

Platts. First Urals export crude traded on Russia's Spimex online auction

London (Platts)—21 Sep 2020/ 6 23 am EST/10 23 GMT

Russian oil company Zarubezhneft has completed the first sale of Urals crude via an online auction on the floor of Russia's St. Petersburg International Mercantile Exchange (Spimex), the exchange said Sept. 21.

Spimex announced earlier this year its intention to use online auctions for trading of Russia's Urals export crude after trading of its crude export futures contract faced multiple challenges and low liquidity.

Zarubezhneft sold 300,000 mt of Urals in the auction, including three 100,000 mt cargoes each due for loading via the Baltic Sea port of Primorsk in the fourth quarter.

Bids were submitted in real time and bid levels were visible during the trading process, but the names of the participating companies were not disclosed. Nine buyers took part in the auction, including international traders and trading divisions of international oil companies, Spimex said, adding that the seller achieved a 50% premium over the price formula.

The online auction demonstrated the efficiency of such an approach for "the formation of fair and competitive prices" of Russian energy production, Spimex said.

The new auction format follows the crude export futures contract for key export blend Urals, which Spimex launched at the end of 2016 as part of the country's efforts to set up Urals as a benchmark.

Russian authorities indicated at the time that trading of the futures contract backed by physical crude delivery would allow them to earn more money from the Urals blend, which is offered in substantial volumes to the market and has mainly traded at a discount to benchmark North Sea Brent crude.

The Urals contract was launched on a FOB Primorsk basis and allowed for physical delivery. Each Urals contract involves trading in lots of 1,000 barrels of crude, while physical delivery requires batches of 720,000 barrels of crude, enough to load a 100,000 mt tanker.