

FAQ: USGC LOOP SOUR CRUDE

What is the Platts USGC LOOP Sour crude oil assessment?

The new Platts LOOP Sour assessment reflects the daily outright price of a blended medium sour crude in cavern at the Louisiana Offshore Oil Port terminal near Galliano, Louisiana. Platts publishes assessments for LOOP Sour three trading months forward.

LOOP Sour is typically transacted as an in-cavern title transfer, although its trading schedule follows that of other pipeline-deliverable US Gulf Coast crudes. The presence of a spot market for storage gives buyers the option of taking LOOP Sour out of the cavern via several pipelines or holding it provided they have secured the rights to do so through LOOP's monthly storage auction or the secondary storage market.

A complete subscriber note can be found at the following link: <https://www.platts.com/subscriber-notes-details/26688227>.

What specifications and physical logistics does the new LOOP Sour assessment represent?

LOOP Sour is a blend of two domestic and three Middle Eastern crude oils: the offshore US Gulf Coast grades Mars Blend and Poseidon, and the Middle East-imports Arab Medium, Kuwait Export Crude and Basrah Light. The amounts of the five crudes delivered into LOOP Sour change depending on supply or economic factors, which in turn changes the qualities of the blend.

LOOP LLC does not disclose how much of each crude is delivered into the blend but it does publish monthly quality reports. Since May 2015, LOOP Sour has had an average API gravity of 30.3 and sulfur content of 2.29%.

LOOP Sour is stored in one of LOOP's eight underground storage caverns, which combined hold about 60 million barrels roughly split evenly, or 7.5 million barrels per cavern.

The LOOP facility is the single largest entry point for waterborne crude oil entering the US, and has direct and indirect pipeline connections to refineries and oil terminals in Texas, Louisiana and the Midwest, including the oil hub of St. James, Louisiana.

Why is Platts publishing a new USGC LOOP Sour assessment?

Driven by technological advancements in drilling, US oil production has reached record highs and currently hovers at around the 9 million b/d mark, up roughly 70% from 2007.

The bulk of that production, however, is light sweet crude, which US Gulf Coast refiners typically do not consume. The USGC refining complex, which makes up more than half of overall US refining capacity, is still primarily a consumer of medium to heavy sour crude.

Despite the changing landscape for US crude production, the regional refining sector remains an importer of crude, particularly from Mexico, Canada and the Middle East.

With so much sour crude consumed in the region, a representative pricing benchmark for consumers, importers and sellers of sour crude in the USGC is particularly important.

Platts believes LOOP Sour has the potential to be that benchmark because of the diversity of the crudes deliverable into the blend, the transparency around storage availability at LOOP via the monthly auction, and the diversity and number of market participants involved in the transactions of the blend components and the final blend itself.

How does Platts assess LOOP Sour?

The Platts LOOP Sour assessment employs the Market on Close (MOC) methodology used in physical oil and refined product markets. The MOC process encapsulates bids, offers and transaction data to create one value at the end of the trading day. LOOP Sour is assessed daily and reflects a US dollar per barrel value at 2:30 pm Eastern Time. Platts analyzes the market throughout the day, and will reflect data collected from across the market, particularly in the absence of bids, offers and trades in the MOC process itself.

How does the Platts LOOP Sour assessment relate to WTI?

LOOP Sour is typically bid, offered, and transacted relative to the value of physically deliverable West Texas Intermediate crude oil at Cushing, Texas, also called cash WTI. Cash WTI is a combination of the value of the NYMEX Light Sweet Crude Oil Futures Contract and the Exchange-for-Physical, or EFP,



differential. However, the EFP has typically been zero cents/b since 2009.

Front-month LOOP Sour reflects barrels trading one calendar month forward, with trading shifting to the next month on the first business day after the 25th of the calendar month.

LOOP Sour also trades relative to Mars Blend.

What are the benefits of using Platts LOOP Sour crude assessment?

LOOP Sour accurately reflects the US Gulf Coast medium sour market by encompassing both domestic and import grades consumed by regional refiners. LOOP Sour is a blend of crudes, which ensures diversity of supply and sellers, and the presence of an auction for LOOP Sour storage ensures the grade is accessible by a host of market participants.

Where is Platts publishing the LOOP Sour assessment?

The Platts LOOP Sour crude assessment is published through Platts Global Alert, a real-time price and news service, as well as in Platts Crude Oil Marketwire, Platts Oilgram Price Report, and Platts North American Crude and Products Scan, which are daily newsletters that provide detailed market information on global crude oil prices, trade updates, market

commentary and analysis, futures settlement prices and much more.

The assessment will be published via the following database codes:

Assessment	Code	Mavg
LOOP Sour Crude Mo01	AALSM01	AALSR03
LOOP Sour Crude Mo02	AALSM02	AALSS03
LOOP Sour Crude Mo03	AALSM03	AALSV03

Where can I find more details on the Platts LOOP Sour crude assessment?

Platts is also publishing a special report in March 2017 on LOOP Sour and the greater US Gulf Coast crude oil market. A Platts editor also discusses the grade in a video available on the Platts website. In addition, Platts regularly writes news articles and analysis on the grade, which are published through Platts real-time news service Platts Global Alert and in daily publications.

More information about Platts crude oil methodology can be found at the following link: <https://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/Crude-oil-methodology.pdf>.

S&P Global Platts

For more information, please visit us online or speak to one of our sales specialists:

www.platts.com | support@platts.com

NORTH AMERICA
+1-800-PLATTS8 (toll-free)
+1-212-904-3070 (direct)

EMEA
+44-(0)20-7176-6111

LATIN AMERICA
+55-11-3371-5755

ASIA-PACIFIC
+65-6530-6430

RUSSIA
+7-495-783-4141