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Chemoil eyes derivatives market

October 27, 2010

Bandy says start-up will be slow but expects substantial growth

Global marine fuel supplier Chemoil Energy Ltd. will offer hedging services to its shipping customers next month and expects its derivatives volume to match its physical trades within five years, according to its chairman and Chief Executive Officer (CEO) Mike Bandy.

The Singapore-listed company has hired 30 risk, credit and marketing staff in the past 10 months, primarily for its new derivatives business, Bandy told Reuters.

'It's a very lucrative market. The margins are at least as good or better than the physical market," he said.

"The start-up will be slow but over the years we can expect substantial growth."

Chemoil will introduce a range of risk management tools, including fixed forward price contracts, swaps and maximum price agreements.

The company already uses swaps and other risk management products to hedge its own physical inventory.

Bandy told Reuters that Glencore, Chemoil's majority shareholder, would be the preferred counterparty for the derivatives trades.

"The intention is to use Glencore. As long as their paper pricing is as attractive as what the banks can offer, we will use them," he was quoted as saying.

Global commodities trader Glencore acquired a 51% share of Chemoil in April this year.

Chemoil is a leading independent supplier of marine fuel with operations in Los Angeles, New York, Houston, Singapore, Panama, Fujairah in the United Arab Emirates, India and the Amsterdam-Rotterdam-Antwerp (ARA) region.

In 2009, the company delivered over 15 million metric tonnes (mt) of fuel.