The Argus fob Mediterranean (Augusta) bitumen price index is a single outright price that takes into account deals and other price indications from key export hubs across the Mediterranean region.

Deals and other price information are gathered by Argus' bitumen reporting team, with underlying assessments from Spain, Greece and Italy normalised against the latest freight rates to produce one Mediterranean cargo export price. This price can be trusted and used by market participants as being truly representative of the Mediterranean bitumen market, as it is not based on crude or another oil product such as fuel oil, which can have very different trading characteristics.

To view the full methodology of the Argus fob Mediterranean (Augusta) index, please click here.

As the bitumen market continues to dislocate from high-sulphur fuel oil, Argus has launched a new pricing tool in the Mediterranean, to better reflect outright bitumen cargo prices in that region.

Waterborne bitumen cargo exports in Europe have historically been priced as a differential to high-sulphur fuel oil (HSFO), but this has started to change as the 3.5pc sulphur fuel oil price marker becomes more volatile and disconnects from other products.

The disconnect with HSFO has come about as a result of the reduction in the permitted sulphur content in marine fuels to 0.5pc from 3.5pc from 1 January 2020. The International Maritime Organisation’s (IMO) tighter sulphur cap has also led to changes in the amount of bitumen that many refineries produce. Some have increased production as they try to switch away from HSFO, while others have reduced or stopped output because of changing crude slates or refinery upgrades that have done away with the residue that is used to make bitumen.
Argus White Paper: Bitumen market explores new ways to price exports

The result has been a market seeking new ways to price bitumen, with some moving to using crude benchmarks or even low-sulphur fuel oil benchmarks as outright pricing options instead, although neither of these correlate closely with the way that bitumen trades.

Bitumen demand in Europe has generally been growing since the lows experienced after the global financial crash in 2008-09, while supply can be tight at times of peak demand following a raft of refinery closures and modernisation work in recent years.

Europe still runs a surplus of bitumen, particularly in the Mediterranean region, while new arbitrage opportunities for Europe's surplus bitumen have emerged — including to the Mideast Gulf and Asia-Pacific — in addition to established trade flows to west Africa and the Americas.

But it is in bitumen pricing where the biggest shockwaves are being felt, and this is expected to be a long-term trend. HSFO values are expected to remain depressed and volatile for a long time to come, and many in the bitumen market have questioned the reliability of using the 3.5pc sulphur fuel oil pricing marker.

Bitumen differentials to HSFO have moved higher and have been close to a premium of $100/t out of Rotterdam in January, compared with $5/t discounts in January last year. In the Mediterranean market, fob offers have already been as high as an $80/t premium to HSFO from Spanish export terminals this year, compared with $25/t discounts in January 2019.

With the market failing to reach a consensus on pricing, Argus’ new assessment aims to fill a niche and help those who want to agree prices on an outright basis and most accurately reflect the value of bitumen, whether buying or selling.

Bitumen is expected to trade more and more independently as a commodity on its own terms. Once paving activity returns to high levels across Europe later this year, both buyers and sellers should be looking to independent prices to provide a reliable and accurate benchmark for the bitumen market as it goes through a period of historic transition.

The Argus Bitumen service is your comprehensive weekly source of price assessments for the domestic and export bitumen and asphalt markets. Find out more: www.argusmedia.com/bitumen

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