

## FACTBOX

# UK's Forties shutdown reverberates in Oil, Refining Markets

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Brent crude futures hit a two-year high of over \$65/b Tuesday as oil markets continued to react to news that the UK's 600,000 b/d Forties oil pipeline will likely remain shut in for a "number of weeks" in order to repair a crack.

The following is a list of key facts on the Forties crude stream and the impact of the shutdown.

### MARKET SIGNIFICANCE

- The Ineos-operated Forties Pipeline System is a key UK crude transit route, exporting around 40% of the country's oil production. The route has seen volumes average 445,000 b/d last year.
- Liquids from more than 80 fields flow onshore via the pipeline to the stabilization, separation, and processing facilities at Kinneil, Grangemouth.
- Nexen's Buzzard field is currently the largest component field of the Forties blend, making up about 31% of the total crude stream.
- Other key oil fields transporting crude via the Forties pipeline include Shell's Shearwater and Apache's Forties field.
- Forties is a key ingredient of the cash BFOE (Brent-Forties-Oseberg-Ekofisk) contract, which together with physically delivered Dated Brent, is a component of the Brent Complex, used as a reference for measuring the value of crude oil around the world.
- With Forties crude supplies shut in, Dated Brent was assessed at \$65.165/b on Monday, the highest in over two and half years, according to Platts data, up \$1.21/b from Friday.

### CRUDE QUALITY

- Forties is a medium, sour North Sea crude with a gravity of 38.7 API and sulfur 0.79%, according to Platts data.
- The main regional alternative crudes to Forties blend in terms of quality include Russia's Urals and the UAE's Murban crude.
- Currently the single largest crude oil grade in the North Sea region,
- Forties blend is loaded in cargoes of approximately 600,000 barrels each.

### FIELD SHUTDOWNS

- Apache confirmed late Monday that it has already shut down the Forties oil field, affecting 35,800 b/d of output net to the company.
- Chrysaor, a large North Sea independent, said it has shut its three



operated platforms connected to Forties: Everest, Lomond and Armada.

- Other offshore operators with producing assets connected to the Forties line are expected to announce shutdowns shortly as storage on the platforms fills.
- The loss of Forties has impacted gas production from the Elgin-Franklin and Britannia gas field areas, a loss currently estimated at 15 million cu m/d.
- If production through the Britannia area is shut down completely, the total impact could be up to 25 million cu m/d, given 2017 average flows and current regulatory notifications.

### REFINING IMPACT

- Ineos' 200,000 b/d Grangemouth refinery, which relies heavily on Forties crude, said it is starting to look for crudes from other sources.
- Scotland's sole refinery operated by Petroineos, a subsidiary of Ineos, is connected directly to the Forties line onshore.
- Other regional refineries that buy Forties blend crude are also expected to seek alternative light, sweet crudes to meet their processing crude slates.

### FORTIES DESTINATIONS

- The two key destinations for Forties crude are South Korea and the European refining hub of Rotterdam.
- Other important destinations for the North Sea grade in the past two years have been ExxonMobil's 270,000 b/d Fawley refinery in the UK,
- Repsol's 270,000 b/d Bilbao refinery in Spain, and the port of Brunsbüttel, which connects to Germany's key refineries such as Klesch's. ■