

CRUDE OIL CHINA

Effective November 2011, ICIS is launching a set of [crude oil](#) price benchmarks designed to measure the relative delivered cost of international crude oils to the [Chinese market](#).

These prices are computed based on a methodology which aims to compare like with like in terms of arrival dates and prices, as follows:

Forward curves for key marker grades BFOE, Dubai and WTI are built based on highly respected daily ICIS benchmark assessments. These interpolated curves for FOB prices go out to the fourth trading month from the date of assessment. Dubai and WTI prices for the front and back end of the curve are derived from their spread value to BFOE, since BFOE has both the most active short-term (dated) market and longer term physical trading.

A differential to the most relevant marker's curve is then established for each global crude grade in the CIF China report. Asian and Middle Eastern grades are related to Dubai; West African, North African and European grades to Brent, and crudes from the Americas to WTI. These differentials are established at the midpoint of the *typical FOB loading date range* for each crude. So for example North African crudes are measured against at a point 20 days in the future, reflecting their typical 10-30-day trading range; while a Middle Eastern grade will be measured at the midpoint of the second month out from the date of assessment.

These baseline differentials are then used to compute the CIF value of each grade at standardized forward points in time – 30 days, 60 days and 90 days from the date of assessment, as follows:

- The differential for each grade is re-applied to the relevant curve at the 30-, 60- and 90-day point.
- Freight rates over the relevant route are then added to the result.



- Where a crude grade is initially assessed by ICIS on a CIF basis (eg some Russian grades delivered into the Mediterranean), two freight computations are performed: the first to “net back” the original price to an FOB basis, and the second to “net forward” the price to a delivered China basis.

Freight rates used in the calculation of delivered prices are supplied by internationally respected ship-brokers SSY, who supply six key freight rates (Persian Gulf-China 135kt and 260kt; West Africa-China 130kt and 260kt, Black Sea-Med 135 kt and Black Sea UKCont 140kt) to ICIS on a daily basis. Rates for other routes are provided on a weekly basis.

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