HMRC - OT05323 - Crude Oils And Products - Category 1 Oil Non-Brent Grades

Non-Brent category 1 contracts are a little simpler than those for Brent. Generally the pricing clause in a contract is based upon the average of a marker grade’s price over a 5-day period with a differential to allow for the difference in quality between that grade and the marker. The marker is almost invariably BFOE.

The 5-day period is more variable, with the two days before loading, the loading date and the two days after loading (2-1-2) as the favourite. An alternative, 0-0-5 (that is, the price based upon an average of the five days following loading), has been seen on some rare occasions (It is popular with offshore loaded grades, but these are all Category 2 crude oils).

The marker element “floats” relative to the load date, but the grade differential is fixed on the day the contract is agreed at some time before loading. The statutory method reflects a five-day average of the statutory reference price relative to the NDD (see OT05308) and allows for the grade differential by looking at differences between grade and marker assessments 14 to 21 days before the NDD.

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