

Croatia: Oil price games, storage and forward contracts

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Adriatic oil storage Janaf signed an agreement on oil transportation in 2015th with GazpromNeft NIS, the largest Serbian company for oil and gas, referring to the 1.700.000 tons of oil.

The value of the cash flows of this job was not disclosed, and the amount was slightly lower than last year's 1.750.000 tons and 1.800.000 tons contracted in 2013th.

According to recent reports for the 3rd quarter of 2014th, Janaf achieved 42 MEUR of revenues from core activities in the first nine months of last year, of which 68% was related to the oil transportation, 22% of the oil storage and 10% on storage products. Therefore oil storage is quite important for the company, and this is the segment that shows signs of greater activity in the world.

Most people, in fact, are well aware of the fact that the oil price falls, but one more interesting thing is in the game in recent times. The spot (current) oil price is below the price of the futures contract, which is known under the term "contango", and this phenomenon occurs when the market expects recovery in oil prices. In short, this means that the owners of futures oil contracts will be able in the future to sell at higher price than they buy it today. Current price for WTI crude is around 47.49 dollars per barrel, while futures are generally more expensive the farther you go in the future. Thus, for example, a contract for February 2015th traded at 47.53 dollars per barrel, in June 2015th at 50.27 dollars per barrel, and at 59.82 dollars per barrel in December 2016th.

Traders see the chance of buying at the spot, so storage, than selling according the futures contracts if the price is high enough to cover the cost of storage. An opportunity for companies such as JANAF, which have such facilities, could be right there. The storage capacity of the company amounted to 1.54 million m³ of oil and 202 thousand m³ for the storage of petroleum products.