

## Argus White Paper: Argus Brent Sour - providing sour crude visibility for Europe



*The disappearance of Russian Urals crude from the European spot market this year has removed a key marker price from the global market, leaving sour crude producers with no easy way of pricing their exports to Europe. The new Argus Brent Sour (ABS) index is designed to provide the market with the transparency it needs*

Russian Urals crude — exported from the Baltic and the Black Sea — has for decades been a key source of medium heavy sour crude for Europe’s refiners. A large and relatively transparent spot market in Urals crude has enabled price reporting agencies (PRAs) such as Argus to provide the market with a dynamic and reliable marker price for Europe. The interplay between the medium heavy sour Urals price and North Sea Dated, or Brent — the price of Europe’s light sweet crude — has allowed producers from outside the region to price their crude accurately and competitively.

The spot price of Urals crude has been one of the key markers used by national oil companies from the Mideast Gulf and elsewhere in setting official prices for their own exports to Europe. The monthly change to Saudi Aramco’s official European formula prices typically mirrors changes in the Urals price over the preceding month.

But as the conflict in Ukraine escalated in early 2022, European buyers “self-sanctioned” and effectively stopped

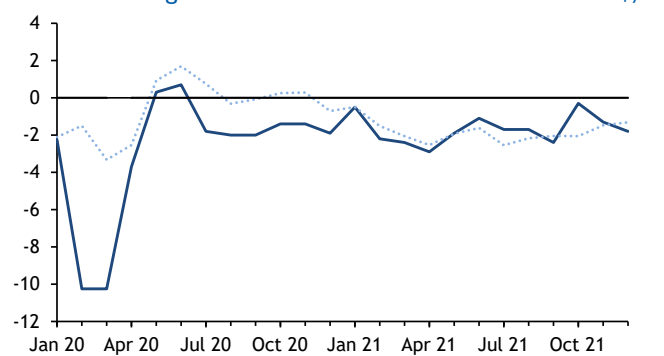
buying any Russian crude beyond already contracted volumes. As a result, the spot market for Russian Urals collapsed. Seaborne Russian crude flows to Europe have dropped sharply and with EU sanctions starting in early December, this drop in flows is set to accelerate.

Instead Urals crude is increasingly heading to Asia-Pacific — where the refining economics are often markedly different than for Europe. As a result, the Urals price — as assessed by PRAs such as Argus — no longer reflects the supply and demand dynamics or the economics of Europe’s refining sector.

The loss of this sour crude marker has caused difficulties in pricing similar medium and heavy sour crudes in Europe. As a result, Argus has launched the Argus Brent Sour index, which uses the North Sea’s sourer grades with an established North Sea Dated methodology to price sour crude in the region.

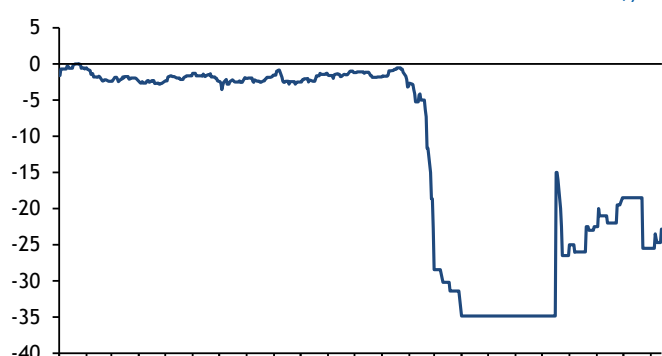
Argus Brent Sour is set by the lowest priced of five key grades in the North Sea. While the region primarily produces

Saudi Arab Light OFP vs Urals NWE \$/bl



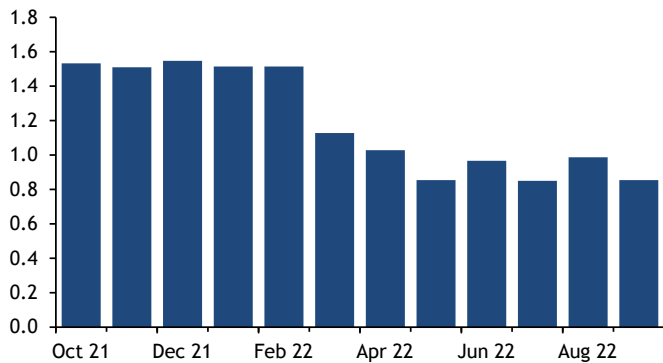
— Arab light formula price vs Ice Brent ..... Average of Urals vs North Sea Dated

Urals NWE cif vs North Sea Dated \$/bl



Jan 21 Apr 21 Jul 21 Oct 21 Jan 22 Apr 22 Jul 22 Oct 22

## Urals shipments to Northwest Europe and Med *mn b/d*



light sweet crudes, there are a number of more sulphurous grades produced in the North Sea. None of them is a direct substitute in terms of quality, but the more sulphurous crudes are typically priced at a discount to the region's light sweet grades. The basket of crudes includes the North Sea's largest crude grade Johan Sverdrup, as well as Grane and Flotta Gold — which are heavier and sourer than typical North Sea production. Forties is included as a relatively sulphurous light grade, while Brent will act as a price cap to prevent the index decoupling from North Sea fundamentals.

ABS grades and Urals crude quality		
	Typical °API	Typical sulphur %
Urals NWE	30.0	1.6
Johan Sverdrup	28.7	0.8
Grane	31.5	0.6
Brent	37.9	0.5
Forties	40.4	0.6
Flotta Gold	36.3	0.6

The index uses the same underlying mechanism as North Sea Dated, ensuring that any market structure is priced in.

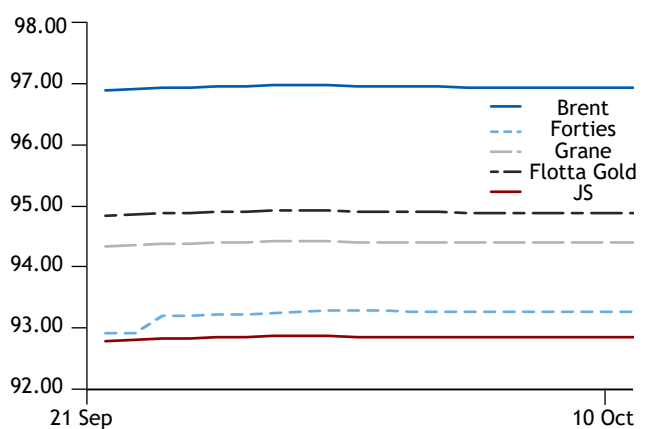
Analysis shows that Argus Brent Sour would have moved in a similar range to Russian Urals prices up until late February. But since then, it has been a far better reflection of the price of sour crude in Europe than the Russian price.

The Argus Brent Sour index has already generated interest among crude exporters including national oil companies throughout the Mideast Gulf, Latin America and elsewhere. It is illuminating a key area of the global crude market, which had become opaque since Russia's actions in Ukraine began.

With the imminent inclusion of US crude WTI in the Brent complex next year, Argus Brent Sour will soon be the only index based purely on North Sea production. As North Sea crude becomes more heavy and sour, it will also better represent the North Sea's output quality and has the potential to develop into a regional benchmark — particularly if Brent develops into a European price point for WTI.

Argus Brent Sour calculation		\$/bl	
Anticipated Dated		93.64	
Argus Brent Sour calculation			
Components of Argus Brent Sour	Anticipated Dated	Add diff midpoint	Price
Brent	93.64	+3.30	96.94
Forties	93.64	-0.42	93.22
Grane	93.64	+0.75	94.39
Flotta Gold	93.64	+1.25	94.89
Johan Sverdrup fob Mongstad	93.64	-0.80	92.84
<b>Argus Brent Sour is the lowest component on each day of the assessment period</b>			<b>92.84</b>

## Components of Argus Brent Sour NWE *\$/bl*



More details on the Argus Brent Sour index can be [found here](#).

The Argus Brent Sour index can be found in the daily [Argus Crude report](#).

Please [contact us](#) for further details of how we illuminate the global crude markets.

## Argus Brent Sour and Urals NWE differentials *\$/bl*

