

Platts Dated Brent CIF Rotterdam FAQ Guide

General overview

Why is S&P Global Platts introducing an MOC for Dated Brent CIF Rotterdam?

While the North Sea is primarily an FOB market at present, a significant proportion of cargoes are sold on a CIF basis to regional buyers in Northwest Europe. In January 2016, Platts launched an outright assessment of Dated Brent CIF Rotterdam, alongside standalone outright price assessments of Brent, Forties, Oseberg and Ekofisk to reflect this situation. As North Sea crude oil production falls over time, the market for delivered light sweet crude oil into Northwest Europe is likely to continue to grow as a proportion of the market. Platts believes that this market is now sufficiently developed to allow publication of bids, offers and trades in the Platts Market on Close assessment process (MOC).

When was this change proposed?

Platts first proposed to reflect MOC information in CIF Rotterdam on December 19, 2016. The original subscriber note can be found here: <https://www.platts.com/subscriber-notes-details/21381985>. A decision note was published on July 3, 2017 and is available here: <https://www.platts.com/subscriber-notes-details/26763880>. Platts first proposed the creation of additional instruments to be used in the calculation of CIF Rotterdam, as well as proposals around operational tolerance and pricing in a note published August 7, 2017. This note is available here: <https://www.platts.com/subscriber-notes-details/26784071>. Starting September 1, 2017, Platts is publishing bids, offers and trades in the Platts Market on Close assessment process for all cargoes of physical Dated Brent component grades delivered basis Rotterdam between 12 days and one month ahead of the date of publication.

Platts Market on Close assessment process

What instruments can be bid and offered in the MOC?

Platts will publish bids and offers for the four BFOE grades, Brent, Forties, Oseberg and Ekofisk, on a CIF Rotterdam basis, from September 1, 2017. From December 1, 2017, Platts will also publish bids and offers for Troll on

a CIF Rotterdam basis. In addition, Platts will publish bids and offers using other relevant incoterms, such as DES, where this is a recognised part of a company's regular trading activity. While Platts understands that North Sea trading typically uses Dated Brent as a pricing basis, Platts will also publish outright price bids and offers for North Sea cargoes, as well as bids and offers based on Cash BFOE and ICE Brent Futures.

What periods may be bid or offered in the MOC?

The MOC for CIF Rotterdam North Sea crude oil cargoes reflects delivery dates between 12 days and one month from the date of publication. Platts will accept bids and offers where the first date of the indication falls on any date within this period. Platts will publish bids into Rotterdam for a 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 into Rotterdam 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. In this instance, the counterpart must narrow the laycan to five days at the time of trade.

What pricing terms does Platts accept in the MOC?

Platts recognises that physical North Sea crude cargoes may price in a variety of ways in the spot market. In order to aid standardisation of information received in the MOC, Platts publishes bids and offers pricing 2-1-2 around COD as standard, with the middle date of the five-day laycan typically viewed as the date of COD. Platts also understands that deemed bill of lading is frequently used in the pricing of North Sea CIF Rotterdam crude cargoes, and will publish bids and offers using this and other reasonable pricing terms. Where no pricing terms are specified in the bid or offer, this indication will be assumed to be pricing 2-1-2 around COD. Platts does not reflect cargoes pricing around NOR.

Operational questions around the Platts MOC

Cargo nomination

The seller must nominate the actual three day delivery window and performing vessel name at least seven clear

calendar days ahead of the first day of the originally-traded five day delivery range. For example, where the original traded range is March 11-15, the seller must nominate the three day delivery laycan and vessel by close of business on March 3. If March 3 is not a working day, then nomination should take place by close of business on the previous working day.

Operational Tolerance

Platts will reflect bids, offers and trades for 600,000 barrel CIF basis Rotterdam BFOE cargoes with an operational tolerance of 1%, in the seller's option, as well as fixed-volume cargoes of between 594,000-606,000 barrels. Operational tolerance will be determined by volume at the loading port rather than at the delivery port. Platts would expect that any disputes arising from volume loss or "clingage" in the transfer of crude from loading terminal to discharge port would be settled according to accepted market practice.

Demurrage

Platts guidelines maintain that buyers should not be harmed by demurrage costs incurred by the vessel charterer outside of typical market rates and practices prevailing at the time of the natural fixing window. Demurrage should be relevant to the first day of the originally bid delivery date range.

Stored Oil

Oil sourced from land-based storage other than the original loading terminal should not be offered or delivered into the CIF basis Rotterdam Dated Brent MOC.

Quality Premiums and De-escalator

Any delivered cargoes of Oseberg and Ekofisk should reflect the quality premiums at time of original loading. Similarly, any delivered cargoes of Forties will reflect the de-escalator at time of original loading, rather than time of delivery.

Delivery into ports other than Rotterdam

Other reasonable delivery ports within NWE may be nominated, with the buyer covering all reasonable incremental delivery costs.

Options, including STS options

Platts will not publish CIF Rotterdam bids containing STS options. All available charterparty options, including STS options, should be passed on to the buyer. All requests beyond these should be passed on by the seller to the shipowner. The performing vessel must meet the vetting conditions of a reasonable buyer and the physical limitations of port, eg draft, beam, etc.

Freight and Deviation

Platts guidelines maintain that buyers requesting deviation should not be harmed by higher freight rates stemming from vessels chartered earlier than the "natural

fixing window" for a given delivery range. Using industry feedback, Platts has determined that the natural fixing window is between 7 and 21 days prior to the first date of delivery. If no mutual agreement is reached for freight deviation costs, Platts expects counterparties to use the average of the cross-North Sea 100,000 mt Aframax assessment as published in Platts Dirty Tankerwire 10 to 12 publishing days prior to the first day of the original delivery window. The lower of either the charterparty or the natural fixing window should be used to determine any reasonable cost of deviation.

Vessel acceptance

Offers may be made with a named or unnamed ship. If a seller offers with a named vessel, then a buyer can buy subject to vetting approval and if rejected, the deal will not be finalized. For assessment purposes, editors will review the quality of the vessel to determine if it should be considered in the assessment process. For an unnamed ship, the seller has the responsibility to meet the reasonable vetting requirements of a typical market participant in that region. The seller is entitled to substitute the vessel with another meeting or exceeding the same approvals at any reasonable time before delivery of the cargo. The buyer should not be financially harmed by the seller's choice to substitute a vessel.

Platts publications and assessments

What prices will Platts be publishing?

Platts has been publishing outright prices for Brent, Forties, Oseberg and Ekofisk on a CIF Rotterdam basis since March 14, 2016. From September 1, 2017, Platts is also publishing a North Sea CIF Rotterdam Dated Brent strip which forms the new basis for the calculation of North Sea CIF Rotterdam outright prices. Alongside this assessment, Platts is also publishing differential prices on a CIF Rotterdam basis for Brent, Forties, Oseberg and Ekofisk crude oil, as well as for Dated Brent itself. Starting December 1, 2017, Platts is also publishing bids, offers and trades in the Platts Market on Close assessment process for Troll crude oil delivered basis Rotterdam between 12 days and one month ahead of the date of publication.

Relationship to FOB Dated Brent

Platts will continue to assess FOB Dated Brent on the basis of bids, offers and trades seen in the MOC for that market, as well as other market information already published by Platts. Platts believes that the FOB market is currently sufficiently liquid, relative to the CIF market, to not require the use of CIF data when producing Dated Brent FOB North Sea assessments.

How will Platts assess Dated Brent CIF Rotterdam

Prior to September 1, 2017, Platts published Dated Brent

CIF Rotterdam as an outright price only, based on the most competitive grade of Brent, Forties, Oseberg and Ekofisk delivered to Rotterdam for each day in a 10 days forward to month ahead assessment period. Platts also published separate outright prices for each individual BFOE crude grade including freight costs, Quality Premiums, and transposition of values to reflect expected delivery dates for FOB cargoes into Rotterdam. Platts will now publish Dated Brent CIF Rotterdam as both an outright and a differential price, based on the most competitive grade of Brent, Forties, Oseberg and Ekofisk delivered to Rotterdam for each day of the assessment. Platts will also now publish assessments on both an outright and differential basis for all four component crude grades. In the absence of any bids, offers or trades, Platts will assess

each grade CIF basis Rotterdam on the basis of freight and other market indicators.

Comments and questions

For any further questions related to the launch of an MOC for Dated Brent CIF Rotterdam, please email Platts on europa_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.

S&P Global Platts

© 2017 by S&P Global Platts, a division of S&P Global Inc. All rights reserved.

The names "S&P Global Platts" and "Platts" and the S&P Global Platts logo are trademarks of S&P Global Inc. Permission for any commercial use of the S&P Global Platts logo must be granted in writing by S&P Global Inc.

You may only view or use the material for personal and internal use. You may not make any other use of the material and/or otherwise provide access to part or all of the material to any person (within or outside your company), firm or entity, including any entity that is affiliated with your company,

without S&P Global Platts' prior written consent. S&P Global Platts, its affiliates and third-party licensors do not guarantee the adequacy, accuracy, timeliness and/or completeness of the material, and disclaim all liability to the extent permitted by law. The material is provided on an "as is" basis. Users of the material should not rely on the information therein in making any investment, trading, risk management or other decision.

For all other queries or requests pursuant to this notice, please contact S&P Global Inc. via email at support@platts.com.

For more information, please visit us online or speak to one of our sales specialists:

NORTH AMERICA

+1-800-PLATTS8 (toll-free)

+1-212-904-3070 (direct)

EMEA

+44-(0)20-7176-6111

LATIN AMERICA

+55-11-3371-5755

ASIA-PACIFIC

+65-6530-6430

RUSSIA

+7-495-783-4141