

# FAQ: DUBAI CRUDE

## What is the Platts Dubai/Oman crude oil benchmarks?

Dubai is the primary pricing reference for crude oil delivered to Asian refineries from the Middle East Gulf, and has been so since the 1980s. With deep markets available for hedging, and an unrivalled track record as the sour crude benchmark of choice East of Suez, Dubai's influence and importance has grown through the years. Since the start of this decade, the Platts Dubai benchmark has also become the pricing reference for cargoes of crude oil sold from Russia's East Siberian port of Kozmino to refiners, which is used extensively across the Asia-Pacific region, including the US West Coast.

## How does the Platts Dubai benchmark relate to Brent?

Brent and Dubai are by far the most widely used benchmarks in the world for pricing physical crude oil and are closely correlated and underpinned by several million barrels per day (b/d) of Brent/Dubai derivative spread trades. Typically, the sweet Brent crude benchmark trades at a premium to the sour Dubai crude benchmark, although Dubai moved above Brent on several occasions during 2009 as supplies from the Middle East were cut by OPEC production quota constraints. The Brent/Dubai spread also inverted briefly in late 2011, as the weak gasoline and naphtha cracks, plus the return of Libyan crude, dragged down the value of light sweet crudes.

## How much Middle East and Asian crude is priced against Platts Dubai?

The vast majority of sour crude oil trading East of Suez is priced against Platts Dubai, including both on a free on board (FOB) Middle East and a delivered basis. Approximately 18 million b/d of crude oil passes through the Straits of Hormuz, largely priced against the Platts Dubai assessment and typically on the monthly average. Many national oil companies in the Middle East – and throughout Asia – also use Platts Dubai as a reference for internal transfer prices. Asian refiners buy sour crude almost exclusively with Platts Dubai as the reference point. Condensates such as DFC and South Pars also price against Platts Dubai. Russian grades such as Sokol, Sakhalin Blend and ESPO also reference Platts Dubai.

## How do we assess Platts Dubai?

Platts Dubai assessments reflect the repeatable, transactable price of Platts Dubai for the month of loading which are traded in lot sizes (partials) of 25,000 barrels, with physical convergence at 500,000 barrels, or 20 partials at 16:30:00 Singapore time precisely. The Platts Dubai contract reflects the spot value of Middle East sour crude oil, where the buyer of Dubai has the obligation to accept delivery of

Dubai, or alternative delivery of Upper Zakum or Oman, at the seller's option. Cargoes must be free of any restrictions or limitations placed on the cargo buyer, such as resale or destination clauses. The operational tolerance for these cargoes is +/- 1,000 barrels in the buyers option.

## How has liquidity in the Platts Middle East MOC evolved over time?

The partials mechanism for Middle East crude was launched in 2004. The rise of trading activity in Asia in recent years has been reflected in the Middle East crude MOC. In 2010 over 650 partials were traded. By 2011 this had risen to over 1000, a level also seen in 2012. In 2013 over 2000 partials were traded and in 2014 over 3300 partials were traded. In 2015 up to the end of November over 5200 partials of Middle East crude have been traded.

## What volume of derivatives prices against Platts Dubai globally?

An estimated 3.9 billion barrels of Dubai oil swaps traded in 2014, equivalent to 10.73 million barrels per day. In the first 10 months of 2015, an estimated 4.3 billion barrels of Dubai oil swaps have traded, equivalent to 14.1 million barrels per day. About 70% of these swaps were cleared on exchanges, and 30% traded bilaterally in the over the counter (OTC) market, as Dubai swaps, Dubai inter-month time spreads, Brent/Dubai spreads and Dubai/oil product crack swaps.

## What is the total production of Dubai, Oman and Upper Zakum?

Total production of these three fields is around 1.7 million b/d, which is a considerably higher volume than the approximately 800,000 b/d underpinning the North Sea Brent benchmark BFOE. Typically, more than 1.3 million b/d of Dubai, Oman and Upper Zakum are available to be freely traded in the market.

## What additional crudes will be added to the Dubai/Oman crude benchmarks?

Platts is adding Qatar's Al Shaheen crude and Abu Dhabi's Murban crude to the Middle East crude benchmark baskets. From January 4, 2016, Al Shaheen will be included in the Dubai basket and Murban will be included in the Dubai and Oman baskets. Platts will also reflect the value of Al Shaheen crude, and Murban crude, as expressed through bids, offers and trading activity in partial cargo sizes of 25,000 barrels each, with a full cargo of 500,000 barrels to be delivered when the same buyer and seller have traded 20 partials. The operational tolerance for these cargoes is +/- 1,000 barrels in the buyers option.



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## **When does the proposal to include additional crudes take effect from?**

Platts proposes to reflect the additional crude oils in the Dubai and Oman crude benchmarks from January 4, 2016, reflecting trading of March loading cargoes.

## **Will Platts reflect a Quality Premium for the inclusion of Murban crude?**

Platts will continue to study the inclusion of a quality premium for Murban, but will not reflect them in the initial addition of the grade to the benchmark baskets.

## **Why is Platts adding new crudes to the Dubai/Oman crude benchmarks?**

Platts has discussed the potential inclusion of more grades of crude oil as deliverable to its Middle Eastern crude benchmarks at public forums and in discussions across the industry for several years. Platts' Dubai and Oman crude assessments are designed to reflect the value of widely tradeable, readily deliverable barrels of crude in the region's spot markets. The addition of new crudes as alternative delivery ensures that there is suitable availability of crudes to meet spot market demand.

## **What will be the total production of Dubai, Oman, Upper Zakum, Al Shaheen and Murban crudes?**

Total production of these five fields is around 3.6 million b/d, and typically there will be almost 2.4 million b/d of Dubai, Oman, Upper Zakum, Al Shaheen and Murban available to be freely traded. Destination restricted cargoes cannot be nominated in the event of physical convergence in the partials market.

## **Do Platts Middle East crude assessments include ship to ship (STS) loadings?**

Platts approved STS loadings of Upper Zakum crude from the Abu Dhabi III, Aframax vessel from August 3, 2015 for October loading cargoes. Wider discussions of other STS locations in the Middle East are constantly under review and feedback is welcomed to: [asia\\_crude@platts.com](mailto:asia_crude@platts.com) and [pricegroup@platts.com](mailto:pricegroup@platts.com)

## **How does the move to include additional crude impact on the assessments?**

Under the proposed methodology, offers for Al Shaheen, Murban, Oman, and Upper Zakum crude oils cannot be lower than a bid for Dubai crude. Similarly, bids for Al Shaheen, Dubai, Oman and Upper Zakum crude oils cannot be higher than an offer for Murban crude. Bids for Al Shaheen and Upper Zakum crude oils can be higher than an offer on Oman, and offers for Oman and Upper Zakum crude oils can also be lower than a bid on Al Shaheen. Likewise, bids for Upper Zakum crude can be higher than offers on Al Shaheen and Oman crude, and offers for Upper Zakum crude can be lower than bids on Al Shaheen and Oman crude oils.

## **Where can I find more details about the move to include additional crudes in the Dubai/Oman crude assessments?**

To see a video on the move to include additional crudes go to: <http://www.platts.com/videos/2015/november/changes-mideast-crude-assessments>.



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