



Argus. Zarubezhneft sells Urals crude for export on Spimex

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Moscow, 21 September (Argus) — Russian state-owned Zarubezhneft has awarded 300,000t of Urals crude for export through the St Petersburg International Mercantile Exchange (Spimex), the first such sale on the exchange. Zarubezhneft offered the three 100,000 t Urals cargoes in early September for loading at Primorsk in October, November and December, respectively. It did not disclose its intention to sell the cargoes on the Spimex platform at the time.

Zarubezhneft typically sells some of its crude to domestic buyers on Spimex, but had never previously used the exchange for its exports. Spimex has struggled to attract liquidity in its Urals crude futures contract with an option of physical delivery, and in January said it planned online auctions for crude cargoes as soon as oil producers were ready to support the idea.

Zarubezhneft's tender to sell crude with October-December delivery was held in two stages. The first lasted until 15 September and was similar to the firm's usual tendering process of putting cargoes on offer and collecting individual bids from potential buyers for a week or more. The highest bid then became the starting point for a second-stage online auction on Spimex, which was organized on 17 September and lasted for 30 minutes. The price was based on a formula including a differential to Dated Brent. The contract also gives the period of the month when the cargoes will be loaded, Spimex president Alexey Rybnikov told Argus today. He said future online auctions on Spimex could be shorter.

Participants in the tender made 12 consecutive bids during the online trading session. This second stage allowed Zarubezhneft "to achieve a 50pc improvement in the pricing formula" compared with the first stage, which translated into a narrower Urals discount to Dated Brent, the oil firm and Spimex said. The buyer is unknown.

Nine international trading firms and trading arms of international oil companies took part in the tender, Zarubezhneft said. Zarubezhneft's crude will come from the Timano-Pechora oil province, in Russia's north. Each cargo will comprise 59,600-65,800t from the Zarubezhneft-operated 408mn bl Kharyaga field and 34,200-40,400t produced by the firm's Rusvietpetro joint venture with state-owned PetroVietnam, according to the tender documentation.

Zarubezhneft reserves the right to adjust the amount by 10pc. Zarubezhneft was only able to offer top-up Urals cargoes from Primorsk in the third quarter, at around 55,000 t/month, because of limitations enforced by Russia's participation on the Opec+ output deal. Zarubezhneft again offered full 100,000 t cargoes from Primorsk, after the restrictions eased in August.

By Anastasia Krasinskaya