

Update: August 2023

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

Background

On May 2, 2023, Platts, part of S&P Global Commodity Insights, announced the [inclusion of US crude WTI Midland](#) cargoes delivered to Rotterdam in the Platts Market on Close assessment process for Dated Brent for cargo delivery periods starting June 2023, with the associated June Cash BFOE value assessed from February 2023. 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 price assessment for 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 in the future, in the form of Cash BFOE (Brent-Forties-Oseberg-Ekofisk-Troll-WTI Midland) 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.

Why was WTI Midland selected 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 is the specification of WTI Midland crude that Platts reflects in Dated Brent?

Platts reflects 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 publicly available [Specifications Guide](#). Additionally, Platts only reflects WTI Midland cargoes that are loaded from approved USGC terminals listed in its Specifications Guide. Details around the terminal review process can be found [here](#). For transactions reported in the Platts MOC assessment process, performance is paramount and all transactions should be performable within the contractual parameters.

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

Platts reflects 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. From June 2023, WTI Midland is also 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 considered typical industry practice around deviation of WTI Midland cargo to a destination other than Rotterdam?

As per typical industry practice, if a buyer wishes to deviate a CIF Rotterdam WTI Midland cargo transacted during the Platts MOC assessment 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 on deviation costs, Platts expects the following fallback mechanism to be applied: counterparties shall use the difference between the freight cost from the US Gulf Coast loading terminal of the original cargo-Rotterdam versus the US Gulf Coast loading terminal-actual discharge port. An average of the assessments in the period 22-27 days prior to the delivery laycan should be used for the deviation fallback mechanism. 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 later.

What is observed as typical industry practice around demurrage for WTI Midland cargo CIF Rotterdam

As per typical industry practice, if no agreement can be reached between buyer and seller on demurrage costs, counterparties should use Platts Aframax USGC demurrage assessment (ADERD00) for the period 22-27 days prior to the delivery laycan. The time period is equivalent to the typical USGC Aframax fixing period of 5-10 days prior to USGC loading, assuming a 17-day sailing time to Rotterdam.

Is there a Freight Adjustment Factor for WTI Midland as with other grades?

The Freight Adjustment Factor (FAF) is designed to allow CIF and FOB cargoes to play an equivalent role in the Dated Brent benchmark and extends to cover WTI Midland following 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 on 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 has Dated Brent moved to a 700,000-barrel cargo size?

Platts 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.

What is the minimum volume of WTI Midland cargoes that can be bid/offered in the MOC?

Platts will publish Dated Brent cargo bids and offers on a CIF Rotterdam basis [and STS Scapa flow basis for BFOET] with a minimum stated volume of 665,000 barrels and a volume tolerance of plus/minus 1%. Offers of less than the standard 700,000 barrels plus/minus 1% must be clearly stated in the Terms, Quality and Conditions (TQC) of the indication.

For transactions reported in the Platts MOC process, is it possible to load on 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 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, a 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 0.09%-0.15%. 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.

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

Any entity wishing to participate in the transparent MOC assessment process must undergo an MOC participation review and demonstrate the ability to meet Platts objective acceptance criteria including: a demonstrated trade performance capability and an ability to trade with a critical mass of active market participants. Interested

companies may submit a 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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