Platts assesses Forties de-escalator at 20 cents/b from June 1, 2019

On May 24, 2019, S&P Global Platts announced that the sulfur de-escalator to be effective June 1, 2019 in Forties cargoes and related instruments in the Platts MOC process would be 20 cents/b per 0.1% weight of sulfur over the 0.6% wt standard.

This is unchanged from May 2019, but is up 5 cents/b from April. This is the highest assessment since November 2018.

The June sulfur de-escalator should apply to cargoes loading from June 1, 2019.

Platts considers a number of indicators in the determination of the Forties de-escalator level including the behavior of sweet and light crudes versus sourer and heavier streams in the North Sea and other competing regions, as well as the performance of refined products and refinery feedstocks, and the outright price of crude oil.

While there has been a comparatively sharp drop in outright prices, some of the recent strength in the heavier and more sour crude markets — particularly Urals — has abated following the organic chloride contamination for cargoes loading out of Ust-Luga.

Urals differentials, which have been uncharacteristically supported amid renewed sanctions against Iran and Venezuela and persistent production cuts from OPEC, dropped sharply throughout May, particularly in Northwest Europe. This was due, in large part, to the mid-April organic chloride contamination along the Ust-Luga and Druzhba export pipelines, which briefly saw differentials spike sharply higher for Primorsk-loading volumes, before dropping amid concerns that the contamination was spreading.

Simultaneously, several unplanned outages across the North Sea, in addition to seasonal maintenance, saw North Sea premiums over Urals sharpen abruptly throughout the second-half of May, to Urals on a CIF Rotterdam basis widened out to $3.70/b, a seven-month high, while Forties climbed to more than $2.80/b above Urals FOB throughout the month.

Similarly, the Brent-Dubai EFS has continued to strengthen sharply, pushing towards levels not seen since early-October 2018 after hitting multi-year lows in early March this year.

Product spreads have also seen a bit of a reorientation towards the lighter-end of the barrel, with the gasoline barge crack climbing to its highest level in more than 18 months as May drew to a close. By contrast, HSFO barges continued to weaken, dropping to their lowest level since October before rebounding slightly.

However, distillates have remained heavily range-bound, even as the light ends market has bounced sharply. The ULSD barge crack is largely unchanged from the publication of the May Forties de-escalator, despite the start of the summer travel season in Europe.

While the weaker sour crude markets across the Atlantic Basin and a recovery in gasoline cracks have pointed to a weaker market for sulfur generally, the consistently strong Forties market and an overall drop in outright prices has somewhat tempered their impact.

Consequently, the Forties sulfur de-escalator was assessed unchanged from the previous month.