

# CME Group and the Benefits of the Tighter WTI Specifications

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COQA – CCQTA Joint Meeting



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# Agenda

- Update on the Phase-in of the additional WTI tests
- The benefits of adopting the COQA WTI specs
  - Mid-continent Refiners benefit from stable and certain quality
  - Stable WTI Quality will transform the global market
  - A “New Era” will dawn for global refiners
    - Uniform and stable WTI quality will drive efficiency in the global market
    - New supply sources will increase competition globally
    - A massive fungible pool of stable WTI will energize the global marketplace

# Brief History of the WTI Spec Change

## 2010

- Initial concerns emerge about the impact of Canadian imports on US crude oil quality
- The U.S. Crude Oil Quality Association (COQA) makes recommendations related to WTI quality specs for discussion and adoption by the refiners and pipeline operators

## 2016

- As concerns increase about WTI quality, COQA creates a Domestic Sweet Monitoring Program Subcommittee to analyze and publish data on the current quality of WTI
- CME Group becomes a funding member of the Domestic Sweet Monitoring Program, and actively supports testing efforts in collaboration with its oil industry customers

## 2017

- Over 100 random samples of Domestic Sweet were analyzed and reviewed
- Terminal operators Enterprise and Enbridge approve the new tests
- **On Monday 11 December, CME Group announced the revision of the WTI rulebook to adopt the new tests effective from January 2019 (12 months notice)**

## 2019

- **The revised WTI rulebook will come into effect for the January 2019 contract month**

# Update on the Phase-in of WTI tests

- On-track for Jan 2019 start for the additional WTI tests
- Cushing Terminals doing additional testing to prepare
  - Enterprise has stepped up quality assurance program
  - Enbridge and Plains continue their enhanced testing
- Enforcement will be handled by the Cushing terminals
  - CME will defer to the expertise of the terminal operators
- Cushing Terminals will be fully-prepared in Jan 2019

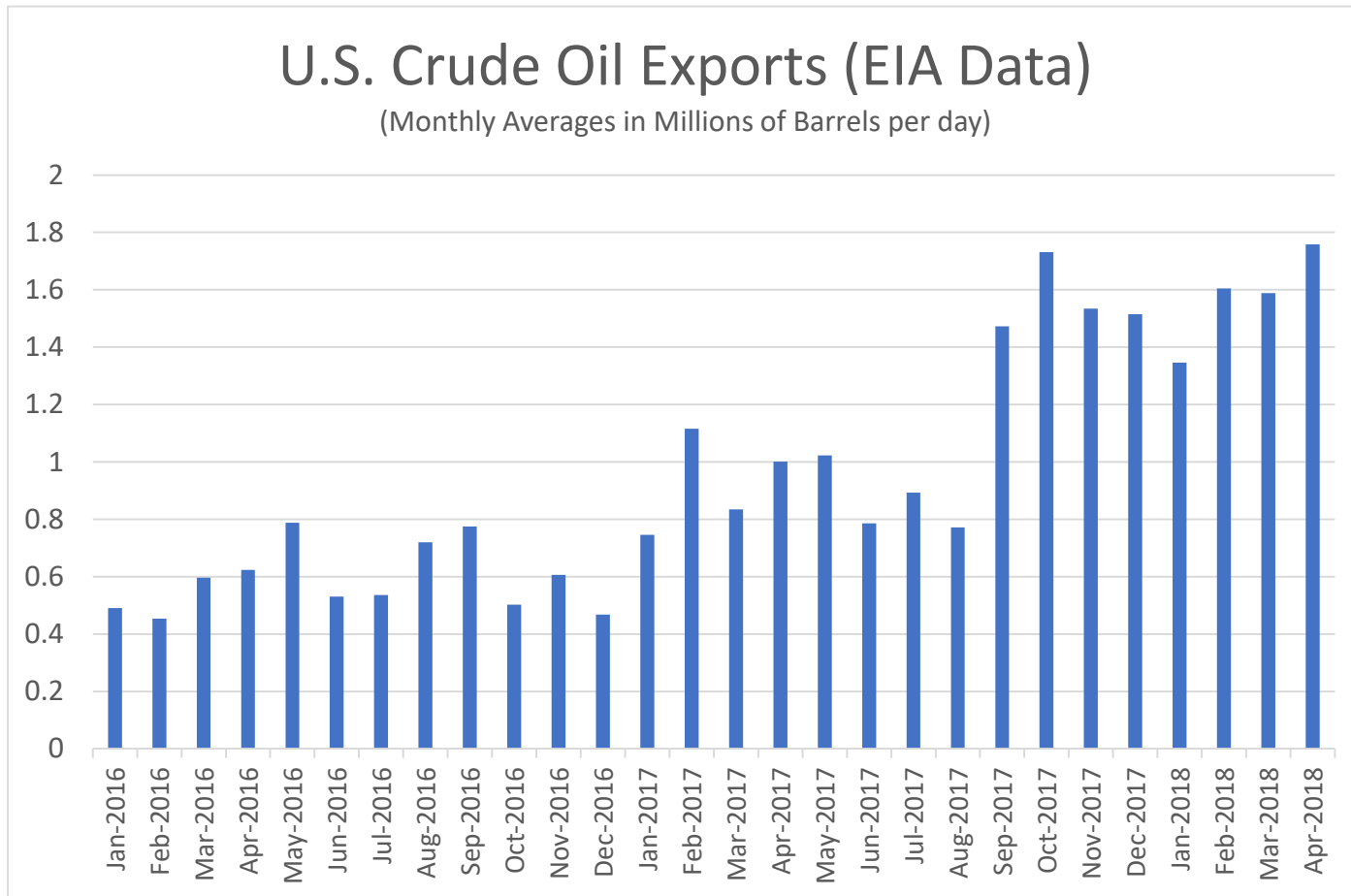
# Benefits of adopting the additional WTI tests

- Mid-continent Refiners benefit from stable quality and certainty
- Stable WTI quality will **transform** the global marketplace
  - Uniform WTI quality will drive the Export market
    - Why? Global refiners will benefit just like Mid-con refiners
    - Uniform and Fungible WTI pool will promote efficiency and transparency in the market like never before
    - Better Transparency with [crudemonitor.us](http://crudemonitor.us)

# Stable WTI quality will transform the global market

- A fungible pool of stable WTI will energize the Asian and European refiners who are thirsty for new supply sources
- Over 4 million barrels per day of WTI-type crude oil is produced in Permian, Eagle Ford, Bakken, DJ Niobrara, and Oklahoma
- Stable and certain WTI quality will create a powerhouse in the global marketplace with a **massive** fungible pool of crude oil
- Uniformity in WTI quality will drive efficiency in the Export market with more competition and transparency like never before
- A “New Era” will dawn for global refiners

# It is Happening Already: U.S crude oil exports surge



Source: EIA

# Infrastructure is expanding to meet the export surge

**HOUSTON In-Bound Pipeline Capacity: 3.3 Million Barrels/Day**

Incoming Pipelines	Capacity	Owner
Seaway Pipeline (from Cushing)	850,000	Enterprise/Enbridge
MarketLink Pipeline (from Cushing)	700,000	TransCanada
Dakota Access Pipeline (DAPL)	520,000	Energy Transfer Partners
BridgeTex Pipeline (from Midland, TX)	350,000	Magellan
Longhorn Pipeline (from Midland, TX)	250,000	Magellan
Enterprise Eagle Ford Pipeline	350,000	Enterprise
Kinder Morgan Pipeline (from Eagle Ford)	250,000	Kinder Morgan

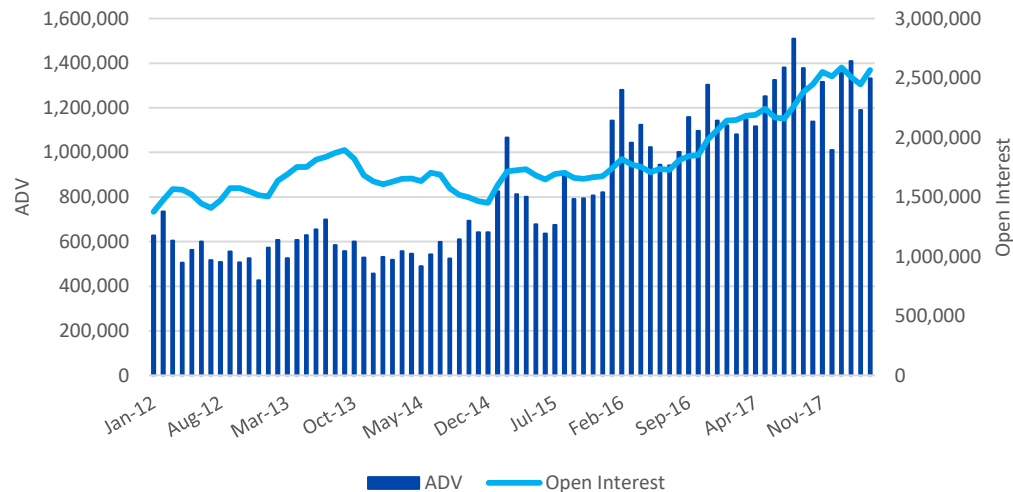
Source: EIA



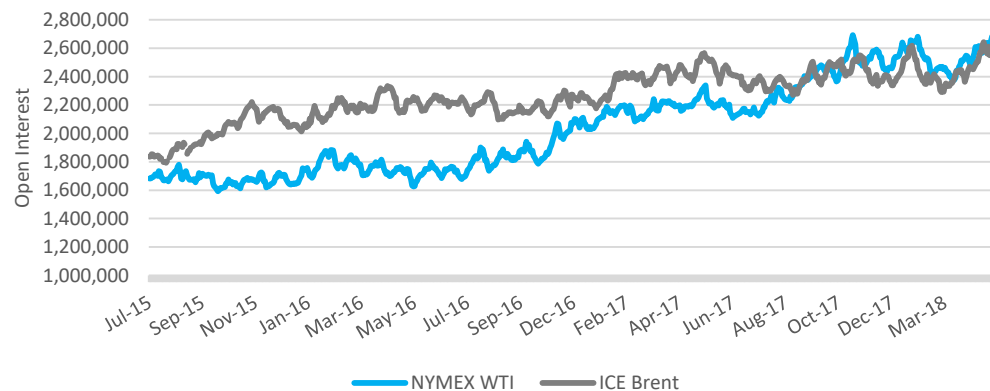
# WTI Futures: Global Crude Oil Benchmark

- WTI Crude Oil Futures (CL) broke the single-day open interest record this month with **2,706,686** lots outstanding on May 11, 2018
- Average open interest this month, May 2018, is currently at **2.68MM** lots MTD, a new record
- Volume remains strong with **1.33MM** WTI Futures contracts traded per day in 2018 YTD
- Monthly average daily volume in CL **+18%** in Q1 2018 vs. Q1 2017

WTI Futures Volumes Climb and Open Interest Hits Record Levels



NYMEX WTI Open Interest Surpasses ICE Brent's as International Markets Push for WTI Hedge



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## Domestic Sweet Blend (DSW)

**What is Domestic Sweet Blend crude?**

Domestic Sweet Crude Oil is the CME (NYMEX) benchmark conventionally produced light sweet crude offered for contract sale at Cushing, OK.

Domestic Sweet is a fully blended aggregate of many feeder streams and only begins its existence in blend tanks in Cushing, OK. It is often confusingly referenced on crude price reports as West Texas Intermediate (WTI), which in fact is one of the feeder streams to Domestic Sweet Crude Oil.

Existing contract quality requirements are listed in the [NYMEX Rulebook Section 200](#). The COQA has proposed the addition of the [attached specifications](#) to CME Section 200.

**COQA Recommended Analysis**

Property	Most Recent Sample	6 Month Average	1 Year Average	5 Year Average
<input type="checkbox"/> Gravity ( $^{\circ}$ API)	41.70	41.34	41.46	41.32
<input type="checkbox"/> Density ( $kg/m^3$ )	816.3	817.8	817.3	818.0
<input type="checkbox"/> Sulfur (wt%)	0.400	0.394	0.402	0.396
<input type="checkbox"/> MCR (wt%)	1.71	1.79	1.86	1.79
<input type="checkbox"/> TAN (mgKOH/g)	0.10	ND	ND	ND
<input type="checkbox"/> Nickel (mg/kg)	4.47	4.88	4.93	4.83
<input type="checkbox"/> Vanadium (mg/kg)	12.20	14.22	14.41	13.57
<input type="checkbox"/> 220 $^{\circ}$ F minus (HTSD mass%)	17.4	16.3	17.2	17.0
<input type="checkbox"/> Temp at 50 mass% ( $^{\circ}$ F)	553.5	542.9	519.4	519.2
<input type="checkbox"/> 1020 $^{\circ}$ F resid (HTSD mass%)	16.8	15.6	13.3	13.1

\*ND indicates a tested value below the instrument threshold.

**Most Recent Sample Comments:**  
DSW-140, Dec 21, 2017

The December 21st sample of Domestic Sweet Blend saw increased butanes. Merged simulated distillation results showed a larger residue and smaller distillate compared to normal.

[Last 6 Samples](#)

[Monthly Reports](#)

**Distillation**

HTSD
 

[Most Recent Sample](#)  
[Historical Average](#)

**Light Ends Summary**

Property (vol%)	Most Recent Sample	6 Month Average	1 Year Average	5 Year Average

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