Specifications guide
North Sea sulfur de-escalator

Latest update: November 2019
Platts assesses Forties de-escalator at 30 cents/b from December 1, 2019

On November 25, 2019, S&P Global Platts announced that the sulfur de-escalator to be effective December 1, 2019 in Forties cargoes and related instruments in the Platts MOC Process would be 30 cents/b per 0.1% weight of sulfur over the 0.6% wt standard.

This is steady from November and continues to be the highest level since August 2014.

The December sulfur de-escalator should apply to cargoes loading from December 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 market expectation would suggest that refined products spreads and cracks would represent a divergence in value between lighter, sweeter products compared to heavier, sulfuriferous products ahead of the International Maritime Organization's 2020 sulfur cap on marine fuels. This trend was in the widening spread between European naphtha and fuel oil values in particular, however, this trend was not so evident over recent weeks in other product and crude spreads.

November saw the naphtha premium to high sulfur fuel oil cross the $339/mt threshold. This is the widest the spread has been since July 2014.

The anticipated divergence was not as evident on other product spreads, with the premium of ultra-low sulfur diesel to high sulfur gasoil having slumped to $7.25/mt on November 22 compared to $25.5/mt seen a month ago.

Product cracks are also showing a mixed picture with the high sulfur fuel oil crack falling sharply over the last few weeks, while ULSD cracks have fallen from 2019 highs seen in early October.

Meanwhile, crude differentials remained volatile in November, largely down to Russia’s Urals crude prices being impacted by a short November loading program. Subsequently, premiums of Forties, CPC Blend and Oseberg to Urals narrowed for the first couple of weeks of November before widening again sharply as Urals value dropped off.

The differential between Oseberg and Urals fell as low as $1.885/b in the first half of November before widening out to $5.055/b on November 22, as the Urals complex remained volatile on shorter loading programs and varying demand.

Given the differing signals from crude differentials and product spreads, and a subsequent absence of a clear sulfur value trend, the Forties sulfur de-escalator was assessed unchanged from November for December loadings cargoes.