



Interfax. SPIMEX proposing balancing mechanism for fuel market, oil producers to meet demand of private filling stations during extra session

MOSCOW. July 21 (Interfax) - The St. Petersburg International Mercantile Exchange (SPIMEX) has proposed considering the option of balancing supply and demand in oil trading, which would allow producers of motor fuel to meet the demand of private filling stations during an extra session, exchange vice president Anton Karpov told Interfax.

Private filling stations are among the main consumers of petroleum products in Russia, including in exchange trading, Karpov said. "They actively participate in the exchange process. And lately we have been hearing from them more and more often and more persistently that there is not enough product on the exchange. This is not a normal market development. The exchange sees this problem and is offering a number of solutions," he said.

One of these proposals was announced last week. The platform is suggesting expanding opportunities for bidders in the pre-trading period. "Before the trading session there is a pre-trading period of 15 minutes, when buyers have an opportunity to indicate their price offers. The exchange intends to give the same opportunity to suppliers, so that they can also indicate their price offers during the pre-trading period. That is, before the beginning of trading everyone will see both supply and demand. This will give all participants a clear understanding of how the trading day will open. The beginning of trading will be predictable," Pavel Stokov, SPIMEX managing director for the refined products market, told Interfax.

The second SPIMEX proposal, he added, concerns balancing supply and demand directly. Stokov explained that during the main trading session (from 11 a.m. to 1 p.m.) trading is carried out through anonymous bilateral auctions, which form the market price. "Then there is an additional session which was originally set up for oil companies to be able to sell the goods at the market price to their sales entities or other vertically integrated companies, if necessary. Everything is open here - the deal is concluded in address mode, i.e. the seller sees who he is selling to. And now we want to expand the opportunities for other buyers in the second trading session," Stokov said.

He explained that there are two important points: first, the additional session broadcasts the exchange price from the main session, and second, the seller and the buyer see each other. "On some days there is a large unsatisfied demand, which on the next day is expressed in the form of rising prices. To solve this problem, we propose a balancing

mechanism at the end of each day: in an additional session private filling stations will be able to put up demand at those points where they would like to buy the product, and producers can close this demand and sell the necessary product," Stokov said.

Accordingly, if the market is growing, oil companies will be able to close it in an extra session - so that the unmet demand does not appear in the market the following day and generate additional upward pressure on prices. "Thus, the balance of supply and demand on the given current day will be achieved, which will be reflected in the trading on the following days, heading off sharp price movements in the market. And it will be absolutely solvent demand. Furthermore, this mechanism will remove many questions: how much fuel is lacking in the market, in which directions and so on," Stokov said.