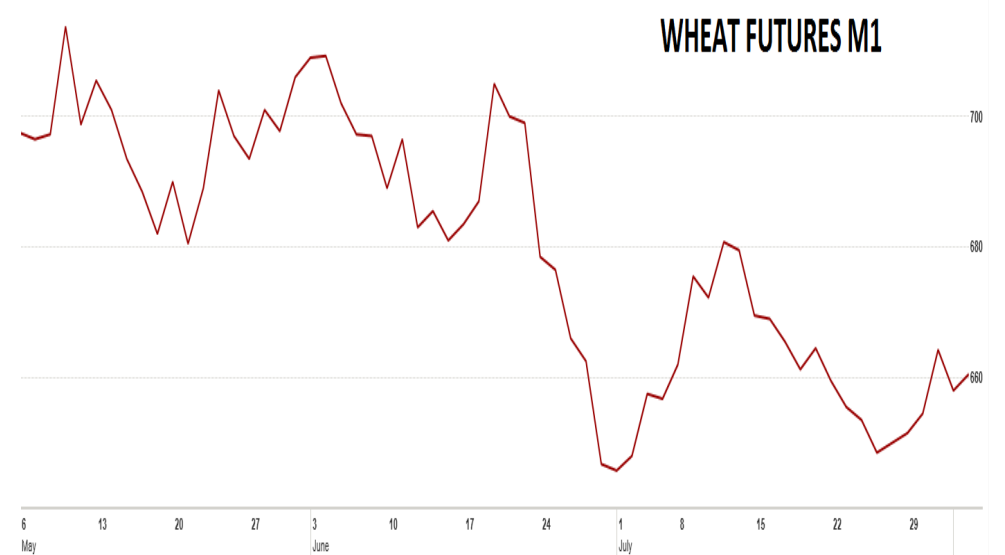
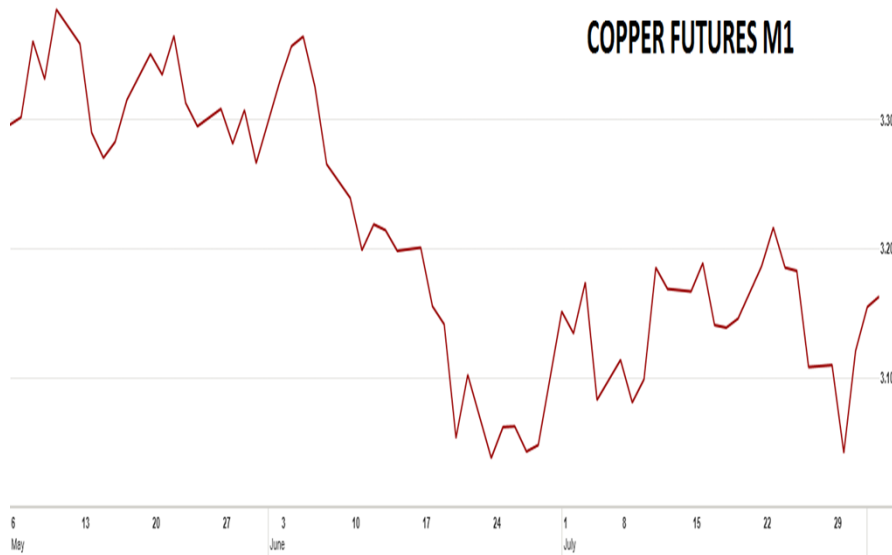


# Oil Markets Review

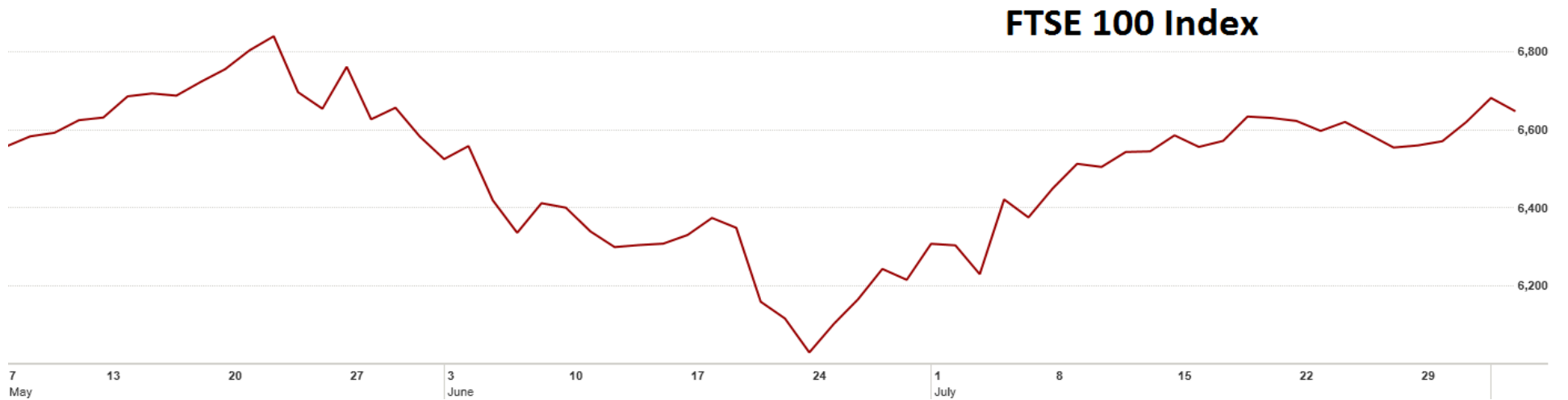
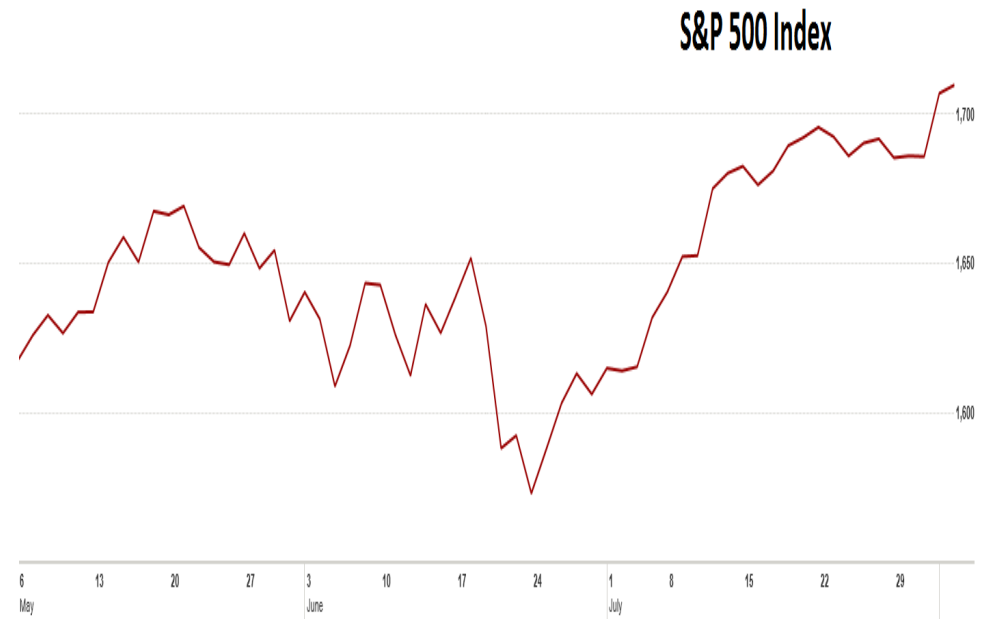
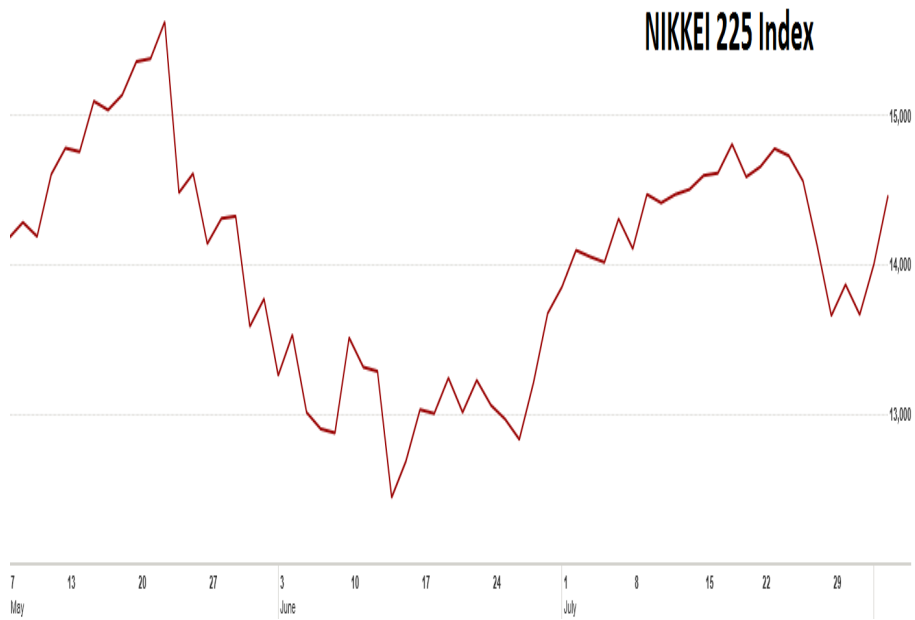
Jorge Montepeque, August 20, 2013

- US unemployment rate falls to 7.4% July 2013, the lowest rate since December 2008, a fall from 8.1% since the launch of QE3. Federal Reserve may slow asset purchases and possibly end it by mid-2014 when unemployment rate is expected to be around 7%
- Global stocks rebound on improved European and Chinese macroeconomic indicators
- ECB keeps the interest rates unchanged at 0.5%
- Markit's Eurozone composite managers' index – indicator of gross domestic product data – rises to 50.4 – its highest reading since January 2012 (over 50 indicates growth)
- Dated Brent reaches \$110.00/bbl in August then falls back
- WTI rises by over \$10/bbl between June and July to above \$100/bbl trading at parity to Brent in mid July for the first time since August 2010
- Dubai and Oman both are hovering above the \$100/bbl level
- Dated Brent is adopted in most areas of the world as benchmark
- ICE Brent trading volumes rise above CME light crude futures, April, May
- Dubai physical liquidity healthy, swaps futures volume rises to about 12-mil bbl/day
- Rising US production and falling North Sea production leads to development in benchmark methodology

# Commodities markets

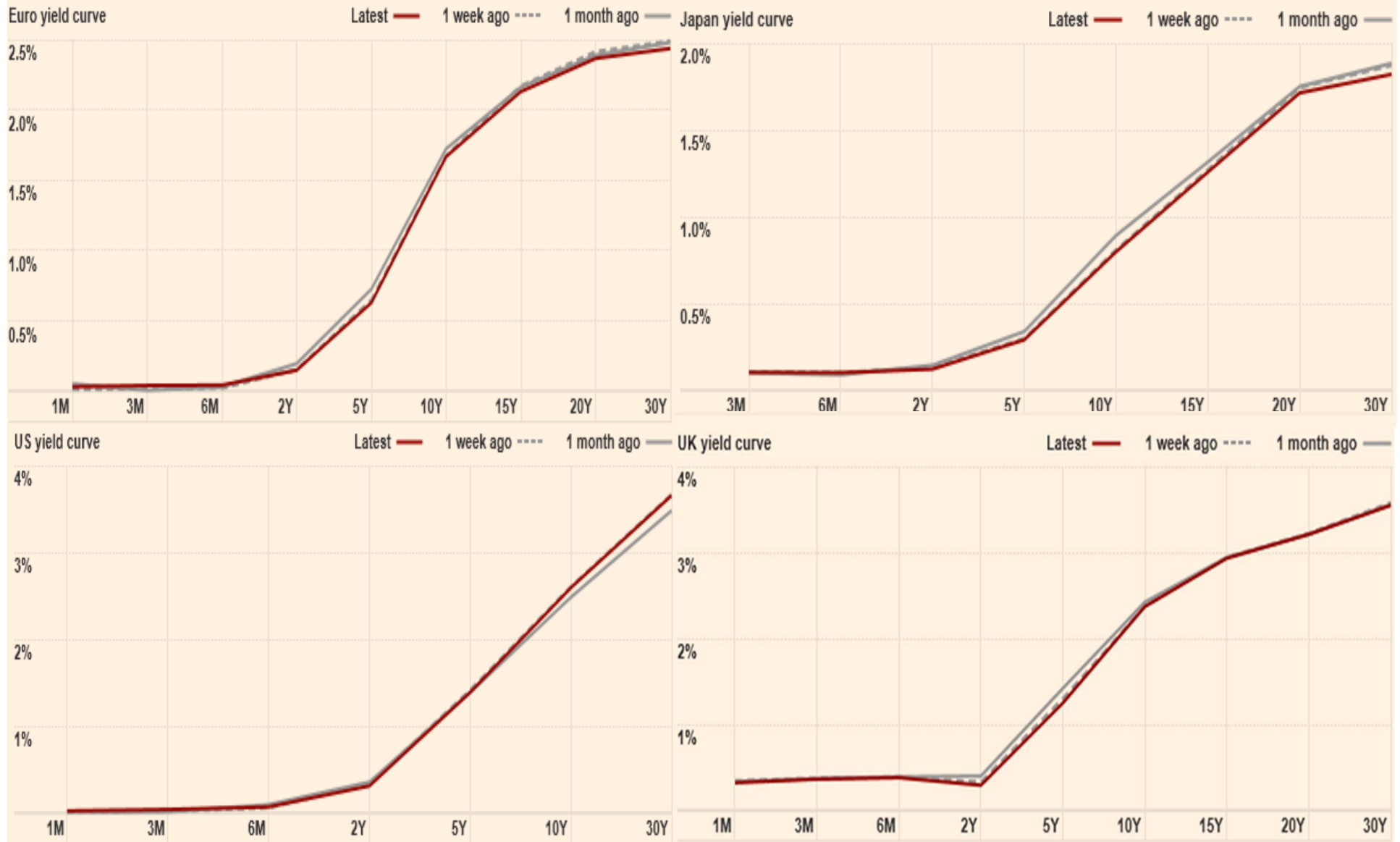


# Global Financial Markets



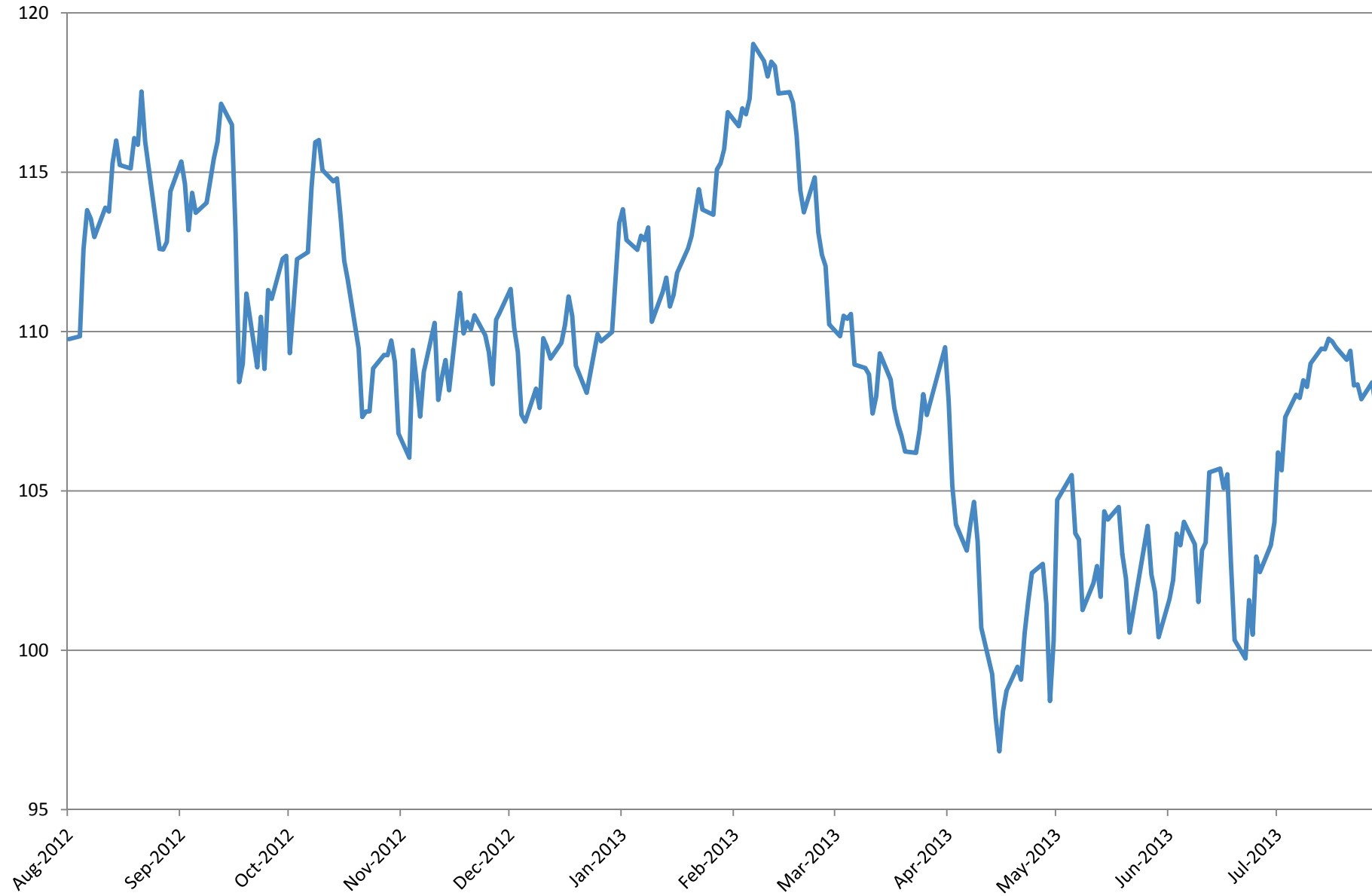
Source: FT

# Bond yields

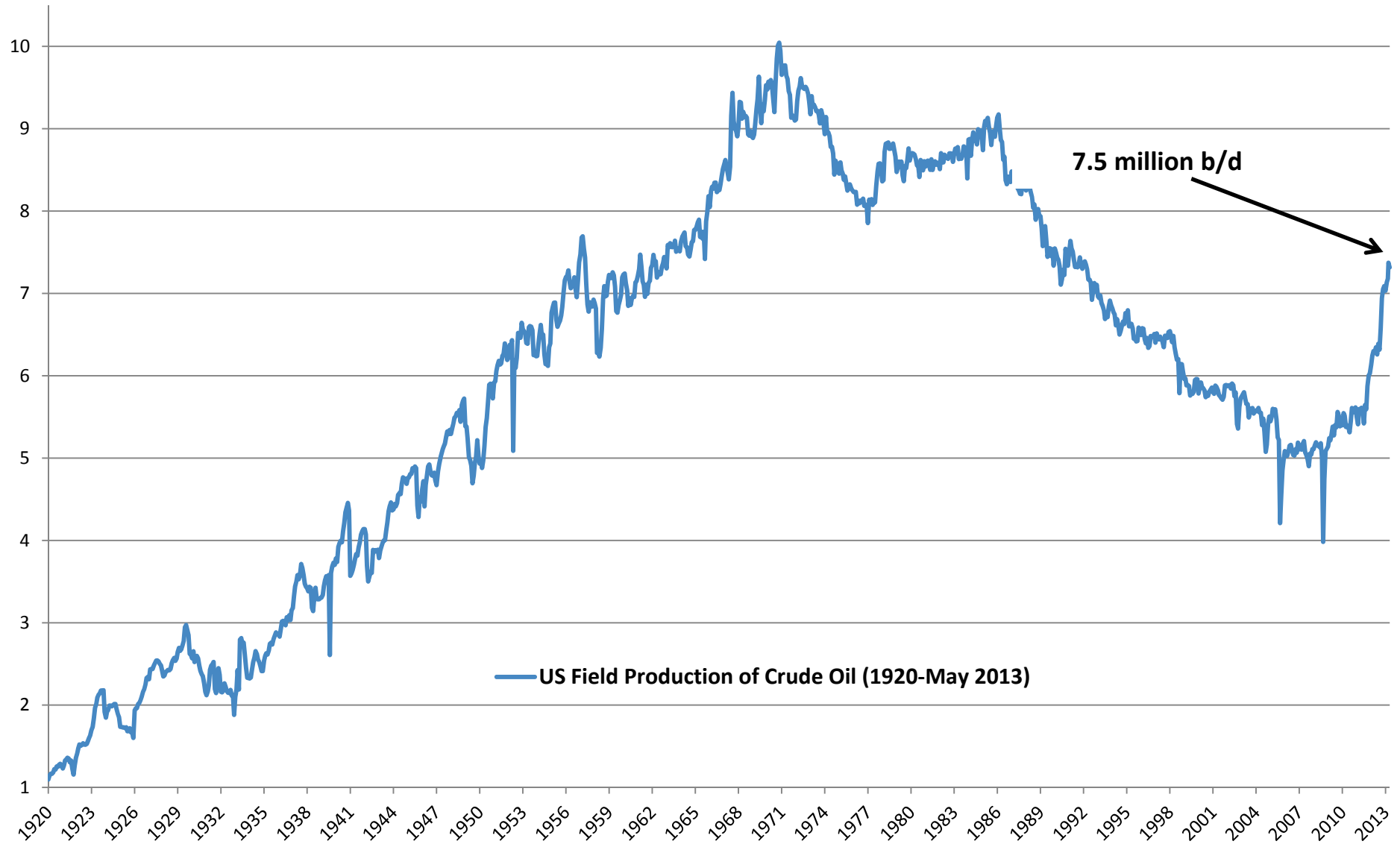


Source: FT

# Dated Brent, \$/b

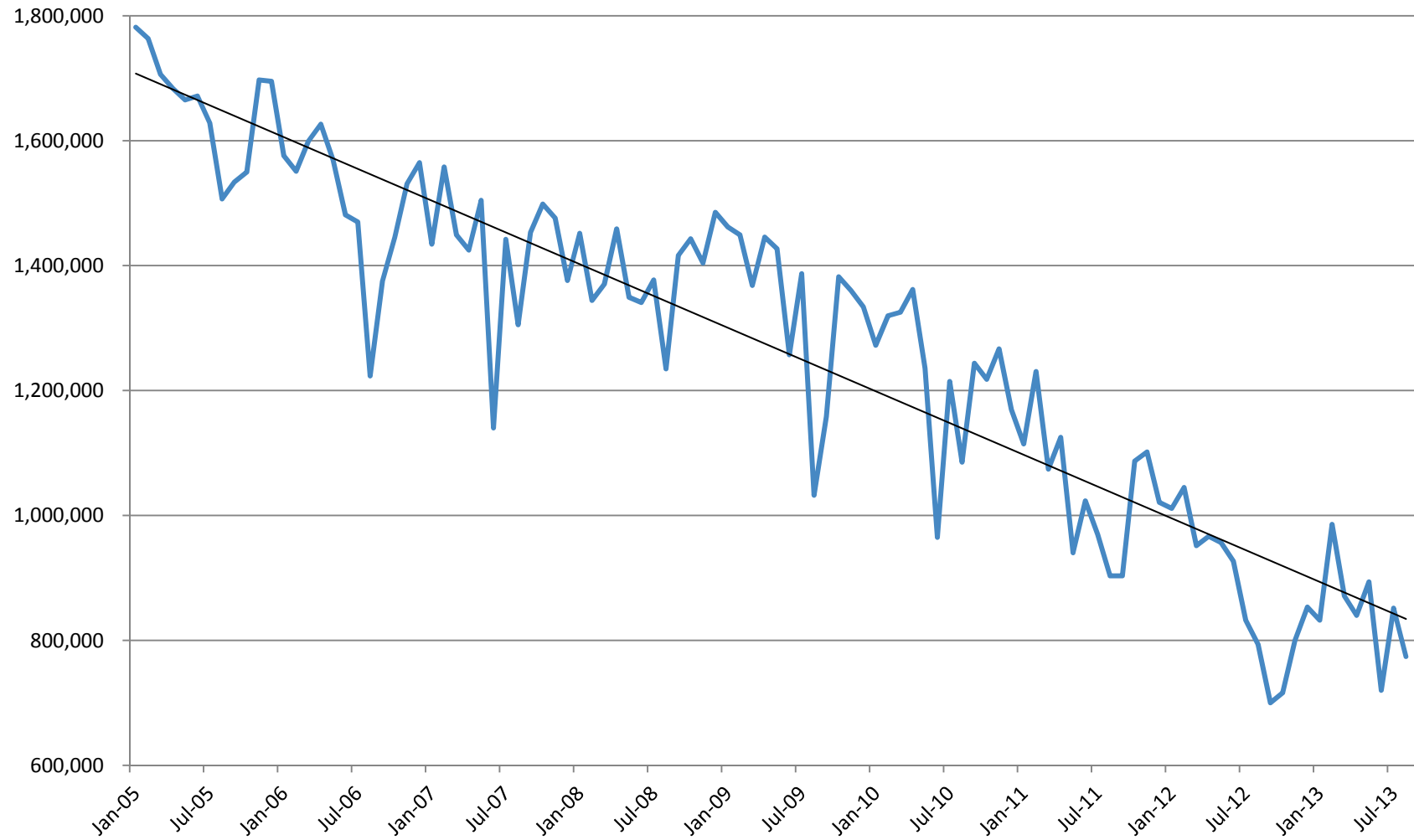


# US Field Crude Oil Output, million b/d



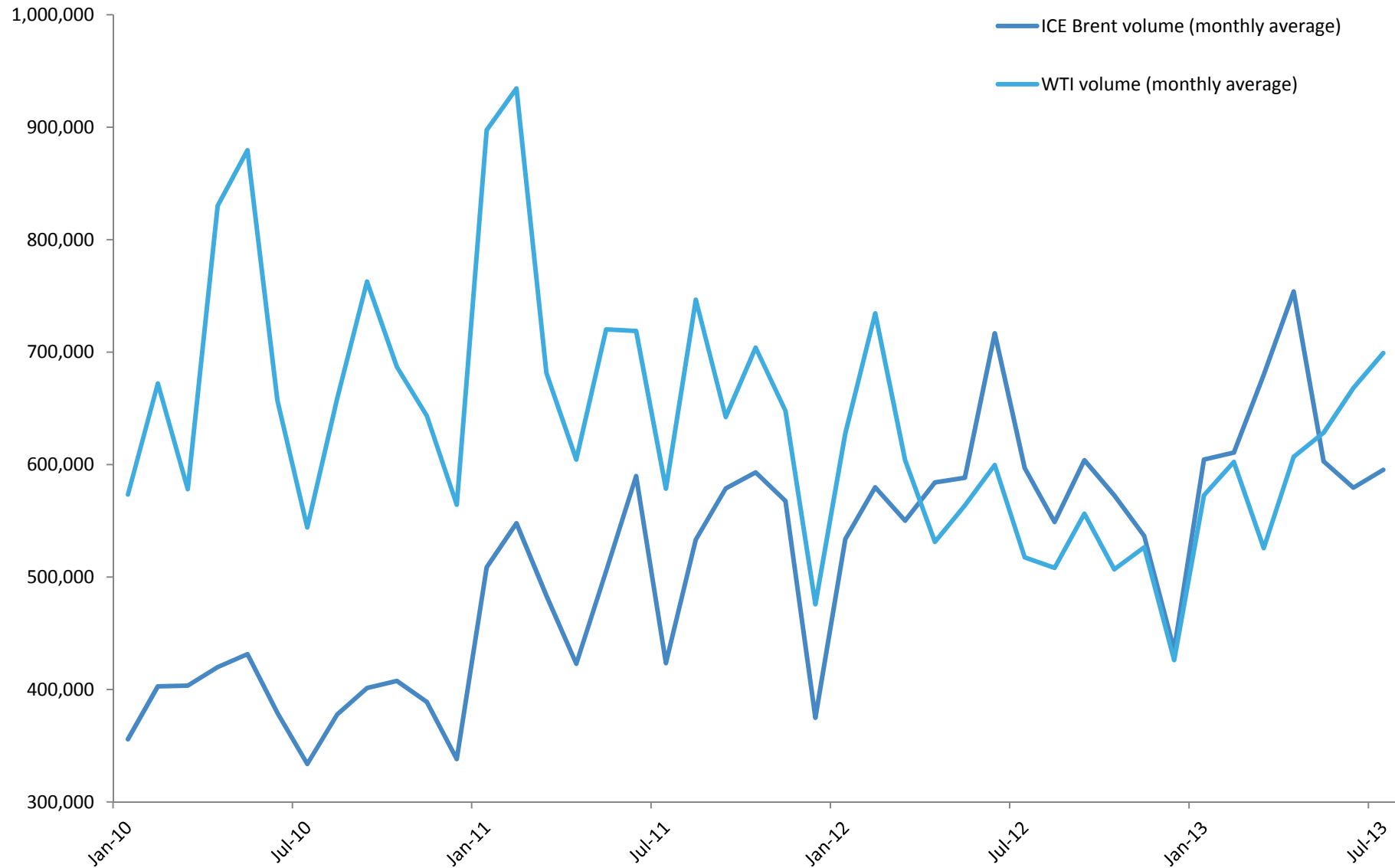
Source: EIA

# BFOE monthly production, b/d

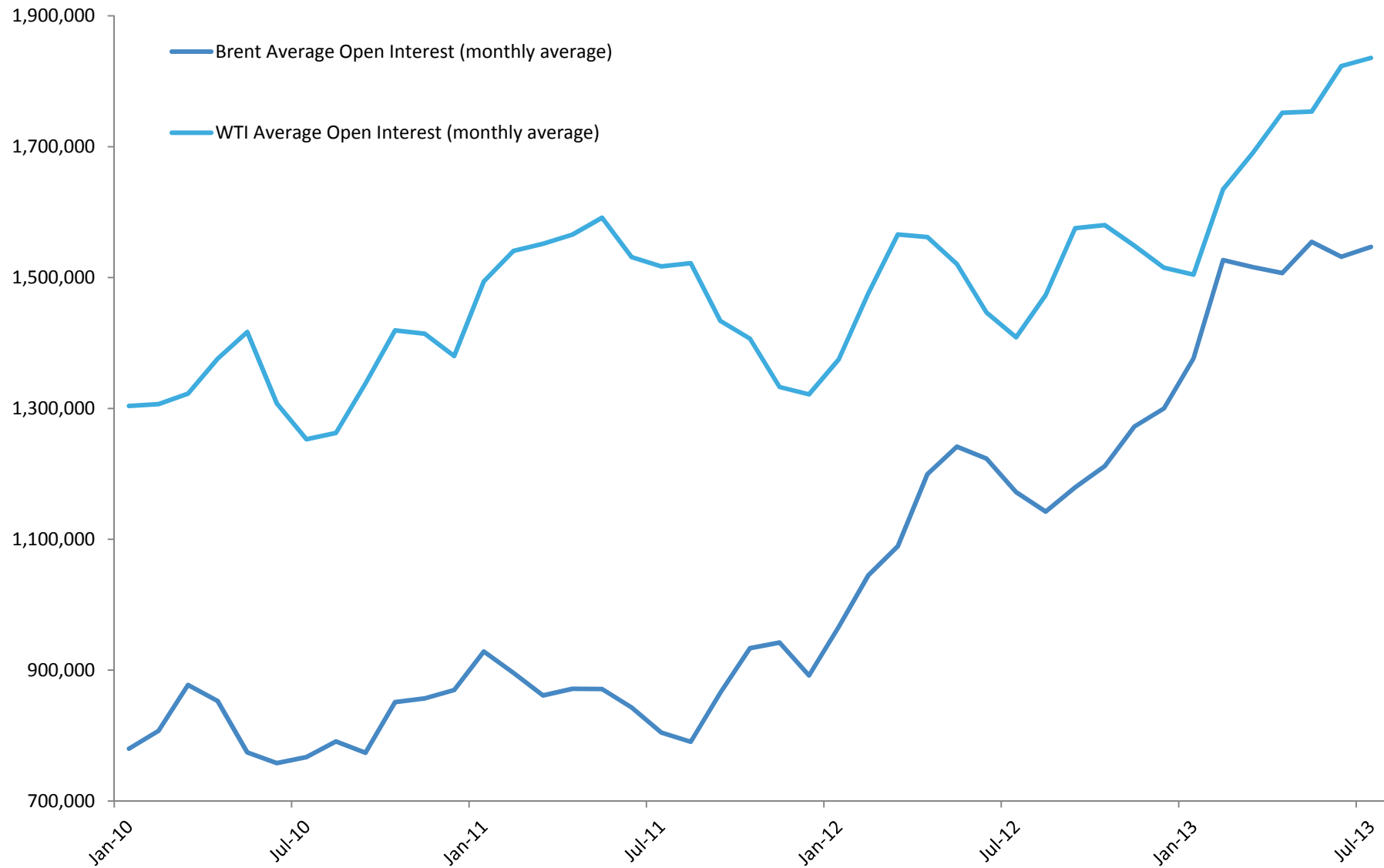




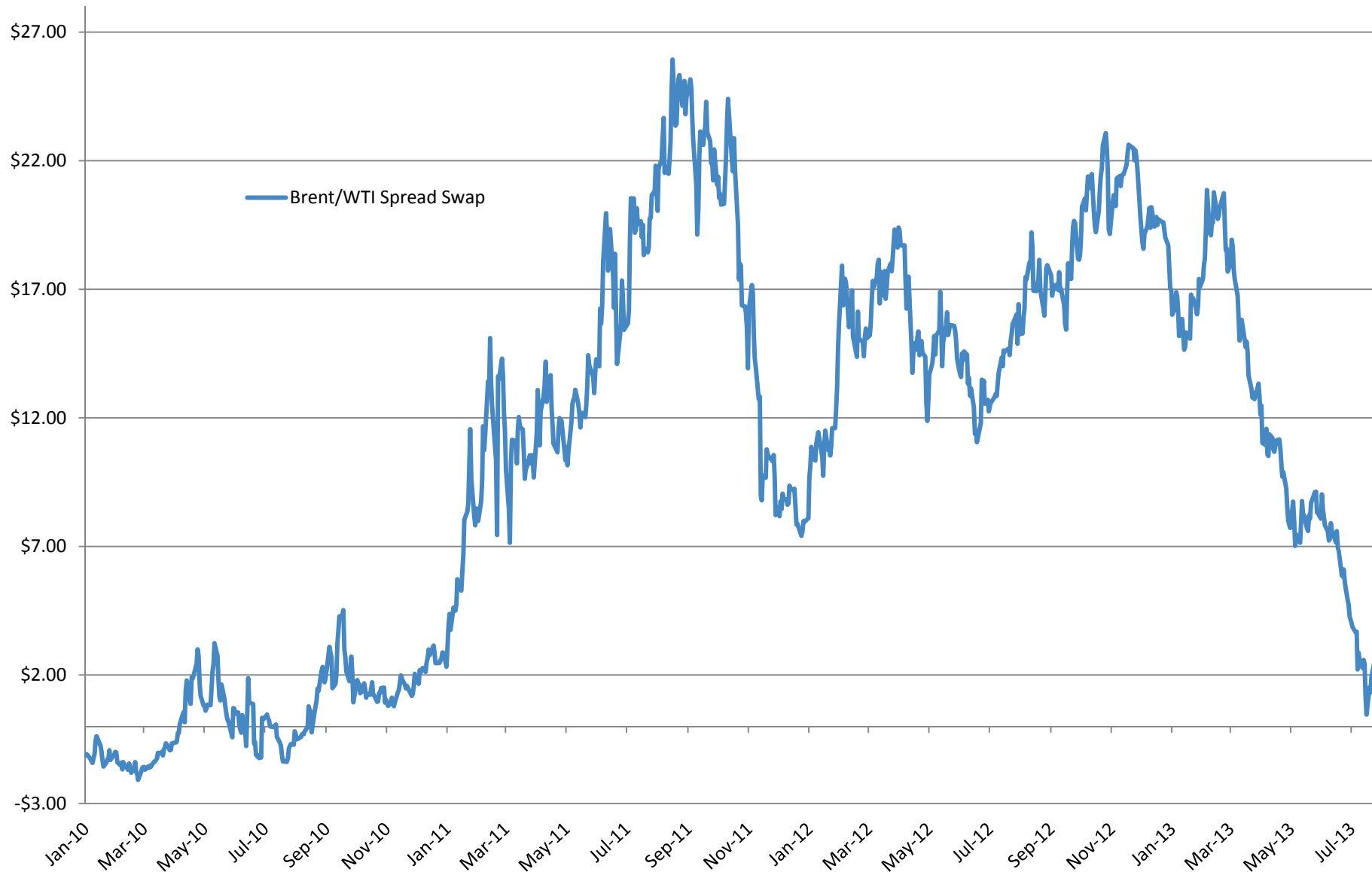
# ICE and CME futures crude contracts



# ICE and CME crude oil open interest



# Brent/WTI, \$/bbl



Source: Platts

<b>Top oil producers in July 2013, million b/d</b>			
<b>Country</b>	<b>July 2013</b>	<b>July 2012</b>	<b>Change</b>
Russia*	10.62	10.66	-0.04
US**	10.22	8.83	1.39
Saudi Arabia	9.54	9.70	-0.41
China	4.25	4.09	0.16
Canada	4.02	3.78	0.24
Iran	2.65	2.90	-0.25
Iraq	2.99	3.02	-0.03

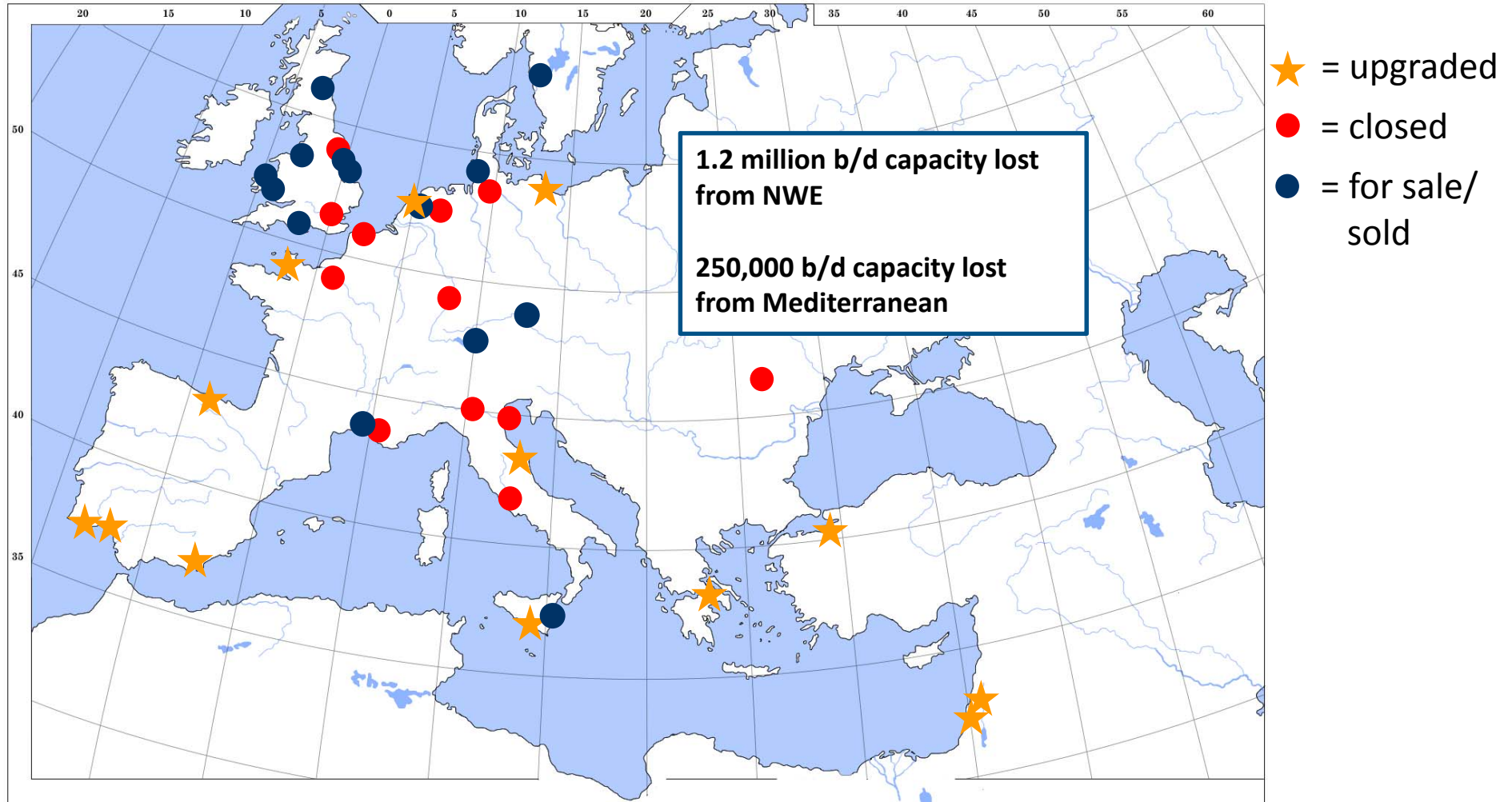
\* Including conventional crude oil, non-conventional crude oil, condensates, NGLs,

\*\*Including conventional crude oil, non-conventional crude oil, condensates, NGLs, biofuel

Expected demand growth, million b/d			
Country	Q2 2012	Q2 2013	Expected Annual Growth 2012-2016
US50	18.71	18.52	-0.3%
Euro5*	8.20	7.77	-1.5%
Brazil	2.95	3.04	2.8%
Russia	3.25	3.35	3.5%
India	3.74	3.81	3.2%
China	9.40	9.81	4.1%
Saudi Arabia	3.09	3.20	4.2%

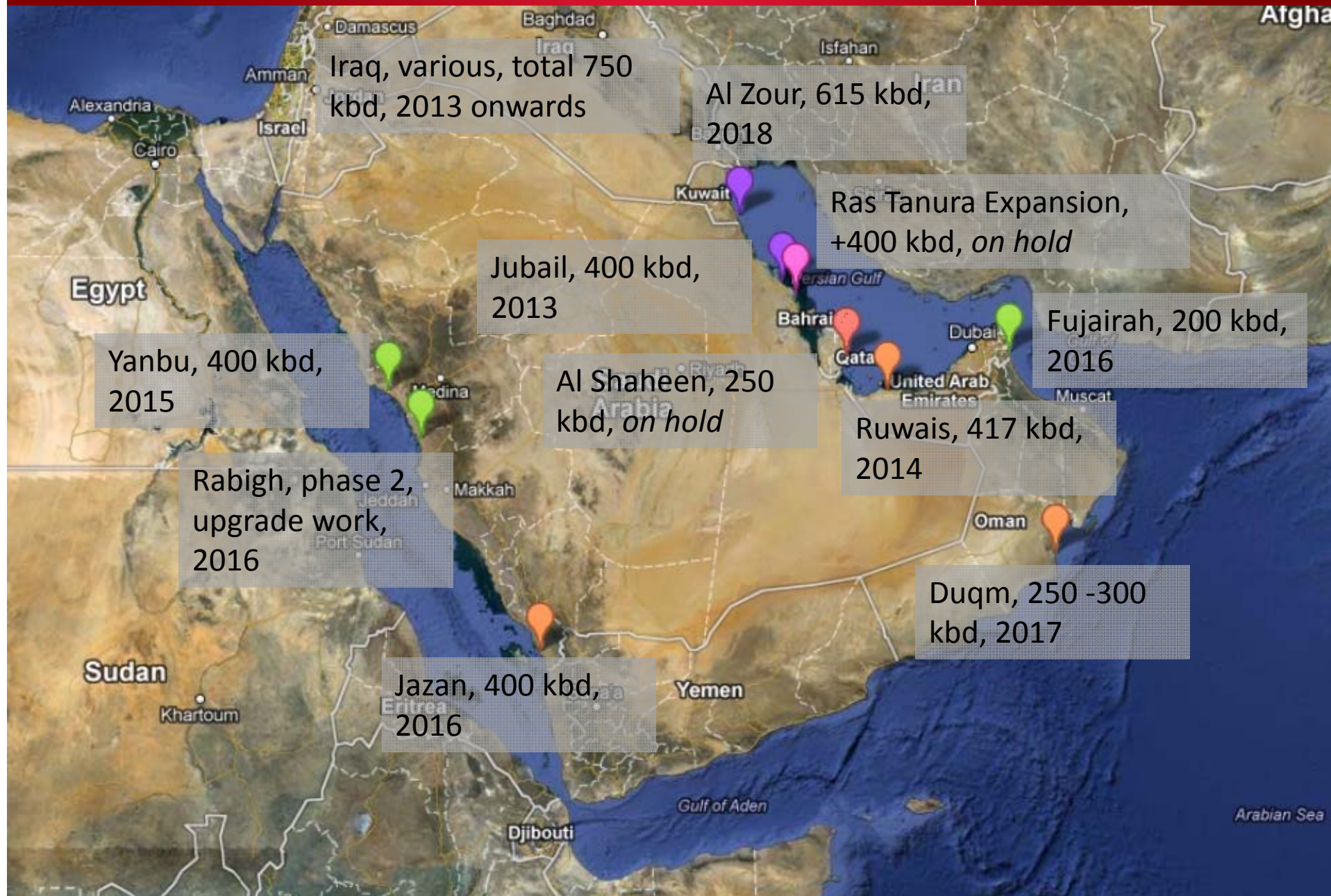
\* France, Germany, Italy, Spain, UK

# European refining infrastructure waning..





# Upcoming ME refinery projects: 2013 onwards



# China and FSU also grow capacity, m b/d

	2012	2013	2014	2015	2016
			China		
CDU	13.41	14.14	14.41	15.41	16.87
Reforming	0.76	0.88	0.91	1.05	1.21
FCC/RFCC	3.12	3.35	3.39	3.44	3.46
Hydrocracking	1.20	1.40	1.45	1.50	1.77
Hydroprocessing	4.18	4.98	5.12	5.45	6.30
			Middle East		
CDU	7.97	8.50	8.52	8.93	9.29
Reforming	1.02	1.13	1.17	1.22	1.25
FCC/RFCC	0.58	0.77	0.95	1.11	1.14
Hydrocracking	0.67	0.77	0.77	0.86	0.93
Hydroprocessing	3.36	3.79	3.82	4.01	4.05
			FSU		
CDU	8.41	8.57	8.62	8.78	8.99
Reforming	1.21	1.21	1.26	1.26	1.26
FCC/RFCC	0.80	0.86	0.86	0.91	0.95
Hydrocracking	0.25	0.31	0.41	0.47	0.51
Coking	0.37	0.43	0.48	0.54	0.57
Hydroprocessing	4.12	4.21	4.37	4.42	4.46

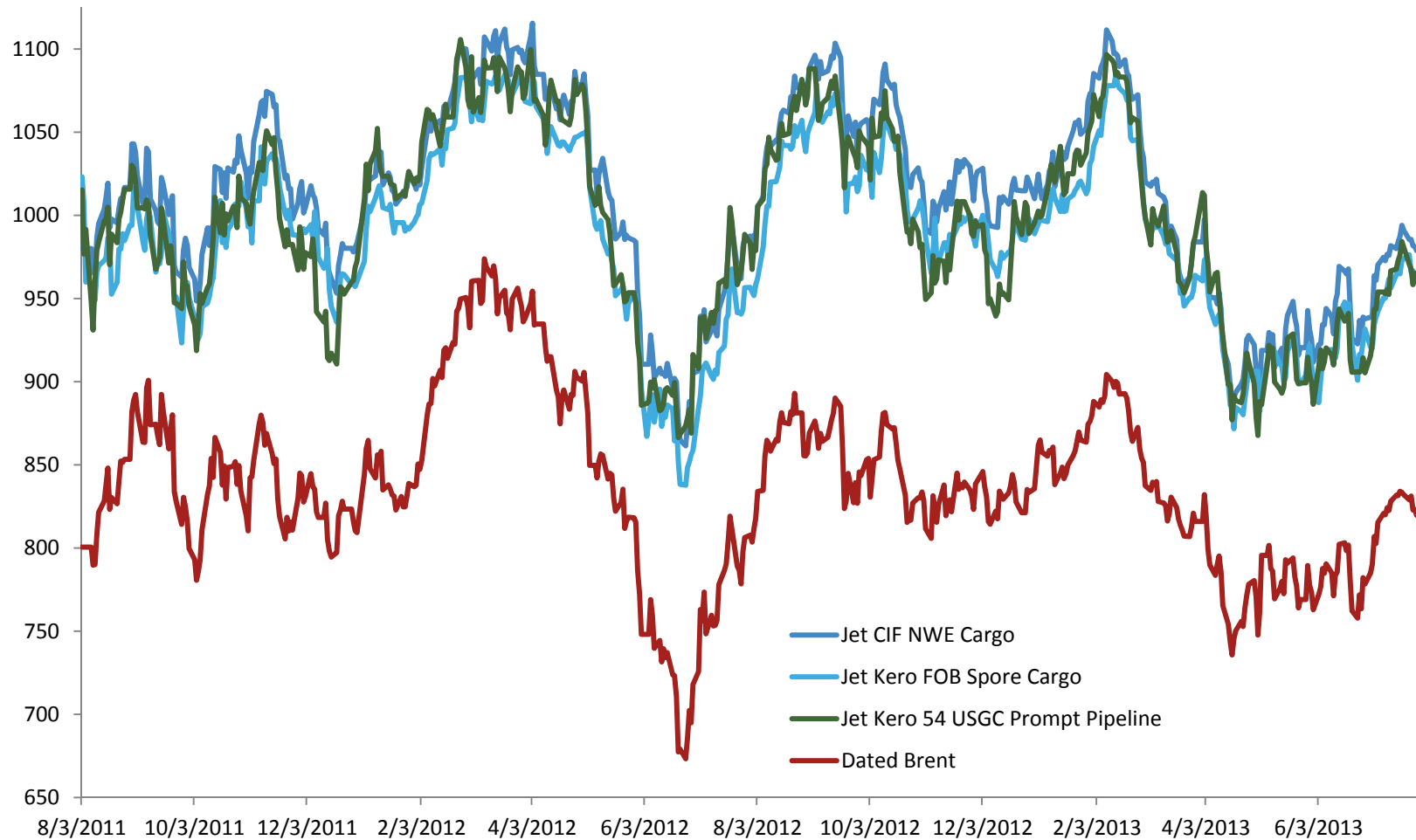


# Airport activity shifts eastwards

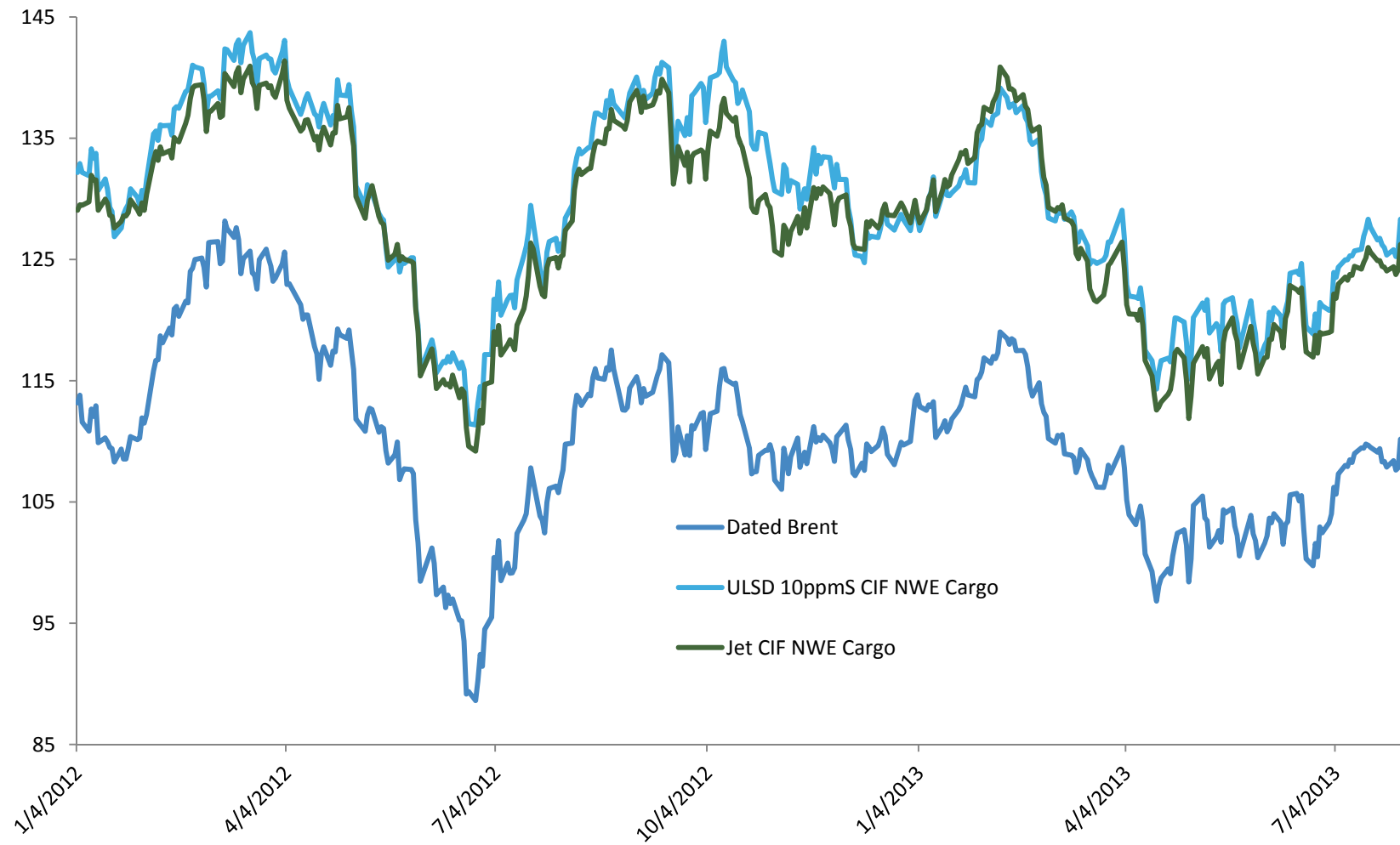
<b>Top airports by passenger traffic 2012, million passengers</b>			
<b>Airport</b>	<b>Ranking, 2012</b>	<b>Passenger traffic</b>	<b>Ranking, 2007</b>
Hartsfield-Jackson, Atlanta	1	95.4	1
Beijing Capital, Beijing	2	81.9	9
Heathrow, London	3	70.0	3
Tokyo	4	67.8	4
O'Hare, Chicago	5	67.8	2
Los Angeles, California	6	63.7	5
Charles de Gaulle, Paris	7	61.6	6
Dallas Fort Worth, Texas	8	58.6	7
Soekamo Hatta, Indonesia	9	57.7	?
Dubai	10	57.7	27

- Shifts in growth between East and West
- China, Africa and Middle East expected to grow 4.1%, 3.9% and 3% respectively up to 2018.
- OECD jet/kero demand expected to fall by 0.1%
- Airbus reports 9% of global deliveries in 2012 to Middle East and North Africa. Middle East is expected to account for 10% of Airbus sales over next two decades
- European decline in daily flight movements in 2012 of 2.7% versus increase of 2.2% in passengers carried suggests improvements in fuel efficiency and fleet management

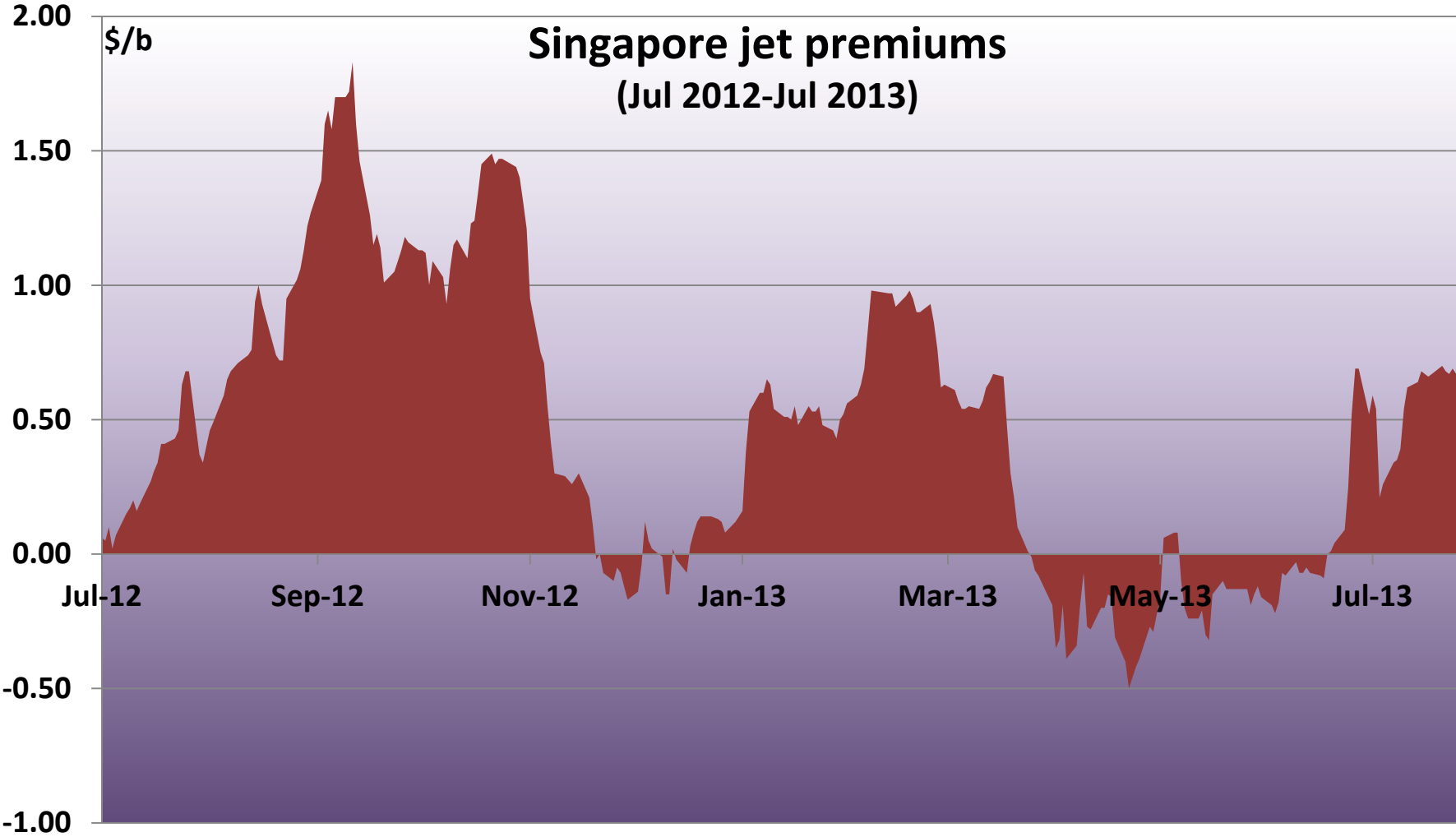
# Global jet fuel prices, \$/mt



# European jet fuel versus diesel, \$/b

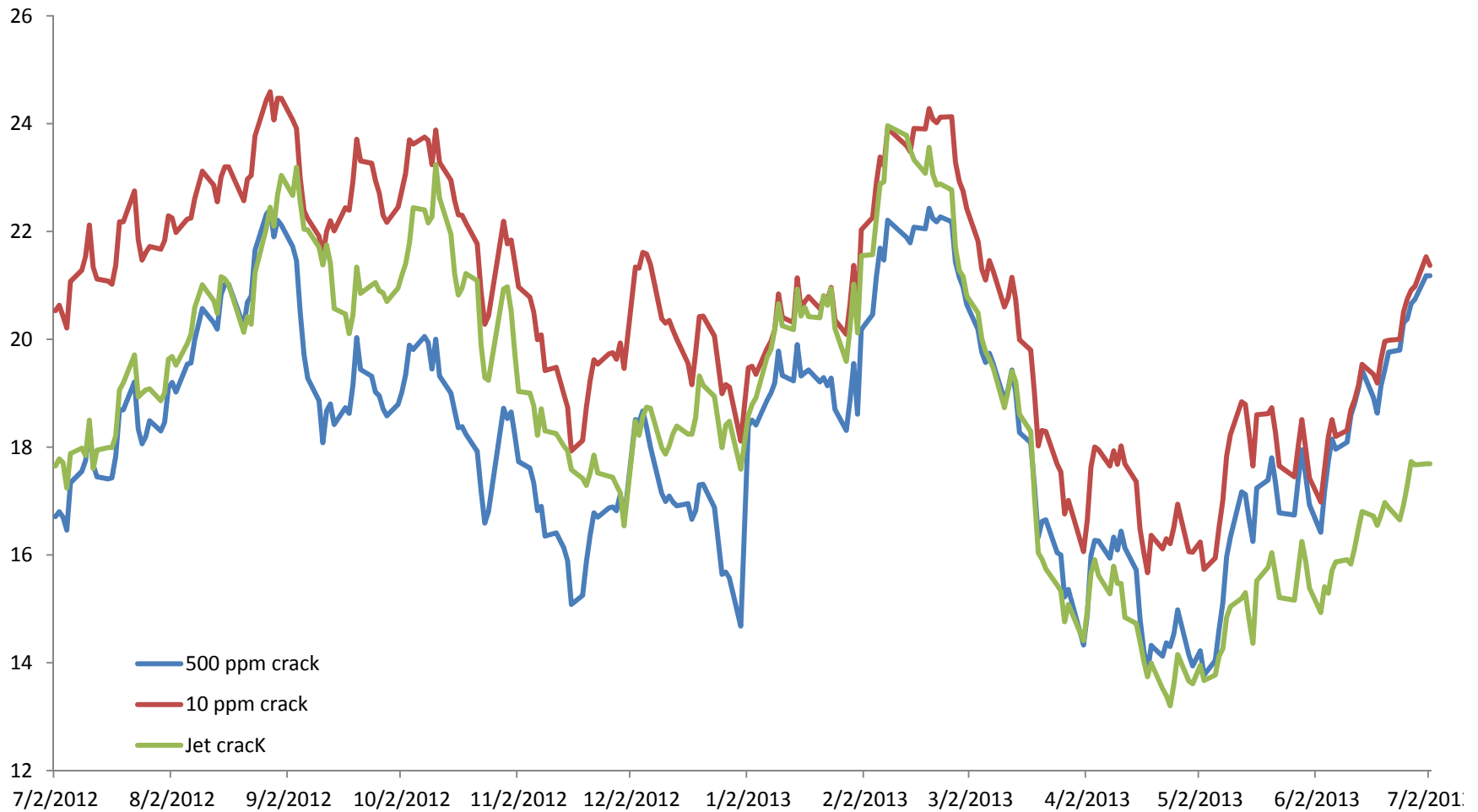


# Singapore jet premiums spike Q4 and Q1

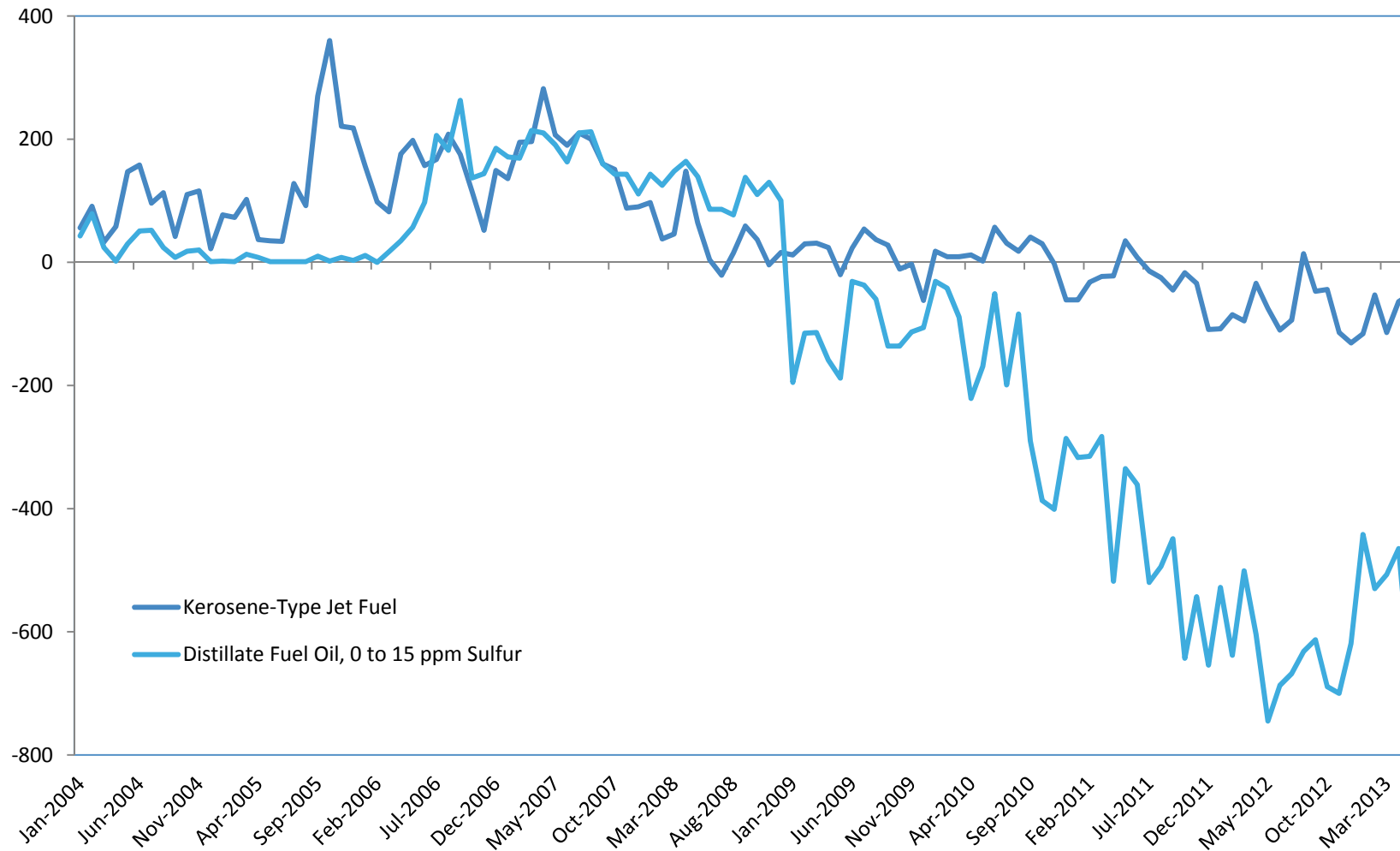


Source: Platts

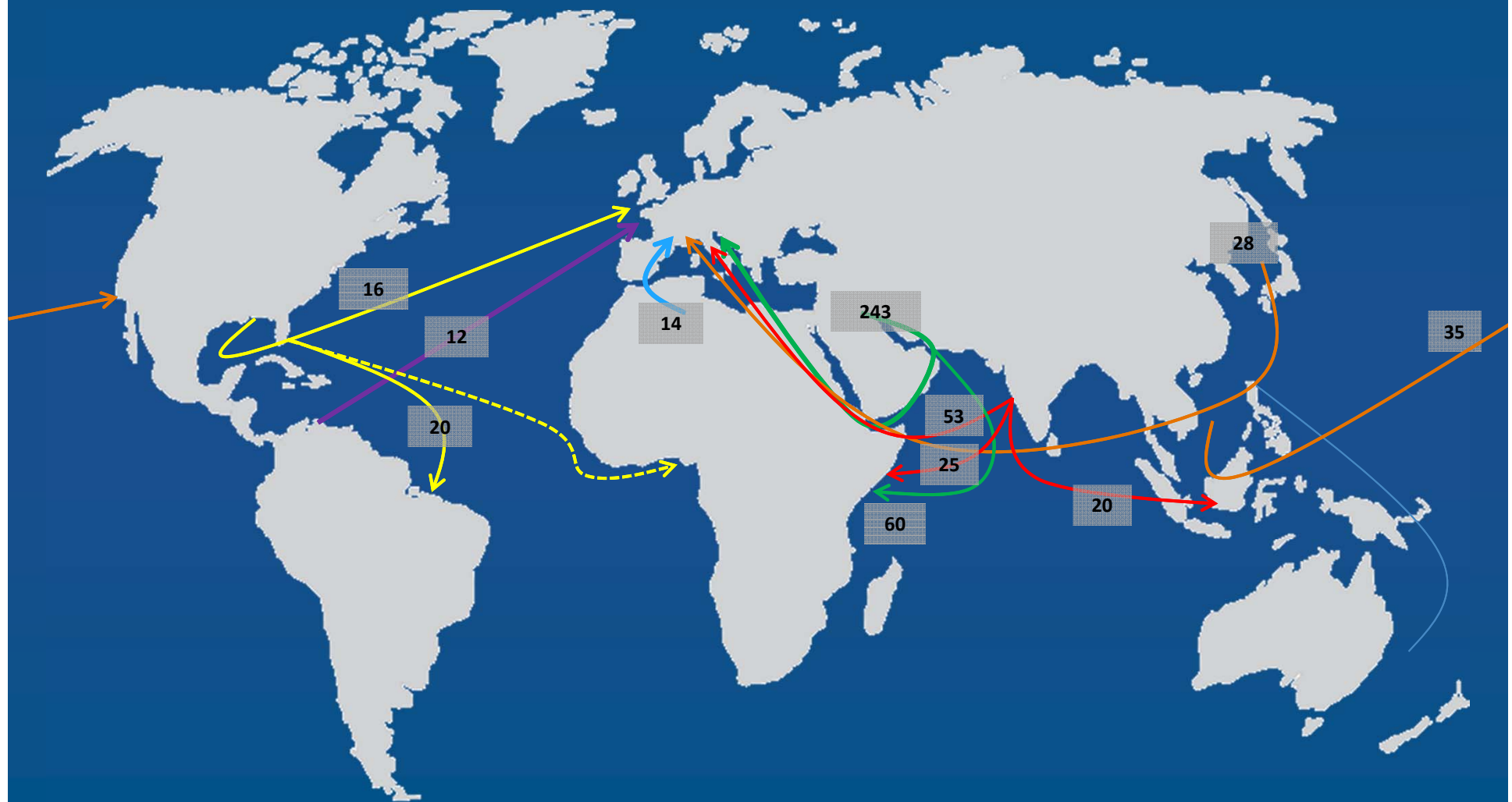
# Q1 2013 Asia jet cracks firmer, weaker in the Summer, \$/b



# US net imports diesel and jet, b/d



# Major jet/kero trade flows '000 b/d



Source: Eurostat,  
Platts research



- **All assessments reflect standard commercial Jet-A1 specification\***
- **CIF NWE** – spot full/part cargoes 25-45,000 mt, delivered to NWE (UK, N France), 10-25 days forward
- **FOB NWE** – netback using cross UK Cont freight
- **FOB ARA** - 2-5,000 mt, FOB Rotterdam, 3- or 5-15 days forward
- **FOB Med** – netback using pro-rated 30,000 mt to 27,500 mt freight for Augusta to Rotterdam
- **FOB Med premium** – 30,000 mt, FOB Italy, 10-25 days forward spot premium to FOB Med assessment (to be discontinued Jan 1, 2014)
- **CIF Med** – netback from CIF NEW using freight differential between PG and NWE and PG and Med for 30,000 mt

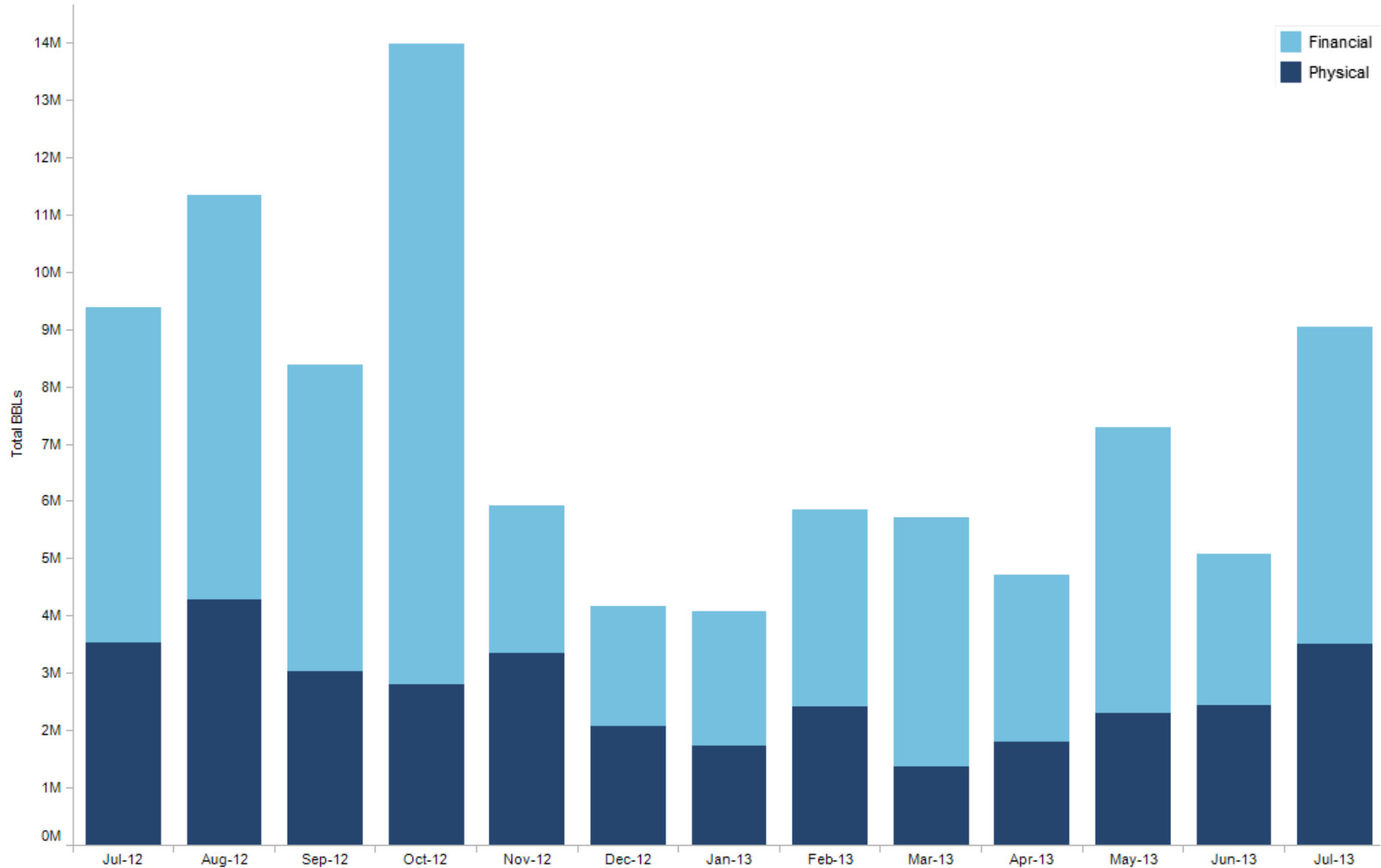
\* Defined by UK Ministry of Defence in DEFSTAN 91/91 latest issue and the Joint Fuelling System Checklist

- **FOB Singapore** - 100,000-250,000 barrels loading 15-30 days forward FOB Singapore
- **FOB Arab Gulf** – netback from FOB Singapore using 55,000mt and 80,000 mt freight rates
- **FOB West India** – netback from FOB Singapore
- **C&F Japan** – 25-45,000mt C&F Chiba, Japan
- **FOB Korea** – cargoes loading 15-30 days forward
- **C&F China** – 25-45,000mt delivered C&F main ports including Qing Huang Dao, Shanghai and Huangpu
- **C&F Australia** – net forward from Singapore delivered C&F Sydney/Melbourne

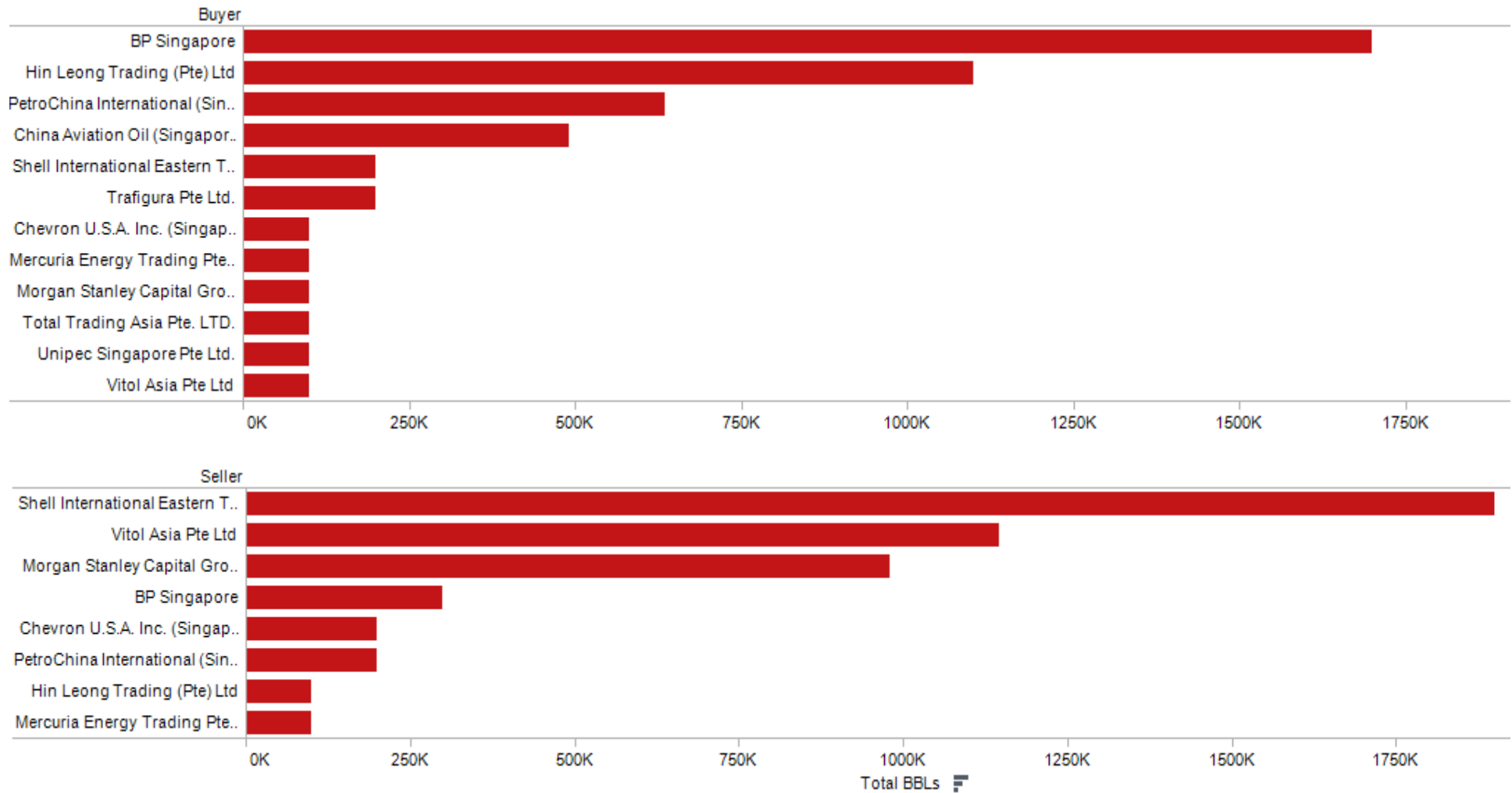
- Increased gasoil and jet tradable clip size to a minimum of 300,000 barrels.
- Seller to declare terminal ten days prior to the 5-day date range, instead of seven day prior to the 5-day date range for FOB Singapore loading
- Arab Gulf ports reflected in the assessment
  - Jubail, Mina Al Ahmadi, Quoin Island , Shuaiba, Ras Tanura, Ruwais, Mina Abdulla, Sohar, Bahrain, Ras Laffan, Jebel Ali

- **Jet Kerosene 54:** Gravity of 37-51 API, Flash point of min 108° F, freeze point of max minus 40° F, sulfur of max 0.3%.
  - USGC FIP Colonial Pipeline, prompt cycle, 25,000 barrels
  - USGC FOB waterborne delivery, 10-18 days forward for 50,000 to 125,000 barrels
  - USAC Delivered cargo, 10-15 days forward for minimum 150,000 barrels
  - USAC FOB barge loading 3-7 (Mon-Wed) and 5-9 (Thurs-Fri) days forward for 25,000 barrels
- And internal pipeline assessments

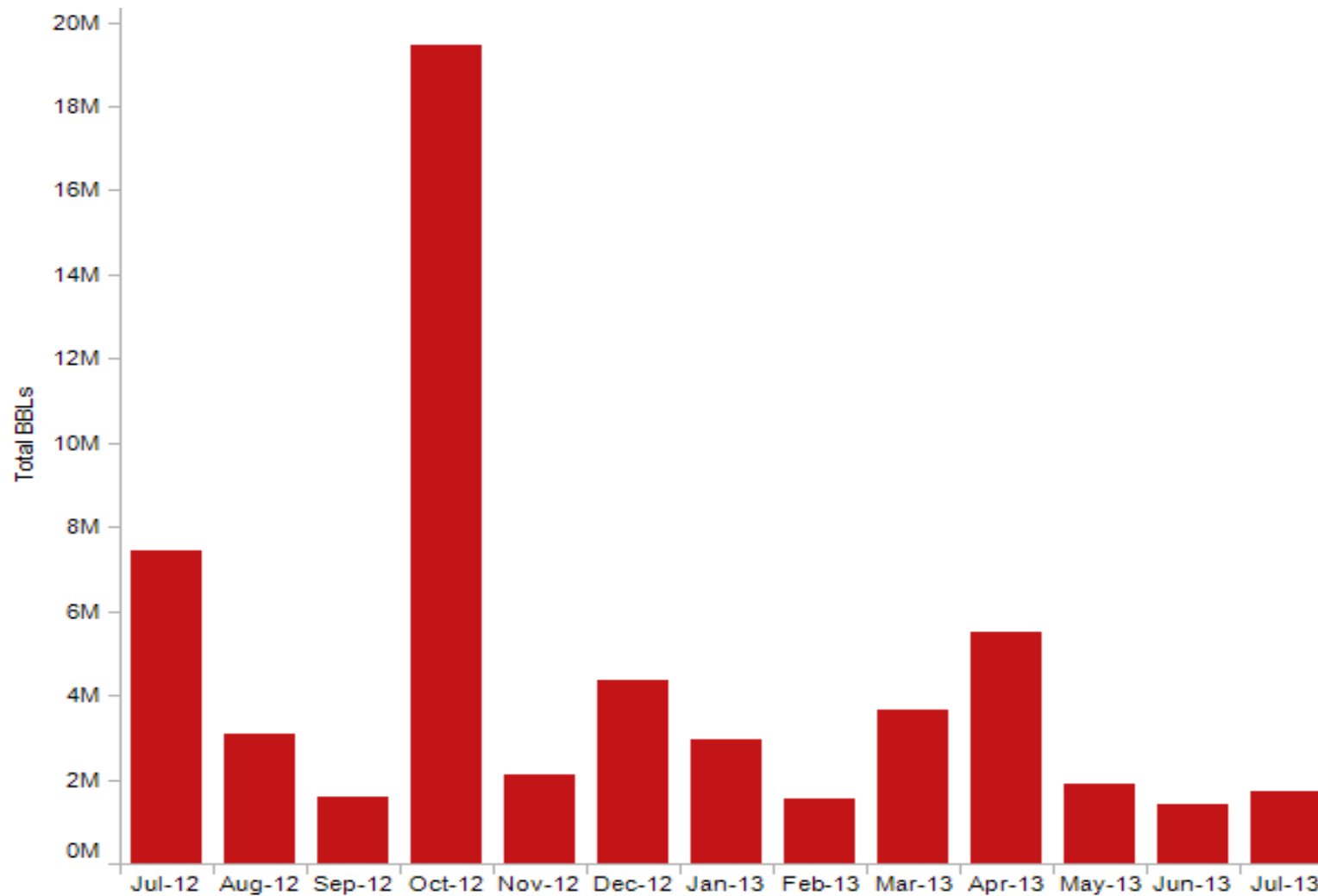
# European MOC jet fuel activity



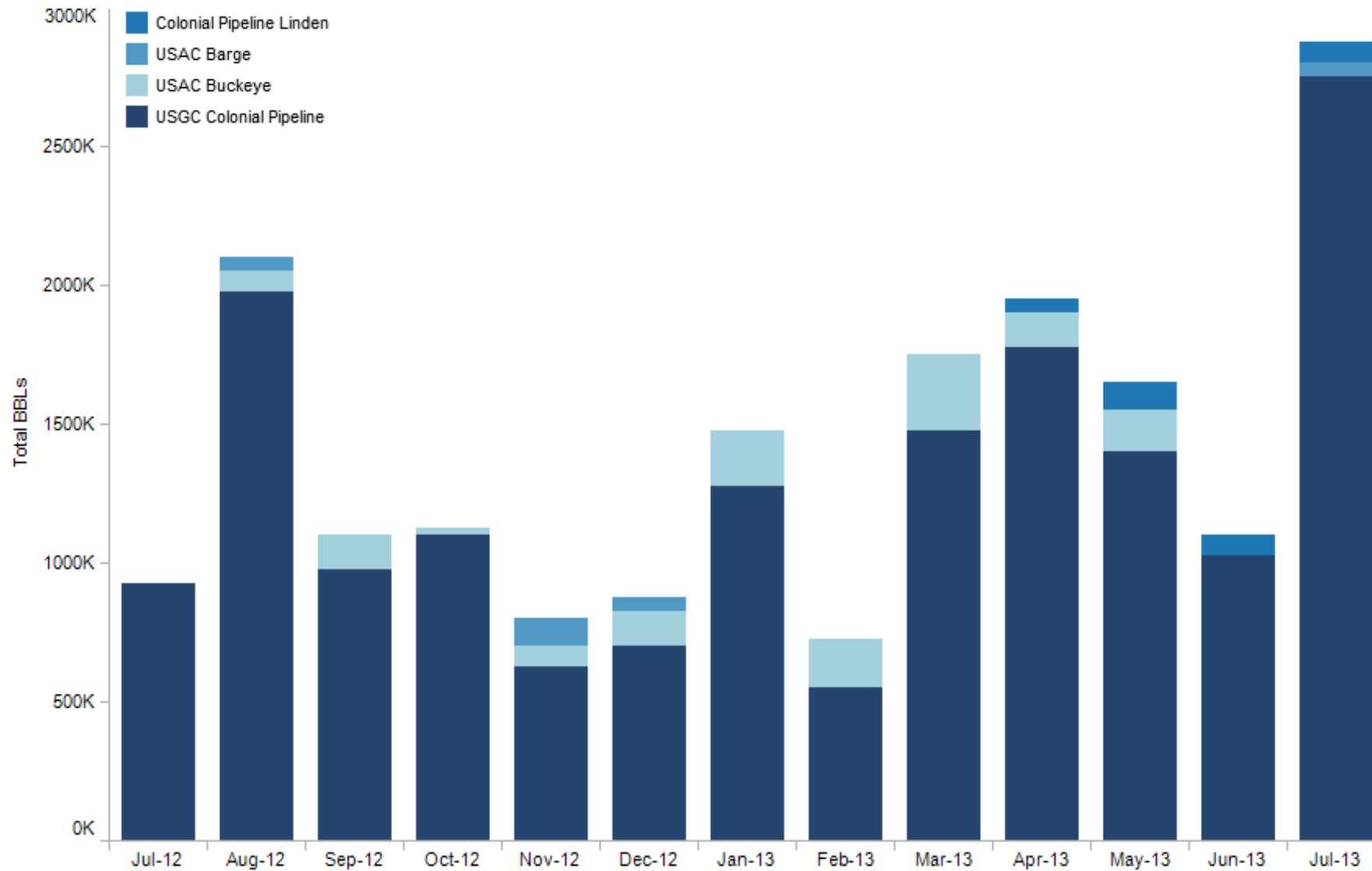
# Asia MOC physical participants, Jan-July 2013



# Asia jet paper MOC activity



# US physical MOC activity





- The EU unveiled its new Generalized Scheme of Preferences (GSP) in October 2012, which would see almost half the 176 current beneficiaries slip out of the preferential tariff regime from January 1, 2014.
- Gulf Cooperation Countries -- Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE -- and Libya and Venezuela will lose the preferential status and trade access they have with the EU because their income is now classified as "high" or "upper middle" by the World Bank.
- India retained its status as a GSP beneficiary country, but provisions in the regulation allow preferences in individual markets to be suspended when a country is deemed to be a "competitive exporter."
- The European Commission said this meant jet fuel imports from those countries would face a 4.7% levy from January 1.
- Producers, suppliers, traders said it could alter supply dynamics and cause the price of jet fuel imports to rise. Aviation industry feared it would ultimately lead to higher costs for passengers.
- The EC later clarified its position and said existing air transport agreements between EU member states and third countries, as well as between the EU as a whole and third countries, supersede the changes to the GSP regime. Those agreements include provisions exempting jet fuel from duties and taxes, regardless of origin.
- The EC is considering whether new legislation is necessary to remove any legal uncertainty.



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