

## **Interfax. SPIMEX seeing elevated demand for petroleum products, difficult thus far to assess duration**

MOSCOW. July 13 (Interfax) - The St. Petersburg International Mercantile Exchange (SPIMEX) is seeing increased demand for petroleum products, which is leading to higher prices, but it is not yet possible to assess the estimated duration of this period, exchange president Alexei Rybnikov told reporters.

"It has always been the case that during the peak season, the period of increased demand, there is an upward movement in fuel prices. This year, in terms of the economy, we all understand - Russians have stayed in the country, consumption has grown, the economy has significantly revived. This all affects the consumption of petroleum products. This is why we see increased demand, and it is materializing before our eyes in price growth. Will it come to an end some day? Everything ends at some point," he said.

"Price is always the result of interaction between supply and demand. The exchange is now a significant element of the Russian fuel market: the OTC segment follows the exchange, oil companies focus on the exchange in their interaction with subsidiaries. The increased volume of trading in petroleum products concentrates demand here and now, the exchange is convenient, reliable and electronic. And the demand should be satisfied where it exists," Rybnikov said.

Regarding the fuel damper, Pavel Stokov, SPIMEX managing director for the refined products market, said that the damper mechanism is not the sole contributor but an essential one in price formation: "About 18,500 rubles [per ton] for gasoline is the value of the accumulated damper. We can compare the index of the exchange price and the netback and the damper compensates for this difference, which now averages about 18,500 rubles."

Answering questions following the June 22 meeting with Deputy Prime Minister Alexander Novak on the fuel market, Rybnikov declined to comment on the feasibility of establishing minimum sales volumes of oil products on the exchange: "This instruction from the deputy prime minister is not addressed to us, it would not be appropriate for me to answer it. Questions should be addressed to those to whom the order was issued."

SPIMEX Vice-President Anton Karpov explained Novak's instruction to the FAS to work with SPIMEX to prepare amendments to the rules of exchange trade in petroleum products and proposals to increase the interval between placement of a sale offer on the exchange and the actual purchase: "We plan to propose the following solution to the regulators. Before the trading session there is a 15-minute pre-trading period when buyers have an opportunity to indicate their price offers. We plan to improve this mechanism by offering the same opportunity to suppliers so that they can also indicate their price offers

in the pre-trade period. This will make the pre-trade period clearer and more transparent. We plan to implement it in Q3".

Rybnikov also commented on the Russian Fuel Union's proposal to increase export duties on petroleum products, which, according to the RTS, will help reduce exchange prices for fuel: "Measures that affect the export segment are always extreme measures. They can help at the moment when there is nowhere to dispose of the product, and it will go to the domestic market. But this measure will have long-term consequences in the form of reduced production. And such measures must be handled very carefully. But these decisions are up to the regulators."

Regarding the matter of the constant disparity of prices for petroleum products in the Far East, Stokov noted that subsidizing rail transportation of petroleum products in the Far Eastern Federal District might be one of the ways out: "If we subsidize rail transportation, and the figure of 4,000 rubles per ton was set forth when the discussion of the problem began, this could help reduce the disparity. The key point is how it will be financed, who will pay for the lowering of the rate. So far all we know is that the issue is still being discussed".