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First Urals Crude Cargoes Sold in Online Auction

The St. Petersburg International Mercantile Exchange (Spimex) has made some progress toward its goal of establishing Russia's Urals blend as a benchmark crude grade, with Zarubezhneft selling three export cargoes via the exchange.

For several years now, Spimex has struggled to advance its plan to turn Urals into an internationally recognized pricing benchmark.

It remains to be seen whether the Zarubezhneft transaction is a one-off success, or whether it has laid the foundation for significant progress toward the exchange's goal.

Spimex and Zarubezhneft said on Monday that the state-controlled oil producer sold 300,000 tons of Urals crude to a single unidentified buyer in an online auction on Spimex's electronic platform, Torg-i.

The crude will be delivered in three cargoes of 100,000 tons each via the Baltic Sea port of Primorsk in the fourth quarter of this year.

Spimex Chief Alexei Rybnikov told reporters that one cargo will be exported in each of the final three months of the year.

The auction was carried out in two phases, with nine major global trading firms among those bidding for the cargoes offered by Zarubezhneft in the first round.

The highest price from the first round set a floor for bids submitted in the second round of the auction process ([IOD Jul.17'20](#)).

While Spimex did not disclose the identity of the buyer, Rybnikov said the price was based on a differential versus North Sea Brent crude. Sources told Energy Intelligence it was likely that Gunvor took all of the barrels.

Spimex believes other big Russian producers will start selling oil through the exchange in the future. Discussions are already under way with Rosneft, the country's top oil producer and regional producer Tatneft.

Spimex had initially tried to promote Urals as a benchmark crude via a deliverable Urals futures contract launched in late 2016, but it failed to win support among oil companies and international traders.

That prompted Spimex to develop online auctions as a convenient and transparent platform for buying and selling Russian oil.

The exchange is working toward the development of a Urals price index, to help the grade secure benchmark status.

Rybnikov said this will only be possible if and when all of the major players in the Urals crude market -- producers and buyers -- start actively using Spimex's electronic platforms.

But market players are skeptical that this will happen, with most of them apparently unwilling to move away from

traditional methods of buying and selling Russian crude.

Some suggest that the project is being pushed by the Russian government as a political goal and that the Spimex initiative does not really meet a need in the market.

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