

By Randy Fabi

LONDON, March 5 (Reuters) - The combination of UK North Sea Forties and Flotta crude blends would be a better alternative to Russia's Urals as a global benchmark for the medium sour crude market, an energy consultancy group said on Monday.

"The market wants a medium sour marker for Northwest Europe and for the Mediterranean and it has been struggling to get Urals to do that," said Liz Bossley of the Consilience Energy Advisory Group (CEAG).

Last year, the New York Mercantile Exchange and the Russian Trading System launched competing futures contracts for Urals, but neither have attracted much interest. The Atlanta-based Intercontinental Exchange (ICE) has also considered a Urals contract.

A CEAG study, due to be released early next week, said Urals was a risky benchmark for medium sour crude because of its seasonal availability and transportation problems in the Black Sea. Excerpts from the report were obtained by Reuters.

"The existence of a Forties/Flotta forward contract, which may or may not allow delivery of Urals from Ventspils, would be a potentially more robust instrument," the study said.

The study concluded Forties should be removed from pricing light sweet physical crude since its quality has declined with the introduction of Buzzard output in January.

Norwegian North Sea Ekofisk crude should replace the grade, the study said.

Forties, along with Britain's Brent and Norway's Oseberg, are the three blends of crude that together form the North Sea sweet physical benchmark.

The cheapest of the three, Forties, sets the dated BFO marker each day and is used by oil producers from Russia to Nigeria to value around 20 million barrels per day of crude.

"The problem right now at the moment is Forties because we don't know what quality is being produced and what will be produced in the future," Bossley said.

The study found that Ekofisk would bring back stability to Europe's physical crude market.

((Reporting by Randy Fabi, editing by xxxxxxxxxx; + 44 207 542 8185, fax + 44 207 542 4453; randolph.fabi@reuters.com; Reuters Messaging: randolph.fabi.reuters.com))

Keywords: NSEA PRICING