

Argus Brent Sour

Argus launched a new index for the European crude market on 1 August 2022 – Argus Brent Sour (also known as ABS).

Argus Brent Sour is a daily price published in the Argus Crude report. It is based on the lowest priced of the following FOB-traded North Sea grades: Johan Sverdrup, Grane, Flotta Gold, Brent and Forties. It is a substitute for Russian Urals, whose utility as a European benchmark has evaporated.

Some readers will be familiar with the Argus Sour Crude Index (ASCI), which has been used as a benchmark for sour crude imports into the US since 2009. Argus Brent Sour is an “ASCI for Europe”.

Background

Russia’s main export grade of medium sour Urals crude quickly became unwelcome in the European spot market after the start of the conflict between Russia and Ukraine in late February 2022. Urals prices crashed to almost \$35/bl below North Sea Dated before open trade dried up entirely. Price indications for Urals that began to emerge in late July were volatile, still heavily discounted, and linked to Asian economics rather than European.

The Urals situation removed a mainstay of Europe’s crude supply and also a key source of price discovery. Urals has been used as a price benchmark for medium sour crude for decades. It was a crucial index for refiners seeking to understand the price spread between medium sour and light sweet grades, and for exporters of sour crude to Europe from the Middle East and elsewhere, who looked to Urals as their principal competition and guide for pricing.

Urals’ disappearance from the open market has led to calls for a substitute index. While there is no other crude that is of exactly the same quality or volume, or as widely refined as Urals was, there are several North Sea sour alternatives, and Argus Brent Sour is based on a basket of these grades. The resulting index will be a vital reference for the market and is likely to evolve as the transparency of trade of Urals substitutes increases.

Why did Argus launch Argus Brent Sour?

To provide a price marker for sour (high sulphur) crude in Europe. It is like the regional light sweet crude benchmark North Sea Dated (Dated Brent) but including a sourer basket of grades. It is intended to fulfil the pricing role traditionally played by Russian Urals.

Where can it be found?

In the Argus Crude report, on page 6 of the daily pdf. Also available as a datafeed with the Argus code PA0037297.

What grades are included?

North Sea crudes Johan Sverdrup, Grane, Flotta Gold, Brent and Forties. All assessed versus the North Sea Dated strip on an FOB North Sea terminal basis.

Frequently Asked Questions

Why does it contain some of the same grades as North Sea Dated?

North Sea Dated has Brent, Forties, Oseberg, Ekofisk and Troll. So Argus Brent Sour has Brent and Forties in common with North Sea Dated. This is partly to provide a ceiling to prices if the sour market converges with the sweet, and also to bring in the existing liquidity of the Brent and Forties grades.

Are there any price adjustments to equalise quality as found in North Sea Dated?

No. The grades are included as they are assessed, not with any quality premiums applied.

Who are the likely users of the index?

Any producer or trader that is selling medium or heavy sour crude into Europe, and any refiner that is seeking to buy those kinds of crudes. Particularly interested are Mideast Gulf national oil companies that were accustomed to using Urals prices as a measure of competitive value in Europe when calculating official selling prices. Also sellers of sour crude from Latin America, the US Gulf coast, Canada and Africa, who are finding the influx of Russian crude into Asian markets forcing them to direct more supplies to Europe.

Is historical data available?

Yes, on request.

Will Argus stop publishing Urals prices as a result?

No. But we are reviewing the best way to assess the grade now that it is rarely traded for European delivery. We are investigating assessing Urals on an fob Baltic or Black Sea basis as well as delivered India.

How will Argus Brent Sour be affected when North Sea Dated/Dated Brent changes to include WTI?

It will continue to be highly relevant.

Until recently, for many years, the key quality-based price spread in Europe has been between Urals and North Sea Dated, set by one of the BFOET grades, usually Forties.

It is expected that as of June 2023, Dated will change to include WTI delivered to Rotterdam, normalised to a virtual fob North Sea price. And it is not expected that Urals will have returned to its role as regional price marker by that point.

At that point, it is possible that the key regional spread will be between WTI and Johan Sverdrup. North Sea Dated will capture the former and Argus Brent Sour will capture the latter, with both indexes containing several other crudes to bolster liquidity and prevent upward squeezes.

How can I learn more?

See the **Argus Crude methodology**, subscribe to the **Argus Crude report** or contact crude@argusmedia.com for more details.

[argusmedia.com](https://www.argusmedia.com)

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