



Argus FSU Energy. Spimex hopes for Urals futures breakthrough

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The St Petersburg International Mercantile Exchange (Spimex) is hoping that 2018 will be a "decisive" year for development of futures contracts for Russian crude, Spimex president Alexei Rybnikov tells Argus.

Spimex wants to see the first physical delivery of crude through the exchange's Urals futures contract this year, subject to resolution of tax issues, which Rybnikov sees as one of its "priorities". It had hoped that the first physical delivery would take place last year. Spimex is also looking for progress on a planned futures contract for ESPO Blend.

The lack of clarity on taxation is the biggest remaining obstacle to further take-up of the Urals futures contract, Rybnikov says. But there has been progress on other issues, including agreement with pipeline operator Transneft on allowing participants in futures trading to confirm specific vessels and loading dates for the next delivery month, which Spimex hopes will encourage physical delivery.

Spimex is talking to the finance ministry about withholding tax on non-resident derivatives trade, which it hopes will improve contract liquidity. The issue is "not a big deal" — the Russian budget receives no revenue from this source — but resolving it will require tax code amendments and this will take time, Rybnikov says.

The launch of an ESPO Blend contract this year is "feasible", Rybnikov says. Preliminary discussions are under way with Transneft and regulators, he says.

The exchange and the government are keen to expedite physical crude delivery to increase contract liquidity and further a longer-term aim of making Spimex Urals a price benchmark. The contract was launched in November 2016, trading in 1,000 bl lots with the option for physical delivery on a fob Primorsk basis.

But progress has been "slower than expected", Rybnikov says. A total of 4,000 contracts were traded for Rbs12bn (\$208mn) in 2017, around 333,000 bl a month — well below the 720,000 bl size of a standard Primorsk cargo.