Oil: Refining, Storage and Asian Price Benchmarks: practical consequences

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

Contracts priced on Singapore assessments

For lawyers and advisers, the oil hub creates a recognisable set of questions. Contracts for the sale of oil products in Asia almost always refer to Platts assessments, and the precise wording of the pricing clause determines who bears the risk of price movements during the pricing period. Disputes arise when an assessment is discontinued or changed, when a bill of lading date is contested or when a market disruption makes the reference unrepresentative. A well-drafted contract therefore provides for a fallback reference, for the treatment of methodology changes and for the determination of the pricing period.

Physical and paper positions also need to be aligned. A trader who buys a cargo priced on MOPS and hedges it with swaps settled on the same assessment is protected only if the pricing periods match. Differences between the physical pricing dates and the swap averaging period create a residual exposure, often called basis risk, that can be large in volatile markets such as those of March 2026. Credit,

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storage and inspection arrangements must fit together, since a lender who finances a cargo or a tank of stock relies on documents produced by several independent parties. The collapses of 2020, which Chapter II of Part H examines, have made banks far more demanding in this respect.

Checklist for advisers

- Identify the Platts assessment, the averaging period and the pricing trigger in each sale contract, and provide for a fallback if the assessment is changed or suspended.
- Align the averaging periods of physical contracts and hedging swaps, and quantify the basis risk that remains.
- Check whether dealing in oil swaps with third parties requires a capital markets services licence under the Securities and Futures Act or falls within an exemption, and whether reporting obligations apply.
- Ensure that traders understand that misleading bids or trades in the Platts window may amount to market misconduct when they affect cleared or over-the-counter derivatives.
- In storage and blending contracts, define specifications, sampling, the inspection company and the final certificate, and allocate liability for off-specification or contaminated product.
- When financing stocks, verify tank receipts directly with the terminal operator, require independent inspection and monitor inventory regularly.
- For refinery and chemical investments, model the carbon tax at the published rates to 2030, the effect of transitory allowances and the cost of decarbonisation projects.
- Check sanctions and export control exposure for crude and products of uncertain origin, as set out in Chapter IV of Part H.

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Author contact: Dr Alexander Ressos, TEP · contact@ressos.com