

Fuel Oil & Bunker Trading

2-3 August 2007
Pan Pacific Hotel, Singapore



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Day 1: 2 August 2007

08:45 - 09:00 Registration

09:00 - 09:30 Introduction

- Course content, approach/ syndicates exercises, industry jargon/definitions

09:30 - 10:15 Oil Markets and Oil Trading

- Global supply and demand; crude oil and oil products markets; major bunker fuels markets
- Regional balances, trade flows, market drivers
- Physical, forwards, futures and derivatives markets
- Why trade?
- Term and spot deals

Key Issues: Projections of international flows of oil products and implications for fuel oil and bunker traders, particularly in respect of low sulphur fuel oils.

10:15 - 11:00 Oil Refining

- Crude oil types, origin, crude oil assays
- Refinery types and key processes
- Products produced
- Yields
- Refinery economics and feedstock valuation - GPW, netbacks, refining margins
- Upgrading and conversion processes
- The basics of product quality and specifications
- Fuel oil - key specification issues

Key Issues: The key characteristics of bunker residue and distillate fuels and how they are produced by refinery processes and by blending operations.

11:00 - 11:30 Coffee Break

11:30 - 12:15 Shipping & Freight

- Tankers - types and characteristics
- Worldscale system
- Basic principles of chartering and types of charter; lay time and demurrage; Bunker fuels

Key Issues: How freight costs are calculated, their importance for determining trading economics and the importance of critical charter conditions for fuel oil/ bunker traders.

12:15 - 13:00 Asia Pacific Fuel Oil Supplies - Overview

- Markets - China/ India
- Supplies/ balances
- Sources for imports - Arabian Gulf, Former Soviet Union, US/Caribbean
- Singapore bunker market - quality issues

Key Issues: Asia Pacific growth and supply challenges

13:00 - 14:00 Lunch

14:00 - 14:45 Exercise 1: Freight Exercise

Key Issues: Understanding how freight rates are calculated.

14:45 - 15:30 Oil Pricing

- Crude and product price markers
- Market reporting, price assessments, information sources and methodologies
- Pricing mechanisms
- Crude and product markers and formula pricing
- Flat prices, differentials, pricing periods

Key Issues: How oil is priced, simple and complex formulae, specifics for bunker fuel components (e.g. residues, distillate and cutter stocks).

15:30 - 16:00 Coffee Break

16:00 - 16:30 Exercise 2: Gross Product Worth/ Netback Value/ Refinery Margins

Key Issues: How the values of typical high and low sulphur crude oils in a refinery are affected by the market values of the products generated, in particular the fuel oil components used to make bunker fuel oil; how netbacks/ refining margins are calculated.

16:30 - 17:15 Basics of Physical Oil Contracts

- Outline structure and clauses
- General Terms and Conditions
- Types of sale: FOB, CIF, Delivered etc. - responsibilities of seller and buyer
- Standard provisions in GT& C's
- Key clauses, disputes and claims. Issues and problems
- Doing a deal

Key Issues: Product specifications and general contract conditions are of fundamental importance to bunker fuels suppliers and traders.

17:15 - 18:00 Forward and Futures Markets

- BFO contract, partials, book outs
- Dubai/Oman, WTI, Tapis
- Futures exchanges and futures contracts
- Futures - operation and use
- Summary of crude, gasoil and gasoline contracts

Key Issues: How these markets work and the specific challenges facing bunker suppliers and traders in the absence of active/ liquid futures markets for fuel oil.

18:00 - 18:30 Refining Video

Close

Day 2: 3 August 2007

09:00 - 09:45 Price Risk and Hedging

- Price risk & exposure
- Long & short (mini-class exercise)
- Introduction to hedging and hedging tools; hedging examples

Key Issues: Basics of price risk management and choices facing bunker fuels traders and suppliers; cargo sales/ purchasing, bunker sales (retail) and inventory (stock) hedging, control systems.

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09:45 - 10:15 Exercise 3: Hedging with Futures

Key Issues: Understanding price exposure and how trading activity and hedging actions affect the net price exposure position.

10:15 - 11:00 Fuel Oil Blending/ Key Issues

- Basic principles
- Linear blending
- Non-linear blending

Key Issues: Commercial importance of blending and basic blending to adjust sulphur, viscosity, metals; compatibility problems with straight-run/ cracked fuel oils.

11:00 - 11:30 Coffee Break

11:30 - 12:15 EU Legislation/ Marpol Annexe VI – Implementation

- Baltic SECA; area, regulations, vessel options, exhaust scrubbing
- North Sea/ English Channel SECA; extension, implications, supply options
- Implications for NWE low sulphur fuel oil supply balances and EU/ Asia Pacific international fuel oil trading
- New price drivers for bunker fuels

Key Issues: Affect of the new regulations on customers, suppliers and traders; forward supply/ demand balances for low sulphur residues; reaction of vessel owners/ operators and likely impact on demand patterns.

12:15 - 13:00 Bunker Business Profitability

- Supply sourcing
- Sales and marketing
- Cost control/ working capital
- Payment security
- Trading

Key issue: How to make money from bunker fuels?

Participation Fees:

Delegates' package without accommodation is cost **£1080** and includes:

- Participation in the training programme
- Hand-out materials (English)
- Coffee-breaks and lunches
- Cocktail-reception

Registration closing day is on **27th July 2007**.

ATTENTION!!! Invite your colleagues and partners to this event and if they register you will receive a **10% discount!**

Participating companies will get an additional **15% discount** for every 3rd delegate.

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13:00 - 14:00 Lunch

14:00 - 14:45 Trading Strategies/ Market Structure & Arbitrage

- Forward price curve
- Contango and backwardation
- Differentials, spread trading, crack spreads
- Arbitrage
- General principles
- Examples (includes mini-class exercise)

Key Issues: Appreciation of how market structure affects fuel oil traders' and bunker suppliers' trading and hedging activities.

14:45 - 15:30 Over the Counter Derivatives

- Summary and definitions
- CFD's and Swaps
- Applications
- Documentation

Key Issues: Understanding of the importance of using derivatives for hedging fuel oil and bunker prices and managing international arbitrage trading opportunities, in particular the west-east fuel oil arbitrage (without access to appropriate futures markets).

15:30 - 16:00 Coffee Break

16:00 - 17:15 Exercise 4: Negotiation - Sale of a cargo of fuel oil

Key Issues: Concluding the transaction within the time constraints allowed ensuring main contract issues have been covered and agreed to the satisfaction of both negotiating parties.

17:15 - 17:45 Syndicate Reports on Exercise 4

17:45 - 18:00 Course Summary & Feedback; Final Remarks

Close

Course Lecturers:

Colin Allcard's experience includes thirty years in the downstream oil industry with the Shell Group, much of it as a general business manager. His assignments have been commercially focused covering oil products and crude oil trading, oil products marketing and international sales, and have included general management of Shell International's crude oil trading business and management of Shell UK's oil products trading team. He spent 15 years of his career in field based overseas assignments in a wide range of business environments, including the Far East, Middle East, USA and several African countries. He recently led the multi-client study entitled 'Bunkers and Heavy Fuel Oil: New Market Issues and Future Trends'.

Charles Daly's early career was spent with BP, initially in research then in logistics and refinery supply. He later worked with Ultramar where he headed up the company's international oil supply and trading group. Charles was the founder member and the first Vice-Chairman of the UK's International Petroleum Exchange. He is therefore a recognised authority on Middle East, Mediterranean and Russian oil supply markets.

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