

Understanding Benchmark Oils: *Brent Blend, WTI and Dubai*

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Oil Benchmark was made by crude oil buyers to fulfill their needs to evaluate crude oil price. The benchmark is based on the composition of the crude and the extraction origin of the oil crude itself. There are three main types of oil crude used nowadays, there are:

a. Brent Blend

Around two-thirds of all crude trade contract in the world reference to this benchmark. It's originally refers to crude that produced by four different oil fields in the North Sea, which is: Brent, Forties, Oseberg, and Ekofisk. Crude from this region categorized as 'light-sweet' cause it's low density value with less concentration of sulphur content. This makes the crude more ideal to refine into gasoline and diesel fuel. The supply is also water borne, which make it easier to transport to distant location by tanker.

b. West Texas Intermediate (WTI)

The term is used for crude extracted from wells in U.S. and sent via pipeline to Oklahoma. It's landlocked situation make it relatively more expensive to transport to distant location by ship. The crude characters is 'very light and very sweet' making it ideal for gasoline refining. WTI is the main benchmark for oil consumed in the United

States.

c. Dubai/Oman

This Middle Eastern crude is a crude reference for oil with slightly lower grade than WTI or Brent. It's an accumulation of crude product from Dubai, Oman, or Abu Dhabi which is heavier and has higher sulphur content (sour). This is the main benchmark for Persian Gulf Oil delivered to the Asian market, including Indonesia.

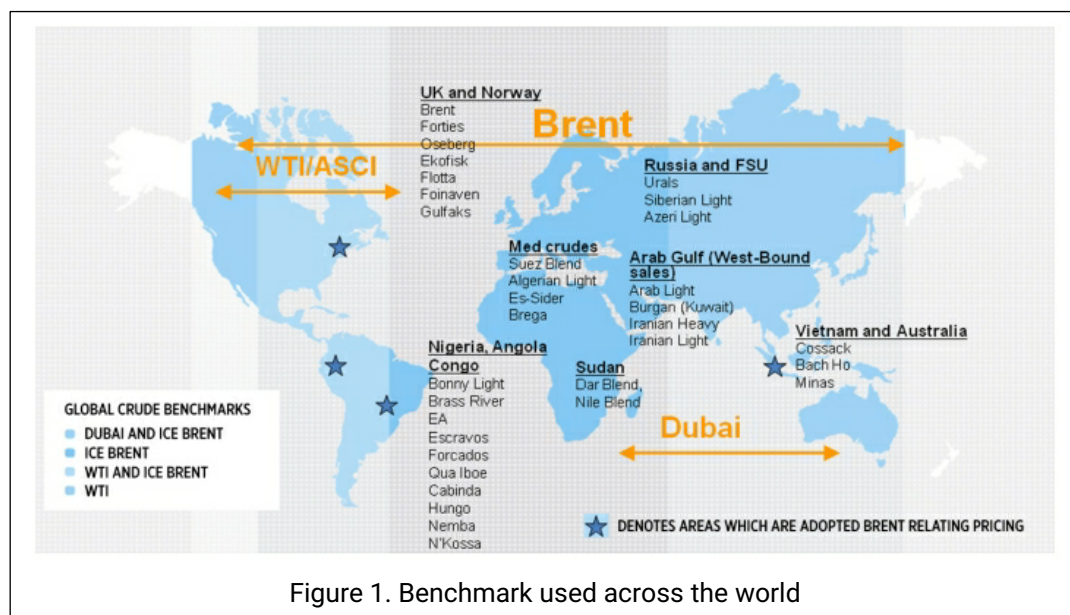


Figure 1. Benchmark used across the world

Crude oil today is purchased using future contract which are locked to a specific benchmark price for some amount of time for several months, or even years, in advance. Different crude contract trade on different exchange. Brent are available on ICE Futures Europe. WTI are sold on the New York Mercantile Index (NYMEX). Last, the Oman Crude Oil Futures Contract (DME Oman) has been marketed on the Dubai Mercantile Exchange since 2007.

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