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Mike joined ICE in November 2008. He has responsibility for the development of both new and existing futures and OTC markets, clearing services and derivative products for all ICE global oil markets, and is a member of ICE Futures Europe Senior Management team. Mike has over 25 years of experience in the trading and analysis of a wide diversity of global derivatives markets. He is a former proprietary trader of financial futures and options on London's LIFFE derivatives exchange. Prior to his current role, he was at Platts for eight years, in particular leading the development of the suite of Platts forward curve products.



OIL PRICE BENCHMARKS

FUNDAMENTALS & EVOLUTION

ICE London Oil Futures Forum

January 2012

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WELCOME: OIL PRICE BENCHMARKS, FUNDAMENTALS & EVOLUTION

TODAY'S SESSION

Mike Davis - Director of Market Development
ICE Futures Europe

Content

- Introduction - Trends and Markers
- Status of current benchmarks: ICE Brent and Gasoil as global crude & product benchmark
- Current trends; spreads, correlations and markers
- Market issues - benchmark performance, growth and liquidity

Key take-aways:

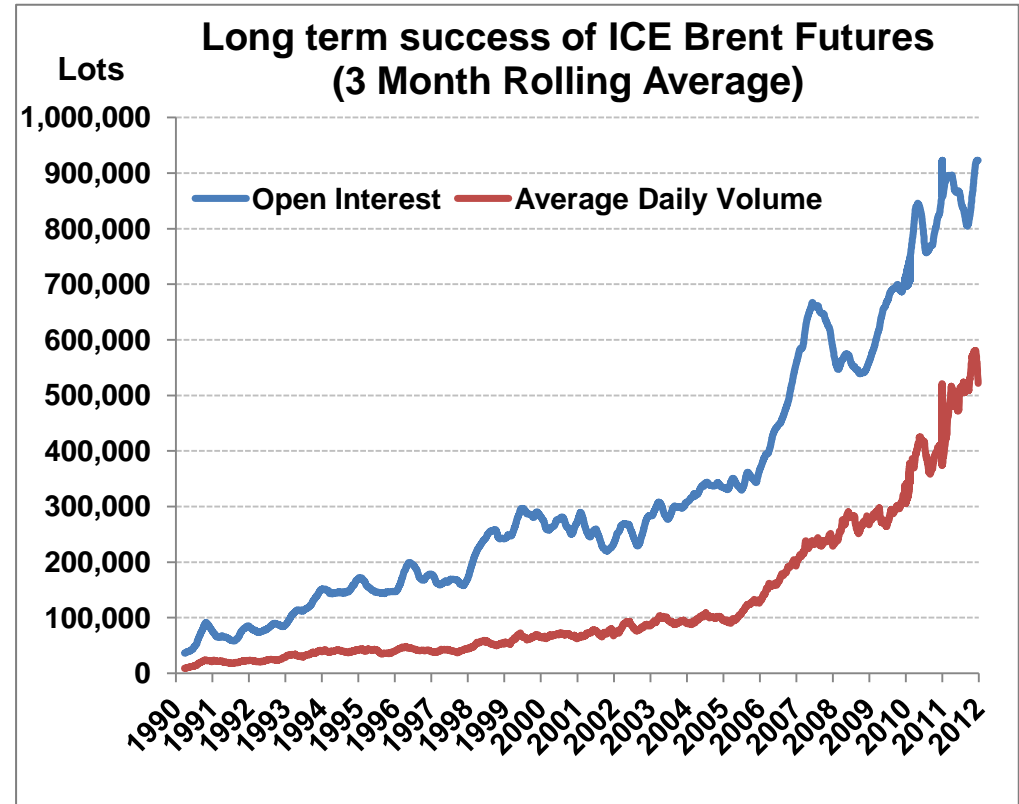
- Commodity futures benchmark performance and reliability is closely related to the infrastructure of their underlying physical market
- Durable and strong benchmarks evolve with underlying physical markets
- Market views on benchmark's rationale and role – what problems asking us to help with?
- What are the likely scenarios going forward?
- What do ICE oil contracts have to offer?
 - Global benchmarks & reach with consistent performance & liquidity

ICE BRENT: THE GLOBAL CRUDE BENCHMARK

LONG-TERM TRENDS

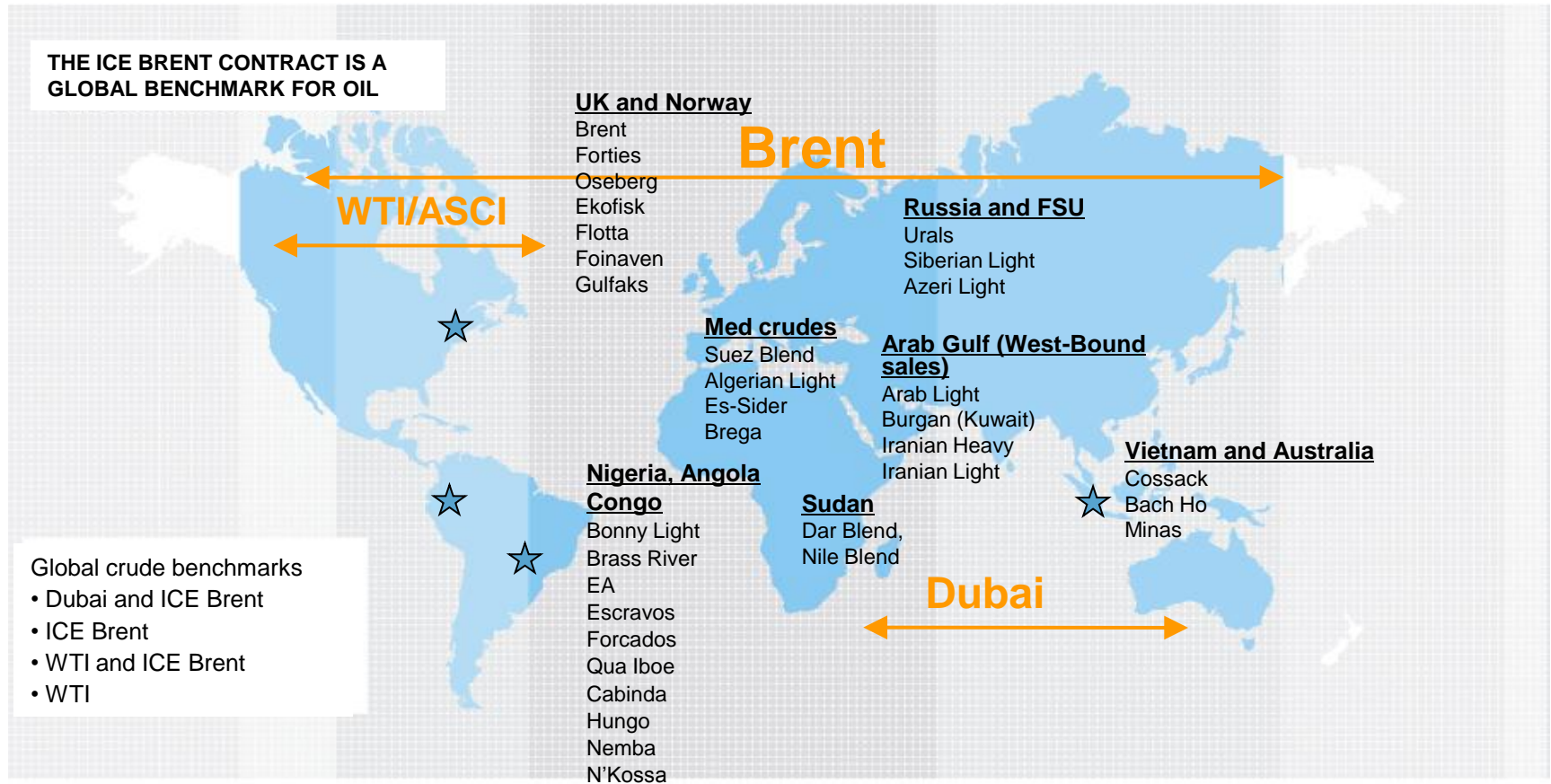
What trends can we identify?

- Brent the global physical standard, growing in Asia. Up to 70% of global international physical pricing references Brent
- Liquidity growth in existing sweet futures benchmarks, benchmark longevity/inertia
- Pricing relevance moving West to East, new complex refining/upgrading capacity favours seaborne, *not* pipeline US domestic landlocked grades
- European distillates now major price driver of refining margins, keeping sweets in Europe
- Relative decline of gasoline and FO destruction on upgrades
- WTI still an important US (financial) benchmark
- But price dislocation issues continuing through 2010 & worsening in 2011 – pipeline bottlenecks and storage constraints
- Brent, Mars/ASCI, LLS and others now more relevant in US for physical pricing, growth of US Gulf's significance, fwd significance



ICE FUTURES EUROPE:

THE BRENT CRUDE FUTURES CONTRACT: CRUDES THAT PRICE BRENT- RELATED WORLDWIDE

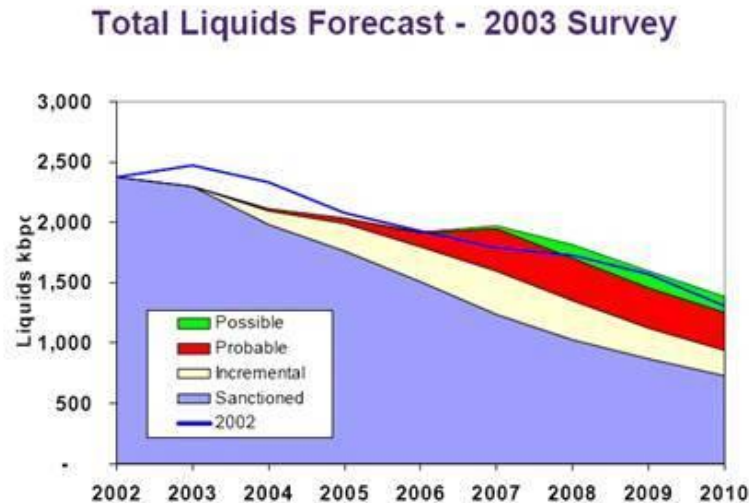


- As much as 70% of the world's internationally traded oil prices directly or indirectly off the Brent complex
- Our contract is the key component of that complex
- Financially-settled against Brent Index, ultimately deliverable via EFP mechanism
- ★ US product cracks to Brent and Malaysia, Brazil and Colombia join the Brent pricing community in 2010-2012

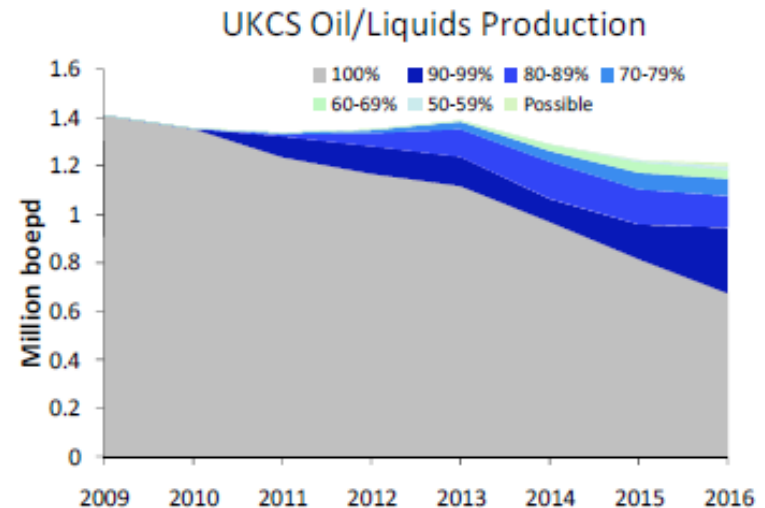
SWEET CRUDES

NORTH SEA SUPPLY LONGEVITY

2003 North Sea Survey



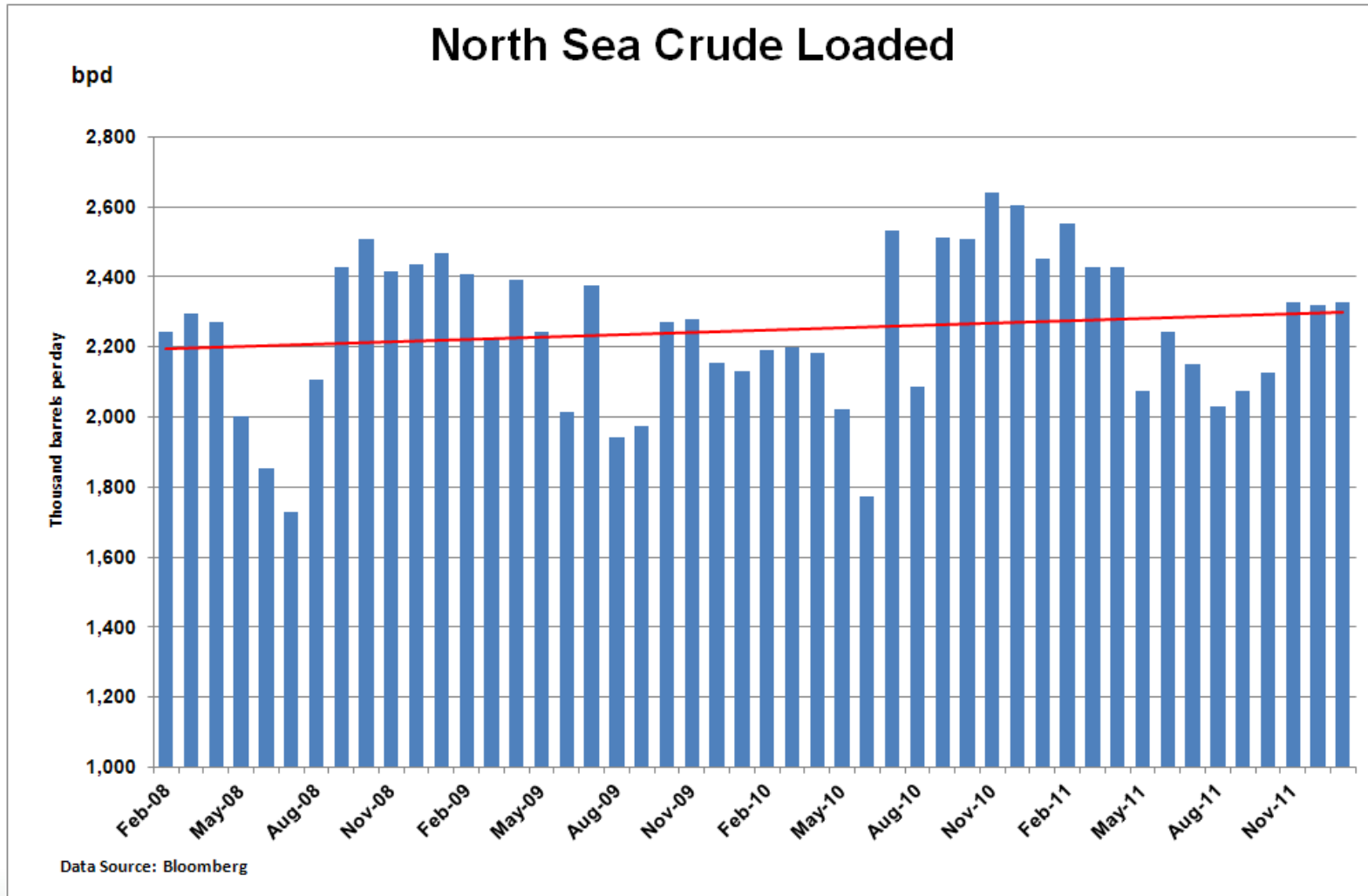
2011 North Sea Survey



- 7 years of enhanced recovery has pared decline rate
- 2011 saw one-off outages in Buzzard- extended maintenance, collision & WW2 mine
- 2003 Survey suggested production might be below 1-mil bpd by 2010
- Actual UK only production was 1.2-mil bpd in 2011 (IEA)
- 2011 UKCS survey forecasted decline rate halved in 2010-2016 to 3% from previous decade
- BFOE is 3-4 times the production of WTI, 1.5 times that of Dubai complex incl. Upper Zakum
- Brent the largest int'l marker by physical production, c. 56-59 cargoes in total, close to decade high
- Brent system has evolved by adding compatible flows to original UK fields

BRENT BENCHMARK INNOVATION ENHANCES LIQUIDITY

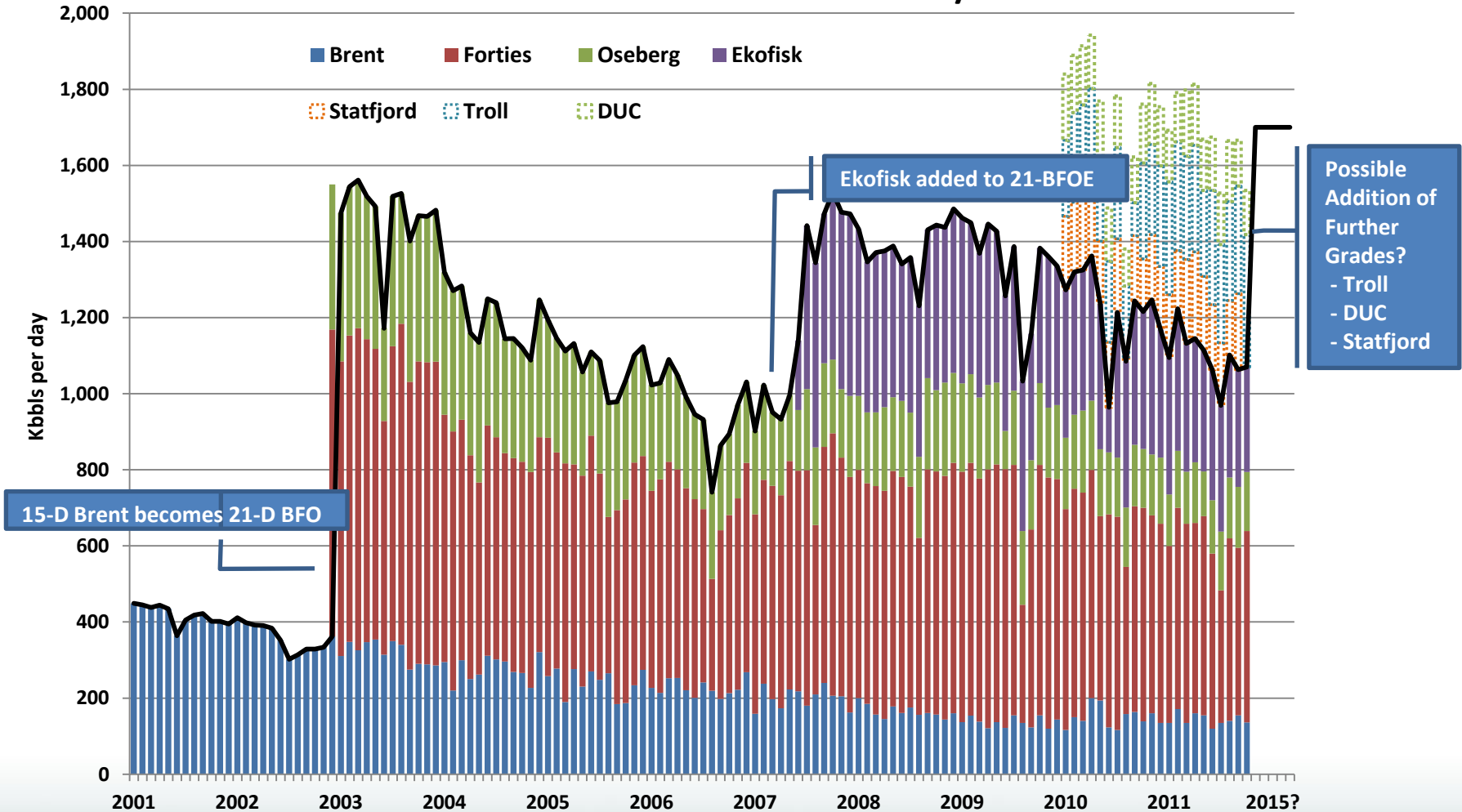
BRENT MOST LIQUID GLOBAL PHYSICAL MARKER - NORTH SEA TOTAL LOADINGS 2008-2012



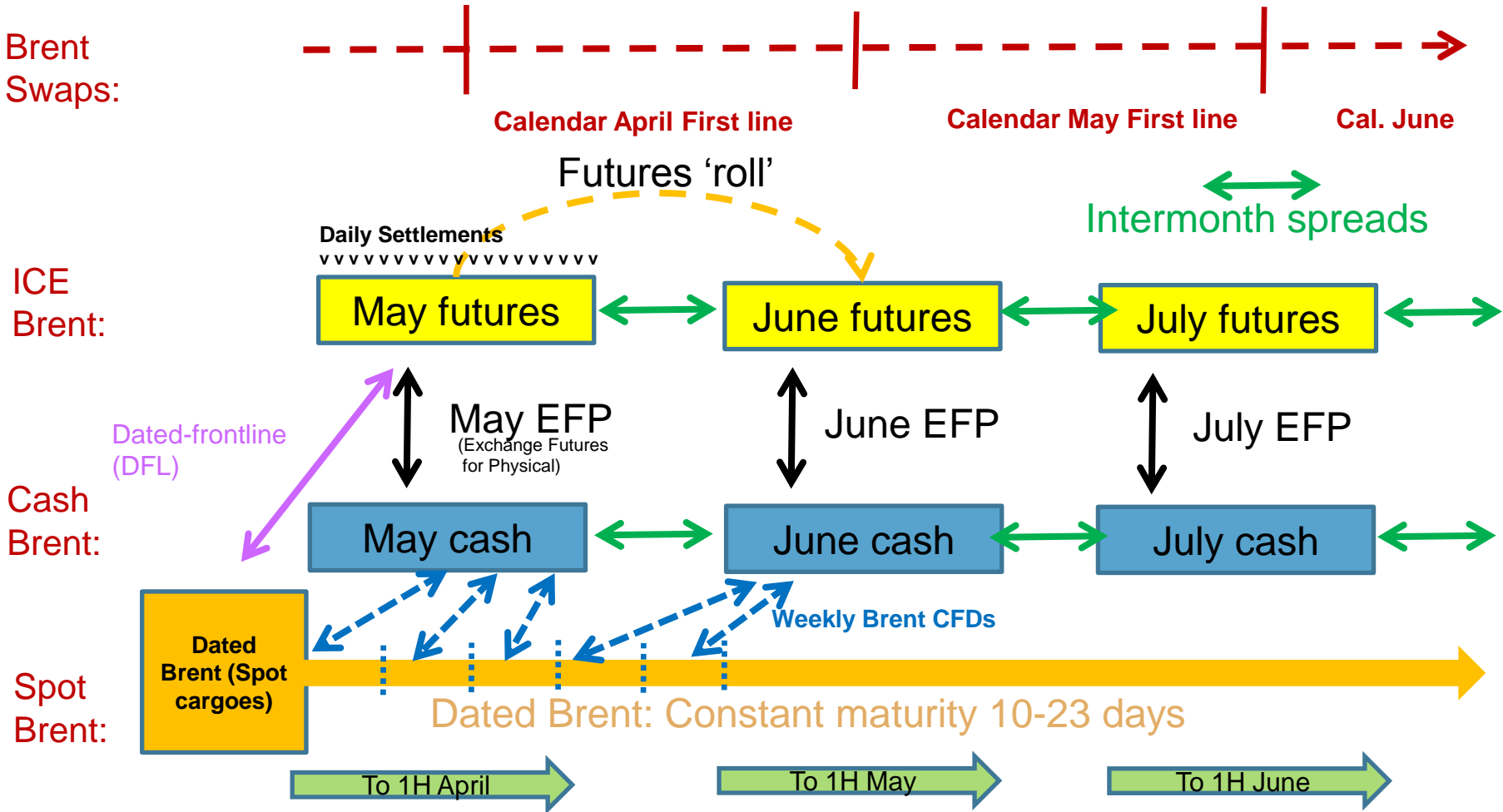
BRENT BENCHMARK INNOVATION ENHANCES LIQUIDITY

BRENT MOST LIQUID GLOBAL PHYSICAL MARKER

BFOE Historical Production kb/d



THE ICE BRENT COMPLEX



ICE BRENT INDEX: DAILY, FLEXIBLE SETTLEMENT MECHANISM

The ICE Brent Index Calculation

The index is calculated as an average of the following elements:

- 1. A weighted average of first month cargo trades in the 21- (25-) day BFOE market.**
- 2. A weighted average of second month cargo trades in the 21 (25-) -day BFOE market plus or minus a**
- 3. A straight average of designated assessments published in media reports**

- A 15, 21, 25 or 30 day calendar has the same number of potential cash cargoes (Until extra grades are added); it is just the alignment with futures expiry that varies
- Irrespective of a PRA's chosen BFOE assessment window timing there is a similar level of total liquidity for Cash (Not Dated) instruments, *however they are calendarised*
- So a 21 day BFOE cash contract is no different to a 25 day cash cargo, just that they span a different series of calendar dates in relation to the delivery month of Dated cargoes
- Cash cargoes continue to trade and PRAs continue to quote for the relevant BFOE cash contract for a minimum of 15 days after the current ICE Brent expiry

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

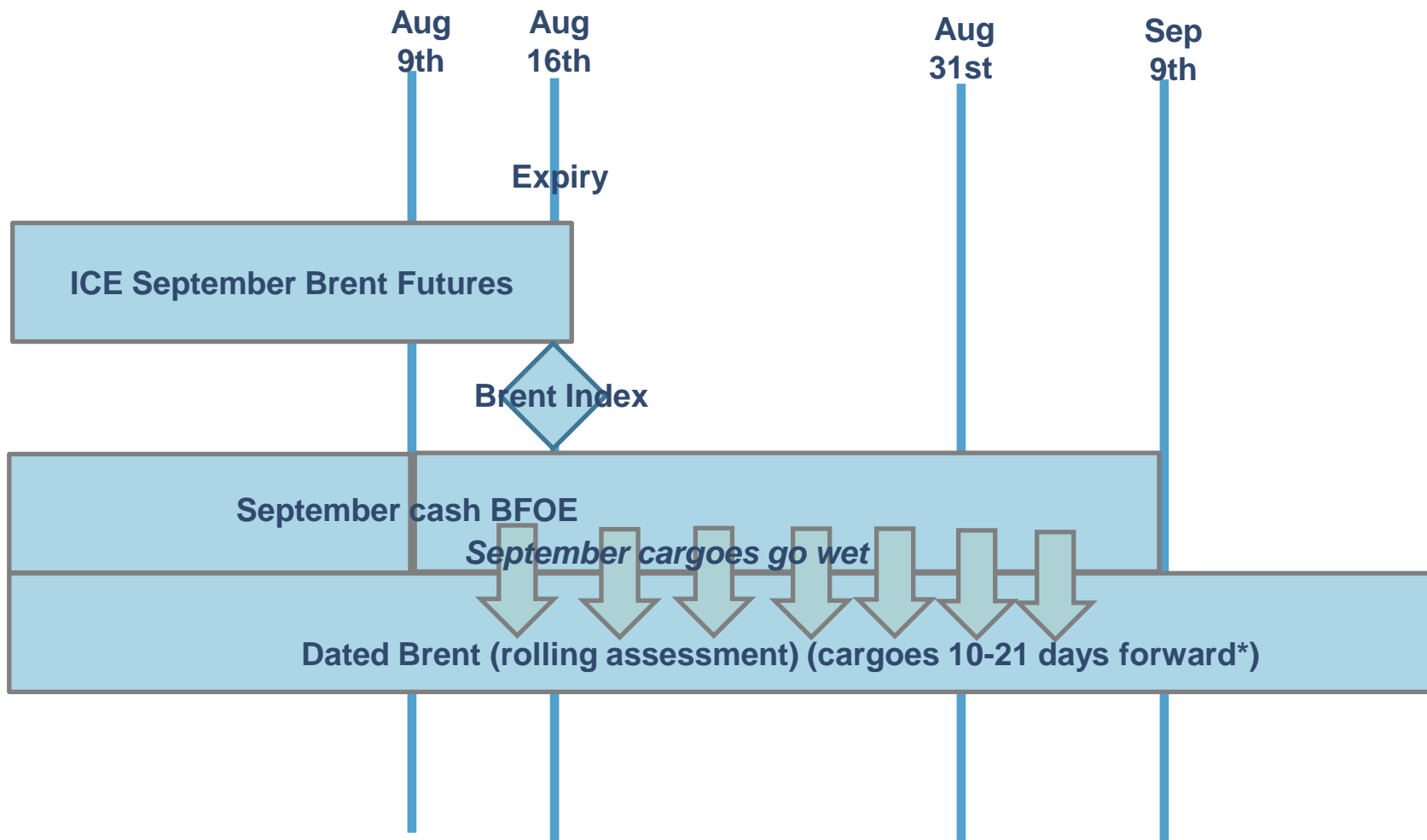
PHYSICAL CHANGES TO NORTH SEA CRUDE MARKETS

- Major programme operators, equity buyers, price assessors:
 - Change to Platts assessment basis from 6 January 2012
 - Amend the date range reflected in Dated Brent assessment to 10-25 days forward, instead of the current 10-21 days forward.
 - Consider in the assessment of cash Brent those crudes where the cargoes are nominated 25 days in advance of loading, instead of the current 21 days.
 - Implementation of a change to a month-end nomination process in March 2015 following ICE announcement
 - Platts examining additional grades and potential escalators for lighter crudes
 - Considering adding DUC and Troll– up to additional 700k b/day (or Statfjord) - take complex over 90 cargoes/month (max .75 in 2007, c. 56-59 in 2011)

ICE ANNOUNCEMENT AFTER CONSULTATION

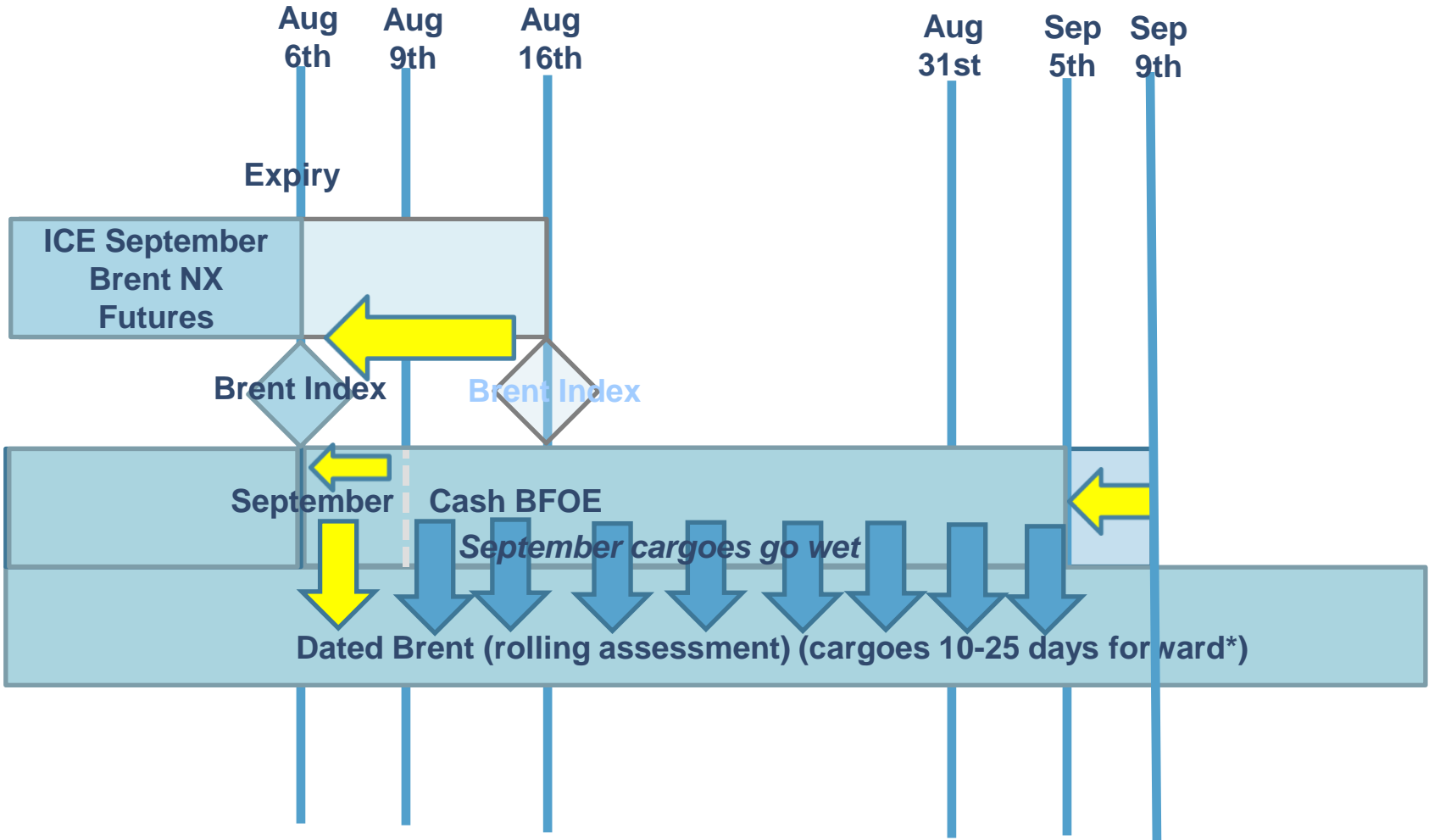
- ICE Brent NX Futures and Options
 - expiry calendar on 25-day basis
 - available for trading 5 December 2011
 - trading in parallel with existing Brent Crude Futures Contracts
 - first contract month **December 2012**
- Move to end of 'M-2' from March 2015
- Existing contract terms amended on the adoption of 25-day Brent in SUKO 90
- Review transition progress during Q2 2012

STRUCTURE OF LEGACY BRENT COMPLEX



* 10-23 days on Fridays

BRENT NX STRUCTURE CHANGES



* 10-27 days on Fridays

ICE BRENT NX: EARLY AVAILABILITY WITH DEFERRED FRONT MONTH

	2011		2012												2013					
<i>Calendar month</i>		<i>N</i>	<i>D</i>	<i>J</i>	<i>F</i>	<i>M</i>	<i>A</i>	<i>M</i>	<i>J</i>	<i>J</i>	<i>A</i>	<i>S</i>	<i>O</i>	<i>N</i>	<i>D</i>	<i>J</i>	<i>F</i>	<i>M</i>	<i>A</i>	<i>M</i>
Front month: Brent		<i>D</i> 11	<i>J</i> 12	<i>F</i> 12	<i>M</i> 12	<i>A</i> 12	<i>M</i> 12	<i>J</i> 12	<i>J</i> 12	<i>A</i> 12	<i>S</i> 12	<i>O</i> 12	<i>N</i> 12	<i>D</i> 12	<i>J</i> 13	<i>F</i> 13	<i>M</i> 13	<i>A</i> 13	<i>M</i> 13	<i>J</i> 13
Front month: Brent NX			<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>D</i> 12	<i>J</i> 13	<i>F</i> 13	<i>M</i> 13	<i>A</i> 13	<i>M</i> 13	<i>J</i> 13

EXISTING CONTRACT

- Will continue to be available for trading
 - will keep under review
- Exchange reviewing 2012 contract expiries
 - Active position management
 - Brent Index
 - Further review for expiry dates after February 2013

TRANSITION MECHANISMS

- Screen trading
 - Screen trading facility for Brent vs. NX spread
- Exchange for Related Contract (EFM)
 - Participants are able to exchange positions in the existing Brent contract for positions in the NX Contracts
- Brent NX fees the same as the existing contract
 - Incentives for transition, matching margins

OTC EVOLUTION:

- ICE has launched a complementary series of cleared OTC swap contracts on NX basis

ICE FUTURES EUROPE:

THE ICE GASOIL FUTURES CONTRACT

- The ICE Gasoil contract is the key European oil products benchmark
- ICE Gasoil is now a global benchmark for all heating oil, flowing east and west
- All European middle distillates products are priced at a differential to ICE Gasoil
- As of September 2011, traders can also trade the Low Sulphur (10ppm) Gasoil Futures Contract
- The new contract reflects the global move to lower sulphur specification middle distillates
- Low Sulphur Gasoil will ultimately replace the existing 0.1% Sulphur Gasoil to become the key European oil products benchmark



ICE FUTURES EUROPE:

THE ICE GASOIL FUTURES CONTRACT: UNRIVALLED REFINED PRODUCT LIQUIDITY

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Kill All Activate All **Live Only** Hold Bids Hold All Hold Offers Excel

Orders	Deals	UDS	Gasoil vol	Brent Vol	WTI	Brent	WTI Brent	Gasoil	OTC Oil Portfolio	Coal														
Product	Hub	Strip	+ -	Option	Strk	Sell	Qty	Bid	Offer	Qty	Buy	Last	Volume	Block...	Opt Vol	Change	Qty	Bid	Offer	Qty	Kill	Pin	+ -	
Gas Oil Spr	ARA	Jul11/Aug11	+ -				4768	-3.75	-3.50	2026		-3.50	5753	0		-0.25								+ -
							4766	-4.00	-3.25	3527		-3.50												+ -
							2352	-4.25	-3.00	3038		-3.50												+ -
							2299	-4.50	-2.75	2726		-3.50												+ -
							1187	-4.75	-2.50	2837		-3.50												+ -
Gas Oil Spr	ARA	Jun11/Jul11	+ -				4051	-3.50	-3.25	3177		-3.50	4148	0		-0.25								+ -
							4214	-3.75	-3.00	5124		-3.50												+ -
							6288	-4.00	-2.75	5639		-3.50												+ -
							5776	-4.25	-2.50	5929		-3.50												+ -
							2226	-4.50	-2.25	2026		-3.50												+ -
Gas Oil Spr	ARA	Jun11/Dec11	+ -				385	-16.25	-16.00	274		-16.00	3362	0		-1.25								+ -
							292	-16.50	-15.75	517		-16.00												+ -
							228	-16.75	-15.50	800		-16.00												+ -
							200	-17.00	-15.25	278		-16.00												+ -
							161	-17.25	-15.00	341		-16.25												+ -
Gas Oil Spr	ARA	Jun11/Aug11	+ -				371	-7.00	-6.75	3891		-7.00	2061	0		-0.50								+ -
							1866	-7.25	-6.50	668		-7.00												+ -
							851	-7.50	-6.25	786		-7.00												+ -
							867	-7.75	-6.00	636		-7.00												+ -
							566	-8.00	-5.75	626		-7.00												+ -
Gas Oil Spr	ARA	Aug11/Sep11	+				735	-3.50	-3.25	1765		-3.50	1730	0		-0.25								+
Gas Oil Spr	ARA	Jul11/Sep11	+				764	-7.25	-7.00	186		-7.00	1286	0		-0.50								+
Gas Oil Spr	ARA	Oct11/Nov11	+				1178	-1.50	-1.25	347		-1.25	1066	0		-0.25								+
Gas Oil Spr	ARA	Jun11/Sep11	+ -				147	-10.50	-10.25	266		-10.50	1049	0		-0.75								+ -
							755	-10.75	-10.00	519		-10.50												+ -
							597	-11.00	-9.75	482		-10.50												+ -
							607	-11.25	-9.50	592		-10.50												+ -
							572	-11.50	-9.25	595		-10.50												+ -
Gas Oil Spr	ARA	Sep11/Oct11	+				1334	-2.75	-2.50	912		-2.50	881	0		0.00								+
Gas Oil Spr	ARA	Nov11/Dec11	+				1112	-1.75	-1.50	849		-1.50	816	0		0.00								+
Gas Oil Spr	ARA	Jul11/Dec11	+				15	-12.75	-12.50	318		-12.50	686	0		-1.00								+
Gas Oil Spr	ARA	Dec11/Jan12	+				410	-2.75	-2.50	799		-2.75	406	0		0.00								+
Gas Oil Spr	ARA	Jan12/Feb12	+				464	-1.00	-0.75	40		-0.75	346	0		0.00								+
Gas Oil Spr	ARA	Aug11/Dec11	+				187	-9.25	-9.00	163		-9.00	308	0		-0.75								+
Gas Oil Spr	ARA	Oct11/Dec11	+				158	-3.00	-2.75	328		-2.75	279	0		-0.25								+
Gas Oil Spr	ARA	Dec11/Dec12	+				100	3.50	4.25	30		3.50	275	0		-1.25								+
Gas Oil Spr	ARA	Feb12/Mar12	+				243	0.00	0.25	259		0.25	245	0		-0.25								+
Gas Oil Spr	ARA	Sep11/Dec11	+				221	-5.75	-5.50	93		-5.50	190	0		-0.50								+
Gas Oil Spr	ARA	Aug11/Oct11	+				470	-6.25	-6.00	140		-6.25	164	0		-0.50								+
Gas Oil Spr	ARA	Mar12/Apr12	+				122	1.50	1.75	47		1.75	138	0		-0.25								+
Gas Oil Spr	ARA	Nov11/Apr12	+				2	-4.00	-3.00	9		-3.00	136	0		-0.50								+
Gas Oil Spr	ARA	Jul11/Oct11	+				39	-9.75	-9.50	141		-9.75	123	0		-0.75								+
Gas Oil Spr	ARA	Jun11/Oct11	+				135	-13.25	-13.00	6		-13.00	99	0		-0.75								+
Gas Oil Spr	ARA	Nov11/Jan12	+				181	-4.50	-4.25	34		-4.25	78	0		0.00								+
Gas Oil Spr	ARA	Sep11/Nov11	+				40	-4.00	-3.75	78		-3.75	69	0		-0.25								+
Gas Oil Spr	ARA	Dec11/Jun12	+				21	2.00	2.50	14		2.00	64	0		-0.75								+
Gas Oil Spr	ARA	May12/Jun12	+				2	1.50	1.75	35		1.50	63	0		-0.25								+
Gas Oil Spr	ARA	Jun11/Sep11	+				33	14.50	14.00	30		14.50	62	0		-1.25								+

Gas Oil Futures - ARA - Jun11, 2 @ 900.00 (14:26:03 BST)

Gas Oil Futures - ARA - Jun11, 1 @ 900.00 (14:26:03 BST)

Gas Oil Futures - ARA - Jun11, 1 @ 900.00 (14:26:03 BST)

OIL MARKET HIGHLIGHTS: ICE GASOIL

THE ICE GASOIL GROWTH STORY

ICE Gasoil now a global refined product leader- physical & financial markets

- New refining capacity, esp. in Mid and Far East, Jamnagar, US imports of 61 grade targeting diesel margins
- Growth in diesel market (x1.5 to x2 gasoil market)
- Global Spec evolution, green agenda

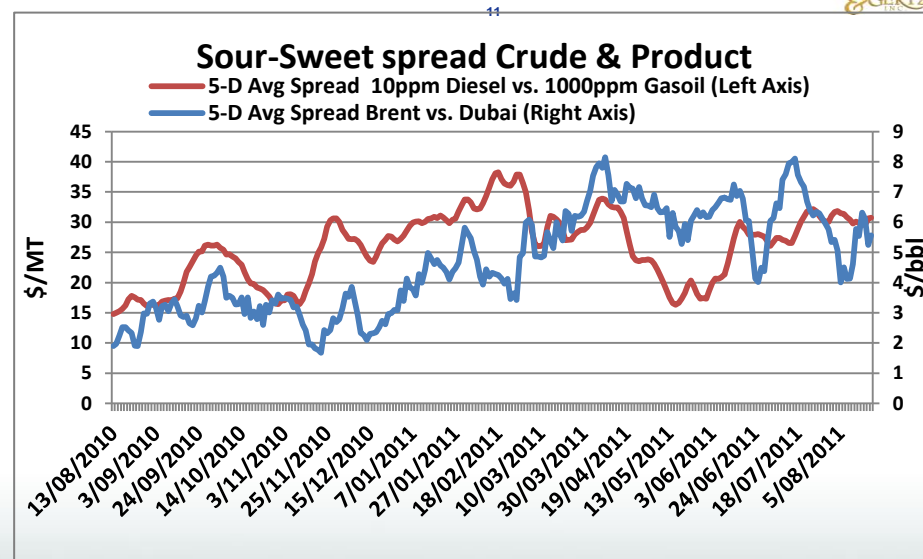
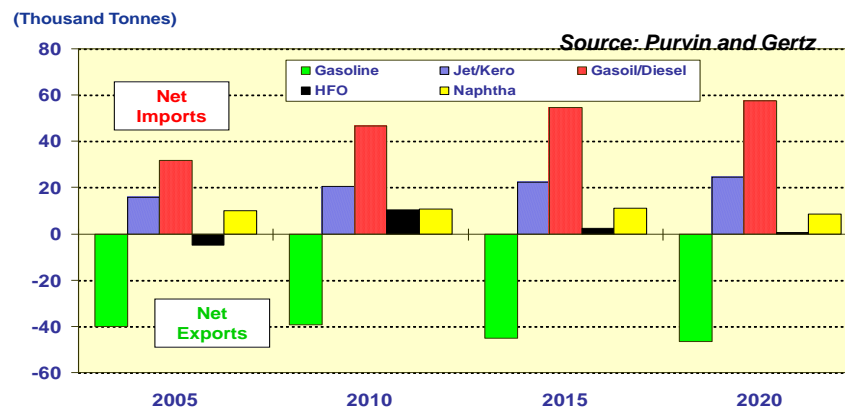
Changes to traditional arbitrage - Trade flows contributing to ICE Gasoil benchmark growth

- Europe increasingly the marginal pricing area- shift in marginal pricing eastwards, short diesel, similar for crude, importance of clean transport fuels as driver of price:
- Increased flows from Asia of diesel, also low-spec diesel from US (Grade 61)
- Chlna uses diesel as short-term fuel in marginal power generation - emissions more bearable thus - classic migration from coal and fuel oil to distillates for oil-intensive economy
- Latin America & West African flows - big increase in their imports from EU last 2 yrs – pricing ICE Gasoil plus EFP

Other non-geographical reasons for Gasoil's globalisation:

- Distillate crack price versus others, increasingly the key product driver- echoes longer-term storage trend.
- Decline of gasoline and destruction of FO - this is the refined crack to watch now...
- Switch of OTC to on-screen hedging
- Spreaders like low spread volatility, index funds - winner
- Seaborne, arbitrated equilibrium price
- Bunkers are also set to enter the Gasoil slate, 1000 ppm IMO SECAs from 2015 esp

European trade flows: few prospects of a diminishing of the gasoil and jet/kerosene shortfall



SPREAD TRADING & INDEX REPLICATION: ICE GASOIL FUTURES

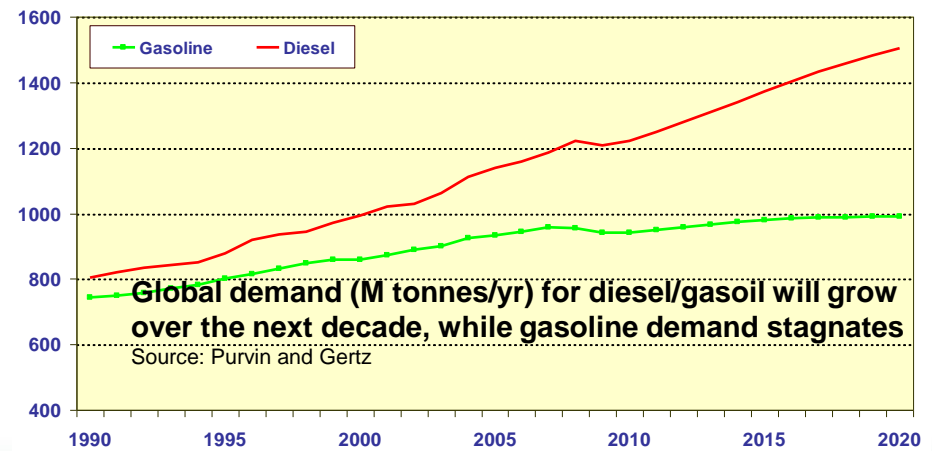
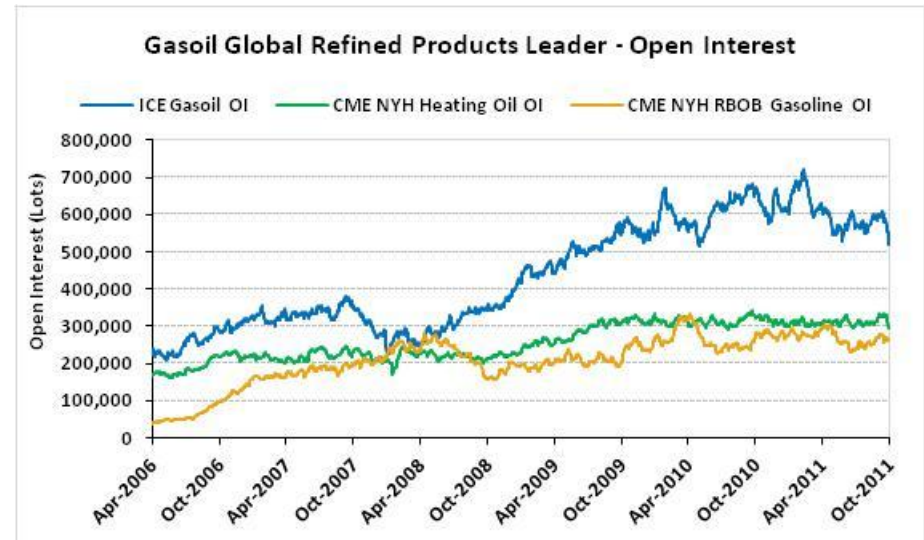
GROWTH IN FORWARD CURVE LIQUIDITY

ICE Gasoil - a global refined product leader

- Pricing flows east & west
- Larger than Gasoline and Heat put together
- Open Interest has doubled since 2008
- Superior roll returns
- Global status grew following move to 0.1% sulphur (and now to 10ppm, particularly in Europe)
- Liquidity extending faster down curve: crude-equivalent spread liquidity @ 500 lots
- Fastest growing major oil contract, underlies global distillate market

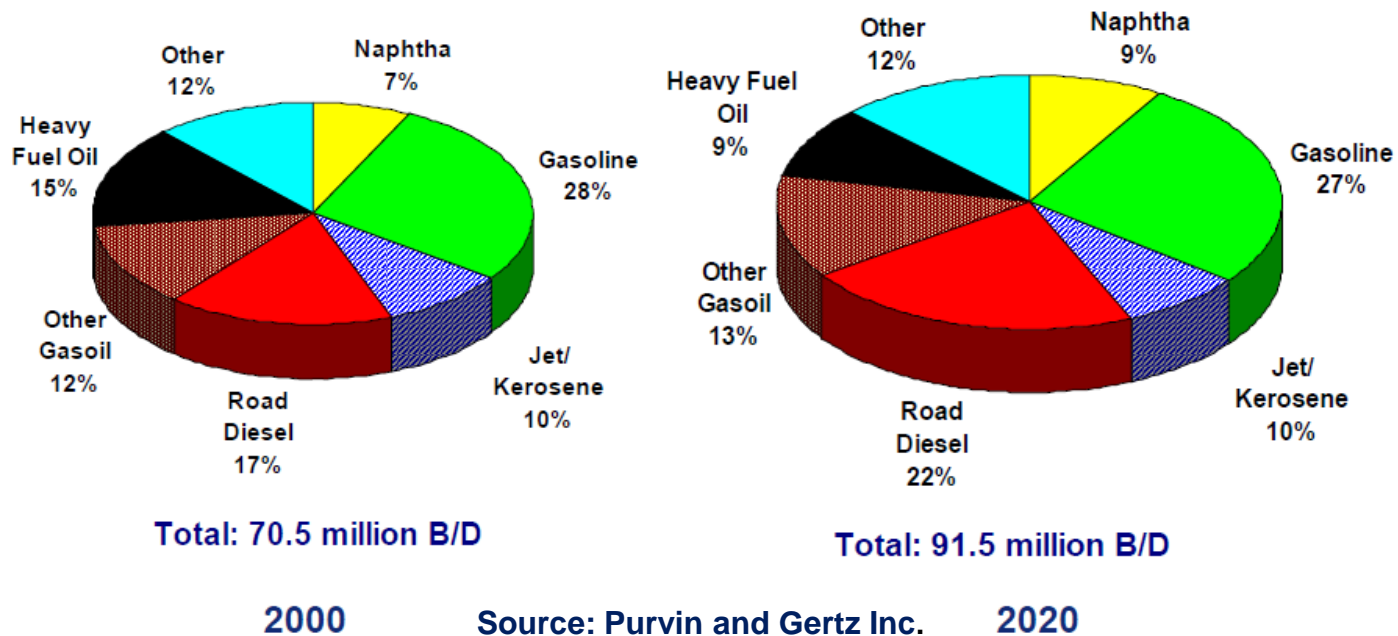
ICE Low Sulphur Gasoil (10ppm Diesel Barges)

- Contract launched September 2011
- Will provide an effective hedging instrument-essential in a rising diesel demand world
- Spread trading between the two gasoil futures contracts will be available on ICE Futures



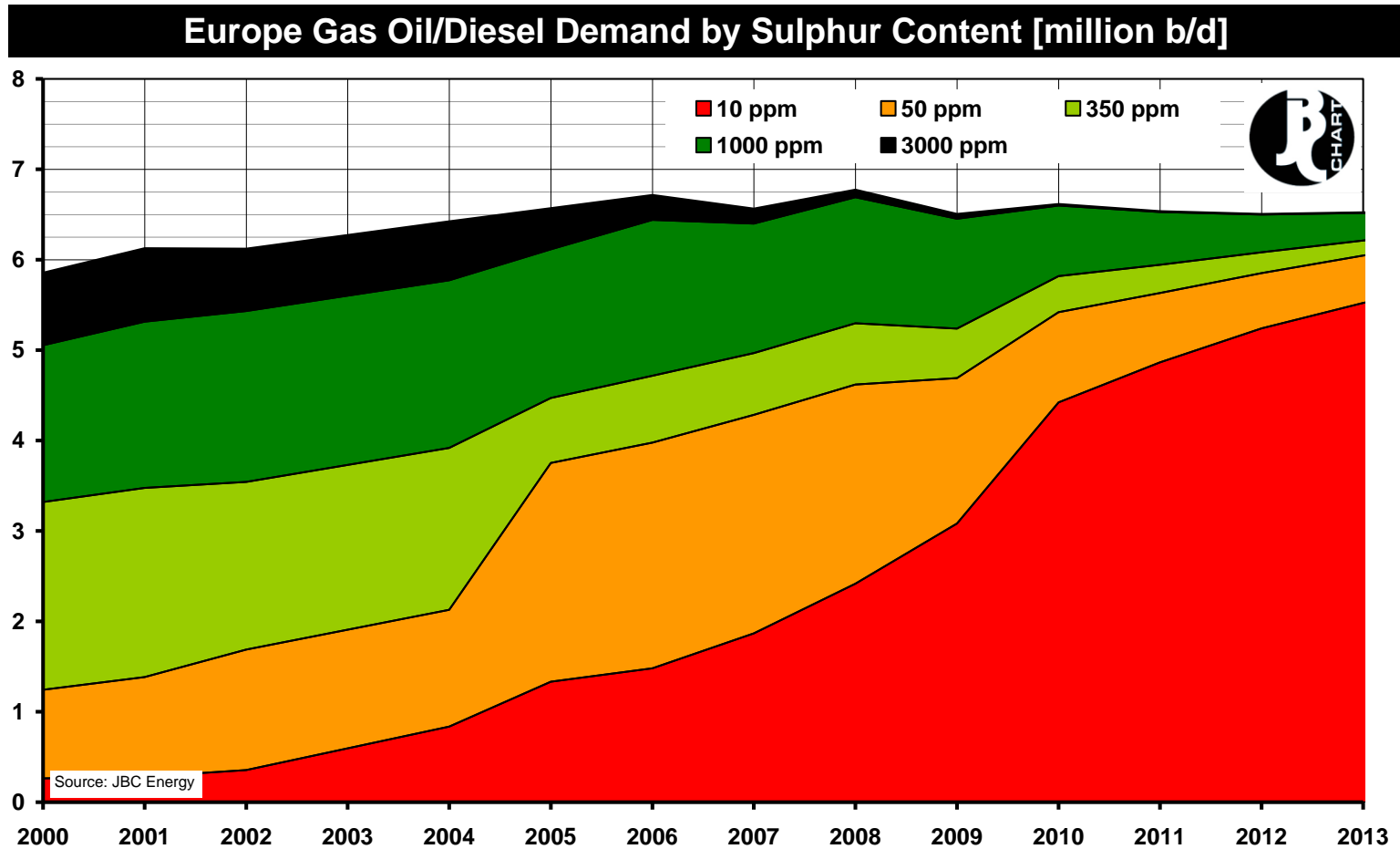
ICE LOW SULPHUR GASOIL – GROWING GLOBAL SHARE

DRIVERS FOR LAUNCH – LOW SULPHUR DISTILLATE 2000-2020



- 10ppm Diesel increasingly the global boilerplate distillate product, policy makers favouring cleaner products
- Growth in transport vs. heating fuels, positive refining margins
- Rise in diesel vehicle fleet vs. gasoline
- 0.1% still important but diesel globally larger, fall in demand/supply in core Europe for 0.1%

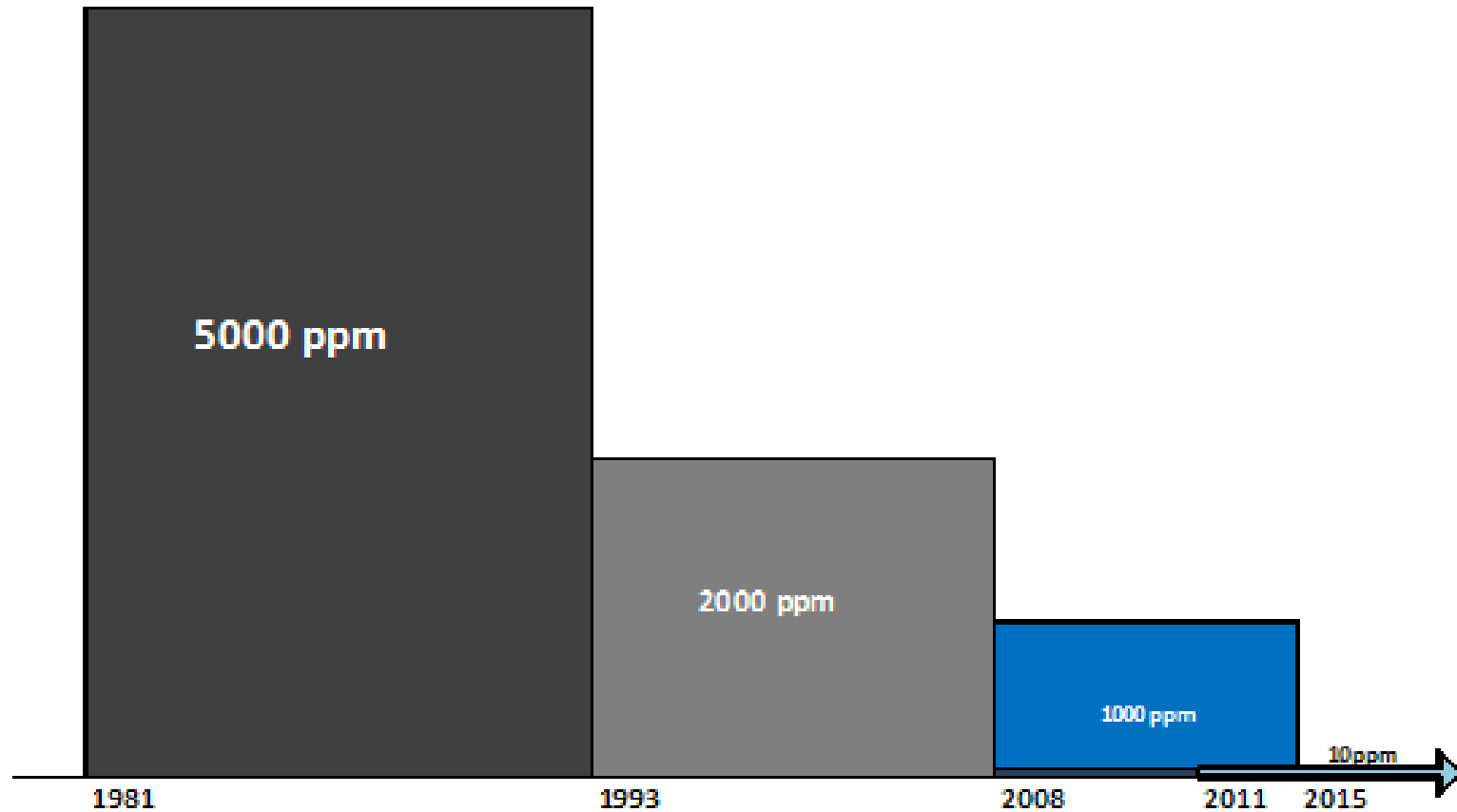
EUROPEAN GAS OIL DEMAND BY SULPHUR



Source: JBC Energy GmbH

ICE GASOIL SULPHUR CONTENT

QUALITY/CONTRACT FEATURES



ICE LOW SULPHUR GASOIL FUTURES

QUALITY/CONTRACT FEATURES

- Based on EN590 DIN Motor diesel specification
 - EU benchmark grade
 - 10ppm sulphur, 46 index cetane, Flash 56
 - Summer/winter cold properties (Apr-Sep +5/-2, Oct-Mar -7/-22)
- Contract otherwise very similar to existing ICE gasoil
 - Physically delivered by barge in ARA region
 - 100 metric tonne lot size, 25cts/mt tick (\$25)
 - Same expiries, same trading times
- Underlying oil evolving, contract very familiar otherwise
- Two run in parallel until January 2015
- LS Gasoil first delivery January 2012

ICE LOW SULPHUR GASOIL

HEDGING AND TRADING OPPORTUNITIES

ICE Low Sulphur Gasoil futures & options

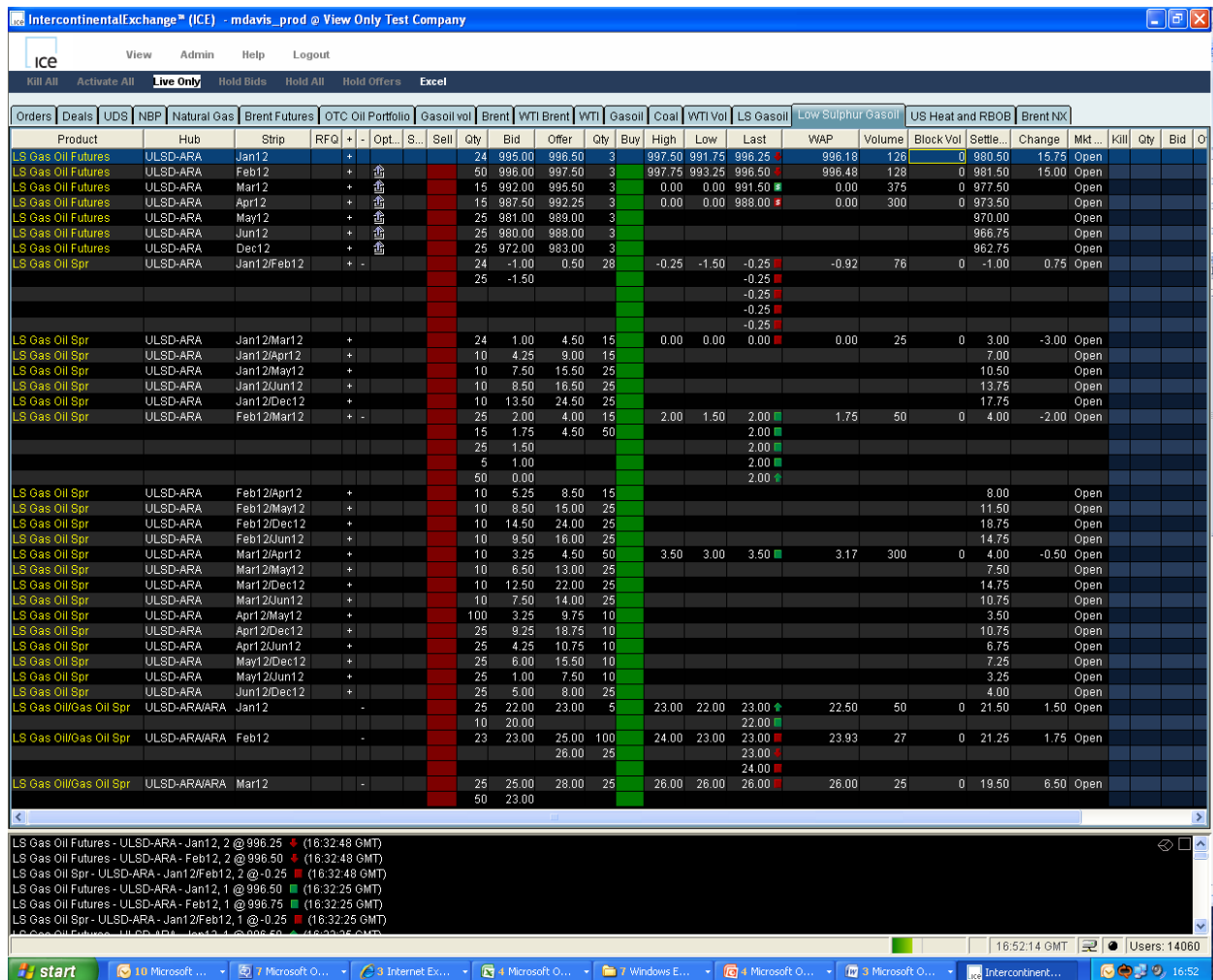
- Outrights to Dec 2016
- Spreads
- Options

On-screen intercommodity spreads

- LS Gasoil vs. Gasoil the 'Hi-Lo Gasoil' or 'LOGO' spread (*ULS-GAS*)
- LS Gasoil crack vs. Brent (*ULS-BRN*)
- Heating Oil / Low Sulphur Gasoil (*HO-ULS*)
- RBOB / Low Sulphur Gasoil (*RBR-ULS*)
- RBOB / Gasoil - please note this spread is being introduced based on the existing ICE Gasoil Future (1000ppm) (*RBR-GAS*)

Low Sulphur OTC

- First line swaps, cracks, differential swaps to LSG, including Diesel, Jet, Gasoil physical



The screenshot displays the ICE trading platform interface. The main window shows a table of market data for Low Sulphur Gasoil. The table includes columns for Product, Hub, Strip, RFQ, Opt., S., Sell, Qty, Bid, Offer, Qty, Buy, High, Low, Last, WAP, Volume, Block Vol, Settle, Change, Mkt, Kill, Qty, Bid, and O. The data is organized into rows representing different contracts and spreads, such as LS Gas Oil Futures, LS Gas Oil Spr, and LS Gas Oil/Gas Oil Spr. The interface also shows a top navigation bar with options like Kill All, Activate All, Live Only, Hold Bids, Hold All, Hold Offers, and Excel. A status bar at the bottom indicates the current time as 16:52:14 GMT and the user as Users: 14060.

Product	Hub	Strip	RFQ	Opt.	S.	Sell	Qty	Bid	Offer	Qty	Buy	High	Low	Last	WAP	Volume	Block Vol	Settle	Change	Mkt	Kill	Qty	Bid	O
LS Gas Oil Futures	ULSD-ARA	Jan12		+			24	996.00	996.50	3		997.50	991.75	996.25	996.18	126	0	991.50	15.75	Open				
LS Gas Oil Futures	ULSD-ARA	Feb12		+	否		50	996.00	997.50	3		997.75	993.25	996.50	996.48	128	0	991.50	15.00	Open				
LS Gas Oil Futures	ULSD-ARA	Mar12		+	否		15	992.00	995.50	3		0.00	0.00	991.50	0.00	375	0	877.50		Open				
LS Gas Oil Futures	ULSD-ARA	Apr12		+	否		15	987.50	993.25	3		0.00	0.00	988.00	0.00	300	0	873.50		Open				
LS Gas Oil Futures	ULSD-ARA	May12		+	否		25	981.00	989.00	3								870.00		Open				
LS Gas Oil Futures	ULSD-ARA	Jun12		+	否		25	980.00	988.00	3								866.75		Open				
LS Gas Oil Futures	ULSD-ARA	Dec12		+	否		25	972.00	983.00	3								962.75		Open				
LS Gas Oil Spr	ULSD-ARA	Jan12/Feb12		+	-		24	-1.00	0.50	28		-0.25	-1.50	-0.25	-0.92	76	0	-1.00	0.75	Open				
							25	-1.50						-0.25										
														-0.25										
														-0.25										
														-0.25										
LS Gas Oil Spr	ULSD-ARA	Jan12/Mar12		+			24	1.00	4.50	15		0.00	0.00	0.00	0.00	25	0	3.00	-3.00	Open				
LS Gas Oil Spr	ULSD-ARA	Jan12/Apr12		+			10	4.25	9.00	15								7.00		Open				
LS Gas Oil Spr	ULSD-ARA	Jan12/May12		+			10	7.50	15.50	25								10.50		Open				
LS Gas Oil Spr	ULSD-ARA	Jan12/Jun12		+			10	8.50	16.50	25								13.75		Open				
LS Gas Oil Spr	ULSD-ARA	Jan12/Dec12		+			10	13.50	24.50	25								17.75		Open				
LS Gas Oil Spr	ULSD-ARA	Feb12/Mar12		+	-		25	2.00	4.00	15		2.00	1.50	2.00	1.75	50	0	4.00	-2.00	Open				
							15	1.75	4.50	50				2.00										
							25	1.50						2.00										
							5	1.00						2.00										
							50	0.00						2.00										
LS Gas Oil Spr	ULSD-ARA	Feb12/Apr12		+			10	5.25	8.50	15								8.00		Open				
LS Gas Oil Spr	ULSD-ARA	Feb12/May12		+			10	8.50	15.00	25								11.50		Open				
LS Gas Oil Spr	ULSD-ARA	Feb12/Dec12		+			10	14.50	24.00	25								18.75		Open				
LS Gas Oil Spr	ULSD-ARA	Feb12/Jun12		+			10	9.50	16.00	25								14.75		Open				
LS Gas Oil Spr	ULSD-ARA	Mar12/Apr12		+			10	3.25	4.50	50		3.50	3.00	3.50	3.17	300	0	4.00	-0.50	Open				
LS Gas Oil Spr	ULSD-ARA	Mar12/May12		+			10	6.50	13.00	25								7.50		Open				
LS Gas Oil Spr	ULSD-ARA	Mar12/Dec12		+			10	12.50	22.00	25								14.75		Open				
LS Gas Oil Spr	ULSD-ARA	Mar12/Jun12		+			10	7.50	14.00	25								10.75		Open				
LS Gas Oil Spr	ULSD-ARA	Apr12/May12		+			100	3.25	9.75	10								3.50		Open				
LS Gas Oil Spr	ULSD-ARA	Apr12/Dec12		+			25	9.25	18.75	10								10.75		Open				
LS Gas Oil Spr	ULSD-ARA	Apr12/Jun12		+			25	4.25	10.75	10								6.75		Open				
LS Gas Oil Spr	ULSD-ARA	May12/Dec12		+			25	6.00	15.50	10								7.25		Open				
LS Gas Oil Spr	ULSD-ARA	May12/Jun12		+			25	1.00	7.50	10								3.25		Open				
LS Gas Oil Spr	ULSD-ARA	Jun12/Dec12		+			25	5.00	8.00	25								4.00		Open				
LS Gas Oil/Gas Oil Spr	ULSD-ARA/ARA	Jan12		-			25	22.00	23.00	5		23.00	22.00	23.00	22.50	50	0	21.50	1.50	Open				
							10	20.00						22.00										
LS Gas Oil/Gas Oil Spr	ULSD-ARA/ARA	Feb12		-			23	23.00	25.00	100		24.00	23.00	23.00	23.93	27	0	21.25	1.75	Open				
									26.00	25				23.00										
														24.00										
LS Gas Oil/Gas Oil Spr	ULSD-ARA/ARA	Mar12		-			25	25.00	28.00	25		26.00	26.00	26.00	26.00	25	0	19.50	6.50	Open				
							50	23.00																

ICE GASOIL AND SEASONALITY

- ICE Gasoil and LS gasoil prices primarily affected by:
 - Northern hemisphere winter season
 - Consumption demand/logistics
 - Refining constraints for LS Gasoil/sweet crude
 - Distillate arbitrage prices ex-Europe
- Related to stocks/storage in Northwest Europe and the US
- Generally expect to see stocks build in Q3, some value purchases in EU
- Worth watching returns to storage in summer months
- Winter typically gives rise to a backwardated market
- Macro influences may cancel these out
- ICE Gasoil single seasonality, Nov- Feb in Europe, prices and volatility
- Logistics inland - water/snow

ICE LOW SULPHUR GASOIL

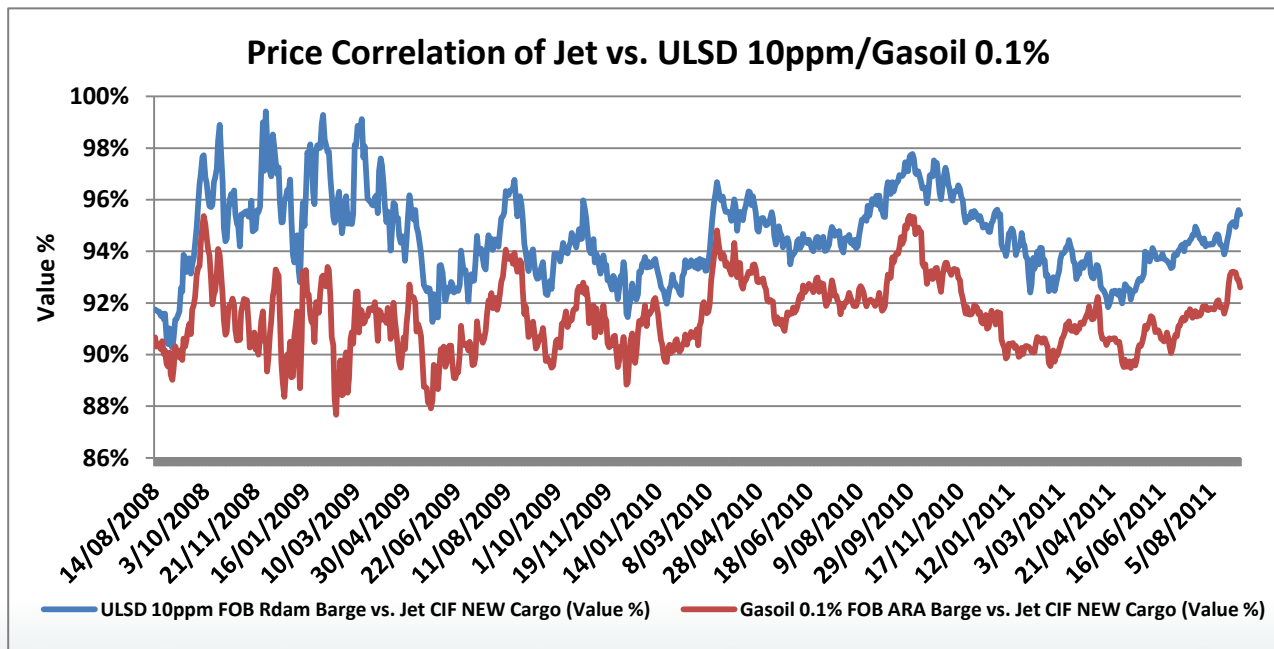
HEDGING AND TRADING OPPORTUNITIES

- Outright or spread basis in deliverable future
- Most influential global refined product market
- Hedge and make/take delivery using EU's primary diesel benchmark
- Take a view on seasonal patterns and on macro conditions for refiners in east and west
- Key export and arbitrage product from US to EU, Mideast and Far East also to EU

ICE LOW SULPHUR GASOIL

HEDGING AND TRADING OPPORTUNITIES - SPREADS

- Can take position between high and low sulphur product- first on-screen spread complements OTC Brent/Dubai crude spread
- Futures spreads to: 0.1%, Brent, Heat and RBOB
- OTC Diff swaps offer basis hedging to: Brent, 10ppm barges and cargoes (N & S), 50ppm barges, Jet cargoes and barges, all from Sep 19



Strong correlation with Jet - closest thing to a liquid Jet future that is likely to attract significant liquidity

WHY USE ICE IN LOW SULPHUR AND DIESEL MARKETS?

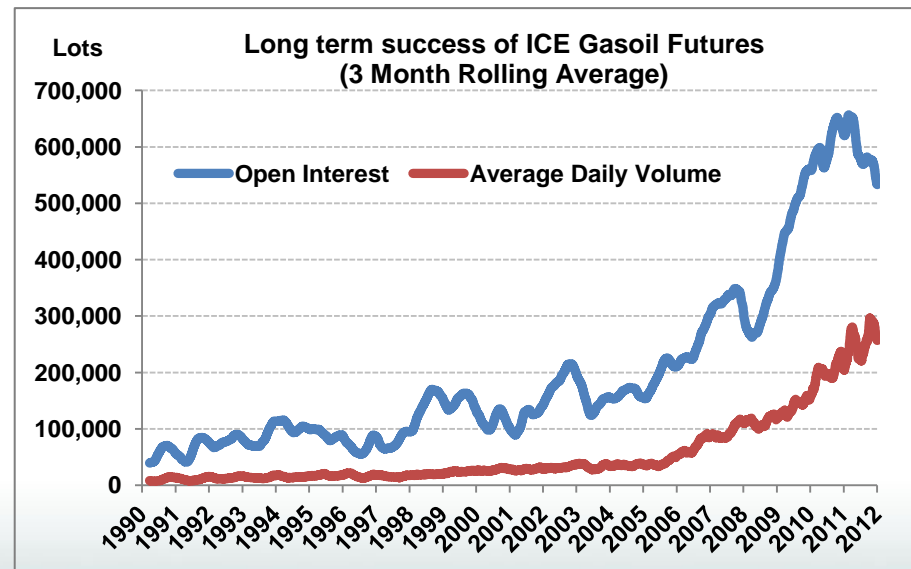
- **Why trade Low Sulphur Gasoil at ICE?**
 - Opportunity to trade a highly influential refined product in its key region
 - Outright, spread, inter-product low sulphur instruments in futures and options
 - ICE Gasoil liquidity in place already, now 10ppm specification to complement existing Gasoil & on-screen arbitrage
 - Hedge efficiency: ICE Brent/Jet correlation - product prices discovered internationally, seaborne crude/products correlate better
 - Margin offsets for maximum capital efficiency/minimum cash flow volatility in clearing- offset examples
 - OTC flexibility via those bases – list of relevant OTC instruments in Jet
 - ICE offers a global instrument reach for global trade

CRUDE AND PRODUCTS TREND SUMMARY

BRENT & GASOIL FLOWS & THE FUTURE

Trends – where are we going?

- Brent has been and still is the reference marker for global crude prices
- WTI prices at the front of the forward curve have been pushed down due to the landlocked nature of the benchmark
- ICE Gasoil is increasingly the reference marker for global refined prices
- ICE Low Sulphur Gasoil is placed to continue and build on that position
- Brent/Gasoil crack the most important aggregator of refining margin globally
- Europe now the marginal pricing point globally. EU is short diesel - increasing inward flows from east and west
- Distillates will be crucial cut for barrel - growing in transport fuels as NatGas grows vs. gasoil for heating
- Gasoil base underpins diesel, jet, heating oil in price and basis terms – strong, flexible structure for price discovery, trading, hedging and clearing
- OTC-futures gap narrowed- clearing, capital efficiencies critical, more on-screen hedging
- WTI/Brent increasingly a screen-based futures arbitrage but to revert in late 2018?



BENCHMARKS AND OIL PRICING

CONCLUSION

Summary/conclusion: What do we expect and need from oil benchmarks?

- Market views - Analysts, traders, policymakers, investors want global benchmarks which respond to macro influences, liquidity and longevity, with consistency in relational/matrix pricing
 - Normal benchmark requirements - liquidity, longevity, relevance
 - Looking for liquid and robust relative pricing relationships
 - Correlations that follow economic logic
 - Consumption and production emphasis shifting from West to East
 - Q: Is WTI serving markets well?

What do ICE Brent and ICE Gasoil (1000 ppm and 10ppm) have to offer?

- Progressive price evolution, for investors this means consistently higher roll return, less volatile returns, and for spread and relational pricing this means less risk
- Deep liquidity for passive and active strategies
- They are water-borne contracts which respond to global, non-local fundamental conditions
- They side-step localised land-based choke points avoiding price vacuums

ICE Oil contracts performance drivers:

- ICE Gasoil Open Interest is larger than Heat and RBOB Gasoline combined, doubling since 2008
- ICE Brent Futures Open Interest growing faster than WTI
- Brent prices 65-70% of global physical crude, and is growing, especially in Asia
- ICE Brent and Gasoil better reflect global macro conditions, more representative term structure – thus outperform WTI and Heat over 3 months through 10 years for indices

NEXT STEPS

Additional resources for ICE Brent NX products:

Product Information:

Brent NX FAQ: https://www.theice.com/publicdocs/futures/ICE_Brent_NX_FAQ.pdf

Webinars: <https://www.theice.com/webinars.jhtml>

Contract Specifications:

ICE Brent NX Crude Futures: <https://www.theice.com/productguide/ProductDetails.shtml?specId=3775846>

ICE Brent NX Crude Option: <https://www.theice.com/productguide/ProductDetails.shtml?specId=3775848>

Additional resources for ICE Low Sulphur products:

Contract Specifications:

Related Contract Specifications:

<https://www.theice.com/productguide/ProductDetails.shtml?specId=3449058>

<https://www.theice.com/productguide/ProductDetails.shtml?specId=3449059>

HELPFUL LINKS:

OTC Cleared Energy Markets https://www.theice.com/otc_energy_cleared.jhtml

ICE OTC Energy Markets general overview

Cleared OTC Product List https://www.theice.com/publicdocs/ICE_OTC_Cleared_Product_List.pdf

ICE OTC Energy Markets general overview

OTC Clearing Members List https://www.theice.com/publicdocs/clear_europe/ICE_Clear_Europe_Clearing_Member_List.pdf

An updated list of ICE OTC Clearing Firms

OTC Clearing Guide https://www.theice.com/publicdocs/ICE_Clearing_Guide.pdf

An informative user's guide for Clearing Firms and participants

ICE Help Desk https://www.theice.com/help_desk.jhtml

For all administrative, trading, and technical related inquiries

RESOURCES

For more information on ICE Brent NX, Low Sulphur Gasoil and other ICE products

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