

September 2018

Platts US Gulf Coast crude delivered Europe – FAQ

General overview

In a note published September 19, 2018, S&P Global Platts announced the launch of four new daily assessments of US crude delivered into Europe in response to rising deliveries of US crude into Northwest Europe and the Mediterranean. Crude exports from the US Gulf Coast to Europe have risen consistently in recent years, averaging more than 500,000 b/d over the first half of 2018 to become one of the most significant sources of refinery feedstock for European end-users. This flow is only expected to grow further in the coming years as US export infrastructure continues to develop.

What new grades and qualities is Platts assessing?

Platts is launching four new assessments for WTI Midland and Eagle Ford 45, each delivered basis Rotterdam and Augusta. All four new prices will be assessed “Delivered at Place” – or DAP – 20-60 days forward from date of publication. Platts understands that US crude is regularly sold in Europe 30 to 60 days prior to delivery, with trading activity gradually moving closer to delivery as the market matures. The average voyage time from the US Gulf Coast to Rotterdam or Augusta is typically 17 to 20 days. A 20-60 day assessment period thus includes volumes ranging from recently loaded cargoes to cargoes trading further forward ahead of loading.

Platts’ assessments will reflect standard WTI Midland and Eagle Ford 45 quality crude exported from the US Gulf Coast. While Platts understands that the quality of US crude exports may be variable, Platts also understands that the market has evolved to manage this variability. Typically “WTI Midland” reflects a consistent, unblended grade sourced from the Permian. Bids, offers and trades that adhere to standard quality will be accepted in the Platts Market on Close assessment process, and Platts expects sellers in the MOC to be able to demonstrate that quality is congruent with market standards upon delivery.

Why is Platts not introducing other US Gulf crude assessments?

While other US crude grades like Bakken, Domestic Sweet and Mars have been offered in Europe or exported in small quantities, Platts does not believe that volumes for these crudes are yet sufficient to support a daily spot market

assessment. Platts will continue to monitor the flows of these grades and the market in Europe as US infrastructure continues to develop.

What is the pricing basis of Platts’ new assessments? Payment terms?

Platts’ new assessments will be published on both an outright basis and as a differential to Dated Brent. However, Platts recognizes that US crude cargoes may price in a variety of ways in the European spot market and will publish bids and offers in the MOC reflecting reasonable pricing bases, including versus ICE Brent. However, in order to better facilitate price comparison, any indications versus a different pricing basis will be normalized back to a Dated Brent basis. Platts has launched a new forward Dated Brent assessment reflecting the market 20 to 60 days forward from publication in order to reflect this market.

Platts’ new assessments will be priced 2-1-2 around completion of discharge (COD) as standard, with the middle date of the five-day laycan typically viewed as the date of COD. Other reasonable pricing bases may be published in the MOC, but will be normalized accordingly back to the 2-1-2 pricing standard.

Platts’ assessments will reflect market standard payment terms. It is Platts’ understanding that the market for US crude in Europe typically reflects payment 30 days from bill of lading, which is equivalent to about 10 days from completion of discharge.

Cargo size and operational tolerance

Platts assesses a standard 600,000-barrel cargo with an operational tolerance of plus or minus 5%. US crude is shipped to Europe in a variety of crude sizes, with Aframax-size cargoes ranging from 500,000 barrels to 700,000 barrels. Platts will publish bids and offers for US crudes within this range, but may normalize any indications of a different cargo size back to a 600,000 barrel standard where necessary.

What periods and locations may be bid or offered in the MOC?

Platts’ assessments of US crude in Europe reflect delivery between 20 and 60 days from the date of publication and

will accept bids and offers in the MOC where the full laycan falls within this period.

Platts will publish bids for a minimum five-day delivery range, and for a longer delivery range in which the buyer grants the right to narrow the five-day delivery range to the seller. Platts will publish offers for a five-day delivery range, and for a longer delivery range in which the seller grants the right to narrow the five-day delivery range to the buyer. A price taker must narrow any wider laycan to five days at the time of trade.

Platts' DAP assessments of US crude in Europe reflect delivery basis Rotterdam or Augusta. Other reasonable delivery ports within Northwest Europe and the Mediterranean may be nominated, with the buyer covering all reasonable incremental delivery costs. As in other Platts MOC markets, a buyer may request additional shipping options from a seller at any time following a trade and the seller must pass these requests on to the shipowner. Additional requests for options cannot be unreasonably withheld by a seller.

While US crude may be sold in Europe under various INCO terms, Platts' assessments will reflect DAP or "delivered at place". Platts will publish bids and offers that include other INCO terms, but these will be normalized back to a DAP basis.

What are the rules around vessel acceptance?

Offers may be made either on a named vessel or on a buyer's acceptable basis. If a seller offers on a named vessel, then a buyer can lift that cargo subject to vessel approval and, if rejected for a viable reason, the deal will not be finalized. For assessment purposes, editors will review the quality of any named vessel offered in the Market on Close to determine whether or not that vessel should be considered in the assessment process.

In the event a seller is offering on a buyer's acceptable basis -- or hits a bid on a buyer's acceptable basis— the seller has the responsibility to meet the reasonable vetting requirements of a typical market participant in Europe. The seller is entitled to substitute a vessel with another meeting or exceeding the same approvals at any reasonable time before the delivery of the cargo. A buyer should not be financially harmed by a seller's decisions to substitute a vessel.

Where are the new assessments published?

The new prices will appear in the Platts Crude Oil Marketwire and on Platts Global Alert on pages 1238 and 1239 under the following price codes:

Grade	Code
WTI Midland DAP Rotterdam	AWTIC00
WTI Midland DAP Rotterdam vs fwd Dated Brent	AWTID00
WTI Midland DAP Augusta	AWTIA00
WTI Midland DAP Augusta vs fwd Dated Brent	AWTIB00
Eagle Ford 45 DAP Rotterdam	AEFAC00
Eagle Ford 45 DAP Rotterdam vs fwd Dated Brent	AEFAD00
Eagle Ford 45 DAP Augusta	AEFAA00
Eagle Ford 45 DAP Augusta vs fwd Dated Brent	AEFAB00
20-60 day forward Dated Brent	ADBRA00

Comments and questions

For any further questions related to Platts' assessments of US crude grades delivered in Europe, please email Platts on europe_crude@spglobal.com and pricegroup@spglobal.com. For written comments, please provide a clear indication if comments are not intended for publication by Platts for public viewing. Platts will consider all comments received and will make comments not marked as confidential available upon request.

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