

LPGASWIRE

Volume 40 / Issue 152 / August 3, 2018

ASIA LPG (\$/mt) (PGL page 2780)

	Code		Mid	Change		Code		Mid	Change
CFR Refrigerated					Diffs to Saudi CP strip				
11:11 Singapore-Japan (H1 Sep)	AASG000		588.250	+ 3.250					
11:11 Singapore-Japan (H2 Sep)	AASGP00		591.250	+ 6.250					
11:11 Singapore-Japan (H1 Oct)	AASGQ00		591.250	+ 6.250					
11:11 Singapore-Japan cargo*	AASGN00		589.750	+ 4.750					
Propane Japan cargo (H1 Sep)	AAVAK00	580.00-581.00	580.500	+3.500	Propane Japan	PMAAX00	12.00/14.00	13.000	+3.000
Propane Japan cargo (H2 Sep)	AAVAL00	583.00-584.00	583.500	+6.500					
Propane Japan cargo (H1 Oct)	AAVAM00	583.00-584.00	583.500	+6.500					
Propane Japan cargo*	PMAAV00	581.00-583.00	582.000	+5.000					
Propane South China cargo	AABAK00	574.00-575.00	574.500	+3.500	Propane South China	AABAI00	-6.00/-5.00	-5.500	+3.500
Propane Taiwan cargo	AABAN00	575.00-576.00	575.500	+3.500	Propane Taiwan	AABA000	-5.00/-4.00	-4.500	+3.500
Propane North Asia Zone	AAJQT00	578.00-579.00	578.500	+4.500					
					Propane Korea	PMABK00	9.00/11.00	10.000	+3.000
Butane Japan cargo (H1 Sep)	AAVAN00	596.00-597.00	596.500	+3.500	Butane Japan	PMAAH00	13.00/15.00	14.000	+3.000
Butane Japan cargo (H2 Sep)	AAVA000	599.00-600.00	599.500	+6.500					
Butane Japan cargo (H1 Oct)	AAVAP00	599.00-600.00	599.500	+6.500					
Butane Japan cargo*	PMAAF00	597.00-599.00	598.000	+5.000					
Butane South China cargo	AABAU00	590.00-591.00	590.500	+3.500	Butane South China	AABAT00	-5.00/-4.00	-4.500	+3.500
Butane Taiwan cargo	AABBH00	591.00-592.00	591.500	+3.500	Butane Taiwan	AABBI00	-4.00/-3.00	-3.500	+3.500
Butane North Asia Zone	AAJTT00	594.00-595.00	594.500	+4.500					
					Butane Korea	PMABL00	10.00/12.00	11.000	+3.000
CFR Pressurized					Diffs to Saudi CP strip				
LPG Vietnam	AAWUV00	657.00-659.00	658.000	+3.500	LPG Vietnam	AAWUW00	86.00/87.00	86.500	-2.000
LPG Philippines	AAWUX00	662.00-664.00	663.000	+3.500	LPG Philippines	AAWUY00	91.00/92.00	91.500	-2.000
FOB Pressurized					Diffs to Saudi CP strip				
LPG East China	AAWUZ00	591.00-592.00	591.500	+3.000	LPG East China	AAWVA00	20.00/21.00	20.500	-1.500
LPG South China	AAWVB00	591.00-592.00	591.500	+3.000	LPG South China	AAWVC00	20.00/21.00	20.500	-1.500
LPG Singapore	AAWVD00	591.00-592.00	591.500	+3.000	LPG Singapore	AAWVE00	20.00/21.00	20.500	-1.500

*An average of the first two half-month assessments

MIDDLE EAST LPG (\$/mt) (PGL page 2776)

	Code		Mid	Change		Code		Mid	Change
FOB Arab Gulf					Diffs to Saudi CP				
Propane cargo	PMUDM00	565.00-567.00	566.000	+2.000	Propane vs CP	PMABF00	-4.00/-2.00	-3.000	0.000
					Propane vs CP M1 (Sep)	AAKZA00	-4.00/-2.00	-3.000	0.000
Butane cargo	PMUDR00	581.00-583.00	582.000	+2.000	Butane vs CP	PMABG00	-3.00/-1.00	-2.000	0.000
					Butane vs CP M1 (Sep)	AAKZB00	-3.00/-1.00	-2.000	0.000
Propane CP strip (Japan-Korea)*	AAKZC00	568.00-570.00	569.000	+2.000					
Butane CP strip (Japan-Korea)*	AAKZD00	583.00-585.00	584.000	+2.000					
Propane CP strip (China-Taiwan)**	AAKZE00	579.00-581.00	580.000	0.000					
Butane CP strip (China-Taiwan)**	AAKZF00	594.00-596.00	595.000	0.000					

*loading 20-40 days; **loading 5-15 days

MARKET COMMENTARY

Asia LPG (PGL page 2798)

Asian LPG prices recovered Friday, outpacing the \$5.76/mt increase in October ICE Brent crude futures from the previous Asian close. S&P Global Platts assessed H1 September CFR Japan physical propane at \$580.5/mt, up \$3.50/mt day on day. The premium for H1 September delivery propane over the September CP swap dipped \$1.5/mt day on day to \$20.5/mt Friday. There were two bids and eight offers in the physical market Friday, with no trade seen. SK Gas bid for an evenly split H2 September delivery propane parcel, at FEI September minus \$1.25/mt, which equated to \$591.25/mt. Vilma offered a H2 September delivery evenly-split cargo, at FEI September minus \$1.25/mt, equating to \$591.25/mt. Itochu bid for a H1 September delivery cargo of propane at CP September plus \$20/mt, equating to \$580/mt. The best offer was from Vitol for 46,000 mt of propane for H1 September delivery at September FEI minus \$4/mt, equating to \$580.50/mt. The September FEI propane swap discount to MOPJ naphtha swap further widened to \$63.25/mt, from \$62.5/mt in the previous session. As the discount continues to widen, LPG remains more economical than naphtha as a feedstock at steam crackers. India's IOC tendered to buy two evenly-split LPG cargoes, each 44,000 mt, for October 5-10 and October 10-30 delivery into Haldia/Ennore. The tender closes August 13 with next-day validity. In its last tender, IOC bought LPG on a term basis of eight evenly split VLGC cargoes of 45,000 mt each, and 12 evenly split MGC cargoes of 20,000 mt each for delivery in 2018.

EUROPEAN LPG (\$/mt) (PGL page 1775)

	Code	Propane	Mid	Change	% of naphtha**		Code	Butane	Mid	Change	% of naphtha**
Northwest Europe											
FOB NWE Seagoing	PMABB00	519.75-520.25	520.000	-1.000	PMABBPT 81.06	FOB NWE Seagoing	PMAAL00	540.75-541.25	541.000	+16.000	PMAALPT 84.33
FOB ARA	PMAAS00	558.75-559.25	559.000	-1.000	PMAASPT 87.14	FOB ARA	PMAAC00	517.75-518.25	518.000	0.000	PMAACPT 80.75
FCA ARA*	PMABH00	563.75-564.25	564.000	-11.000	PMABHPT 87.92	FCA ARA*	PMABI00	521.75-522.25	522.000	0.000	PMABIPT 81.37
						CIF 1-3k mt	PMAAJ00	537.75-538.25	538.000	0.000	PMAAJPT 83.87
CIF NWE Large Cargo	PMABA00	543.75-544.25	544.000	-1.000	PMABAPT 84.80	CIF NWE Large Cargo	PMAAK00	544.75-545.25	545.000	0.000	PMAAKPT 84.96
Western Mediterranean											
FOB Ex-Refinery/Storage	PMABC00	628.75-629.25	629.000	-1.000	PMABCPT 98.05	Butane FOB West Med Coaster	PMAAM00	575.75-576.25	576.000	0.000	PMAAMPT 89.79
FCA Ex-Refinery/Storage*	PMABJ00	628.75-629.25	629.000	-1.000	PMABJPT 98.05						
CIF 7000+ mt	PMABE00	591.75-592.25	592.000	-1.000	PMABEPT 92.28						

*FCA ARA refers to sales onto railcars and trucks in the Amsterdam-Rotterdam-Antwerp region **Physical percentage versus Naphtha Cargoes CIF NWE (PAAAL00)

NAPHTHA (\$/mt)

	Code	Mid	Change
Europe (PGA page 1310 & 1320)			
Naphtha Cargoes CIF NWE	PAAAL00	641.25-641.75	641.500 +0.500
Naphtha Cargoes CIF Med	PAAAH00	634.50-635.00	634.750 +0.500

MONTH TO DATE AVERAGES (\$/mt)

	Code	Mid	Change
Northwest Europe Month to Date (PGL page 1775)			
Propane FOB NWE Seagoing	PMUDI00	520.08-520.58	520.330 -0.170
Propane CIF NWE Large Cargo	PMUDK00	544.08-544.58	544.330 -0.170
Middle East Month to Date (PGL page 2776)			
Propane cargo	PMUD000	567.33-569.33	568.000 -2.000
Butane cargo	PMUDQ00	583.00-585.00	584.000 -1.000

LPG SHIPPING (\$/mt)

From:	To:	Product	Cargo size	Code	\$/mt
(PGL page 2786)					
Persian Gulf	Japan	LPG	11-44kt	AAPNI00	39.00
Persian Gulf	South China	LPG	11-44kt	AAPNG00	34.00
Persian Gulf	East China	LPG	11-44kt	AAPNH00	37.00
Thailand	Guangzhou	LPG	1-3kt	AAPNJ00	121.00
Thailand	Guangxi	LPG	1-3kt	AAPNK00	119.00
Thailand	Shantou	LPG	1-3kt	AAPNL00	122.00
Japan	Shanghai	LPG	1-3kt	AAPNM00	71.00
Korea	Shanghai	LPG	1-3kt	AAPNN00	56.00

LPG POSTINGS (\$/mt)

Saudi Contract Postings (PGL page 2790)		
Saudi Propane CP (Aug)	PTAAM10	580.00
Saudi Butane CP (Aug)	PTAAF10	595.00
Algerian Postings (PGL page 1790)		
Propane FOB Bethouia CP (Aug)	PTAAI10	555.00
Propane FOB Skikda CP (Aug)	PTAAJ10	555.00
Butane FOB Algeria CP (Aug)	PTAAC10	570.00

PROPANE SWAPS

	Code	Mid	Change
Northwest Europe (\$/mt) (PGL page 1775)			
M1 (Sep)	AAHIK00	548.00-552.00	550.000 -1.000
M2 (Oct)	AAHIM00	549.00-553.00	551.000 -1.000
M3 (Nov)	AAHIO00	549.00-553.00	551.000 -1.000
Q1 (Q4 2018)	AAHIL00	549.00-553.00	551.000 0.000
Q2 (Q1 2019)	AAHIN00	527.00-531.00	529.000 +1.000
US Gulf Coast (¢/gal) (PGA page 780)			
M1 (Sep)	AAHYX00	94.700-94.800	94.750 +0.750
M2 (Oct)	AAHY000	94.575-94.675	94.625 +0.625
M3 (Nov)	AAHYZ00	94.450-94.550	94.500 +0.500
Q1 (Q4 2018)	PMABS00	94.450-94.550	94.500 +0.500
Q2 (Q1 2019)	PMABT00	89.825-89.925	89.875 +0.125
Saudi CP (\$/mt) (PPA page 2652)			
M1 (Sep)	AAHHG00	559.98-560.02	560.000 +5.000
M2 (Oct)	AAHHH00	562.48-562.52	562.500 +4.500
M3 (Nov)	AAHHI00	563.48-563.52	563.500 +5.500
Q1 (Q4 2018)	AAHHJ00	562.73-562.77	562.750 +5.500

Middle East LPG (PGL page 2799)

The contango market structure for CP propane swaps for September/October narrowed Friday to \$2.5/mt from \$3/mt Thursday. The October/November propane swap spread was at a \$1/mt contango from parity in the previous session. Traders are still waiting for the announcement of acceptances of nominations for Saudi Aramco's September-loading term cargoes which is due mid-August.

West Mediterranean LPG (PGL page 1797)

The spot FOB butane market in the West Mediterranean was steady on the day against naphtha, with thin product available in the region heard to be supporting levels this week. The market was assessed at \$576/mt, flat on the day, and steady at nearly 89% relative to naphtha, on the back of a trade between Vitol and Mobil earlier in the week. Meanwhile, the West Med's premium over the FOB NWE Seagoing market sunk to \$35/mt, down from \$51/mt on Thursday, due to a strengthening market in the North on the back of public buying interest from Trafigura. That kept the arbitrage firmly closed, with freight from the North to North Africa last heard around \$60/mt, according to shipping sources. Meanwhile, the market was attempting to draw product away from petrochemical buyers in the Lavera, France, hub, while Moroccan demand was partly served by incoming VLGCs from the US Gulf Coast.

US LPG (PGA page 780)

Code	Mid	Change	Code	Mid	Change
Mont Belvieu non-LST (¢/gal)			Mont Belvieu LST (¢/gal)		
Ethane/propane mix M1	PMUDA05	35.825-35.925	35.875	+0.500	
Ethane/propane mix M2	AAWUB00	34.450-34.550	34.500	+0.875	
Ethane purity M1	PMUDB05	38.700-38.800	38.750	+0.500	
Ethane purity M2	AAWUC00	37.325-37.425	37.375	+0.875	
Propane M1	PMAAY00	95.825-95.925	95.875	+0.625	Propane M1
Propane M2	AAWUD00	95.325-95.425	95.375	+0.625	Propane M2
Normal butane M1	PMAAI00	112.075-112.175	112.125	+0.625	Normal butane
Normal butane M2	AAWUF00	112.075-112.175	112.125	+0.875	
Isobutane	PMAAB00	111.950-112.050	112.000	+0.750	Isobutane
Natural gasoline (non-Targa) M1	PMABY05	152.450-152.550	152.500	-0.250	Natural gasoline
Natural gasoline (non-Targa) M2	AAWUG00	152.575-152.675	152.625	-0.375	
Natural gasoline (Targa)	PMABW05	151.700-151.800	151.750	0.000	
(\$/mt)					
Propane	AAAXDD00	499.500-499.520	499.510	+3.255	
Normal butane	AAAXDC00	507.915-507.935	507.925	+2.830	
Conway, Kansas (¢/gal)			Bushton, Kansas (¢/gal)		
Ethane/propane mix	PMAAO00	12.950-13.050	13.000	0.000	
Propane	PMAAT00	74.450-74.550	74.500	+2.250	Propane
Normal butane	PMAAD00	79.450-79.550	79.500	-2.750	
Isobutane	PMAAA00	95.700-95.800	95.750	-0.125	
Natural gasoline	PMAAQ00	122.950-123.050	123.000	-4.000	
The River* (¢/gal)			Hattiesburg pipeline (¢/gal)		
Natural gasoline	AALBG00	163.450-163.550	163.500	-0.250	Propane
					AALBC00
					92.575-92.675
					92.625
					+0.625
Waterborne FOB USGC (\$/mt)			Waterborne FOB USGC (¢/gal)		
Propane	AAAXIH00	523.750-523.770	523.760	+4.060	Propane
Propane vs. Mt Belvieu	AAAXIO00	29.950-29.970	29.960	0.000	vs. Mt Belvieu
					AAAXIP00
					5.700-5.800
					5.750
					0.000
VLGC Freight Rates (\$/mt)			VLGC Freight Rates (¢/gal)		
Houston to NWE	AAAXIQ00	38.000			Houston to NWE
Houston to Japan	AAAXIS00	70.000			Houston to Japan
					AAAXIR00
					7.295
					AAAXIT00
					13.440

Note: Spot prices exclude terminaling; *The River means on barges in various points of Mississippi River in Louisiana.

Northwest Europe Propane (PGL page 1798)

On the North Sea cargo market, offers continued to outweigh bids, including from Dow. Vitol offered a TOT for August 14-18 at 50% at \$542/mt and 50% at August, flat; Dow offered a TOT for August 13-17 at 100% at August naphtha, minus \$100/mt; and Gunvor bid for a TOT for August 19-23 at 50% at \$544/mt and 50% at August CIF, minus \$4/mt. The market was assessed at \$544/mt, down \$1/mt on the day, while steady against the paper market. The paper market remained in a narrow contango on the prompt, to a flat structure, which was making it more difficult for traders to justify bringing product from the US across the Atlantic, even into the autumn, when heating demand would be expected to increase. Meanwhile, the propane-naphtha spread continued to widen, even as there was robust selling interest from Dow. On the inland market, the low water levels on the Rhine continued to

NYMEX SETTLEMENTS (PGA page 701)

		\$/barrel
Light sweet crude (Sep)	AAWS001	68.49
Light sweet crude (Oct)	AAWS002	67.35
Light sweet crude (Nov)	AAWS003	66.93
		\$/MMBtu
Natural gas (Sep)	AACMZ00	2.85

S&P Global
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Volume 40 / Issue 152 / August 3, 2018

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frustrate the movement of product, with most discharge ports along the river very restricted, requiring more barges to load less product. Some buyers were switching to railcars and trucks instead, according to a market source. In other market news, some refineries in Europe were opting to reduce runs as a way of dealing with the current heatwave, according to market sources. Refineries need to cool the crude distillation columns and some had reduced rates to cope with the heat, although the measures appeared to be temporary and not widespread, sources said. However sources added that the reduced run rates had not made a substantial dent in overall supplies of refined products.

Northwest Europe Butane [\(PGL page 1799\)](#)

The spot butane market had another largely balanced week across the complex, with the exception of FOB NWE Seagoing coasters, which rose on the back of outstanding buying interest from Trafigura. In the Platts Market On Close assessment process, Trafigura bid for 1.8 kt for August 8-10 on the Kirkby at \$540/mt. As a result, the market was assessed at \$541/mt, up \$16/mt on the day, and at over 84% relative to naphtha, up from nearly 82% Thursday. That pushed the market to a \$3/mt premium to the CIF coaster market and a \$35/mt discount to the West Med FOB market, down from \$51/mt Thursday. Meanwhile,

market participants were discussing the return of winter-grade gasoline blending to the market, even as low water levels on the Rhine threatened the movement of barge product and stocks remained relatively low, according to market sources. In other market news, some sources warned the heatwave currently hitting Europe was denting run rates slightly, although so far the impact on overall output was fairly low. Meanwhile, there were production issues across some petchems facilities in Northwest Europe this week. Sabic issued a force majeure on butadiene supplies from its Wilton site in the UK, sources said Friday. Elsewhere, LyondellBasell and Covestro's jointly owned Maasvlakte propylene oxide styrene monomer unit in the Netherlands was suffering a production problem, according to industry sources. Hungary's MOL said Friday it was planning maintenance at its Steam Cracker-2 olefin plant at its petrochemical plant complex in Tiszaujvaros in late Q3 and early Q4. The company is also planning a turnaround at the Rijeka refinery in Q4.

US Gulf Coast [\(PGA page 799\)](#)

Most US Gulf Coast NGLs bucked a downward trend in oil futures Friday for about half-cent gains. August non-LST ethane rose 50 points to close at 38.75 cents/gal, though prices had climbed as high as 39.25 cents/gal earlier in the

day. "There's definitely some fractionation constraints and some ethane rejection going on, with spare frac space in limited supply," a market source said of ethane strength. The market's backwardation narrowed 37.5 points to a 1.375-cents/gal August/September backwardation. Non-LST propane rose 62.5 points to 95.875 cents/gal, or 59% of front-month crude futures. Six loaded VLGCs remained off the coast of Brazil waiting to discharge, according to cFlow, Platts trade flow software. Market sources said an incoming cargo aboard the BW Trader was sold to an Asian buyer. Sources also reported two cargo deals for loading from Enterprise's Houston Ship Channel terminal in early September at a 5.5-5.75-cent/gal premium over cavern product. Butane prices rose 62.5 points to \$1.12125/gal with isobutane at a 12.5-point discount. Natural gasoline was the only NGL in the region to track oil futures lower, falling 25 points to \$1.525/gal based on a trade at that level in the Platts Market on Close assessment process.

TENDER DATA

India's IOC seeks two 44,000 mt evenly split LPG cargoes for Oct

Buyer: Indian Oil Corp. Specs & quantity: 44,000 mt evenly split LPG cargoes comprising 22,000 mt propane and 22,000 mt butane; two cargoes. Port: Ennore/Haldia. When: Delivery over October 5-10 and October 10-30. Basis: Mean of Platts Japan naphtha assessments, DES. Close: August 13, with next-day validity. Data from: Market sources. Notes: The tender came as the discount of propane to the Mean of Platts Japan naphtha assessment widened to \$64.25/mt Friday, from \$62.40/mt on Thursday. IOC has a contract to buy LPG on a term basis from SHV. The contract is for IOC to take delivery of eight evenly split VLGC cargoes of 45,000 mt each, and 12 evenly split cargoes of 20,000 mt each for delivery in 2018. The price was not available.

EUROPEAN LPG WEEKLY AVERAGES, AUGUST 3, 2018 (\$/mt) [\(PGL page 1776\)](#)

	Code	Propane	Mid		Code	Butane	Mid
Northwest Europe							
FOB NWE Seagoing	AABEU00	528.550-529.050	528.800	FOB NWE Seagoing	AABEO00	532.750-533.250	533.000
FOB ARA	AABEV00	566.150-566.650	566.400	FOB ARA	AABEP00	522.350-522.850	522.600
FCA ARA*	AABEW00	579.150-579.650	579.400	FCA ARA*	AABEQ00	526.350-526.850	526.600
				CIF 1-3k mt	AABER00	542.950-543.450	543.200
CIF NWE Large Cargo	AABEY00	552.550-553.050	552.800	CIF NWE Large Cargo	AABES00	549.950-550.450	550.200
Western Mediterranean							
FOB Ex-Refinery/Storage	AABEZ00	637.550-638.050	637.800	Butane FOB West Med Coaster	AABET00	569.750-570.250	570.000
FCA Ex-Refinery/Storage*	AABFA00	637.550-638.050	637.800				
CIF 7000+ mt	AABFB00	600.550-601.050	600.800				

*FCA ARA refers to sales onto railcars and trucks in the Amsterdam-Rotterdam-Antwerp region

NEWS (PGA page 100)**Noble Energy to shift Permian capital elsewhere, mostly to Colorado's DJ Basin**

Noble Energy will shift some spending outside the US' Permian Basin owing to takeaway constraints in that area of West Texas and southeast New Mexico, its top executives said Friday. The company is also raising by about 7% its 2018 capital budget to \$3 billion, largely due to inflation, and also scope changes on some onshore facility projects that enhance reliability. "Given industry pressures in the Permian due to widening basis differentials and service cost inflation, we plan to moderate our activity in the Delaware Basin," Noble CEO Dave Stover said during a second-quarter earnings conference call, referring to the western Permian. "We'll reduce planned completions later this quarter and into 2019 to better align our activity with expected timing of pipeline additions [that start up in late 2019]." Stover added that Noble will "reallocate" some Permian activity into other areas, primarily the DJ Basin of Colorado. Of the roughly \$200 million additional dollars added to Noble's 2018 capex, about half or more will go toward mitigating cost inflation, particularly in the Permian which has crept up as a result of tightening demand for oilfield services. The unspecified sum taken out of the Permian that will be reallocated to the DJ Basin will result in additional volumes in that area, said Gary Willingham, Noble's executive vice president for operations. DJ volumes averaged 121,000 b/d of oil equivalent production in Q2. More than 50% of that output was oil. "We've said all along we expected 10% to 15% inflation this year," Willingham said. "We have built some of that into the budget, but we also assumed given our track record and where we were with our developments, particularly in the Permian, we could offset a large part of that with efficiencies." While there have been efficiencies in both the DJ and the Permian, inflation has trended toward the high end of the range, he said, adding "a bit more is coming in." Monies shifted out of the Permian would be tied to export capacity,

to "give the system time to grow the capacity to deliver wells we'd be drilling and completing," Willingham said. "Assuming they're on track, we could start adding back frac crews into the Permian relatively early next year." Asked about where monies taken out of the Permian would be deployed in the DJ, Willingham was not precise although he suggested some cash could be deployed to the Mustang area where early well results are "very encouraging." The majority of Noble's DJ production come from two other areas in that play. Willingham said additional natural gas processing capacity has been added in the DJ which removes previous constraints in that arena. Noble's total company sales volumes for Q2 averaged 346,000 boe/d, up 11% year on year, driven by higher production from each of its US onshore unconventional plays, which also include the Permian and Eagle Ford Shale in South Texas. The company's US onshore oil production in Q2 totaled 105,000 b/d, up 22% compared to the same period in 2017. Permian volumes totaled 47,000 boe/d, just over double the year-ago output for the same 2017 period, while the Eagle Ford volumes were 76,000 boe/d, up 10% in the same time frame.

ARA naphtha stocks dip on stronger gasoline demand: PJK

Naphtha inventories in the Amsterdam-Rotterdam-Antwerp hub fell 10.6% to 328,000 mt, in the week to Thursday, but were 43.86% higher year on year, according to data from PJK International. The fall in stocks week on week reflects an uptick in buying interest as major players in the European petrochemical complex returned to the market to purchase cracking grade product, while a stronger gasoline complex saw renewed demand for naphtha purchased as a blending component for finished-grade gasoline. A widening spread along the east/west naphtha curve — tracking the premium of Mean of Platts Japan swaps over the CIF NWE cargo swap — has also implied a stronger draw from the Asian naphtha complex over the week, with sources in Europe optimistic that demand will remain

SUBSCRIBER NOTES (PGA page 1500)**Platts proposes to assess basis volume in FOB West Med butane coaster assessment**

S&P Global Platts proposes to assess a basis volume of 4,000 mt in its FOB West Mediterranean butane coaster assessment with effect from September 3, 2018. The assessment currently reflects full or part-cargoes of at least 1,600 mt. In line with industry feedback, Platts has observed a change of market flows in the Mediterranean where smaller pressurized coasters have been repositioned and larger pressurized coasters are increasingly being utilized to load butane from West Mediterranean locations. Under this proposal, full or part-cargoes of at least 1,600 mt would continue to be included in the assessment, with alternative cargo sizes normalized back to the basis volume of 4,000 mt. Please send any comments or queries by August 6, 2018, to europa_products@spglobal.com with a cc: to 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.

healthy throughout August before scheduled turnarounds take place over September to November. "The East has been strong and this has meant the Mediterranean has not had much to spare for northern Europe," said one source. Besides the draw in stocks, sustained strength in Europe's gasoline market and a firm pull from the Asian naphtha complex has translated into appreciating values across naphtha grades. Cash premiums of open specification grade naphtha vs. the front month swap were pegged by one source at \$5.00/mt Thursday, representing an appreciation against previous week's values, when differentials dipped into minus 50 cents/mt July 27. In the ARA gasoline market, inventories rose by 3.07% to 0.97 million mt (8.20 million barrels), in the week to Thursday, with the year-on-year figure increasing by 6.33%, PJK International data showed. The current price of gasoline in Northwest Europe is the fundamental driver of refineries continuing to produce product, with global demand steady.

Despite the minimal increase in this week's stocks, sources have noted it is difficult for refineries to keep up with the demand for gasoline in the region: "The gasoline price is high, it's a two-pronged attack — a lot has gone to West Africa and the US has pulled. The high temperatures have caused refineries to be down slightly," one source said. Components are well supplied in the region, this, alongside a healthy Eurobob gasoline crack has provided incentive for refiners to continue their supply of product. "Components in the North are much more liquid," one trader said.

Strong US gasoline markets expected to weaken as supply grows

Unplanned turnarounds in key production areas and untenable arbitrages have tightened prompt US gasoline markets this summer, a trend that should soon end as output ramps up to capitalize on the final days of summer margins. US gasoline strength has been most evident this week in the New York Harbor, where barge-delivered cash RBOB climbed to NYMEX September RBOB plus 6.75 cents/gal in Friday trading, up 1.25 cents/gal from the previous assessment. "It is ripping," a market source said. Regional traders have attributed the strength to poor arbitrages keeping supply low. While July gasoline imports into the US Atlantic Coast reached a 2018 high of 15.37 million barrels,

market sources said shipments have slowed considerably for August. Sources also said barrels were being taken off Colonial Pipeline in the US Southeast instead of making their way up to the New York Harbor, further tightening supply. The arbitrage up the line has been unappealing all summer. Value of space on the gasoline-only Line 1 has been below minus 1 cent/gal since July 19 and has not been in positive territory since April. "The Gulf Coast does not pay, Chicago is high and no imports all adds to this," a second source said. The arbitrage to send CBOB from the Gulf Coast to Chicago netted shippers about 1.8 cents/gal as of Thursday, compared to losing 0.50 cent/gal for the same product delivered to the New York Harbor. END IN SIGHT The current low supply situation likely won't last long, traders have said. Most US gasoline markets are backwardated throughout August, as refinery production is expected to ramp up after a string on unplanned outages over the summer. "[Tightness in the market] has really been a persistent issue this summer," a third source said. "There's been a lot of unplanned maintenance. It's just been one thing after another." Refineries from Utah to Texas experienced unplanned upsets in June and July, frequently sending regional spot prices higher. US Energy Information Administration data showed US refineries ran at an average of 95.2% of their total capacity, up 0.67% from the same average last year and up 0.94% from the

prior three-year average. In the week ended July 6, US refineries ran at 96.7% of their total capacity, the highest July weekly figure since the week ended July 24, 1998. That strong output was mainly supported by the Atlantic Coast, as Gulf Coast runs were down slightly from last year, running at 94.6% of capacity, down from 96.3% during the year-ago month. "It seems everyone has their ducks in a row, so barring any storm issues [the Gulf Coast] should crank out product in August," the third source said. While US gasoline is always backwardated this time of year because RVP levels switch in September to winter-grade specifications, tight supply for prompt trading has made it especially pronounced. The balance-month August Gulf Coast gasoline swap as of Friday morning was at 6.72-cent a backwardation to the September swap. This backwardation will likely increase as September approaches, with the September swap differential falling if the lack of tropical activity in the Gulf of Mexico continues. The September swap typically trades at a positive to NYMEX as a built-in hurricane premium. In the cash market, Gulf Coast prompt CBOB traded Friday 20 points stronger than the following cycle, while prompt RBOB held a 50-point premium to its following cycle. New York Harbor cash RBOB was backwardated by about 15 points per day throughout August, according to Friday trading.