Specifications guide
North Sea sulfur de-escalator

Latest update: May 2020
Platts assesses Forties de-escalator at 15 cents/b from June 1, 2020

On May 22, 2020, S&P Global Platts announced that the sulfur de-escalator to be effective June 1, 2020 in Forties cargoes and related instruments in the Platts MOC Process would be 15 cents/b per 0.1% weight of sulfur over the 0.6% wt standard. This is unchanged from May.

The June sulfur de-escalator should apply to cargoes loading from June 1, 2020.

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 crude sulfur spreads have widened and both the Dated Brent flat price and Brent/Dubai EFS values have risen through the month, product cracks have fallen and product spreads show a more mixed picture. The Dated Brent flat price has more than doubled over the course of the month, but remains low compared to previous years. Dated Brent was assessed at $34.13/b on May 21, up from $16.01/b on April 24. While the Brent-Dubai EFS -- a key global sweet/sour crude spread -- gained $4.92/b and was assessed at minus 23 cents/b on May 21, it remains in negative territory.

Product spreads show a mixed picture through May with the Diesel/Gasoil and Hi-5 fuel oil spreads narrowing while other product sulfur spreads have widened. The premium of 10ppm ULSD CIF NWE cargoes over 0.1% Gasoil CIF NWE cargoes fell $8.75/mt from April 24, to $4/mt on May 21. In contrast, the spread between naphtha and high sulfur fuel oil rose to $99.5/mt on May 21, up $59/mt month on month.

Crude spreads have shown a consistent trend of widening through May with the premium of grades such as Oseberg and Azeri Light over Ural rising through the month despite Ural finding support from a shorter loading program and demand from the East. The spread between Ekofisk and Grane also widened by $1.30/b on the month to $1.25/b on May 21. In contrast to this however, product cracks have come under significant pressure through May despite easing lockdowns across Europe as the sheer volume of oversupply both in tanks and floating storage weighs on the market. The ULSD 10ppm FOB ARA Barge crack fell $6.76/b to $3.97 on May 21, while the 3.5% fuel oil FOB Rotterdam barge crack was assessed at minus $5.94/b, down $3.28/b.

Subsequently, the de-escalator was unchanged at 15 cents/b. While the Dated Brent flat price has risen sharply, upcoming OPEC+ cuts and a continued low price environment contribute to the continuity in the de-escalator level.