

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-168

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: **DCM** **SEF** **DCO** **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 05/11/23 **Filing Description:** Increase of Spot Month Position Limits of Three (3) Brent Futures Contracts and Related Amendments to Aggregated Futures and Options Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: See filing.

May 11, 2023

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**Re: CFTC Regulation 40.6(a) Certification. Increase of Spot Month Position Limits of Three (3) Brent Futures Contracts and Related Amendments to Aggregated Futures and Options Contracts.
NYMEX Submission No. 23-168**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) an increase of spot month position limits of three (3) Brent futures contracts (the “Parent Contracts”) and related amendments to aggregated futures and options of the Parent Contracts (the “Child Contracts”) as noted in the Tables 1., 2. and 3. below (collectively the “Rule Amendments”) effective on June 1, 2023.

Table 1.

Contract Title	Rulebook Chapter	CME Globex/ CME Clearport Code	Current Spot Month Position Limit	Increased Spot Month Position Limit
Parent Contract				
Brent Crude Oil Last Day Financial Futures	698	BZ	5,000	<u>7,000</u>
Child Contracts				
Brent Calendar Spread Option (One Month)	394	AA	5,000	<u>7,000</u>
Brent Calendar Spread Option (Two Month)	394	AB	5,000	<u>7,000</u>
Brent Calendar Spread Option (Three Month)	394	AC	5,000	<u>7,000</u>
Brent Calendar Spread Option (Six Month)	394	AM	5,000	<u>7,000</u>
Brent Calendar Spread Option (Twelve Month)	394	AZ	5,000	<u>7,000</u>
Brent Crude Oil Option	376	OS/OSX	5,000	<u>7,000</u>
Brent Crude Oil European Financial Option	378	BE	5,000	<u>7,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (One Month)	398	9C	5,000	<u>7,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (Six Month)	398	9L	5,000	<u>7,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (Three Month)	398	9D	5,000	<u>7,000</u>

Brent Crude Oil Last Day Financial Calendar Spread Option (Twelve Month)	398	9Y	5,000	<u>7,000</u>
Brent Crude Oil Last Day Financial Calendar Spread Option (Two Month)	398	9B	5,000	<u>7,000</u>
Brent Crude Oil Futures-Style Margin Option	504	BZO	5,000	<u>7,000</u>
Brent Crude Oil Weekly Option - week 1	1007	BW1	5,000	<u>7,000</u>
Brent Crude Oil Weekly Option - week 2	1007	BW2	5,000	<u>7,000</u>
Brent Crude Oil Weekly Option - week 3	1007	BW3	5,000	<u>7,000</u>
Brent Crude Oil Weekly Option - week 4	1007	BW4	5,000	<u>7,000</u>
Brent Crude Oil Weekly Option - week 5	1007	BW5	5,000	<u>7,000</u>

Table 2.

Contract Title	Rulebook Chapter	CME Globex/ CME Clearport Code	Current Spot Month Position Limit	Increased Spot Month Position Limit
Parent Contracts				
Brent Crude Oil Penultimate Financial Futures	692	BB	5,000	<u>7,000</u>
Child Contracts				
3.5% Fuel Oil Barges FOB Rdam (Platts) Crack Spread (1000mt) Futures	141	BOB/BOO	500/5,000	500/ <u>7,000</u>
1.0% Fuel Oil Cargoes FOB NWE (Platts) Crack Spread (1000mt) Futures	142	FVB	150/5,000	150/ <u>7,000</u>
Low Sulphur Gasoil Crack Spread (1000mt) Financial Futures	143	GOC	1,500/5,000	1,500/ <u>7,000</u>
Argus Gasoline Eurobob Oxy Barges NWE Crack Spread (1000mt) Futures	146	EOB	500/5,000	500/ <u>7,000</u>
Naphtha Cargoes CIF NWE (Platts) Crack Spread (1000mt) Futures	148	NOB/NOO	500/5,000	500/ <u>7,000</u>
Naphtha Cargoes CIF NWE (Platts) Crack Spread (1000mt) BALMO Futures	149	NBB	500/5,000	500/ <u>7,000</u>
Singapore Fuel Oil 380cst (Platts) Brent Crack Spread (1000mt) Average Price Option	252	SCO	500/5,000	500/ <u>7,000</u>
3.5 % Fuel Oil Barges FOB Rdam (Platts) Crack Spread (1000mt) Futures-Style Margined Average Price Option	253	BCO	500/5,000	500/ <u>7,000</u>
LLS (Argus) vs. Brent BALMO Futures	314	LBB	3,000/5,000	3,000/ <u>7,000</u>
LLS (Argus) vs. Brent Financial Futures	317	LLR	3,000/5,000	3,000/ <u>7,000</u>
WTI-Brent Crude Oil Spread Option	377	BV/ABV	N/A/5,000	N/A/ <u>7,000</u>
Brent Crude Oil Average Price Option	379	BA	5,000	<u>7,000</u>
Brent Crude Oil BALMO Futures	481	J9/AJ9	5,000	<u>7,000</u>
Gasoline Euro-bob Oxy NWE Barges (Argus) Crack Spread Average Price Option	530	GCE	500/5,000	500/ <u>7,000</u>
RBOB Gasoline Brent Crack Spread Average Price Option	545	RBC	2,000/5,000	2,000/ <u>7,000</u>

Japan C&F Naphtha (Platts) Brent Crack Spread Futures	580	JB/AJB	500/5,000	500/ <u>7,000</u>
European Naphtha (Platts) Crack Spread BALMO Futures	636	43/A43	500/5,000	500/ <u>7,000</u>
WTI-Brent Bullet Futures	693	BY/ABY	NA/5,000	N/A/7,000
WTI-Brent Financial Futures	694	BK	6,000/5,000	6,000/ <u>7,000</u>
Dated Brent (Platts) to Frontline Brent Futures	695	FY/AFY	5,000/5,000	<u>7,000/7,000</u>
Brent Financial Futures	696	CY	5,000	<u>7,000</u>
Brent Crude Oil vs. Dubai Crude Oil (Platts) Futures	697	DB/ADB	5,000/ 5,000	<u>7,000</u> /5,000
European Low Sulphur Gasoil Brent Crack Spread Futures	710	GZ	1,500/5,000	1,500/ <u>7,000</u>
European Low Sulphur Gasoil Brent Crack Spread Average Price Option	710A	3U/A3U	1,500/5,000	1,500/ <u>7,000</u>
European Naphtha (Platts) Crack Spread Futures	713	EN	500/5,000	500/ <u>7,000</u>
3.5% Fuel Oil Barges FOB Rdam (Platts) Crack Spread Futures	726	FO	500/5,000	500/ <u>7,000</u>
1% Fuel Oil Cargoes FOB NWE (Platts) Crack Spread Futures	727	FI/AFI	150/5,000	150/ <u>7,000</u>
Gasoline Euro-bob Oxy NWE Barges (Argus) Crack Spread Futures	732	7K/T7K	500/5,000	500/ <u>7,000</u>
Gasoline Euro-bob Oxy NWE Barges (Argus) Crack Spread BALMO Futures	733	7I/A7I	500/5,000	500/ <u>6,000</u>
3.5% Fuel Oil Cargoes FOB MED (Platts) Crack Spread Futures	735	FL	150/5,000	150/ <u>7,000</u>
Singapore Fuel Oil 180cst (Platts) Brent Crack Spread (1000mt) Futures	749	SF1	400/5,000	400/ <u>7,000</u>
Brent Option on Calendar Futures Strip	826	BPC	5,000	<u>7,000</u>
Brent Option on Quarterly Futures Strip	827	BQP	5,000	<u>7,000</u>
Dated Brent (Platts) to Frontline Brent BALMO Futures	831	FE/AFE	5,000/5,000	<u>7,000/7,000</u>
Daily Brent Crude Oil Option	870	ODB	5,000	<u>7,000</u>
Mini 3.5% Fuel Oil Barges FOB Rdam (Platts) Crack Spread (100mt) Futures	987	MFR	500/5,000	500/ <u>7,000</u>
Mini 1% Fuel Oil Cargoes FOB NWE (Platts) Crack Spread (100mt) Futures	988	MNS	150/5,000	150/ <u>7,000</u>
Mini Brent Financial Futures	992	MBC	5,000	<u>7,000</u>
Gasoline Eurobob Non-Oxy NWE Barges (Argus) Crack Spread Futures	1029	GNS	150/5,000	150/ <u>7,000</u>
Brent (Euro Denominated) Financial Futures	1055	IBE	5,000	<u>7,000</u>
Jet Fuel Cargoes CIF NWE (Platts) Crack Spread Futures	1056	JFC	300/5,000	300/ <u>7,000</u>
Jet Fuel Cargoes CIF NWE (Platts) Crack Spread BALMO Futures	1057	JFB	300/5,000	300/ <u>7,000</u>
European Low Sulphur Gasoil Brent Crack Spread BALMO Futures	1060	ESB	1,500/5,000	1,500/ <u>7,000</u>

Low Sulphur Gasoil Crack Spread (1000mt) BALMO Financial Futures	1061	ESS	1,500/5,000	1,500/ <u>7,000</u>
Singapore Mogas 92 Unleaded (Platts) Brent Crack Spread Futures	1085	1NB/DN1	1,000/5,000	1,000/ <u>7,000</u>
Brent Crude Oil vs. Dubai Crude Oil (Platts) BALMO Futures	1087	BDB	5,000/5,000	<u>7,000</u> /5,000
Singapore Fuel Oil 180 cst (Platts) 6.35 Brent Crack Spread Futures	1093	STR	400/5,000	400/ <u>7,000</u>
RBOB Gasoline Brent Crack Spread Futures	1096	RBB	2,000/5,000	2,000/ <u>7,000</u>
NY Harbor ULSD Brent Crack Spread Futures	1097	HOB	2,000/5,000	2,000/ <u>7,000</u>
Gulf Coast HSFO (Platts) Brent Crack Spread Futures	1098	GCI	1,000/5,000	1,000/ <u>7,000</u>
New York Harbor ULSD Brent Crack Spread Average Price Option	1099	HBO	2000/5000	2,000/ <u>7,000</u>
Singapore Fuel Oil 380cst (Platts) Brent Crack Spread (1000mt) Futures	1110	SF3	500/5,000	500/ <u>7,000</u>
Brent (Singapore Marker) Futures	1122	IBS	5,000	<u>7,000</u>
LLS (Argus) vs. Brent Crude Oil Average Price Option	1129	LRO	3,000/5,000	3,000/ <u>7,000</u>
Mini Argus Gasoline Eurobob Oxy Barges NWE Crack Spread (100mt) Futures	1175	MAC	500/5,000	500/ <u>7,000</u>
Gasoline 10 ppm FOB MED (Platts) Crack Spread Futures	1198	GKS	100/5,000	100/ <u>7,000</u>
3.5% Fuel Oil Barges FOB Rdam (Platts) Crack Spread BALMO Futures	1204	FCB	500/5,000	500/ <u>7,000</u>
3.5% Fuel Oil Cargoes FOB MED (Platts) Crack Spread BALMO Futures	1205	FOA	150/5,000	150/ <u>7,000</u>
WTI Trade Month Financial Futures	1231	TBK	3,000/5,000	3,000/ <u>7,000</u>
WTI Houston (Argus) vs. Brent Trade Month Futures	1311	WHB	3,000/5,000	3,000/ <u>7,000</u>
WTI Houston (Argus) vs. Brent Calendar Month Futures	1312	WBR	3,000/5,000	3,000/ <u>7,000</u>
WTI Midland (Argus) vs. Brent Trade Month Futures	1313	WMB	3,000/5,000	3,000/ <u>7,000</u>
WTI Midland (Argus) vs. Brent Calendar Month Futures	1314	WMR	3,000/5,000	3,000/ <u>7,000</u>
Mars (Argus) vs. Brent Trade Month Futures	1319	MBM	3,000/5,000	3,000/ <u>7,000</u>
Mars (Argus) vs. Brent Calendar Month Futures	1320	MAB	3,000/5,000	3,000/ <u>7,000</u>

Table 3.

Contract Title	Rulebook Chapter	CME Globex/ CME Clearport Code	Current Spot Month Position Limit	Increased Spot Month Position Limit
Parent Contract				
Dated Brent (Platts) Financial Futures	647	UB	5,000	<u>7,000</u>
Child Contracts				
Urals Med (Platts) vs. Dated Brent (Platts) CFD Futures*	226	UMD	1,500/5,000	<u>1,500/7,000</u>
Urals North (Platts) vs. Dated Brent (Platts) CFD Futures*	227	UNS	4,000/5,000	<u>4,000/7,000</u>
CPC Blend CIF Med Cargoes (Platts) vs. Dated Brent (Platts) Futures	228	CPD	4,000/5,000	<u>4,000/7,000</u>
Dated Brent (Platts) vs. Brent Second Month (BFOE) (Platts) Daily CFD Futures	316	59/A59	5,000/5,000	<u>7,000/7,000</u>
Dated Brent (Platts) vs. Brent First Month (BFOE) (Platts) Daily CFD Futures	699	6W/A6W	5,000/5,000	<u>7,000/7,000</u>
Dated Brent (Platts) Daily Futures	714	7G/A7G	5,000	<u>7,000</u>
WTI vs. Dated Brent (Platts) Calendar Month Futures	813	CLD	6,000/5,000	<u>6,000/7,000</u>
WTI vs. Dated Brent (Platts) Average Price Option	821	CLR	6,000/5,000	<u>6,000/7,000</u>
Dated Brent (Platts) to Frontline Brent BALMO Futures	831	FE/AFE	5,000/5,000	<u>7,000/7,000</u>
Mini Dated Brent (Platts) Financial Futures	993	MDB	5,000	<u>7,000</u>
Dated Brent (Platts) Average Price Option	1078	DBP	5,000	<u>7,000</u>
Dated Brent (Platts) BALMO Futures	1193	DBB	5,000	<u>7,000</u>
Urals Med (Platts) vs. Dated Brent (Platts) CFD BALMO Futures*	1214	UMB	1,500/5,000	<u>1,500/7,000</u>
Urals North (Platts) vs. Dated Brent (Platts) CFD BALMO Futures*	1215	UNB	4,000/5,000	<u>4,000/7,000</u>
CPC Blend CIF Med Cargoes (Platts) vs. Dated Brent (Platts) BALMO Futures	1216	CCM	4,000/5,000	<u>4,000/7,000</u>

*Contracts are temporarily [suspended](#) until further notice. Please see NYMEX Submission No. [22-554](#) dated December 16, 2022.

The increased spot month limits for the Brent Crude Oil Last Day Financial Futures contract (Code: BZ) and the related Child Contracts and the Brent Crude Oil Penultimate Financial Futures and the related Child Contracts (Table 1. and Table 2., respectively) shall become effective commencing with the August 2023 contract month (the spot month) and beyond. The increased spot month position limits for the Dated Brent (Platts) Financial Futures contract (Code: UB) and the related Child Contracts (Table 3.) shall become effective commencing with the June 2023 contract month (the spot month) and beyond.

The Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook is being amended to reflect the changes in the position limits for the Contracts (see Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under a separate cover.)

Exhibit B below provides an updated the cash market overview and analysis of deliverable supply for the Parent Contracts.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“Act” or “CEA”) and identified that the Rule Amendments may have some bearing on the following Core Principles:

- **Contract Not Readily Susceptible to Manipulation:** Due to the liquidity and robustness in the underlying physical market, the contracts are not readily susceptible to manipulation.
- **Position Limitations or Accountability:** The speculative position limits for the Contracts as demonstrated in this submission are consistent with the Commission’s guidance.
- **Availability of General Information:** Information regarding the Rule Amendments will be disseminated to the marketplace via a Market Surveillance Notice which will also be posted on the CME Group website.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit B: Cash Market Overview and Analysis of Deliverable Supply

Exhibit A

**NYMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")**

Position Limits, Position Accountability and Reportable Level Table

(attached under separate cover)

Exhibit B

Cash Market Overview and Analysis of Deliverable Supply

New York Mercantile Exchange Inc. (“NYMEX” or Exchange) currently avails for trading and clearing a series of Brent crude oil futures contracts. The Exchange has reviewed the underlying deliverable supply for the core Parent contracts, into which related Child Contracts aggregate.

In June 2022, S&P Global Platts announced changes¹ with support from the industry to amend the delivery terms of Brent to include the US Gulf coast crude oil stream WTI Midland from the June 2023 cash delivery month. Crucially, all crude oil streams that underpin the Brent contract will continue to reflect a FOB loading with associated freight adjustments to be applied to all grades that are sold on a CIF Rotterdam basis. Each grade will be assessed on a freight netback basis to a “synthetic” fob North Sea basis and in line with how they currently assess the other grades in the Brent basket, the cheapest grade to deliver on this basis will set the value of Dated Brent. Cargo sizes are also being amended to 700,000 barrels which better reflects cargoes that are exported out of the US Gulf and aligns more closely with the trend towards larger vessels trading in the Atlantic.

The increased limits shall commence with the July 2023 contract month (the spot month) and beyond for NYMEX’s **Brent Crude Oil Last Day Financial Futures** (Code BZ and rulebook chapter 698) and **Brent Crude Oil Penultimate Financial Futures** (Code BB and rulebook chapter 692). The increased limits shall commence with the May 2023 contract month and beyond for NYMEX’s **Dated Brent (Platts) Financial Futures** (Code UB and rulebook chapter 647).

The addition of Midland crude oil allows for the possibility of higher flows into the Brent market and therefore the Exchange believes that an increase of the spot month position is warranted.

The Exchange recommends the following:

- Increase the spot month position limit of the Parent Contracts: Brent Last Day Financial Futures (Code BZ), Brent Crude Oil Penultimate Financial Futures (Code BB) and the Dated Brent (Platts) Financial Futures (commodity code UB) from 5,000 contracts to 7,000 contracts.
- Adjust the position limits of the Child Contracts as detailed in Exhibit B provided under separate cover.

The North Sea market is comprised of a series of smaller oil fields in the UK and Norwegian North oil sectors. Each of the “satellite fields” connect into the large production systems such as Brent, Forties, Oseberg or Ekofisk. Norwegian crude oil Troll was added to the basket of Brent deliverable streams from January 2018.²

The most important streams in the North Sea are Brent, Forties, Oseberg, Ekofisk and Troll. Each stream has a main operator that is responsible for the day to the day control of the operations including the scheduling of the cargoes based on the production from each of the smaller producing fields. The Brent, Forties, Oseberg, Ekofisk and Troll fields collectively known as BFOET underpins the Brent complex. These crude grades make up the trading of Dated Brent – the international crude oil physical benchmark price. Brent and Forties lie in the UK sector of the North Sea with Ekofisk, Oseberg and Troll in the Norwegian sector.

Production of BFOET has been declining over the past few years due to the cost of drilling and the returns on investment compared to other regions in the world. This was one of the main reasons why the Troll crude stream was added to the Brent basket. All the Brent grades are segregated blends delivered at different locations in the North Sea, and each can be substituted by the seller in the BFOET cash market (“the forward market”).

¹ S&P Global Platts includes WTI Midland into Brent <https://www.spglobal.com/commodityinsights/en/our-methodology/subscriber-notes/060822-platts-to-reflect-700000-barrel-cargo-sizes-in-dated-brent-cash-bfoe-from-june-2023>

² Platts press release – Troll into Brent basket <https://www.platts.com/pressreleases/2017/022017>

In the Brent market there are a series of linked derivatives markets such as the short-term weekly Contract for Difference or CFDs and the longer term dated to frontline or DFL contracts. The exchange of futures for physical or EFP is the direct link between the cash and futures market and the values will tend to fluctuate depending on the relative strength or weakness in the physical Brent market. This mix of derivatives markets allows for different price risks to be fully hedged in liquid markets and supported the further development of dated Brent as a benchmark price. The cash BFOET (including WTI Midland) is assessed on a daily basis and is assessed at more regular intervals on the expiry day of the futures as the cash market trades for full cargo shipments forms the basis of the Brent index, which is used to cash settle the futures contracts in the Brent market.

Cash Brent is the core of the forward market. Cargoes are traded as monthly contracts and do not have specific loading dates attached to them. In other words, the cargoes represent the value of a cash Brent for Brent, Forties, Oseberg, Ekofisk, Troll and the soon to be added WTI Midland for a specific delivery month. The seller has the right to nominate to the buyer of a forward cash BFOET cargo, one of the cargoes within the Brent basket including WTI Midland on a month ahead basis. At this point, cargoes are traded with loading dates attached and therefore, are traded as a dated Brent or dated BFOET (plus Midland cargo). The inclusion of WTI Midland has enabled seller's option to deliver the grade under the terms of the forward contract.

The cash Brent market is essentially a reseller market where buyers either: resell the oil to someone else; transport the cargo and resell it later; or transport the cargo to consume it. This creates chains of contracts, sometimes referred to as "chaining." Typically, there is a chronology of sales and purchases of crude oil in the Brent cash market that starts with a sale from the equity producer in a spot market transaction and finishes with a purchase by an end-user to consume the crude oil. Equity producers typically utilize the robust spot market to sell their BFOET production at the cargo loading terminal, as a "Free on Board" (FOB) delivery. Most of the sales in the Brent market are conducted as spot-market transactions; in fact, Brent cargoes in the physical market are estimated to trade 10 or more times. Traders play an active role in the Brent market as middlemen with the expressed responsibility of reselling the oil. Further, the refiners typically rely on the spot market to purchase Brent crude oil, because there is vibrant liquidity in the spot market, and hence, the refiners have developed a preference for short-term spot market purchases, rather than long-term contracts. This applies to refiners affiliated with equity producers as well as those not affiliated; this is the standard practice, established and institutionalized since the inception of the Brent market in 1988.

To account for the nomination of WTI Midland crude oil into the Brent market, the size of each cargo assessed has been increased from 600,000 to 700,000 barrels to reflect the growing volume of export cargoes from the US Gulf coast.

In the cash Brent forward market, precise loading dates are not provided with cargoes labelled as June BFOET including WTI Midland for example. However, the commercial contracts, which are standardized, underlying the forward market to specify the minimum notification a seller must provide to a buyer is 10 days, but the standard range is between 10 days and month ahead. After a holder of a BFOET including WTI Midland forward notifies the buyer as to the loading date and which stream is being loaded, the contract is now considered to have moved from the forward market to the Dated Brent market, historically this moment is referred to as the cargo going "wet" in other words it has loading dates attached to it and can therefore be sold as a Dated Brent cargo.

Quality adjustments ensure that all the North Sea grades (including WTI Midland) can be delivered to a buyer under the standardized forward contract. There are no plans at this point to include a quality adjustment for WTI Midland crude oil. The process of moving from a forward to the physical market where a forward cargo becomes a physical North Sea Dated Brent cargo happens as follows:

1. Refiners, producers, and traders enter into a forward agreement for a specific month.

2. For the North Sea grades, the relevant operator of each field will announce the loading programs for each contract month a few days prior to the beginning of the month (one month prior) to each loading month (i.e., cargoes in the delivery month start to load).
3. For example, for a June 2023 contract month, the field operators will announce the loading schedules a few days prior to the beginning of April 2023. The equity producers will begin the chain of nominating cargoes to buyers (or they can decide to keep the cargo). A buyer benefiting from a nomination can keep the cargo or pass it to another player with whom it has another forward contract.
4. Buyers trade the cash BFOET plus WTI Midland on the basis that they will accept any cargo as nominated, provided it is done so within the agreed notice period (10 days to month ahead) by 4:00pm London time. Any cargo not nominated by this time will remain with the participant last notified. After 4:00pm London time, the cargo becomes wet physical with precise loading dates attached.
5. Cargoes that are wet physical will be sold as a Dated Brent cargo with cargo loading dates between 10 days and month ahead (forward).
6. Cargoes of WTI Midland are included as one of the delivery grades into the forward market from the June 2023 cash month. Cargoes that are nominated on a CIF delivered Rotterdam basis will have a Freight Adjustment Factor (FAF) applied which allows CIF and FOB cargoes to play an equivalent role in the Dated Brent market. Since WTI Midland loads in the US Gulf Coast, Platts will determine the value of an FOB North Sea cargo of the grade based on 80% of the freight costs for a cargo loading on equivalent dates in the North Sea. For WTI Midland, this FAF will be applied to the sum of the cargo's freight rate from an average of the five established Dated Brent North Sea terminals to Rotterdam and associated port fees.
7. To accommodate the delivery of WTI Midland, S&P Global Platts are in discussions with some of the terminal operators in the WTI Midland crude system to include them into its Dated Brent and cash BFOE market on close assessment process for June 2023. Where a terminal is included, a seller would nominate WTI Midland meeting the Platts specification loaded from a specific terminal for inclusion into the Dated Brent/cash BFOET assessment starting with the June 2023 delivery period. This also mirrors the same process that occurs at all the North Sea terminals. The inclusion of a US terminal is not a pre-requisite to enable the delivery of WTI Midland into the Brent delivery process.

The terms which govern the trading in the cash Brent contract are based on the General Terms and Conditions (GT&Cs) from Shell Supply and Trading. The terms are referred to under SUKO 90 as Stasco BFOETM 2022 which become effective from the June 2023 delivery month. The revised terms allow for the delivery of WTI Midland under the forward contract.³

The quality of the Forties crude oil stream changed in 2007 when a sour crude Buzzard began flowing into the blend that was delivered to the terminal. Buzzard remains the largest field within the forties pipeline system (FPS). Buzzard crude oil is a medium gravity, sour crude oil with an API of 32.6° and a sulphur content of 1.44% therefore the yield is very similar to that of Urals crude. INEOS FPS produces a monthly blend quality on a forward basis as laid out in the table below. They also provide indications to the market about the volume of forties crude oil that is expected to be made available on receipt of the data from all of the individual field operators within the FPS (see table below).

Within the North Sea and beyond, grades are traded as a differential to Dated Brent or as a differential to cash Brent (BFOET). Each of the crude oil grades within BFOET are not the same quality, several adjustments have been made. In 2007 Platts included a sulphur de-escalator for Forties crude oil within its Dated Brent and Brent related instruments. The change was made in response to inclusion of sour crude Buzzard into the Forties pipeline system (see chart 1). The de-escalator of price is applied to deliveries above a minimum sulphur level of 0.6%.

³ Shell https://www.shell.com/business-customers/trading-and-supply/trading/general-trading-terms-and-conditions/jcr_content/root/main/section/simple/call_to_action_18323/links/item2.stream/1677248183140/6ca2dac0476af0ded694dadabc549fe4d9022b8f/stasco-bfoetm-2022-version-1.0.pdf

Every month, S&P Global establishes a USD and cents value de-escalator for every 0.1% of sulphur above the maximum level 0.6% (for Forties crude oil). The value of the de-escalator is established by reviewing evidence of significant and sustained changes in the crude market, as affected by refined products (crack spread values of both heavy fuel oils and light ends) and other relevant factors that affect the economics of Forties crude.

Table 1: The volume of Buzzard crude in the Forties Blend Estimates⁴ (updated April 2023)

Date	Buzzard percentage in Forties	Forties Blend unstabilised crude oil (kbd)
April 2023	22.2%	219.8
May 2023	18.5%	206.4
June 2023	24.1%	225.3
July 2023	22.6%	231.4

The inclusion of WTI Midland into the Brent basket by S&P Global Platts has served to shore up production in the Brent contract with all the grades assessed on a fob basis. WTI Midland is generally offered on a delivered basis Rotterdam, and it is netted back to a fob basis which enables Midland to be valued alongside all the Brent grades on equal pricing terms. It also places WTI Midland on an equivalent fob North Sea pricing basis. The transatlantic freight is deducted from the delivered price in Rotterdam and North Sea freight is added instead.

The latest data from the U.S Energy Information Administration (EIA) shows that the U.S produced 11.9 million barrels per day in 2022. Forecasts show that total volumes could continue to rise and break new records in both 2023 and 2024. Much of the production growth increase is coming from the Permian basin with total production of 5.7 million barrels per day in 2022 and a further increase of 470,000 barrels per day in 2023⁵. U.S crude exports reached 3.6 million barrels per day in 2022 which is around 640,000 barrels more than the previous record set in 2022.⁶ The volume of US crude oil exported to Europe reached just under 1.51 million barrels per day in 2022 and of this around 563,000 barrels per day was exported to Northwest Europe.

Bloomberg LP (“Bloomberg”) provides details of the BFOET loading programs for the grades that comprise the Brent market. Based on the most recent 3-year average of the Bloomberg data on BFOET loadings (from December 2019 to November 2022). To provide a volume of exports to northwest Europe, the Exchange has used data from the US EIA for Belgium, France, Germany, and the Netherlands. A haircut of 50% has been applied to the US crude oil export volumes for France as the data source does not split out the volumes being imported into northwest Europe and the Mediterranean. Therefore, the Exchange has made a conservative assumption that around half the volumes are exported to northwest Europe.

Based on the data, total loadings of Brent (BFOET) crude oil were approximately 785,370 barrels per day, which is equivalent to approximately 23.56 million barrels per month over the 3-year average period to November 2022. Looking at the U.S crude oil export data to Northwest Europe including Rotterdam, the deliverable volume for U.S crude into the region averaged 478,000 barrels per day (including the adjustment of 50% to the French import data) which equates to 14.34 million barrels per month. To account for WTI Midland deliveries only, the total volume of US exports has been reduced by 20% to derive a net WTI Midland import figure of 382,400 barrels per day or 11.472 million barrels per month.

The Bloomberg data, in **Exhibit A**, shows the loaded volume of crude oil for Brent, Forties, Oseberg, Ekofisk and Troll (collectively known as BFOET). The volume of “net” delivered WTI Midland has also been added to this table.

⁴ Ineos Forties Pipeline System – Forties Blend Assay <https://www.ineos.com/businesses/ineos-fps/business/forties-blend-quality/>

⁵ U.S EIA January 2023 – US crude production <https://www.eia.gov/todayinenergy/detail.php?id=55299#:~:text=In%202022%2C%20U.S.%20crude%20oil,our%20forecast%20groth%20in%20production>

⁶ <https://www.eia.gov/todayinenergy/detail.php?id=56020>

The Brent market is priced in USD and cents per barrel. There are two significant Futures contracts based on trading activity in the forward BFOE market. NYMEX and ICE Futures Europe offer trading of Brent Futures on their respective Exchanges.

The cash market is traded in partials of 100,000 barrels or larger full-size cargo transactions of 700,000 barrels. Physical convergence can occur through the partials market mechanism upon the trading of seven parcels with the same counterparty in a single delivery month. If physical convergence does not occur, trades are booked out at the prevailing cash value on the last day of trading day of the cash market for the specific delivery month (this is currently month ahead prior to the 1st loading date of the delivery month). Full sized physical cargo BFOET trades will be used by ICE in the establishment of the Brent Index which is the mechanism by which the futures open on expiry are cash settled.⁷ The ICE Brent Index is a regulated benchmark under the UK Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

The Dated Brent or Dated BFOET, as it is sometimes referred, reflects the value of the cheapest of Brent, Forties, Oseberg, Ekofisk and Troll (and WTI Midland), of 700,000 barrels, loading 10 days to Month Ahead. Dated Brent is estimated to price around 63% of the global exports.⁸ The remaining crude oil exports are priced off WTI, Dubai/Oman and Sour crude basket ASCI.

⁷ https://www.theice.com/publicdocs/futures/ICE_Futures_Europe_Brent_Index.pdf

⁸ <https://www.theice.com/global-crude-benchmarks-brent-sets-the-standard>

Analysis of Deliverable Supply

Appendix C to part 38 of the Commission's regulations defines deliverable supply as "the quantity of the commodity meeting the contract's delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce."

The basis of the analysis in the Brent market is BFOET loadings in the North Sea and the volume of "net" WTI Midland crude oil exports to northwest Europe. The Exchange determined that the volume of loaded barrels of BFOE crude oil from Brent, Forties, Oseberg, Ekofisk and Troll best meets the definition of supply readily available for delivery. To account for the WTI Midland crude oil deliveries, the Exchange has looked at the published monthly crude oil export volumes by destination data from the U.S Energy Information Administration (EIA). For the U.S export data the imports into Belgium, France, Germany, and the Netherlands has been used. A haircut of 50% has been applied to the US crude oil export volumes for France as the data source does not split out the volumes being imported into northwest Europe and the Mediterranean. Therefore, the Exchange has made a conservative assumption that around half the volumes are exported to northwest Europe.

To account for WTI Midland, the Exchange has applied a haircut of 20% to the total export volumes which is based on further analysis of the WTI exports with the market and on some of the shipping data which we have been provided from C-Flow. As the data is proprietary to S&P Global, the Exchange is not able to provide this data.

Based on the total volume of exports since May 2022, the average volume of WTI Midland crude oil as a percentage of total U.S crude oil exports was 80%. Over the three-year average period to November 2022, total US exports of WTI Midland delivered to northwest Europe after applying the haircut to the total volume equated to 382,400 barrels per day or 11.472 million barrels per month. This equates to 11,472 contract equivalents.

In addition, the Exchange has reduced the deliverable supply of Forties to account for the long-term commitment for crude oil purchases by the Grangemouth refinery. The Grangemouth oil refinery is located close to the delivery point of the Forties pipeline and volumes from the outer fields are connected directly via a series of pipelines to the refinery.⁹ Based on the most recent 3-year average of the Bloomberg data on BFOET loadings (December 2019 to November 2022), total loadings of Brent (BFOET) crude oil were approximately 785,370 barrels per day, which is equivalent to approximately 23.56 million barrels per month, or 23,560 contract equivalents (contract size: 1,000 barrels). Further, to account for the crude oil purchases by the Grangemouth refinery, the deliverable supply (using the three-year average BFOET figures) would be reduced by 3 million barrels¹⁰ per month.¹¹ Therefore, the total deliverable supply of BFOET 20.560 million barrels per month or 20,560 contract equivalents. When the total volume of WTI Midland is added, the total volume of deliverable supply has been calculated as 32.032 million barrels or 32,032 contract equivalents.

Based on the revised and higher deliverable supply in the Brent contract, the data supports an increased spot month limit. The Exchange proposes to increase the spot month position limit from 5,000 contracts to 7,000 contracts which represents a total of 21.85% of deliverable supply.

A breakdown of the data is shown in **Exhibit A**.

⁹ http://www.bp.com/en/global/forties-pipeline/about_fps/Technical/technical_information.html - BP Forties Pipeline system

¹⁰ UKPia – Petroineos Grangemouth Refinery capacity http://www.ukpia.com/industry_information/refining-and-uk-refineries/Petroineos-grangemouth-refinery.aspx

¹¹ Market suggests 50% of the processing capacity for Grangemouth is Forties therefore we have reduced the deliverable supply of Forties by 3-million barrels per month (the full capacity of the refinery is 6 million barrels per month).

Exhibit A.

North Sea crude oil loadings for Brent, Forties, Oseberg, Ekofisk and Troll. For the total U.S crude data, this represents the total volume of crude oil exported from the U.S to northwest Europe. The “net” WTI Midland represents the 20% haircut volume of the total U.S crude exports to northwest Europe. All volumes are shown in thousand barrels per day.

The data shown is in barrels per day and to calculate a barrels per month figure, the exchange has used a total number of 30 days per month.

The data has been split by field to show the underlying volume for each constitute grade going into the total BFOET volume by month plus the volume of WTI Midland delivered to Northwest Europe.

	Brent	Forties	Oseberg	Ekofisk	Troll	Total US crude exported to NWE	“Net” WTI Midland	Total Deliverable Supply
Dec-19	77,419	367,742	135,484	232,258	145,161	584,000	467,200	1,425,264
Jan-20	58,065	367,742	96,774	270,968	185,484	374,000	299,200	1,278,233
Feb-20	62,069	372,414	103,448	268,966	144,828	633,000	506,400	1,458,125
Mar-20	96,774	348,387	96,774	232,258	193,548	495,500	396,400	1,364,141
Apr-20	20,000	320,000	100,000	260,000	100,000	414,500	331,600	1,131,600
May-20	58,065	309,677	96,774	270,968	174,194	288,500	230,800	1,140,478
Jun-20	60,000	300,000	120,000	280,000	120,000	268,000	214,400	1,094,400
Jul-20	96,774	329,032	96,774	212,903	135,484	539,000	431,200	1,302,167
Aug-20	58,065	251,613	116,129	270,968	135,484	572,000	457,600	1,289,859
Sep-20	60,000	220,000	100,000	260,000	80,000	436,000	348,800	1,068,800
Oct-20	77,419	290,323	96,774	232,258	135,484	410,000	328,000	1,160,258
Nov-20	60,000	280,000	80,000	220,000	140,000	455,000	364,000	1,144,000
Dec-20	77,419	270,968	116,129	290,323	135,484	364,500	291,600	1,181,923
Jan-21	77,419	270,968	96,774	270,968	135,484	220,500	176,400	1,028,013
Feb-21	64,286	278,571	85,714	257,143	150,000	621,000	496,800	1,332,514
Mar-21	58,065	251,613	96,774	251,613	154,839	288,000	230,400	1,043,304
Apr-21	60,000	220,000	80,000	260,000	80,000	551,000	440,800	1,140,800
May-21	38,710	174,194	96,774	270,968	96,774	377,000	301,600	979,020
Jun-21	80,000	20,000	100,000	200,000	160,000	492,000	393,600	953,600
Jul-21	38,710	251,613	96,774	251,613	135,484	409,000	327,200	1,101,394
Aug-21	58,065	212,903	77,419	251,613	135,484	376,500	301,200	1,036,684
Sep-21	60,000	200,000	80,000	240,000	160,000	501,500	401,200	1,141,200
Oct-21	38,710	290,323	96,774	251,613	154,839	462,000	369,600	1,201,859
Nov-21	40,000	260,000	80,000	260,000	160,000	456,000	364,800	1,164,800
Dec-21	38,710	251,613	96,774	270,968	96,774	517,000	413,600	1,168,439
Jan-22	58,065	270,968	96,774	232,258	154,839	344,000	275,200	1,088,104
Feb-22	42,857	235,714	64,286	214,286	150,000	455,500	364,400	1,071,543
Mar-22	58,065	251,613	96,774	232,258	135,484	460,500	368,400	1,142,594
Apr-22	40,000	260,000	80,000	200,000	100,000	615,500	492,400	1,172,400

May-22	58,065	232,258	96,774	212,903	116,129	538,000	430,400	1,146,529
Jun-22	40,000	240,000	80,000	40,000	120,000	648,000	518,400	1,038,400
Jul-22	38,710	193,548	96,774	232,258	154,839	677,500	542,000	1,258,129
Aug-22	38,710	212,903	77,419	309,677	135,484	543,500	434,800	1,208,993
Sep-22	20,000	220,000	40,000	220,000	110,000	574,000	459,200	1,069,200
Oct-22	19,355	212,903	96,774	270,968	116,129	610,500	488,400	1,204,529
Nov-22	80,000	200,000	80,033	260,000	180,000	621,500	497,200	1,297,233
3-year average	55,794	256,656	92,901	243,416	136,604	477,611	382,089	1,167,459

Source: Bloomberg data for the North Sea data and U.S EIA for the WTI export data