

Methodology for DES Shandong Imported Crude Assessments

JLC started publishing assessments on imported crude prices on a delivered ex-ship (DES) basis in Shandong on December 2, 2019. The first published assessments include prices for imported Russian ESPO Blend, Brazilian Lula and Congolese Djeno, followed by assessment on the Oman crude price.

Over the past six months, the assessments have been widely recognized by market participants including refineries, foreign producers, foreign and domestic traders, which also received lots of valuable suggestions. JLC reviewed the price assessments and revised, updated some details on the methodology for DES Shandong Imported Crude Assessments. JLC decided to start to publish assessment on imported Norwegian Johan Sverdrup (JS) crude from July 1 2020.

JLC will strictly follow the principles in the methodology in assessing the imported crude prices, aiming to make reliable and veritable assessments that can objectively reflect spot crude market in Shandong. JLC have been assessing the commodities prices with following the principles -- timely, comprehensively and accurately collecting prices and related information; processing prices with objective, scientific attitudes and profession skills; publishing assessments openly, impartially and transparently.

Assessments principles

JLC assesses the crude prices in a range form, with assessments publishing as a low, high and average value for each grade.

The assessments prioritize prices for deals done and centralize the range for most of the traded deals if there are lots of deals done. The crude prices will be assessed based on offers, bids, and willingness to sell and/or buy in the market, if no transactions are reported done.

DES Shandong crude grades

JLC published assessments for five grades of imported crude -- ESPO Blend, Lula, Djeno, Oman and JS on a delivered ex-ship (DES) basis.

The crude assessments reflect cargoes of 100,000 mt for ESPO Blend, 200,000-300,000 mt for Lula, Djeno, Oman and JS crude imports to be traded on a DES basis at main ports in Shandong. The assessment sizes are in line with those of typical carriers taking each of them to Shandong. The traded deals with smaller sizes will be normalized to the standard deals and taken into account when assessing the prices.

Specifications and sizes for assessed crude					
Crude	Specification		Size ('000 barrel)		Basis/ Location
	API	Sulfur content (%)	Minimum	Maximum	
ESPO Blend	35.8-36.1	0.51-0.52	730	740	DES/Shandong
Lula	28.8-31.1	0.36-0.50	1,460	2,190	DES/Shandong
Djeno	26.5-27.6	0.25-0.34	1,460	2,190	DES/Shandong
Oman	28.1-32.7	1.31-1.52	1,460	2,190	DES/Shandong
JS (Johan Sverdrup)	28.5-29.4	0.78-0.88	1,460	2,190	DES/Shandong

Assessments for delivery and rollover timings

JLC assesses all of the crude prices on a monthly basis, two months ahead, with the different rollover dates for each grade.

ESPO Blend: JLC assesses price of ESPO Blend to be delivered in the second forward month ahead of the day of publication, with a rollover date on the 1st trading day in the second half of a month, mostly the 16th day of the month. This is in line with the way for trading the crude grade in spot market. The assessment size is set at some 730,000-740,000 barrels (about 100,000 mt) for a deal.

Lula crude: JLC assesses price of Lula crude for delivery in the second forward calendar month ahead of the day of publication, with a rollover date on the 2nd trading day of the month. Assessment size is set at some 1.46-2.19 million barrels (200,000-300,000 mt) for a deal.

Djeno crude: JLC assesses price of Djeno crude for delivery in the second forward calendar month ahead of the day of publication, with a rollover date on the 2nd trading day of the month. Assessment size is set at some 1.46-2.19 million barrels (200,000-300,000 mt) for a deal.

Oman crude: JLC assesses price of Oman crude for delivery in the second forward calendar month ahead of the day of publication, with a rollover date on the 2nd trading day of the month. Assessment size is set at some 1.46-2.19 million barrels (200,000-300,000 mt) for a deal.

JS crude: JLC assesses price of Johan Sverdrup crude for delivery in the second forward calendar month ahead of the day of publication, with a rollover date on the 2nd trading day of the month. Assessment size is set at some 1.46-2.19 million barrels (200,000-300,000 mt) for a deal.

Delivery location

JLC's crude assessments are for the imported crude delivering at Huangdao and Dongjiakou ports in Qingdao, and the ports of Longkou, Laizhou, Rizhao and Yantai. Traded deals with smaller size at Dongying and other Shandong ports will be normalized and taken into account for the assessments.

Information sources for assessments

JLC assesses the crude prices based on the information collected from domestic refineries, foreign producers, domestic and foreign traders and other market participants.

Assessment types

JLC assesses imported crude grades on a floating price basis and outright basis.

The floating prices are assessed as differentials against frontline ICE Brent futures, the prevailing way that most of the imported crude cargoes are traded in Shandong. The assessments are based on the forward Brent futures contract two months ahead of the crude delivery date.

The outright prices assessments are in \$/bbl and CNY/mt respectively. The assessments in \$/bbl reflect values that are calculated with premiums/discounts in the floating price assessments on the day and overnight settlement price for the adopted Brent contract. The outright price assessments in CNY/mt are the equivalents that are converted from the outright prices in \$/bbl with the metric ton/barrel conversion ratios for each grade and US dollar-yuan rate on the day.

Payments

The payment item for the crude assessments are for trade with payment due 30 days after notice of readiness (NOR) at the unloading port.

Publication schedule

JLC publishes the daily-basis crude assessments at 16:00-17:00 Beijing time, on each working day except for China and Singapore public holidays.