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Insider's View Bulletin: SOMO official discusses nuance of September export data

Oct. 5, 2016

Key points:

- SOMO official attributes higher than average Basra Heavy loadings to effort to clear backlog of tankers
- Clarifies reason for API spread at Basra Light loaded at ABOT/KAAOT and SPMs

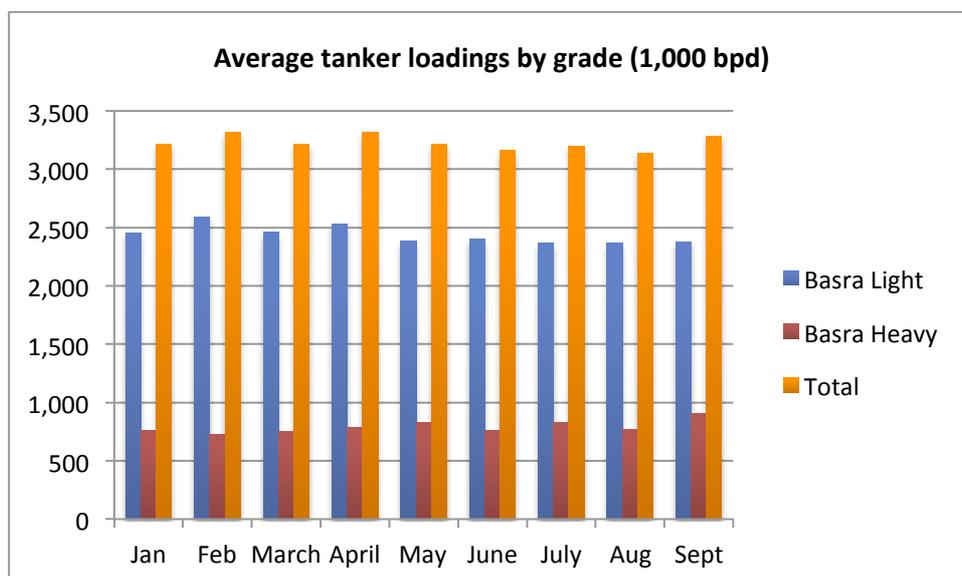
Potential IOC impact: IOCs should note that the SOMO official attributes the upward tick in Basra Heavy loadings as a percentage of total loadings to an effort to manage tanker queues, rather than any shift in input volumes.

EXECUTIVE SUMMARY: A Ministry official discussed two emerging trends in the September export data, namely, the relatively high Basra Heavy loadings as a percentage of total loadings in Sept. and the discrepancy in Basra Light APIs based on their loading location.

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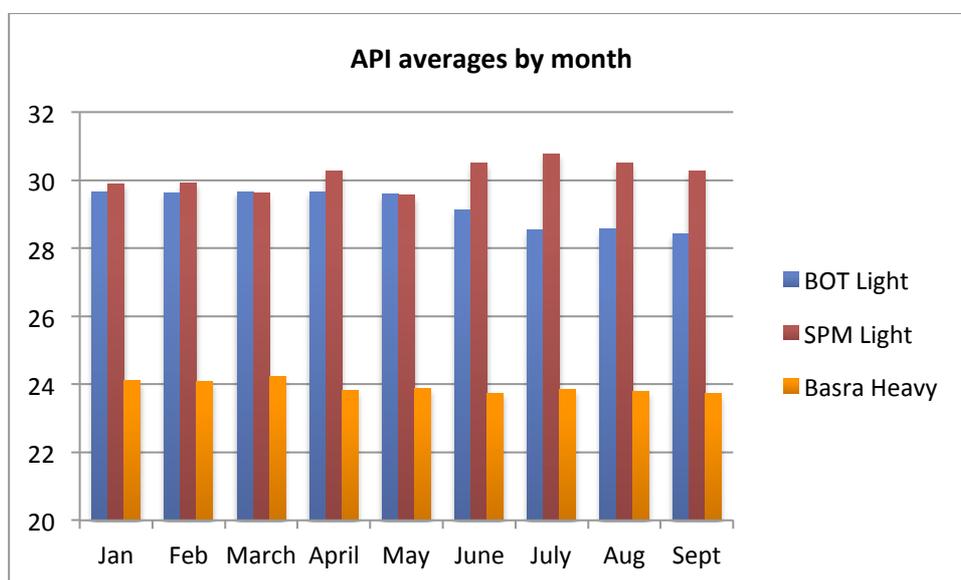
Details: A SOMO official discussed the recently released September export data in an exclusive conversation on Oct. 4. Specifically, he discussed the high Basra Heavy loadings last month, as well as the wide spread in recorded APIs between Basra Light loaded at BOTs as compared to that loaded at SPMs.

Basra Heavy loadings hit a 2016 high: Basra Heavy loadings constituted 27 percent of all Basra crude export tanker loadings in Sept. according to an Custom Research data analysis. Typically, Basra Heavy loadings constitute closer to 24 percent of total loadings, with the 27 percent figure a 2016 high. The SOMO official said that the relatively high Basra Heavy to Basra Light ratio stemmed from the MoO effort to clear the queue of tankers waiting for Heavy grade oil. He said that most of the tankers that had been waiting for an extended period were able to load and depart this month.



Analysis: September completed tanker loadings were higher than average, averaging 3.282 million bpd and loadings of Basra Heavy grade crude were the highest recorded in 2016, averaging 902,000 bpd. This also represented a larger percentage of total monthly loadings than in any previous month. Custom Research export figures may not correspond exactly to SOMO's due to methodological differences. For more information, contact jaredlevy@iraqoilreport.com.

Two-degree spread between Basra Light loaded at BOTs vs. SPMs: September was the fourth month in a row with a significant discrepancy in API for Basra Light loaded at SPMs and Basra Light loaded at ABOT/KAAOT. The SOMO official ascribed the discrepancy to the different sources of crude for Basra Light loaded at ABOT/KAAOT vs the SPMs. While oil supplied to SPMs comes largely from the South Rumaila, ABOT and KAAOT are fed from North Rumaila, according to the officail. He said that oil from the Southern Rumaila fields can run much lighter, with APIs reaching as high as 32-33. However, the official also said that officials have noted the wide difference and that Minister Luaibi and South Oil Company officials are working to remedy it.



Analysis: Basra Light overall loadings in September were in line with 2016 averages. However, disaggregated by loading location, Basra Light loaded at ABOT/KAAOT (28.43) came in notably below Basra Light loaded at SPMs (30.26). The API difference between the loading locations first re-emerged in June – there was a significant gap for several months following the inception of Basra Heavy, though this gap closed for several months before opening again – and has increased to nearly two degrees for the period of July – Sept.

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