

FAQ:

Argus Eurobob transition to E10



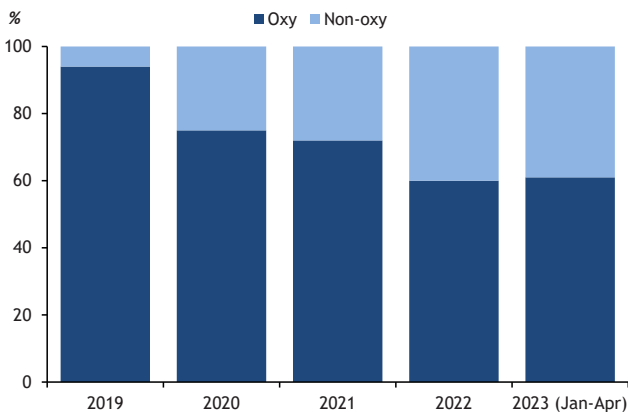
Environmental mandates are driving a shift in gasoline consumption across Europe towards a grade with a maximum bioethanol content of 10pc (E10), up from the 5pc maximum previously used (E5). Across Europe, 21 countries including the UK have already either switched to the new grade or are in the process of phasing it in, and E10 is increasingly becoming the most widely consumed gasoline grade in northwest European countries. To reflect the new market dynamics, Argus will be making changes to the Eurobob benchmark price for physical and derivative gasoline contracts.

What do ‘oxy’ and ‘non-oxy’ mean?

E5 and E10 are the “finished” gasolines sold at the pump in Europe, with bioethanol added. In the European barge market, unfinished grades, which have not had the biofuel component added, are typically the most actively traded on the spot market. “Eurobob oxy” is the gasoline blendstock to which 5pc ethanol is added to make the finished E5 grade. “Eurobob non-oxy” is the blendstock to which 10pc ethanol is added to make the finished E10 grade.

As consumers buy more E10, the market is moving towards non-oxy as the standard. Volumes of spot market trade on Eurobob non-oxy (E10) barges have exceeded that of Eurobob oxy (E5) in many months over the past year.

Share of oxy and non-oxy in Argus Eurobob barge trade



E10 and E5 (April 2023)



What is causing the Argus Eurobob price to change?

Environmental mandates mean that over half of the demand in northwest Europe is for E10, rather than E5. This has led to the natural supply of Eurobob oxy diminishing and therefore so has the number of destinations needing to be supplied. This has resulted in lower liquidity in the barge trade from which Argus assesses the Eurobob oxy price.

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What is Argus doing to reflect this change?

Both the Eurobob oxy and non-oxy prices are currently assessed as a volume weighted average (VWA). This means that the outright \$/t price of eligible trades during the trading day are used to calculate a VWA of all trades. The oxy price will be assessed as a differential to the non-oxy price from 1 January 2024.

Is Argus changing the Ebob non-oxy assessment?

There will be no change to the method for calculating the Eurobob non-oxy price, which will continue to be published as a VWA of eligible trades and will continue to inform relevant derivative instruments.

Will non-oxy liquidity change?

Eurobob oxy and Eurobob non-oxy assessments are used extensively in physical supply contracts across Europe. Currently the Eurobob oxy price is the main benchmark that informs settlements of financial instruments listed on the Ice and CME exchanges. But both Ice and CME already have financial instruments that reference the *Argus* non-oxy assessments. Liquidity on the non-oxy physical barge market as well as the non-oxy forward derivative instruments are expected to increase as the market moves to E10 at the pump.

How will Argus assess the Eurobob non-oxy (E10) and Eurobob oxy (E5) prices?

All *Argus* price assessments reflect the way markets trade. In the case of the European gasoline barge market, participants have chosen to reference spot market prices as a differential to a liquid swap (futures) price, which changes throughout the day. This reference price is currently the market price of the *Argus* Eurobob oxy barge futures. But market changes and feedback indicate that the market believes non-oxy futures will become more liquid than oxy futures, and therefore a better, more responsive reference price for physical market activity.

Who will be affected by the upcoming change in price methodology?

- Anyone who uses the Argus Eurobob oxy price should be aware of the change.
- The Eurobob oxy price will still be a robust price from 1 January, but anyone using it should be aware that the change in methodology will change the underlying nature of the price, although it should not materially change the value. It is expected that liquidity will reduce further on Eurobob oxy and increase on Eurobob non-oxy.
- Financial instruments in Asia and the US also reference Argus Eurobob oxy assessments, therefore the impact of the change will be global.

What is the Argus methodology?

The latest version of the official methodology can be found [on this link](#), *Argus* European Products. The PA code for *Argus* Eurobob oxy barges (PA00056) will remain the same after 1 January 2024 and this will be the price that informs the Ice and CME Eurobob oxy derivative contracts that use *Argus* Eurobob oxy as a component of their floating price.

A new legacy Eurobob oxy price will be launched on 1 January 2024, calculated using a VWA of trades.

If you have questions on these changes or have contacts that need more in-depth discussions, please contact Will Harwood william.harwood@argusmedia.com, Andy Bonnington andrew.bonnington@argusmedia.com or Elliot Radley and the team on europeangasoline@argusmedia.com

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