

ECTFE Professional Energy Trader Training

Short Program

Module 3. Physical oil & Product Trading

The crude oil and refined petroleum product markets are amongst the most mature commodity markets in the world. And this maturity brings with it complexity. The buying and selling, i.e. trading, of these commodities in an efficient and profitable manner requires a market participant to have, amongst other things, a deep understanding of how the crude oil markets and refining industry function; how commodity pricing mechanisms emerge; the roles played by national oil companies (NOCs), international oil companies (IOCs), financial institutions and governments; the implications of seasonality of demand; and the impact of refining technology on the refined product slates. The purpose of this course is to demystify the complexity that is commodities trading and acquaint its participants with the risks associated with trading in this mature commodities market. The course participants will gain insight into how an experienced trader would look to mitigate risk along the value chain, which includes logistical and operational risks.

Course outline:

- I. Fundamental Market Analysis
- II. Physical Trading
 - a. Type of Transactions – FOB, CFR, tenders, term and spot deals
 - b. Market participants
 - c. Operations
 - d. Shipping – types of tankers, port restrictions
 - e. Risks – Quantity, Quality, Non-performance, force majeure
 - f. Mechanics of Physical Trading
 - g. Storage Terminals
- III. Optimisation/ Blending