

# FAQ: Argus American GulfCoast Select



**Argus expanded its AGS (American Gulfcoast Select) Marker and AGS index on Wednesday, August 26, 2020 to include Corpus Christi and Beaumont/Nederland. Both indexes are available in Argus Crude and Argus Americas Crude.**

The US Gulf coast has become the clearing market for US light crude, and the active trade of Midland-quality WTI at the coast presents an important view of the daily price of US crude. Argus believes that a price index reflecting actual daily trade of Midland-quality WTI across the Gulf coast can provide a useful reference in domestic crude trades. Such a price index also can illuminate the arbitrage for US crude in markets around the world and remove the complexity of buying US crude on an fob waterborne basis at the US Gulf coast.

The Argus AGS index and the AGS Marker represent trades of Midland-quality WTI at designated Houston-area pipeline hubs and at multiple dock facilities across the US Gulf coast. The AGS prices were developed in close consultation with the

industry, with the goal of reflecting markets as they trade, capturing as much relevant trade as possible, and creating a price index robust enough and accurate enough to be adopted in trade activity for US crude around the world.

Both the Argus AGS Marker (PA0030327) and the Argus AGS index (PA0030325) represent the volume-weighted average of trades done in a given trade day for Midland-quality WTI at Gulf coast locations described in detail below. The AGS Marker is published as an outright price, while the AGS index is published as a differential to the Argus WTI Formula Basis price at Cushing, which generally reflects the Nymex light sweet crude futures price.

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### Why did Argus launch a new index for Midland-quality WTI crude?

In response to market feedback, Argus launched this new index to:

1. Represent the price of Permian-origin WTI arriving at the US Gulf coast and to combine the diverse range of USGC locations at which WTI is traded into a single index.
2. Respond to requests from sections of the industry for an alternative outright price set at the US Gulf coast that reflects local fundamentals.

### How can cargoes and pipeline trades be included in the same index?

Most pipeline trades are done in terms of barrels per day (b/d), to be delivered throughout the month of delivery. To give these trades proper weight compared to a cargo trade in a volume-weighted average price index, Argus takes into account the full volume of the pipeline trade delivered in the month, ie a 1,000 b/d trade will be entered as 30,000 bls. Since most cargo trades are for about 500,000 bl, it would take about 17 pipeline trades of 1,000 b/d to equal one cargo trade. In other words, 17 pipeline trades at a weighted average of \$40.00/bl and one 500,000 bl cargo trade at \$41.00/bl equates to the day's index price of \$40.50/bl.

### Which trade locations are included?

#### Pipeline locations:

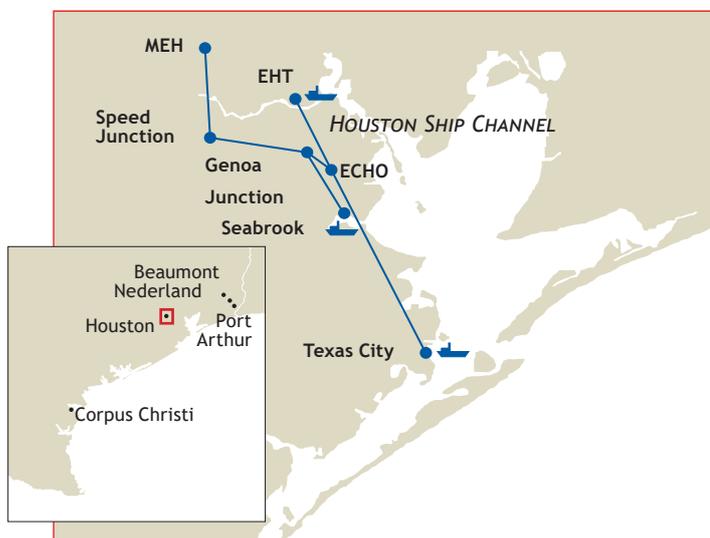
Enterprise Echo Terminal (ECHO) | Magellan East Houston (MEH) | Genoa Junction | Speed Junction

#### Waterborne locations:

**Houston:** Enterprise Hydrocarbons Terminal (EHT) | Magellan/LBC Seabrook | Enterprise Texas City

**Corpus Christi-area locations handling Midland-quality WTI, including:** Moda Ingleside Energy Center | Buckeye Texas Hub | Nustar Energy North Beach | Epic Marine Terminal | Flint Hills Resources Terminal | Plains Corpus Christi | Plains/Enterprise Eagle Ford Terminal | Pin Oak Terminal | Magellan Corpus Christi

### AGS index pricing locations



| Valero TuleLake | Buckeye South Texas Gateway  
**Beaumont-Nederland-area locations handling Midland-quality WTI, including:** Energy Transfer Nederland Terminal | Phillips 66 Beaumont | Beaumont West | Jefferson Energy Terminal

### Why include waterborne (cargo) trades and pipeline trades in the same index?

Midland-quality WTI can be delivered into domestic local refinery markets or become part of the roughly 3mn b/d of crude leaving the US Gulf coast by water. An index that reflects both of these alternative markets best reflects the value of Midland-quality WTI at the US Gulf coast.

### Could additional locations be added?

These assessments could expand to cover other regions and new sources of Midland-quality WTI.

### How are price spreads among trading locations accounted for and what are the exact location differentials?

The relationships between the various locations where WTI is traded at the US Gulf coast fluctuates, but over time is fairly consistent. AGS uses spreads based on observed historical transactions to normalize all trades to Enterprise's ECHO terminal.

For example, if trades at MEH have typically been done at a 25¢/bl premium to ECHO, a \$41.00 trade at MEH would be entered into the index as \$40.75. Additionally, if there has been a 50¢/bl spread between ECHO and the EHT docks over the prior three months, a \$41.00 trade at the docks equates to a \$40.50 trade, when normalized to ECHO.

As of this FAQ publication date, the location differentials are as follows:

Location	Location Differential	PA Code
ECHO	0	
MEH	+ 25 cents/bl	PA0030304
Genoa Junction	+ 10 cents/bl	PA0030305
Speed Junction	+ 40 cents/bl	PA0030306
FOB EHSC	+ 45 cents/bl	PA0030307
FOB TX City	+ 45 cents/bl	PA0030308
FOB Seabrook	+ 45 cents/bl	PA0030309
Corpus Christi	+ 30 cents/bl	PA0030677
Beaumont/Nederland	+ 45 cents/bl	PA0030678

### Don't spreads between locations change?

Yes, and Argus intends to update the locational spreads used for AGS every three months. If a fundamental change occurs that affects the spread between two points on an ongoing basis, Argus reserves the right to change the normalization factor outside of the standard three-month update cycle, upon consultation with the industry.

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### How is the quality of the assessed crude defined?

Argus understands trade reported into Argus AGS to be standard Midland-quality WTI.

### How are cargoes priced on a different benchmark included?

Cargoes can trade at a differential to ICE Brent, Nymex Calendar Month Average, Argus WTI Houston or other benchmarks. Companies and brokers reporting to Argus are asked to provide timestamps so that the deal can be converted from the differential price to an outright price. This is done by looking at the value of the benchmark at the time the trade was done. Once an outright price is derived, it will be normalized to an ECHO basis and included in the index. Deals reported without timestamps will be calculated using the settlement price on that day.

### How can companies use the Argus AGS Marker?

Companies seeking an independent US Gulf coast price basis for their trades can adopt the Argus AGS Marker in their contracts.

### Why has Argus also launched a parallel index published as a differential to Cushing?

Argus AGS is also published as a differential to Cushing to accommodate those entities that hedge using Nymex futures.

### Which of these indexes is the real combined waterborne and pipeline index for Midland-quality WTI at the US Gulf coast?

It is up to market participants to determine which index to adopt in their contracts. Argus simply provides choices.

### Will the WTI Houston price assessment continue being published?

Yes. The launch of the AGS indexes does not affect the WTI Houston price assessment in any way.

Since the trade of Midland-quality WTI at MEH began to be assessed in 2015, Argus WTI Houston has established itself as one of the leading US crude oil indexes, backed by exception-

ally transparent and liquid trade. Today, WTI Houston is embedded in many physical contracts, and the financial swaps on CME and ICE that settle on the month average of the Argus WTI Houston differential have among the highest open interest and daily volume of trade of any financial crude contracts in the world. As such, WTI Houston is precisely hedge-able and reflects a coastal pipeline price for Midland-quality WTI. MEH operator Magellan guarantees the quality of WTI at MEH by segregating that stream in dedicated tanks and by accepting only WTI barrels arriving directly from the Permian basin on the Longhorn and Bridgetex pipelines. Because of this, Mexico uses WTI Houston as the basis for its official selling prices for Maya and Isthmus crude, and many Asian buyers use WTI Houston for planning, negotiating, internal accounting and other functions.

To reassure their customers, both Magellan and Enterprise have committed to guaranteeing the quality of Midland-quality WTI being loaded at their Seabrook and EHT docks, respectively. Thanks to these efforts and transparency, the industry now broadly accepts Midland-quality WTI as a fungible barrel at Houston.

It is important to note that trades at MEH will make up a significant part of the trade volume informing the Argus AGS index. As the spot trade of Midland-quality WTI increases at other Houston-area locations, these increased volumes will augment the continued liquid and transparent trade of Midland-quality WTI at MEH in the Argus AGS index.

### How does the inclusion of cargoes in AGS differ from the WTI fob Houston assessment?

For the Argus AGS Marker and Argus AGS index, cargoes are included if they are to load during the month of delivery that matches the current pipeline trade month. For example, during the August pipeline trade month, all cargoes that are to load during the calendar month of August will be included in the Argus AGS assessments. In contrast, the WTI fob Houston assessment takes into account only cargoes that will load 15 to 45 days ahead.

#### For more information:



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