

Argus Crude Summit Review

Presentation to the
Crude Oil Quality Association
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Argus Crude Summit Overview

- Pre-sessions
 - Mexico's Energy Reform
 - Gala Dinner – Resets & Relapses (Africa, Middle East)
- Sessions (8 versus last year's 6)
 - Price/production Balancing Act
 - Transportation
 - Latin America
 - Canadian Heavy Pushes South
 - Bracing for Change – Panel discussion
 - Crude absorption
 - Brent/WTI arbitrage
 - Quality Counts

Session 1. Price/Production Balancing Act

- **Adam Sieminiski**, Administrator, US Energy Information Administration
 - Shale oil is too light, splitters/toppers/stabilizers needed to heavy up domestic production
 - Need \$90/bbl for Canadian production, \$80/bbl for shale oil (producers could survive \$60/bbl, nat gas \$6 in next decade)
- **Joe Leto**, President, Energy Industry Analytics
 - In 2017 US hits mogas “wall” → products to export
- **Glenn Simpson**, Crude and International Supply, Phillips 66
 - 10% and rising of refinery slate is production area sourced
- **Jeff Kralowetz**, VP Business Development, Argus
 - Where are likely price hubs in the future?

Session 2. Crude Absorption, Americas & Beyond

- **Jacob Dweck**, Partner, Sutherland Asbill & Brennan LLP
 - Criteria for/against US domestic crude exports
- **Seth Kleinman**, Head of Energy Strategy, Citi
 - Europe big loser internationally, watch out impacts of cheap CH₄
- **Joseph Israel**, Senior VP, Hunt Refining
 - US/Canadian production increases push LatAm, Africa, Middle East to Asia and Europe
- **Rick Thomas**, Senior Consultant, Baker & O'Brien
 - New US refinery “kit” for changing crude quality

Session 3. NA Crude Transportation

- **Neil Earnst**, VP and Director, Muse Stancil & Co.
 - Pipeline project review and commentary
- **Beth Whited**, VP and GM – Chemicals, Union Pacific Railroads
 - Bakken moving east/west, Niobrara to Houston
- **Mark Smith**, VP Development, Supply/Logistics, Tesoro Companies Inc.
 - Lowest rail costs to clear Bakken is west coast → Vancouver rail to ship project (300 kbpd)
- **Steve Magness**, Partner, Cogent Energy Solutions, LLC
 - Rail & pipe coexistence and cooperation

Session 4. Bracing for Change Panel Discussion

- Keynote – **Alex Pourbais**, President, Energy and Oil Pipelines, Transcanada Corporation
- **Tom Lloyd**, Director of International Crude Oil Marketing, Hess
- **Joseph Israel**, Senior VP, Hunt Refining
- **Carl Larry**, President, Oil Outlooks and Opinions
- **Jacob Dweck**, Partner, Sutherland Asbill & Brennan, LLP
- **Sarah Emerson**, President, Energy Security Analysis
 - Discussion of unknowns and “what if” scenarios
 - US crude exports? US products exports?
 - Interesting variations of outlook, perspectives and opinions

Session 5. Canadian Heavy Pushes South

- **James Cairns**, VP, Petroleum and Chemicals, CN
 - Connections from Canada into US market
- **Mike Redenbaugh**, Senior Crude Oil Trader, HETCO LLC
 - Rail will move bbls restricted into Chicago
- **Karen Kabin**, VP Business Development, Kinder Morgan Products Pipelines
 - Review of Cochin reversal to move C5+ to WCSB
 - Quality of C5+ a key consideration in sourcing supply

Session 6. Role of Brent/WTI Arbitrage

- Panel Discussion
- **Mike Davis**, Director, Market Development, ICE Futures Europe
- **Gary Morsches**, Managing Director, Energy Products, CME
- **Mike Wittner**, Managing Director, Commodities Research – Americas, Societe General
 - Domestic and international influences and drivers for Brent/WTI differentials
 - Influences of changing US domestic production going forward

Session 7. Outlook for Latin American Crude

- **Sergio Guaso**, Deputy Director of Business Development, Pemex Exploracion y Produccion
 - Mexico's Energy Reform
 - Details of new legislation and opportunities
- **Bruce Fulin**, Principal Crude Analyst, BG Group
 - Africa big loser in US crude imports, not South America
 - Mexico, Venezuela are holding their own

Session 8. Quality Counts

- **Bill Lywood**, President, Crude Quality Inc
 - Presentation on behalf of the COQA
 - US market moving to greater complexity
 - Hub/terminal blending
 - More crudes of more qualities available
 - Canadian network appears moving to consolidation
 - Rail terminal take away capacity can provide needed volumes and potentially managed quality
- **Kesavalu Bagawandoss**, Corporate Technical Director, Intertek Commodities
 - Sampling, metering, measurement requirements for specific applications

Summary

- Thank you to Argus for the opportunity
 - COQA was Partnering Organization for the Summit and should consider continuing this and other relationships with Argus
- Summit is very well organized, speakers are top quality, topics are varied in type/perspectives
- Favorite line
 - referring to the length of time that Keystone XL has been in study and John Baird's (Canadian Minister) vocal request to “get on with it – make a decision, one way or the other”