

Argus China Gasoline (ACG) Argus China Diesel (ACD)

FAQs: China gasoline and diesel spot prices



What are the prices?

Argus has launched new price assessments for gasoline and diesel traded on China's Bohai bay and Yangtze river delta (YRD) spot markets. The Argus China Gasoline (ACG) and Argus China Diesel (ACD) assessments are the first spot prices for gasoline and diesel in China derived from actual transactions and provide far greater clarity and accuracy than the posted prices (prices published by refiners), which the market has tended to use by default.

China is, alongside the US and the EU, one of the world's three largest markets for gasoline and diesel, consuming around 6.6mn b/d of the two fuels, of which a slight majority is diesel. Much of it is produced in provinces bordering Bohai bay in the northeast of the country — Liaoning and Shandong — in an area that is structurally oversupplied and, historically, benefited from proximity to China's great Shengli and Daqing oilfields. From there, it is shipped either overseas or to net-short regions in the east, centre and south of China. Exports of gasoline and diesel have become increasingly attractive to Chinese refiners this year as Covid-19 lockdowns have caused domestic demand to shrink.

Exports are controlled by the government, through quotas handed out to favoured companies. The government increasingly discourages overseas sales on the grounds of energy security and the desire to reduce CO₂ emissions. Chinese net exports of gasoline and diesel were halved in 2022 YTD from 2021. Even so, China remains a major net exporter of gasoline and diesel, and a significant global actor in the refined products space. Exports primarily go to Singapore for onward sale, but also directly to Indonesia, the Philippines, Bangladesh and as far afield as Latin America.

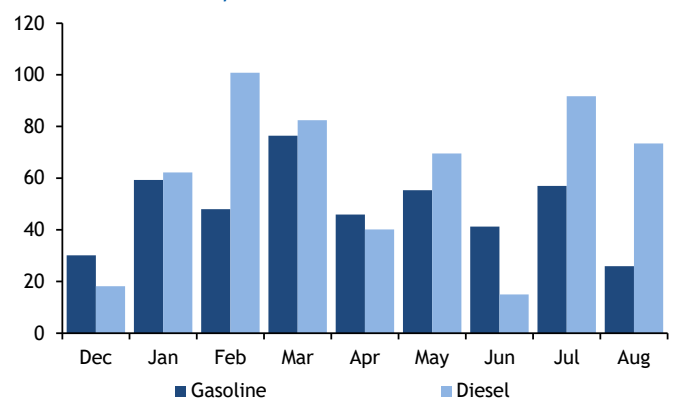
How are the prices assessed?

Our assessments capture daily trade in the Bohai bay (ACG and ACD Bohai) and YRD markets (ACG and ACD Yangtze),

assessed at the point of loading on a FOB and ex-tank basis, respectively. They are volume-weighted averages of deals done each day expressed both as a Yn/t price inclusive of tax — which is how the domestic market trades — and net of taxes in \$/bl, which is how the international market better understands product prices.

ACG/ACD Bohai: Spot transaction

'000 b/d



In China, products are shipped from the northeast refining hub of Bohai bay — chiefly Shandong and Liaoning provinces — to east China, where they can be transhipped onto barges and sailed up the Yangtze river. From Bohai, gasoline and diesel are typically shipped on 5,000t-10,000t (40,000-80,000bl) coastal tankers to the net-short east China market.

In east China, we provide assessments for gasoline and diesel sold from storage tanks in cities such as Nantong at the mouth of the Yangtze in Jiangsu province, and Zhoushan, an island south of Shanghai. These assessments are based on deals that are often, but not exclusively, the result of auctions held by local refineries. In the YRD market, product may be sold in smaller lots of around 500t on an ex-tank basis, where the buyer loads fuel onto barges from storage tanks.

China gasoline and diesel spot prices

Bohai Bay and Yangtze River Delta



Why Bohai bay and Yangtze river delta?

The Bohai bay littoral boasts around 6.6mn b/d of crude unit (CDU) capacity, equivalent to around a third of China’s refining capacity. Of the Bohai region’s capacity, around two-thirds is operated by independent rather than state-owned companies.

As such, Bohai bay accounts for a significant percentage of all domestic Chinese trade, and the ACG and ACD (Bohai) assessments represent a clearing price for the domestic market. Relatively few independently-owned refineries own downstream fuel distribution networks and they must price their output at a level that is acceptable to an oversupplied

Bohai Bay		
CDU capacity	Province	ooo b/d
PetroChina	Liaoning	1,290
Independent	Liaoning	1197
Sinopec	Shandong	799
Independent	Shandong	3270
Total		6,556

market. That latter price reference is represented by the ACG and ACD (Yangtze) assessments. When supply builds in the northeast, it ships to east China, where it will be cheaper than locally-sourced supply net of transport costs. The cost of coastal freight will be published alongside Argus gasoline and diesel prices.

Who benefits from this price?

The importance of providing a clear price signal for China cannot be overstated — for companies trading in that market, for markets in Asia-Pacific that respond to changes in supply and demand from China, or for oil market analysts trying to better understand Chinese crude and refined products flows.

How can the prices be used?

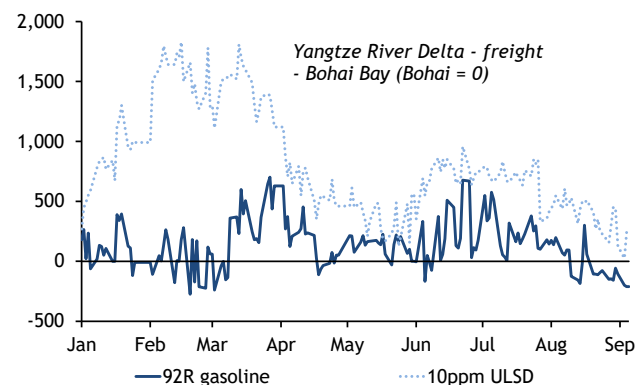
Most gasoline and diesel is sold in China at flat Yn/t prices, on the basis of cargoes loading within three weeks for shipment around the coast. During that time, the price can move considerably, potentially leaving trading companies with significant mark-to-market losses.

These new ACG and ACD assessments provide trading companies with a tool to mitigate their exposure to changes in the flat price — for example, by indexing part of their sales to Argus prices while retaining a portion on a fixed-price basis. Alternatively, trading companies could agree to buy at an Argus-related month average price and sell on the same basis, assuring a margin.

These prices also offer companies in Asia-Pacific an invaluable tool for measuring price discrepancies between China and benchmark cargo prices in Singapore, which are likely to lead to changes in trade flow and contribute to shifts in prompt relative to swap pricing. ACG (Bohai) 92 Ron gasoline prices have averaged a \$12.31/bl discount to the equivalent price in Singapore this year, demonstrating that China has been oversupplied and that the prevailing regional benchmark price is not representative of pricing for gasoline in China.

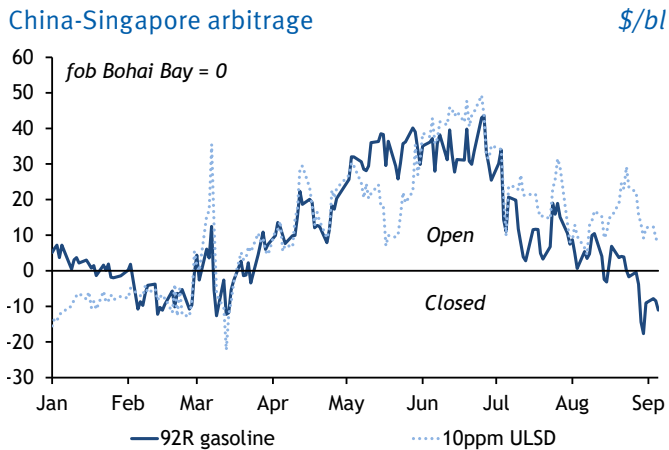
Existing price offerings tend to be neither location-specific nor based on deals. Posted prices, reflecting the price at which

China: Coastal arbitrage Yn/t



China gasoline and diesel spot prices

China-Singapore arbitrage



producers hope to sell, commonly misrepresent the strength of local demand, and that error is compounded by being extrapolated into regional indexes. The ACG and ACD assessments will also provide analysts with a new way of gauging the ability and appetite of Chinese refiners to import crude and export refined products at a specific time and place.

These prices are published as part of *Argus Asia-Pacific Products*, a daily service delivering key price assessments and expert market commentary on the international bulk spot market for petroleum products in Asia-Pacific. Weekly prices also appear in *Argus China Petroleum*, the main source of insight and analysis into Chinese oil market trends

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