

# GX MIDDLE EAST CRUDE MARKET ANALYSIS

## The Big Picture

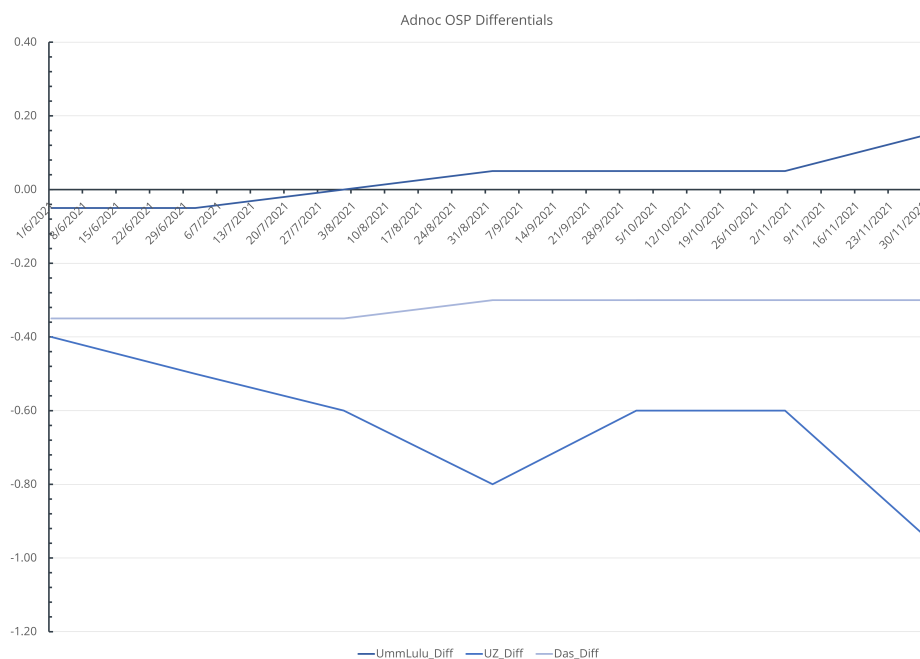
- Buying premium for light crudes

## Lighter, Higher

Lighter crudes have been enjoying better premiums recently due to strong gasoline and diesel cracks. The phenomenon has manifested itself in various ways.

Grade	Basis	Dec-21	Nov-21	Change
ADNOC Umm Lulu OSP	IFAD Murban	0.150	0.050	+0.100
ADNOC Das Blend OSP	IFAD Murban	-0.300	-0.300	+0.000
ADNOC Upper Zakum OSP	IFAD Murban	-0.950	-0.600	-0.350

Adnoc's OSPs were released recently. Lighter Umm Lulu crude clearly received better premiums than its heavier cousins, whose OSP differentials decreased.



Adnoc OSP differentials against loading months, Source: GX

Refiners are also acting to leverage strong cracks right now. Indian private refiner Nayara, for example, has completely stopped production of VLSFO to channel more resources into production of gasoline and diesel.

Nayara runs a complex 400,000b/d refinery in Vadinar, equipped with units that allow for the cracking of long carbon chains into lighter products, which enabled it to stop production of VLSFO in favour of light ends.

At a global level, the light premium was in part supported by the imbalance in production amongst OPEC+ countries. Looking at production figures in October, Mideast countries which produce majority of the medium, sour crudes have managed to raise production in tandem with increased quotas.

On the other hand, African production fell instead. Chief amongst them was Nigeria whose Bonny Light suffered from a bout of force majeure.

The premium was also reflected in the Brent-Dubai EFS which has widened to US\$5.00/b levels since the start of the November trading cycle.



IFAD Murban SG Marker v Dubai Futures M2, Brent Dubai EFS, Source: GX

Murban, which is a light, sour crude, has also experienced a similar price movement with Brent, even overtaking Brent on Wednesday in a rare occurrence. The premium at which Murban is trading proves that the current level of Brent-Dubai EFS is mainly due to a premium being paid for light grades because otherwise, Murban's price would not be as high.

Given the strength of the EFS, arbitrage crudes would have a harder time finding its way into Asia where refiners generally use the instrument to gain exposure to Dubai for internal benchmarking purposes.

## Eesha Muneeb

Pricing Director - Asia

[emuneeb@general-index.com](mailto:emuneeb@general-index.com)

ICE Chat: eemuneeb

+65 9727 6687

To enquire about subscribing to this report, please contact

[sales@general-index.com](mailto:sales@general-index.com) or +44 (0) 203 983 4440

The information contained in this document is subject to change at any time without prior notice, and General Index (GX) is under no obligation to issue updates hereto. GX specifically disclaims all liability for any direct, indirect, consequential or other losses or damages including loss of profits incurred by you or any third party that may arise from any reliance on this document/report/model or for the reliability, accuracy, completeness or timeliness thereof. GX accepts no liability for losses arising from the use of this material.