

April 2020

## Platts Dated Brent vs other ‘Brents’

### What is Platts Dated Brent?

Platts Dated Brent is the world’s leading benchmark assessment of the value of physical, light North Sea crude oil. The term “Dated Brent” refers to physical cargoes of crude oil in the North Sea that have been assigned specific delivery dates. Analysis of trading activity in the physical spot markets by market reporters at S&P Global Platts culminates in the publication of the Platts Dated Brent benchmark — our daily assessment of the price of Dated Brent in the North Sea crude marketplace. Dated Brent is used as a benchmark pricing reference for transactions involving crude, refined products and other commodities. It is also seen as a bellwether for the health of the overall oil market and, furthermore, the global economy.

### What is meant by “Brent”?

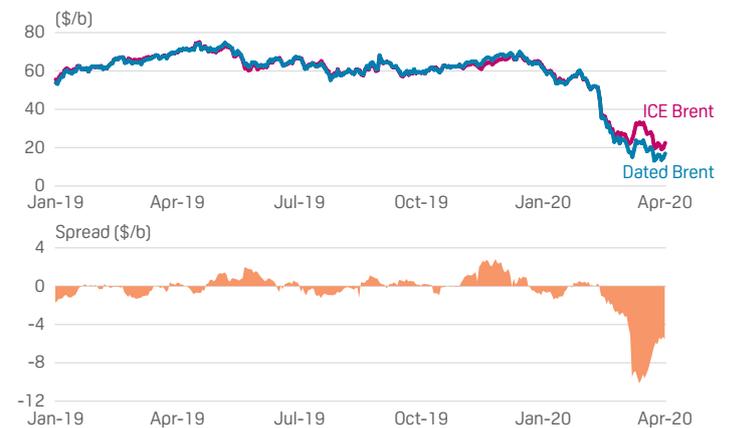
Comparing Dated Brent with other values of Brent is not a like-for-like comparison. “Brent” itself is the name of a light sweet grade of oil first produced in 1976, but in contemporary usage the word Brent on its own is often used as a shorthand to refer to any or all of the individual components of the entire “Brent Complex”, which is a vast physically and financially traded oil market based in the North Sea of Northwest Europe. Dated Brent is a critical component of the Brent Complex, which also includes physically delivered crude oil later in the future, in the form of cash BFOE (Brent-Forties-Oseberg-Ekofisk) and EFPs, as well as financially settled derivatives like Brent Futures, Contracts for Differences (CfDs), Dated-to-Frontlines (DFLs) and a variety of other derivatives.

Taken as a whole, the Brent Complex helps those active in the North Sea crude market to manage the flow of crude oil from well-head to refinery, and manage price risk along the way - not just in crude oil, but also for correlated refined oil products, natural gas, gas liquids and condensates.

### Why is the price of Dated Brent different from other prices I see reported in the news, like Brent futures?

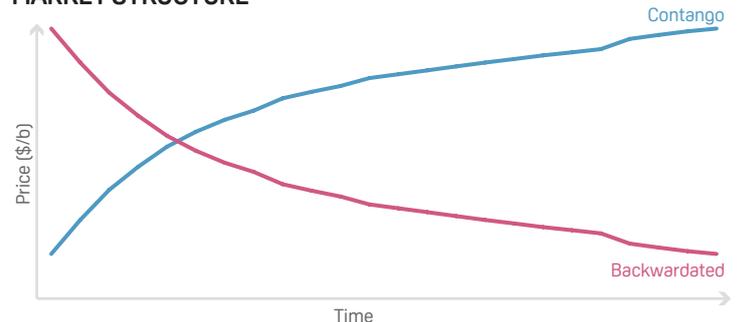
Dated Brent represents the value of physical crude oil trading for prompt delivery in the open spot market. Other important components of the Brent Complex, including Brent futures, represent the value of financially settled derivatives contracts that are for time periods often much further forward in time. When comparing different Brent prices, it’s important to be aware of differences like these – is the reference price for physical delivery or financial settlement? And, what is the time period reflected in the price - prompt delivery, or delivery further into the future? Prompt physically delivered oil typically trades at different levels to forward, financially settled contracts.

### DATED BRENT AND ICE BRENT SPREAD



Source: S&P Global Platts

### MARKET STRUCTURE



Source: S&P Global Platts

Timing differences alone can account for many price differences. “Market structure,” a term commonly used to describe differences in value for a commodity over periods of time, is often at play. In a market that features backwardation (when prompt prices are higher than future prices) or contango (when prompt prices are lower than forward prices) market structure lead to differences in value.

The perception of value applied by oil market participants to physical and financial oil, and the moment in time at which that oil is transacted, will lead to Brent being valued differently among news, price-reporting and futures exchanges. Platts Dated Brent reflects physical oil cargoes loading 10 days to one month ahead from the date of publication. Often, news organizations will refer to the price of Brent by looking at a financially settled, futures contract that reflects oil further out in time. The most commonly traded Brent futures contract is listed by Intercontinental Exchange, ICE. Prompt-month ICE Brent typically reflects

a futures contract for oil loading two calendar months in the future. For example, in April the front-month futures contract ultimately reflects the value of oil to be loaded in June, delivered through the cash BFOE contract.

### How has COVID-19 and the recent oil price collapse magnified these differences?

The widening COVID-19 pandemic of 2020 and other factors have led to an unprecedented supply-demand imbalance — there is significantly more crude oil being produced than the market currently can consume. At the moment, oil producers are offering their oil at lower prices in order to provide an incentive for another company to buy it. Market participants presently apply a discount to prompt physical loading barrels of oil relative to a financial contract for the same oil loading further in the future.

At some point supply and demand will become better balanced in the future, and strong confidence that there will be greater buying interest for future delivery has contributed to the contango market structure seen in the market.

### Can you share more details about Dated Brent?

There is approximately 1 million barrels per day of physical North Sea oil production shared by the five grades that comprise the Brent basket: Brent-Ninian Blend, Forties, Oseberg, Ekofisk and Troll. Each dated cargo of crude oil is often traded more than once as it makes its way to delivery to refineries — where crude is transformed into products like gasoline, diesel, jet fuel, and more. The physical, spot market underpins everything — it is the foundation on which the market rests. Platts Dated Brent is the value of that physical spot market.

Launched in 1987, the assessment reflects North Sea FOB cargoes loading over a specific date range — or dated. Presently, Platts Dated Brent represents oil loading from 10 days to 1 month ahead from the date of publication. For example, on April 1, 2020, Platts Dated Brent reflected the value of physical oil loading between April 11 and May 1.

### How does Platts assess Dated Brent?

Globally, all Platts assessments of crude grades and refined products use the Market on Close price assessment process. Our Dated Brent price assessment reflects the tradable, repeatable spot market value of the most competitive grade at 16:30.00 London time precisely.

We publish bids, offers, expressions of interest to trade, and confirmed trades during the MOC assessment process every day. This information is summarised in our daily newsletters and is published in full on our real-time information service, Platts Global Alert.

The MOC is a structured price assessment system designed to yield a price assessment reflective of market values at the close of the typical trading day. Similar information gathering systems are common in the futures markets where energy and financial exchanges publish daily settlement prices reflective of activity at the close of markets. Platts MOC price assessment process publishes transparent bids, offers and trades.

### How does Platts Dated Brent differ from values published by other companies?

There are numerous news organizations, price-reporting agencies and commodities exchanges that publish a value for Brent crude. Price differences among them stem from the methodology and specifications used to assess value of the Brent market. Platts Dated Brent is underpinned by clear and transparent methodology, the details for which are available on the Platts website. The MOC process and transparent market activity published through the Platts eWindow communication tool, backed by more than 110 years of experience assessing commodities markets at Platts, differentiate it from other "Brents." It is important to look behind the price to understand how the organization arrives at it. Platts encourages individuals to contact editors or attend monthly methodology sessions to understand more about Dated Brent.

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