

# DAILY ENERGY MARKETS FORUM

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***“Murban Crude Oil Contract has a Very, Very Good Chance of Succeeding!”***

The new Murban contract makes a lot of sense. I think there is more and more of that sort of quality of crude oil which is in demand in the region. It has a very, very good chance of succeeding. I traded DME Oman Contracts from day one when it launched in 2007, and I know it can be hard to get contracts to work over the long run.

I think Murban will do fine. It will be welcome by the trading community, especially with LNG traders, as it is one of the ways you can hedge the Japanese Crude Cocktail exposure, which many LNG traders have. Still, I do think any talk of Murban overtaking Brent and WTI is way overblown, it does not make any sense, at least for a while.

I think Murban will be another instrument in the armour of oil traders and hedgers. It will be most welcome by the market, and has a very, very good chance of succeeding, as the benefits of the new contract are multiple.

Firstly, Murban has a large production volume and is a very popular crude East-of-Suez. It replaces the vestiges of the old 1986 OPEC price control mechanism of the Official Selling Price (OSP), and hence raises the question of why even bother with the OSP anymore? Let the market decide what the OSP is. I think that is a great development and it sends a message to all the other OPEC producers, who may now look into it.

Secondly, Murban is also very similar to Russian crudes coming out of the East in terms of quality. It is not dissimilar, a little higher in sulphur perhaps, from the US crude grades coming into the Asia. When I traded North Sea crude oil, like Forties, and investigated the arbitrage into Asia, I always looked into the market value of Murban. People do look at those values, and once they are market related, I think they are extremely useful. ■

*\*Paraphrased comments*

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