

Update: April 2023

FAQ: Platts WTI Midland's inclusion into the Brent complex

Background

On April 21, 2023, Platts, part of S&P Global Commodity Insights, announced the latest guidelines around US crude WTI Midland indications in the Platts Market on Close assessment process ahead of implementation on May 2, 2023. This note applies to the following methodology change announced June 8, 2022, and available [here](#). The inclusion of WTI Midland, first proposed in December 2020, has come after extensive research and market engagement, including a [joint paper](#) with IntercontinentalExchange (ICE) and rounds of feedback.

What is Platts Dated Brent?

Platts Dated Brent is the world's leading benchmark assessment of the value of physical, light sweet crude oil. The term "Dated Brent" refers to physical cargoes of crude oil in the North Sea that have been assigned specific delivery dates. Analysis of trading activity in the physical spot markets by market reporters at Platts culminates in the publication of the Platts Dated Brent benchmark — our daily assessment of the price of Dated Brent in the North Sea crude marketplace. Dated Brent is used as a benchmark pricing reference for transactions involving crude, refined products, and other commodities. It is also seen as a bellwether for the health of the overall oil market and, furthermore, the global economy.

What is Dated Brent's role in the Brent Complex?

Dated Brent is a critical component of the Brent Complex, which also includes physically delivered crude oil later in the future, in the form of Cash BFOE (Brent-Forties-Oseberg-Ekofisk) and EFPs, as well as financially settled derivatives like Brent Futures, Contracts for Differences (CfDs), Dated-to-Frontlines (DFLs) and a variety of other derivatives.

When will WTI Midland be included into the Brent complex?

Platts will include WTI Midland cargoes in the Dated Brent assessment from cargo delivery periods starting June 2023. These physical cargoes can be bid or offered in the Platts Market on Close assessment process for inclusion in Dated Brent from May 2, 2023, with the associated June Cash BFOE value assessed from February, 2023.

Why has Platts chosen WTI Midland for inclusion?

Since export restrictions from the US were lifted in 2015, WTI Midland crude has established itself as a mainstay in the European refining sector, and around the world. Platts publishes assessments of WTI Midland in both Northwest Europe and the Mediterranean on both a CIF and DAP basis. These instruments have shown good liquidity in the Platts MOC assessment process since their inception, providing transparent and robust data points for assessment. The grade is a low-sulfur, low-density crude oil, which largely aligns with the grades already in the Dated Brent basket and the North Sea more generally, hence its popularity among European refiners.

What specification is the WTI Midland crude that Platts will reflect?

Platts will reflect in Dated Brent and Cash BFOE assessments WTI Midland cargoes of a quality meeting its globally applied and widely accepted [specification](#), and loading from one or a combination of pipelines listed in its online [Specifications Guide](#). Additionally, Platts will only reflect WTI Midland cargoes that can be loaded from reviewed and subsequently approved USGC terminals listed in its online Specification Guide. Details around the terminal review process can be found [here](#).

How will WTI Midland fit into the Cash BFOE forward assessment?

Platts will reflect bids, offers, and transactions of Cash BFOE – a critical leg of the Brent complex – where the buyer will accept delivery of WTI Midland, as well as the grades already in the complex. In this forward market, the seller has the option to deliver a cargo of one of the grades in Dated Brent: Brent/Ninian, Forties, Oseberg, Ekofisk, and Troll for a named month with a month's notice. Under this change WTI Midland would also be an option for the seller to nominate. Platts has observed industry coalescence around a single set of amendments to the forward contract. This set of terms is known as STASCO BFOETM 2022, replacing the traditional use of Shell's SUKO 90 General Terms and Conditions.

How can a cargo of WTI Midland get nominated into Cash BFOE?

A seller may deliver a cargo of WTI Midland on a CIF Rotterdam basis into a Cash BFOE trade. In such instances,

the seller shall charter an Aframax vessel with Northwest European and Mediterranean discharge options, with title and risk to pass from seller to buyer after the vessel leaves the US Economic Exclusion Zone (EEZ). In addition, a cargo of WTI Midland should be nominated at least one month and one day before its implied arrival time in Rotterdam.

What is typical industry practice around deviation of WTI Midland cargo to a destination other than Rotterdam?

Platts understands that as per typical industry practice, if a buyer wishes to deviate a CIF Rotterdam WTI Midland cargo transacted during the Platts MOC process to a destination other than Rotterdam, such requests should be mutually agreed with counterparty and should not be unreasonably rejected by the seller. If no agreement can be reached between buyer and seller on deviation costs, Platts expects counterparties to use the difference between the freight cost from the US Gulf Coast loading terminal of the original cargo-Rotterdam versus the US Gulf Coast- discharge port. In the case of deviations to the Mediterranean, counterparties should use the Platts Worldscale assessments for US Gulf Coast-UK Continent (TDUCG00) and US Gulf Coast-Mediterranean (TDUWS00) to calculate the deviation costs unless mutually agreed otherwise. Platts will continue to monitor how deviation terms are evolving and may publish additional guidance at a later date.

Will there be a freight adjustment factor (FAF) for WTI Midland as with other grades?

The freight adjustment factor is designed to allow CIF and FOB cargoes to play an equivalent role in the Dated Brent benchmark, and will be extended to cover WTI Midland on

its inclusion. Platts has applied FAFs on CIF-Rotterdam North Sea cargoes in Dated Brent since 2019, to account for freight costs and bring equivalence to FOB cargoes. Since WTI Midland loads in the US Gulf Coast, Platts will determine the value of an FOB North Sea cargo of the grade based on 80% of the freight costs for a cargo loading on equivalent dates in the North Sea. For WTI Midland, this FAF will be applied to the sum of the cargo's freight rate from a volume-weighted average of the five established Dated Brent North Sea terminals to Rotterdam and associated port fees. Details around terminal weightings, and WTI Midland FAF calculations can be found [here](#).

Why is Dated Brent moving to a 700,000-barrel cargo size?

Platts has received feedback that a significant proportion of the Aframax fleet can now move cargoes of 700,000 barrels, with this becoming the standard in shipments of WTI Midland to Europe, while many cargoes in the 600,000-barrel North Sea markets are short-loading or dealing with contractual issues of overage. Feedback and research show that almost all receiving terminals in Europe can receive 700,000-barrel cargoes. Platts has therefore amended the size of cargoes reflected in Dated Brent and Cash BFOE to 700,000 barrels, with a tolerance of 1% in the buyers' option.

For transactions reported in the Platts MOC process, is it possible to load in the US Gulf Coast on a VLCC and then reverse lighter to an Aframax for delivery into the UK/ Northwest Europe?

A seller may deliver from an Aframax that has performed a ship-to-ship transfer from another vessel, provided all of the oil on board that vessel has demonstrably loaded at

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one of the US Gulf Coast terminals approved by Platts. A buyer should not be harmed by a seller's decision to STS onto an Aframax from a vessel which may already be in the North Sea.

Will Platts include a Quality Premium (QP) for WTI Midland as it does for Oseberg, Ekofisk, and Troll?

At this stage, Platts does not intend to include a quality premium on WTI Midland. QPs are intended to increase the relevance of higher valued crudes to the level of the most competitive grades, typically Forties and Brent/Ninian Blend. Analyzing historical data, the QP for WTI Midland is not currently necessary, but Platts continues to review the suitability of a QP mechanism for WTI Midland.

Is a sulfur adjustment appropriate for WTI Midland cargoes in Dated Brent?

While the limit on the Platts WTI Midland specification stands at 0.2%, observed sulfur levels in cargoes loading from the US Gulf Coast in recent years trend around 0.10-0.13%. Platts expects typical flows and qualities to continue, with few changes to standard sulfur levels. Should a major change occur in the properties of WTI Midland, Platts will review the suitability of a sulfur adjustment mechanism.

What does this change mean for Brent futures markets?

Platts has maintained regular dialogue with ICE, the operator of the Brent futures contract on the inclusion of WTI Midland into the Brent complex. ICE has publicly confirmed its alignment in changes coming to Dated Brent and Cash BFOE with the ICE Brent futures contract and Platts is keen to minimize any price effect by working with all exchanges and market participants to give adequate notice of any change.

Can a US-based trading entity offer into the Dated Brent MOC process?

Entities wishing to participate in the transparent MOC process must undergo a MOC participation review to ensure alignment with Platts editorial criteria including: a demonstrated trade performance capability and an ability to trade with a critical mass with active market participants. Interested companies may request at <https://www.spglobal.com/commodityinsights/en/our-methodology/participation-review>.

*For more information on the inclusion of WTI Midland into the Brent complex, please email:
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