



ICE Brent - Key Facts and Summary

- ICE Brent futures and options are traded at ICE Futures Europe, ICE's London based futures exchange and executed on the WebICE trading platform, which is distributed in more than 70 countries
- In 2012, ICE Brent became the world's largest crude oil futures contract in terms of volume and ICE Brent market share has almost doubled since 2008
- Volumes for ICE Brent futures and options increased 20% year on year in 2012
- The largest category of participants in ICE Brent futures and options is the commercial hedgers (producers, users, processors, merchants), demonstrating Brent's significance as a hedging tool for physical market participants
- As an accessible, waterborne, crude with a wide geographical reach, ICE Brent reflects global, as well as local fundamentals
- Historical price trends of global crudes show that Brent is more correlated to other grades such as LLS, Dubai and Mars (*see Graph 1*)
- Global commodity indices have been increasing their allocations to Brent as a result of its growing importance in the pricing of crude oil
- Average North Sea crude oil output is currently around two million barrels per day (bpd) and the Brent-Forties-Oseberg-Ekofisk (BFOE) basket comprises an approximate one million bpd (around 700k bpd during the 2012 summer maintenance period), making it the largest underlying physical market of any comparable traded and transparent benchmark

For more information, click on the hyperlinks below:

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ICE BRENT CRUDE OIL - FREQUENTLY-ASKED QUESTIONS

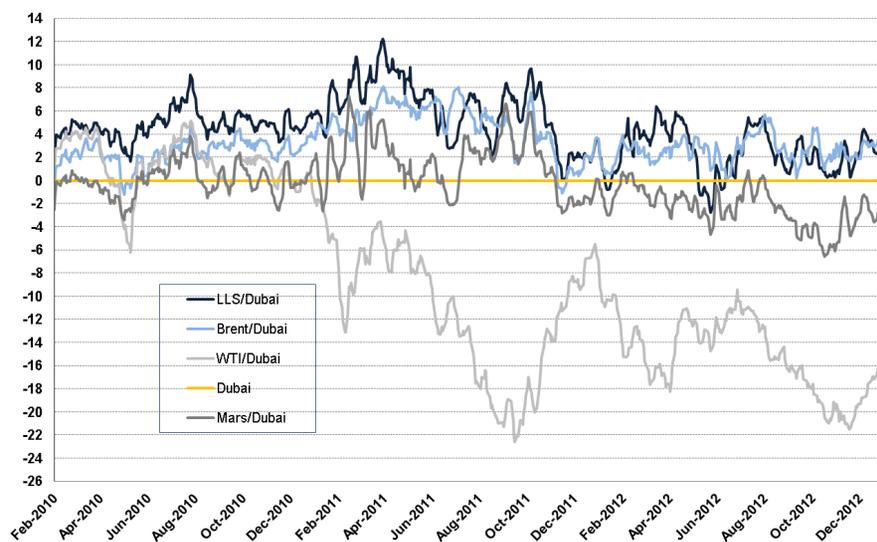
THE ICE BRENT FUTURES CONTRACT IS KNOWN AS THE WORLD'S CRUDE OIL BENCHMARK, HOWEVER SOME RECENT REPORTS HAVE SUGGESTED THAT THERE IS A DISCONNECT BETWEEN THE PRICE OF BRENT AND THE REST OF THE OIL MARKET. WHAT IS THE EXCHANGE'S RESPONSE?

Approximately two-thirds of the world's traded crude oil uses the Brent complex, which includes ICE Brent futures with its deep liquidity and far-reaching forward curve, as a price benchmark. Many national oil producers and other participants around the world price crude at a differential to Brent, depending on the crude grade. Factors such as Brent's accessibility and reach as a seaborne crude, production, adaptation to changing global economics in the oil market, stability and geographic location have consolidated Brent's global benchmark position and contributed to physical participants, such as international airlines and oil producers in Asia, adopting Brent as a primary hedging tool.

At the start of each week, ICE publishes a 'Commitment of Traders' (COT) report which shows the level of participation across four customer groups: i) Producer/Merchant/Processor/User, ii) Swap Dealers, iii) Managed Money and iv) Other Reportables. In contrast to other benchmark crude futures contracts, this data shows that the largest group of participants in ICE Brent futures is commercial users (i.e. physical / hedging firms such as oil producers or processors), who comprised approximately half of the contract's open interest in 2012. The weekly COT reports can be found in the ICE Report Centre [here »](#)

In addition to the high usage of Brent as both a benchmark pricing and a hedging tool for global crude prices, Brent's global relevance is also demonstrated and supported by comparing historical changes in key spreads such as WTI, LLS, Mars, Brent and Dubai. The graph below shows the correlation between global crudes; Light Louisiana Sweet (LLS), Mars, Brent and Dubai over the last two years.

THE GLOBAL SWEET/SOUR SPREADS - WTI, LLS, MARS AND BRENT VERSUS DUBAI



HOW DOES THE FALL IN BFOE PRODUCTION DURING THE SUMMER MAINTENANCE PERIOD AND MORE GENERALLY OVER THE LONG-TERM AFFECT THE STATUS OF BRENT AS THE WORLD'S CRUDE OIL BENCHMARK?

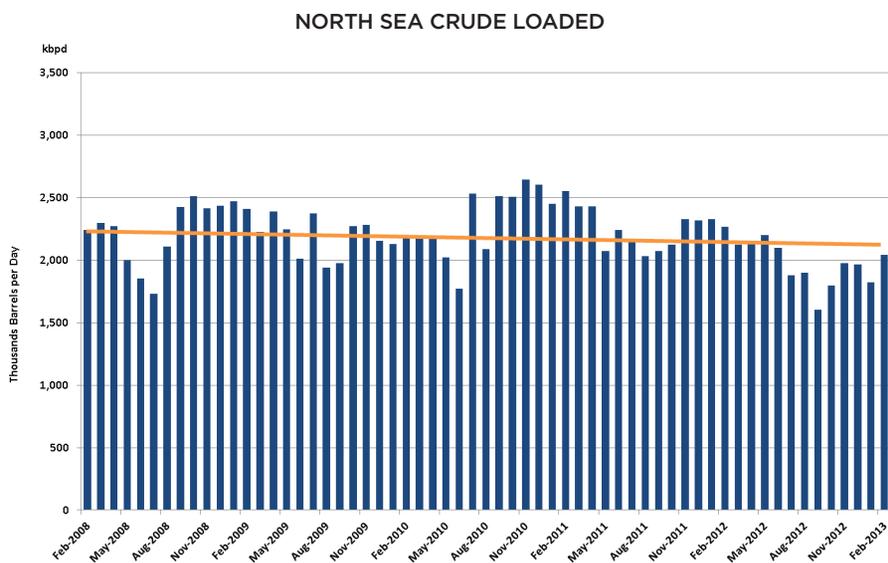
With an approximate output of 1 million barrels per day (bpd), BFOE has the highest production and is the most liquid underlying market of any of the world's notable and transparently traded benchmarks. It compares to an approximate output of 350k bpd for West Texas Intermediate and approximate 650k bpd for Platts Dubai crude oils.

SUMMER MAINTENANCE PERIOD

BFOE output typically falls during the summer maintenance period in the North Sea which takes place between July and September as oil companies take advantage of the milder weather to undertake important annual infrastructure work. The maintenance period is a short term, seasonal supply factor, which is scheduled and which the market expects each year. In summer 2012, BFOE production declined, but it remains a high level of output relative to other traded benchmark crude streams.

NORTH SEA OIL PRODUCTION

Over the longer term, although crude production in the North Sea is below its maximum output levels, the rate of decline has significantly slowed in recent years as exploration and technology advance. North Sea oil production remains around 2 million bpd, according to data compiled by Bloomberg. This sustained output provides further liquidity options for ICE Brent in the future as it continues to evolve and adapt, to reflect the physical market and global fundamentals. As developments in the U.S. have shown, technological advances have rolled back presumptions about forward production, especially in previously considered frontier areas, or where extraction technologies have extended recoverable reserves.



Source: Bloomberg

WHAT'S DRIVING THE RAPID GROWTH IN TRADING OF BRENT, ESPECIALLY BRENT OPTIONS?

ICE Brent futures and options volumes have grown due to a variety of reasons, including its meaningfully larger physical production and role in pricing other grades of crude. In addition, the increasing adoption of Brent as the global benchmark price of crude and its ability to evolve in order to reflect increased underlying liquidity in the North Sea physical market have also supported volume growth. Because Brent is seaborne, it can reach almost any market in the world by ship, reinforcing its global relevance and thus, trading activity in ICE Brent futures and options.

Other factors supporting trading activity in ICE Brent include: the increased allocations to Brent in commodity indices; a rise in demand for regulated and on-exchange risk management energy products; the expanded options trading capabilities built into

WebICE, the ability to cross-margin a range of energy contracts within ICE Clear Europe for capital efficiency, and the deep liquidity across ICE's global energy markets.

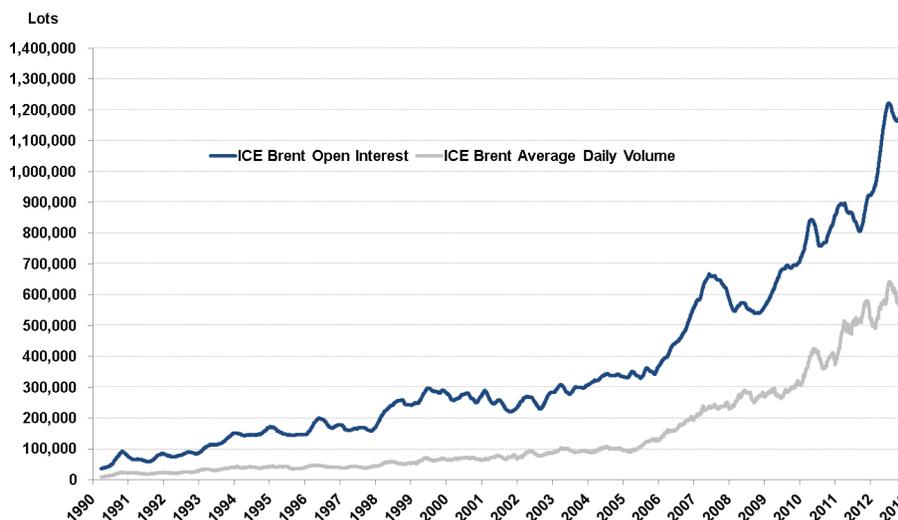
WHAT IS THE RECENT TRADING ACTIVITY IN ICE BRENT FUTURES AND OPTIONS AND WHERE CAN THIS DATA BE FOUND?

ICE Brent futures and options contracts have achieved record volumes and open interest levels since 2010. All data can be found in the ICE Report Centre [here »](#)

ANNUAL ICE BRENT VOLUMES

YEAR	FUTURES TOTAL VOLUME	FUTURES AVERAGE DAILY VOLUME (ADV)	OPTIONS TOTAL VOLUME	OPTIONS AVERAGE DAILY VOLUME (ADV)
2009	74,137,750	287,356	212,341	823
2010	100,022,169	384,701	165,286	636
2011	132,045,563	523,990	2,191,733	8,697
2012	147,423,328	585,013	8,908,862	35,353

ICE BRENT FUTURES OPEN INTEREST & AVERAGE DAILY VOLUME



WHAT CHANGES ARE OCCURRING TO ICE BRENT FUTURES THIS YEAR AND BEYOND?

TRANSITION TO ICE BRENT NX

At the end of 2011, ICE launched Brent NX (New Expiry) Futures and Options in response to changes introduced by Platts to the assessment of the cash 'BFOE' (Brent-Forties-Oseberg-Ekofisk) forward and Dated Brent market. Platts increased the assessment period from a 21-day to a 25-day forward nomination basis for Cash Brent cargoes (and enlarged the Dated assessment window to a 10-25 day one) from January 2012 onwards in order to increase the number of cargoes included in the assessment. The new expiry calendar for ICE Brent NX Futures and Options aligns the futures market with the cash 'BFOE' market. Brent NX contract specifications were designed in formal consultation with market participants during 2011.

Existing ICE Brent Futures and Options continue to trade actively and have achieved record volumes and open interest levels in 2012. The Brent NX contracts are designed to meet our customers' global crude oil hedging needs and will help to ensure that the international use of Brent continues to increase by maintaining its alignment with the physical market.

EXCHANGE OF FUTURES FOR (RELATED) MARKET FACILITY (EFM)

- Provides facility to transfer positions in ICE Brent Futures and Options contracts for positions in ICE Brent NX Futures and Options contracts via an efficient, cost effective and orderly mechanism
- No exchange or clearing fees on the use of EFM facility
- Available for ICE Brent to ICE Brent NX futures and options

[EFM transaction details »](#)

MONTH AHEAD EXPIRY CALENDAR FROM 2015

To ensure ICE Brent NX contracts reflect future enhancements in the assessment of the North Sea physical market, a second change to a 'Month Ahead' expiry calendar is already embedded within expiry dates for the ICE Brent NX March 2015 contract month onwards.

FUTURE BRENT DEVELOPMENTS

Platts have publicly said that they are considering further possible changes to the BFOE basket in the future. For example, including additional North Sea streams such as DUC and Troll, or further ahead, streams from outside the North Sea, such as West / North African / Central Asian grades which are similar high quality and low sulphur crudes.

Since its introduction in 1988, the Brent Crude futures contract has become the global crude oil benchmark demonstrating an ability to adapt and evolve as required to include additional crudes and sustain strong liquidity in the underlying market.

WHAT IS THE RATIONALE FOR INTRODUCING EXPIRY LIMITS ON BRENT FUTURES?

A 6,000 lot expiry limit for ICE Brent Futures is in place for the five days prior to and through to expiry.

The Exchange implemented expiry limits for ICE Brent Futures in order to add an additional layer of supervision to what is already a proactively managed 'position management' and compliance regime. Thus the positions of participants will have maxima set during the period between the start of the BFOE cargo loading programme, now based on a 25-day assessment basis, and the existing ICE Brent expiry, which occurs on or around the 15th of each month.

Together, these policies ensure the continued efficient and orderly functioning of the ICE Brent futures market into expiry.

WHAT IS THE RELATIONSHIP BETWEEN ICE BRENT FUTURES AND THE PHYSICAL OIL MARKET IN THE NORTH SEA?

The ICE Brent futures contract is based on the underlying physical BFOE (Brent-Forties-Oseberg-Ekofisk) market. The BFOE oilfields in the North Sea currently have the highest physical daily output of any of the world's recognised and highly traded oil benchmarks.

The ICE Brent futures contract is linked to forward BFOE contracts and hence the underlying Dated Brent market by the Exchange for Physical (EFP) mechanism. The contract settles against the ICE Brent Index price for the day following the last trading day of the Brent futures contract. At expiry of a Brent futures contract, the index price is based on the average value of BFOE cash cargoes on expiry day. The index is also calculated by the exchange every day.

THE UNDERLYING PHYSICAL MARKET

The underlying Brent physical market consists of two different but related kinds of physical Brent: 'Cash BFOE' which is a 'paper' or 'forward' cargo (within a stated contract or delivery month, but without a vessel, date or number attached) and 'Dated Brent' which has all of these three elements.

Cargoes from a 'cash' contract month are progressively 'wetted', until the 25th day before the end of that delivery month, at which point all cargoes must become 'Dated'. 'Cash' cargoes become 'Dated' cargoes on vessel nominations, which occur at least 25 days forward and the generic or paper cargo is 'wetted'. Up to this point the cash BFOE cargoes trade in chains between potential users of the physical oil until it becomes a 'Dated' cargo. Platts, one of the Price Reporting Agencies which assesses the physical Brent market, will only consider Dated cargoes in its Dated assessment window that are for lifting dates (typically three days to load) between 10 and 25 days forward of the assessment date.

Brent, Forties, Oseberg and Ekofisk are slightly different grades of crude oil; the value of the BFOE quote is set by the most competitive grade at the margin and this process is managed by Price Reporting Agencies.

HOW IS THE ICE BRENT INDEX CALCULATED AND USED?

The cash settlement price for the ICE Brent and ICE Brent NX Future is based on the ICE Brent Index at their respective expiries. The index represents the average price of trading in the 25-day 'cash' BFOE market in the relevant delivery month as reported and confirmed by the industry media. Only published cargo size (600,000 barrels) trades and assessments are taken into consideration.

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

1. A weighted average of first month cargo trades in the 25-day BFOE market.
2. A weighted average of second month cargo trades in the 25-day BFOE market plus a straight average of spread trades between the first and second months.
3. A straight average of designated assessments published in media reports.

[ICE Brent Index more information »](#)

HOW HAS BRENT CHANGED SINCE ITS INTRODUCTION AS A FUTURES CONTRACT BASED ON THE SINGLE BRENT OILFIELD IN THE 1980S?

Originally introduced as a futures contract based exclusively on the Brent oilfield in 1988, ICE Brent futures have evolved over time, incorporating additional North Sea grades – including the Ninian field in 1990 to form the 'Brent Blend'; Forties and Oseberg in 2002; and Ekofisk in 2007. The addition of these grades brought increased production and liquidity to the underlying North Sea market on which the ICE Brent future is based.

Published assessments of the "Dated" market represent assessments of trade in physical Brent-Forties-Oseberg-Ekofisk cargoes in the period between 10 and 25 days ahead. The original Brent forward market was assessed on a 7 to 15 day range, i.e. cargoes loading 7 to 15 days forward. As the range of North Sea grades was broadened, the assessment period was also extended by Platts to a 10 to 21 days basis in 2002 and finally a 10 to 25 day basis in January 2012.

The ICE Brent futures contract was developed in 1988 at a time when the physical market was trading on a 15-day basis. The expiry calendar established at that point – which continues today for the existing ICE Brent contracts – reflected the 15-day timetable. Existing ICE Brent futures therefore currently expire ten days after BFOE contracts have started to go 'wet', i.e. to turn into specific Dated Brent contracts with respect to the contract delivery month in question. ICE Brent NX futures, which were introduced at the

end of 2011, have an expiry calendar based on the 25-day BFOE market and therefore align the futures expiry calendar with the physical BFOE market.

FURTHER INFORMATION

theice.com/brent

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MEDIA CONTACTS

Claire Miller

Corporate Communications, IntercontinentalExchange
+44 (0)20 7065 7745 Claire.Miller@theice.com

Brookly McLaughlin

Corporate Communications, IntercontinentalExchange
+1 312 836 6728 Brookly.McLaughlin@theice.com

CUSTOMER CONTACTS

Mike Davis

Director, Market Development, ICE Futures Europe
+44 (0)20 7065 7753 Mike.Davis@theice.com

Deborah Pratt

Director, Oil Marketing, ICE Futures Europe
+44 (0)20 7065 7734 Deborah.Pratt@theice.com