CME Group and the Implementation of the WTI Specifications

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COQA Meeting
Update on the Recent Cushing Deliveries

WTI Quality is meeting the new specs

The benefits of adopting the COQA WTI specs

- Refiners benefit from stable and certain quality
- Stable WTI Quality will **transform** the global market
- New supply sources will increase competition globally
Brief History of the WTI Spec Change

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 December 11, 2017 CME Group announced the revision of the WTI rulebook to adopt the new tests effective starting on January 2019 (12 months notice)

2019
• The revised WTI specifications came into effect starting with January 2019 contract month
• WTI deliveries are complying with the new specifications in 2019
Five New Additional Tests

- Micro Method Carbon Residue: 2.40% or less by mass; as determined by ASTM Standard D4530-15, or its latest revision;

- Total Acid Number (TAN): 0.28 mg KOH/g or less as determined by the first inflection point; using ASTM Standard D664-11a (2017), or its latest revision;

- Nickel: 8 parts per million (ppm) or less by mass; as determined by ASTM Standard D5708-15, Test Method B, or its latest revision;

- Vanadium: 15 ppm or less by mass; as determined by ASTM Standard D5708-15, Test Method B, or its latest revision;

- High-Temperature Simulated Distillation (HTSD) as determined by ASTM Standard D7169-16, or its latest revision, as follows:
  - (a) Light Ends <220°F by HTSD: Not more than 19% by mass;
  - (b) 50% Point by HTSD: 470°F-570°F;
  - (c) Vacuum Residuum >1020°F by HTSD: Not more than 16% by mass.
Update on the Phase-in of WTI tests

• Cushing WTI-type crude oil complying with the additional WTI tests
• Cushing Terminals conducting additional testing
• Delivery Volumes in 2019 on Par with 2018 so far
• Cushing Terminals performed well during Phase-in period
NYMEX Light Sweet Crude Oil Futures

Physical Delivery Volume after Expiry
(Volume shown in Thousands of Barrels)

- JAN
- FEB
- MARCH
- APRIL
- MAY
- JUNE
- JULY
- AUG
- SEPT
- OCT
- NOV
- DEC

- 2018
- 2019
Benefits of adopting the additional WTI tests

• Refiners benefit from stable quality and certainty
  
• Stable WTI quality will **benefit** the global marketplace
  
  • Uniform WTI quality will drive the Export market
  
  • Why? Global refiners have new supply source

  • Uniform and Fungible WTI pool will promote efficiency and transparency in the market

  • Better Transparency with 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

- **Nearly 7 million barrels per day** of WTI-type crude oil produced in Permian, Eagle Ford, Bakken, DJ Niobrara, and Oklahoma

- **4.5 million barrels per day** produced in the Permain and Eagle Ford

- 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
U.S crude oil exports surge
NYMEX WTI Houston Futures

- Features waterborne or terminal delivery FOB Houston for WTI export cargoes.
- Export Quality Specifications:
  - API Gravity of 40 to 44 Degrees
  - Sulfur 0.275% maximum
  - Vanadium metal content of 4 parts per million (ppm) maximum
- Delivery at three Houston terminals operated by Enterprise Products LP:
  - Enterprise’s Echo terminal
  - Enterprise Houston Ship Channel terminal
  - Enterprise’s Genoa Junction
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