FIS

VIRTUAL STEEL MILL

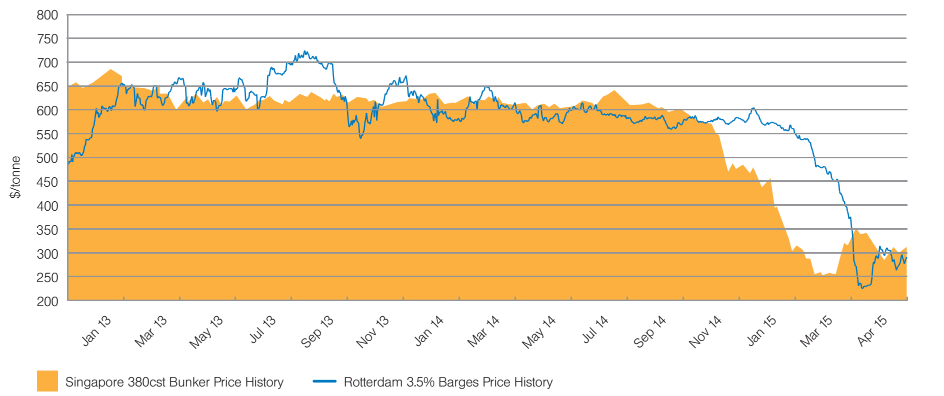
MAKING FUEL OIL SWAPS SIMPLE

Bunker fuel makes the global shipping industry move and powers seaborne trade – the global physical market is currently estimated at 400-500m tonnes per annum, with a paper market about seven times that size.

Because it is tied so directly to crude oil, bunker price risk management has become a crucial issue in recent years. At a time of lower freight rates and higher oil prices, bunker fuel can easily account for up to 70% of daily ship operating costs.

This has led anyone with price exposure to explore strategies on how to better manage the risk associated with the volatility of bunker prices.

Singapore 380cst Bunker Price History



Source: FIS

> *"The FIS Fuel Oil desk provides fast and professional execution, with unparalleled transparency, market knowledge and expertise."*

FIS has responded to the need for new tools to manage price risk by developing the Fuel Oil Single Swap (FOSS) a cleared, cash-settled fuel oil swap based on the Platts daily assessment price of the main indexes, with a tenor of up to four years. Rather than rely on users trading large clip sizes at high cost, FOSS allows users to trade as little as one lot (1 metric tonne) up to the maximum that fits their requirements.

BUNKER RISK MANAGEMENT

Shipowners, charterers and bunker suppliers are exposed to global fluctuations of crude and bunker prices that have little to do with supply and demand in local markets.

The fuel oil paper market, used for hedging bunker fuel exposure is very liquid. But shipowners are still a very small part of the fuel oil paper market, and can often get sidelined because of their trade size requirement, whereas FIS can cover all sizes from 100mt to 100,000mt.

Using the fuel oil swaps can help owners to cheaply and simply fix the price of future bunker fuel purchases and can also be used by a wider range of market stakeholders, including charterers, traders, physical suppliers and financial institutions.

THE BENEFITS OF FUEL OIL HEDGING INCLUDE:

- Stabilize cash flows and secure margins by protecting from price volatility;
- Reduce the risk of financial distress and non-performance;
- Secure competitive edge by stabilizing prices along the supply chain, thus giving the company control over its pricing structure;
- No upfront premium;
- Improve the profile of the company towards its trading partners by assuring tight control over bunker risks.

The FIS Fuel Oil desk provides fast and professional execution, with unparalleled transparency, market knowledge and expertise. We publish daily Fuel oil market reports available to clients on request.

FIS has chosen to initially focus its attention on the most liquid fuel oil markets and will offer execution brokering services on the following contracts listed for clearing on ICE, CME, NASDAQ QMX and SGX.

- Singapore 380cst
- Singapore 180cst
- Rotterdam 3.5% Barges
- NWE 1%FOB cargoes
- MED 1%FOB cargoes
- US Gulf Coast No.6 3.0%
- East-West Spread
- Viscosity Spread
- Crack Spreads

FIS can obtain representative prices in almost any port where bunkers can be supplied. Please contact us for further details.

For further details about Fuel Oil Swaps or to discuss trading opportunities, call:

London: +44 (0) 207 090 1120
Dubai: +971 4 4493900
Singapore: +65 6535 5189
Shanghai: +86 21 6335 4002

Twitter: @freightinvestor
bunker@freightinvestor.com