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DME APPLIES TO ADD MURBAN CRUDE TO OMAN FUTURES CONTRACT

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Dubai — Dubai Mercantile Exchange has applied for regulatory approval to consult the market to potentially add Murban crude to its DME Oman futures contract to help prevent price spikes impacting the benchmark, Paul Young, Head of Energy Products at the DME, said Monday.

Speaking at the Middle East Petroleum & Gas Conference in Dubai, Young said a regulatory review of the concept could run for 30 days, but this could be extended if market feedback warrants a more in-depth review.

The Dubai Financial Services Authority is evaluating the application, a source close to the discussion said in Dubai Tuesday. Once approved, the DME will begin its consultation process with the market.

It is understood that the exchange is considering adding Murban as an alternative delivery to Oman Blend in settlement of its Oman contract, without any financial adjustment such as a quality premium. Murban typically trades at a premium of \$1/barrel or more to Oman in the spot market, reflecting its generally higher quality.

A spokesperson for the Dubai regulator was not immediately available for comment Tuesday.

DME has been looking at an alternative delivery grade to DME Oman as a means of managing occasional price spikes, particularly when a contract nears expiry at the end of the month as buyers and sellers of Oman crude look to cover outstanding positions, market participants say.

The Platts Oman crude assessment methodology includes Murban as an alternative delivery grade with a quality premium. On January 4, 2016, Platts added Murban as alternative delivery crude in its Dubai and Oman crude oil benchmarks.

Last September, The DME Oman crude price rose to record highs against key benchmarks on strong demand from Asian end-users and as market participants looked to cover commitments.

DME Oman reached a premium of \$6.79/b to ICE Brent on September 26, 2018 -- the highest since Platts started publishing the daily marker price on December 10, 2007. Traders attributed the volatility in the Middle Eastern crude futures contract at the time to low end-of-month liquidity as well as firm demand from Chinese independent refiners.