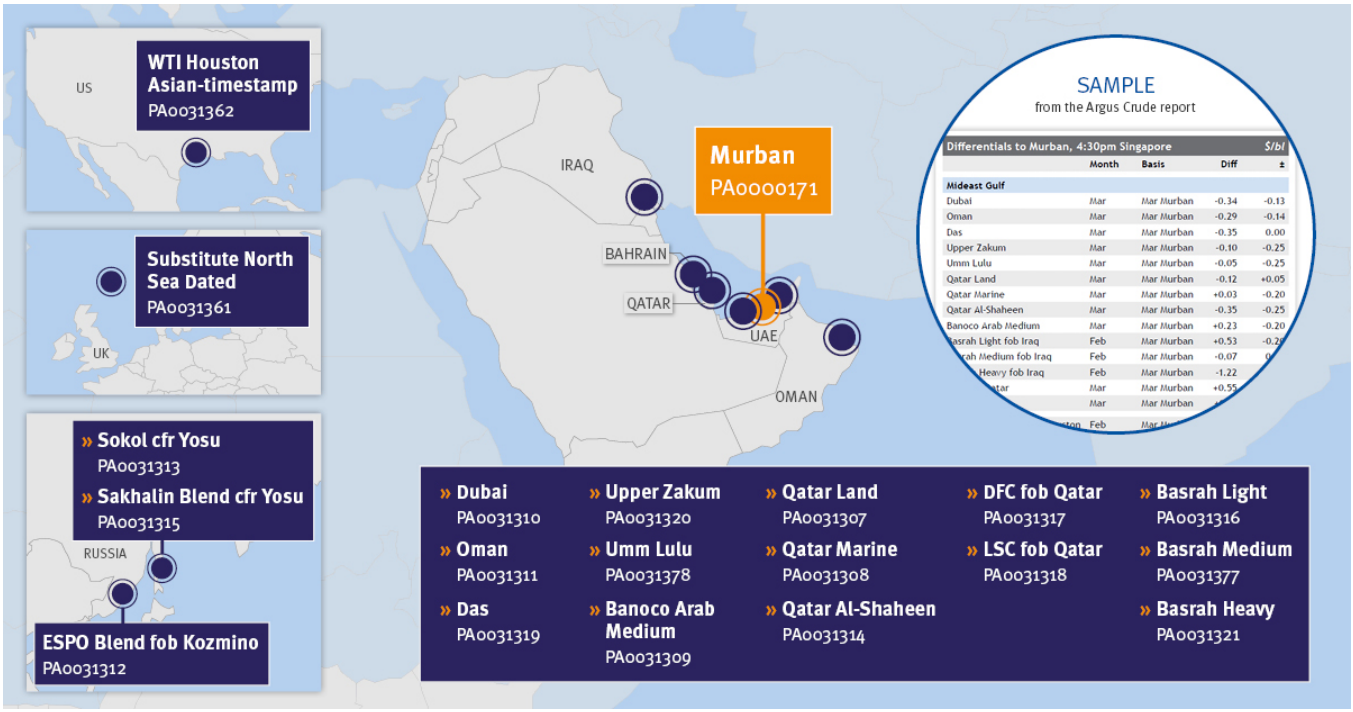
How does Argus calculate differentials against Murban in the absence of trade on that basis?

Argus calculates the difference between the IFAD Murban price and the outright price of each grade as assessed by Argus to derive the differentials. For the other Abu Dhabi grades, Upper Zakum, Das, and Umm Lulu, as well as the Qatari grades, Qatar Land and Qatar Marine, Argus is considering the use of refining value differentials to assess the price differentials with Murban, due to the lack of transparent trade in these grades.

Why does Argus publish differentials against Murban for non-Mideast Gulf grades, including Russian crude streams that flow directly onto the Pacific?

Russian ESPO Blend, Sokol and Sakhalin Blend typically trade at differentials to Dubai, so their valuation is connected to the Mideast Gulf market. Potentially, they could also be

Petroleum
illuminating the markets



valued against Murban as an emerging Mideast Gulf marker. Likewise, Murban's unique position as the balancing grade between Middle East heavier barrels and lighter supplies from the Atlantic basin into the Asia-Pacific market raises its relevance as a potential replacement for less liquid pricing references currently being used.

How can I access the Argus differentials to Murban?

Argus differentials to Murban are available in Argus Crude, our flagship crude oil service with daily global coverage of news, prices and analysis for over 80 internationally-traded crude streams. Request a free trial of Argus Crude today.

For more information:

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