

# INTERNATIONAL OIL DAILY®

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## Spimex to Take Another Shot at Capturing Urals Trade

The St. Petersburg International Mercantile Exchange (Spimex) is renewing its efforts to promote Russia's Urals export blend as a new crude oil benchmark and capture a meaningful chunk of trading in the medium, sour grade.

The move is driven by the belief that the recent disruption of the industry by the Covid-19 pandemic may make companies more willing to rethink how they do business.

Spimex chief Alexei Rybnikov told a press briefing on Thursday that the exchange sees a new opportunity to persuade industry players that they need to embrace all of the advantages that digital exchange-based trading offers.

In 2016 the exchange launched a futures contract for Urals crude with physical settlement in an attempt to secure benchmark status for the grade, but it ultimately failed to gain sufficient support among domestic and international traders.

It has recently tested a new scheme of two-phase auctions for Urals exports, sending out invitations to Russian companies and international trading firms.

Opec-plus production cuts have recently led to reduced availability of medium, sour crude around the world, boosting demand for Urals which has been trading at a premium to dated Brent, rather than its typical discount (IOD Jul.8'20).

Spimex is hoping that the spotlight this has turned on Urals will encourage Russian companies to embrace new trading mechanisms.

But it remains to be seen whether this new initiative will gain support from Russia's oil majors and succeed where previous attempts failed (IOD Apr.20'20).

Meanwhile, Spimex has recently seen the volume of petroleum products traded pick up as a result of the recovery in demand after Russia moved to relax Covid-19 restrictions.

Rybnikov said gasoline sales via the exchange surged by almost 30% in June versus May, while diesel sales were up by more than 33%. July volumes are expected to show a further increase.

Natural gas volumes traded via the exchange in the first half of 2020 were 11% higher than in the same period of 2019 at 7.8 billion cubic meters.

However, that was still 12% and 28% lower than in the same periods of 2018 and 2017, respectively.

The domestic market share of state-run gas giant Gazprom has stabilized at around 50%, and neither Gazprom nor its rivals that hold the remaining half of the domestic market have felt the need to sell more gas via the exchange.

To try to boost gas volumes, Spimex will introduce a mechanism later this month that will allow buyers to resell gas they have bought but not used.

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