Brochure

ICE Midland WTI (HOU) Futures

(ICE: HOU)

ice.com

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Since U.S. shale crude production began to increase in 2011, and since the U.S. crude export ban was lifted at the end of 2015, the marginal barrel that sets the crude price for the U.S. has transitioned to the U.S. Gulf Coast (USGC), and away from Cushing, Oklahoma in the midcontinent region.

This transition has occurred because Midland WTI crude oil is produced in the Permian Basin, which has been the key driver of growth for U.S. crude production and exports. Most Midland WTI moves from the Permian Basin directly to the USGC, with very little moving to Cushing.

As a result, Houston, Texas, has evolved into the key U.S. crude oil pricing center, due to its direct connectivity to more than half of U.S. refining capacity on the USGC, substantial waterborne exports (to Europe and Asia) and access to approximately 150 million barrels of crude storage capacity in the Houston area. This has solidified the price of Midland WTI in Houston as the most representative price for U.S. crude oil.

As Midland WTI crude exports have increased, its role in the global crude market has also expanded. Midland WTI has become a key swing grade with exports going to Asia, where it competes directly with Murban, and Europe, where it became part of the Brent complex in 2023.

ONEOK (previously Magellan), Enterprise, and ICE teamed up to meet the needs of the market by creating a physically deliverable Midland WTI crude oil futures contract that is transparent, liquid and truly representative of today's U.S. domestic and international market fundamentals.

The ICE Midland WTI futures contract (ICE:HOU), since 2018, has enabled participants to directly price and hedge the marginal domestic barrel of Midland WTI quality crude in an efficient and cost-effective manner. Producers can hedge output; refiners and exporters can hedge supply and traders can easily manage positions.

After minor adjustments and further alignment, made in early 2024, the crude oil quality specification of Midland WTI matches the Platts WTI Midland specification which is part of their Dated Brent assessment.

The contract is deliverable at both the ONEOK Magellan East Houston (MEH) terminal and the Enterprise Crude Houston (ECHO) terminal, which are collectively supplied via pipeline, with around three million barrels per day of Midland WTI quality crude.

Houston highlights

Backed by the most extensive crude oil infrastructure in the country, the Houston market provides optionality and redundancy of supply, storage, and take-away capacity, driving confidence for buyers and sellers.

- ~3 MMBPD of direct inbound Midland-quality WTI connectivity to MEH and ECHO with access to all inbound Permian to Houston supply
- 5+ MMBPD of Texas Gulf Coast refining capacity
- 60+ MMB of ONEOK/Enterprise crude storage capacity in Houston, out of a total 150 MMB

Direct connectivity to
~3 million
barrels per day of supply capacity of Midland WTI crude

Over
5 million
barrels per day of Texas Gulf Coast refining capacity

Over
60 million
barrels of ONEOK/Enterprise crude storage capacity in Houston

Export access via
17 ship docks
in the Houston area

HOU Futures contract highlights

- Physical delivery at MEH and ECHO, establishing consistent quality and price transparency in the Houston market
- Sellers have the option to deliver to either the MEH or ECHO terminals
- Buyers can indicate their terminal of preference in which to take delivery:
  - ONEOK and Enterprise will transfer Midland WTI barrels between terminals for no charge until the end of 2025 if the barrels are not delivered to the buyer's preferred terminal
  - A fee of 10 cents/bbl will be charged for Midland WTI transfers made outside of the contract
- Quality specifications are one of the best representations of Midland-quality WTI to date, developed through consultation with Permian producers, Gulf Coast refiners and the international market

Quality specifications

Parameter	Units	Min	Max	Required test method
API Gravity	°API, 60°F	40.0	44.0	ASTM D1298 or D5002
Sulfur Content	% (m/m)		0.20	ASTM D4294
Mercaptan Sulfur	Ppm Wt		75	UOP 163
RVP	PSI		9.5	ASTM D6377
BS&W	% (v/v)		1.0	ASTM D4007 per API MPMS 10.4
Nickel	mg/kg		2.0	ASTM D5708, Procedure B or D8252
Vanadium	mg/kg		2.0	ASTM D5708, Procedure B or D8252
Iron	mg/kg		10.0	ASTM D5708, Procedure B or D8252

Contract size:

1,000

barrels per lot

Trading price quotation:

One cent

($0.01)

per barrel

Settlement price quotation:

One cent

($0.01)

per barrel

Last trading day:

Third business day

prior to the twenty-fifth calendar day of the month preceding the delivery month

Daily settlement:

Volume weighted average price of trades between

13:28 Central Prevailing Time

&

13:30 Central Prevailing Time

Trading hours:

22 hours per day

(01:00 - 23:00 London Time)

Delivery:

Permian Basin originated Midland WTI crude oil into ECHO Terminal and the ONEOK Magellan MEH Terminal*

Contract series:

Up to

96

consecutive months

*An alternative delivery process can be agreed between the buyer and seller

Product codes

Code	Product
HOU	Midland WTI American Gulf Coast Future
HOU	Midland WTI American Gulf Coast Option
HOI	Crude Diff - Midland WTI American Gulf Coast Trade Month vs. WTI Cushing Trade Month Future
HOV	Crude Diff - Midland WTI American Gulf Coast 1st Line vs. Brent 1st Line Future
HOX	Crude Diff - Midland WTI American Gulf Coast 1st Line vs. Dubai 1st Line (Platts) Future
HOW	Crude Diff - Midland WTI American Gulf Coast 1st Line vs. WTI 1st Line Future
HOO	Crude Outright - Midland WTI American Gulf Coast 1st Line Future
HOO	Crude Outright - Midland WTI American Gulf Coast Average Price Option
HOY	Crude Outright - Midland WTI American Gulf Coast Trade Month Future
CM1	Crude Diff - Midland WTI American Gulf Coast Diff to CMA ICE Trade Month Future
CM2	Crude Diff - Midland WTI American Gulf Coast Diff to CMA ICE Trade Month Balmo Future
NYP	Heating Oil Crack - NYH ULSHO 1st Line vs. Midland WTI American Gulf Coast 1st Line Future (in Bbls)

Spreads

Additional inter-commodity spreads are available to help customers mitigate price risk between various locations and grades:

- Midland WTI (HOU) vs. ICE WTI Futures (Cushing) - price and quality differential between Houston WTI vs. Midcontinent WTI
- Midland WTI (HOU) vs. ICE Brent Futures - U.S. crude where it meets the water vs. the global crude oil benchmark
- ICE Murban Futures vs. Midland WTI (HOU) - a differential to hedge Midland WTI (HOU) flows to Asia, where the two grades directly compete with one another

Frequently asked questions

Q How do I trade ICE Midland WTI futures (ICE: HOU)?

A HOU is part of the ICE oil benchmarks complex and is available to trade in WebICE alongside Brent, WTI (Cushing), Gasoil, Dubai (Platts), Murban and other oil products. To trade HOU you need to request clearing limits from your clearer and complete the portfolio setup. For more information, get in touch: Sales-Oil@ice.com.

Q Why trade a physically delivered contract vs. a bilateral physical transaction?

A Trades are anonymous and with ICE Clear Europe being the central counterparty, there is no bilateral participant to participant exposure, thereby limiting risk exposures. Additionally, the contract rules guarantee Midland WTI quality and rateable delivery starting at the beginning of the delivery month.

Q How do you prove Permian Basin origin?

A A tight and robust quality specification, ICE contract rules and oversight, and ONEOK and Enterprise's strict and proven quality programs aim to protect and give confidence to buyers and sellers regarding origin. It would be nearly impossible to blend and not exceed one of the specs. Tight specs should address the "dumbbell crude" issue. Quality data will continue to be published by ONEOK and Enterprise.

Q How does Midland WTI work in conjunction with Dated Brent?

A Following Platts' addition of Midland WTI in both Dated Brent and BFOE since June 2023, ICE Midland WTI (HOU) is very much linked to the physical forward cash market. The addition of Midland WTI has approximately doubled the volume of barrels eligible for inclusion in both Cash BFOE (physical forward) and Dated Brent. Moreover, the number of cargoes actually traded in the Dated Brent Market on Close (MOC) window has also doubled since Midland WTI was added to the Brent complex.

Q Where do Midland cargoes delivered into Dated Brent load from?

A The Enterprise ECHO and ONEOK MEH terminals, where ICE Midland WTI (HOU) is delivered, are two of the most prominent Midland WTI terminals in Houston. Both are connected to water terminals included in Platts' approved terminals list, specifically the Enterprise EHSC and ONEOK Seabrook terminals.

As of May 2024, the majority of Midland cargoes delivered into the Dated Brent MOC window load at Houston terminals. Of Houston loadings, most have been from EHSC and Seabrook terminals. These are the only two terminals that guarantee the quality of Midland crude.

Q How does ICE Midland WTI quality compare to the Platts WTI Midland specification?

A The recent quality specifications changes to ICE Midland WTI (HOU), made in early 2024, have further aligned the deliverable crude oil quality of HOU with the specifications of Midland WTI set out by Platts. This guarantees fungibility between the ICE Midland WTI (HOU) contract and the spot Brent benchmark, as well as a linkage to the ICE Brent Crude Futures contract settlement price; the latter is formed from, among other things, Cash BFOE assessments.

MAKE THE CONNECTION™

For more information: ice.com/crude-oil/futures/midland-wti-agc | sales-oil@ice.com

