

# Physical Crude Oil and Products Trading



**Understand the U.S. and international physical oil trading business from the perspective of both the trader and the supply analyst.**

## Course Date & Location

**When:** March 23-24, 2010

**Where:** CME Group NYMEX World Headquarters

World Financial Center  
One North End Avenue  
New York, NY 10282  
Recommended hotels on p.2

## What You Will Learn

This highly interactive and intensive two day physical crude oil & products trading course will provide the attendees with a comprehensive understanding and knowledge base of the U.S and international physical oil trading business from the perspective of both the trader and the supply analyst. EMI's unique program delves into the details of the physical market on day one including discussions on the fundamentals, major crude oil & products markets, characteristics of the markets, operations and logistics, freight trading and distinct differences between the physical & financial markets. On day two the program focuses on making money. The course attendees will be exposed to arbitrage (spread) trading as well as outright (long/short) trading opportunities. EMI will present approaches that work for physical trading as well as valuing and relating both physical crude oil & products back to the refinery gate. Finally the program will end day with a very exiting simulated trading exercise. **You will:**

- ▣ Learn about supply and demand for crude oil and products
- ▣ Understand the principles of crude oil evaluation and selection
- ▣ Develop your knowledge of oil refining and products
- ▣ Explore physical oil markets, pricing formation, shipping, operations and contracts
- ▣ Gain knowledge about futures, swaps, options and Over The Counter markets
- ▣ Become familiar with trading techniques, terminology, hedging and physical trading
- ▣ Develop expertise in management of market exposure and price risk
- ▣ Improve your negotiation skills
- ▣ Understand the commercial aspects of the downstream oil business

## Subjects covered include:

- ▣ Crude oil and products supply and demand
- ▣ Crude oil evaluation and selection
- ▣ Oil refining and products
- ▣ Discussion of various pricing mechanisms
- ▣ Physical oil markets and pricing
- ▣ Operations & Logistics
- ▣ Freight Trading
- ▣ Comparison of physical & financial trading
- ▣ Arbitrage/Spread trading
- ▣ Refinery trading & supply
- ▣ Physical outright (long/short) trading
- ▣ Approach to trading physicals
- ▣ Simulated trading session

## Who Should Attend

This course is specifically designed for people working in:

- ▣ Oil Trading
- ▣ Risk Management
- ▣ Supply, Transport & Operations
- ▣ Sales & Marketing
- ▣ Energy Purchasing
- ▣ Refining
- ▣ Management & Financial Accounting
- ▣ Strategic Planning & Economics
- ▣ Analysis

## CPE Credits



This course earns 12 CPE credits. EMI awards credit hours towards CPE and Certified Purchasing Manager status (CPM).

## Program Registration Fees

1<sup>st</sup> delegate: \$1,895  
2<sup>nd</sup> delegate: \$1,595  
3<sup>rd</sup> delegate: \$1,395

Fee includes full two-day course, expert instruction, course materials, continental breakfast & lunch.



# Physical Crude Oil & Products Trading

March 23-24, 2010 ~ CME NYMEX, New York, NY ~ An EMI Energy Training Program

## Course Syllabus

### Day One – The Primer (8:00 a.m. – 4:00 p.m.)

#### ▣ Session 1 – Overview of International & U.S. Physical Oil Markets.

Let's set the stage by addressing the topic... why trade oil and why trade physical oil. We will delve into the trading characteristics of oil and the structure of the physical oil markets around the world. We will review the basics of crude oil and products...types and major locations for the main trading crude's & products from around the world. Lets' look at the history of physical oil trading starting with the pre-futures market days to today's world. Significant differences...significant opportunities. Finally we will touch on who the major players are and what their objectives might be.

#### ▣ Session 2 – Overview of Physical Oil Fundamentals.

This session will delve into the physical crude oil & products fundamentals. It will be a no-nonsense 'primer' with detailed analysis of the supply, demand and volatility drivers. This session will also present an overview of the Global oil markets looking at supply, demand, ocean freight and trading.

#### ▣ Session 3 – Differences, Pros & Cons of trading physicals & financials.

This session will delve into a detailed discussion as to the pros & cons of trading physical and financial crude & products. We will look at each attribute and negative and discuss why each of these is different with an eye toward profitability and liquidity. This session will also review the main trading procedures employed in both the physical & financial areas.

#### ▣ Session 4 – Physical Oil Price Mechanisms.

This session will discuss all of the various pricing mechanisms used in both the physical crude & product arena. The session will begin with an overview of all of the main traditional international & domestic pricing mechanisms. We will then move into commodity related pricing basis. We will discuss how these mechanism are applied and when & why to use the various pricing arrangements.

#### ▣ Session 5 – Operations & Logistics.

The major unique element of trading physical oil is someone has to eventually move it. We will delve into the common practices for scheduling, book-outs, nominations and documentation, inspection, demurrage, shipping operations, typical pipeline operations, terminalling, storage & trans-shipments. We will not only look at the operations & logistics side of these areas but the economics as well.

#### ▣ Session 6 – The New Freight Market.

A significant amount of physical oil moves via ocean going vessel. This aspect of the business has changed significantly over the last 30 years. It has moved from a business that was dominated by the majors to one now dominated by entrepreneurial ship owners. This session will delve into the freight trading activity. We will discuss the new forward freight agreements (FFA) in detail. Some of the topics covered will include credit, counter party risk, key terms of contracts, characteristics of tanker FFA, trading tanker FFA's, pricing tanker FFA's and a review of the current liquid tanker markets.

### Recommended Hotels

▣ Embassy Suites Hotel New York  
102 North End Avenue  
New York, NY 10282  
Tel: 212.945.0100

▣ Marriott Financial Center  
85 West Street  
New York, NY 10282  
Tel: 212.385.4900

## Course Syllabus

### Day 2 – Lets Focus on the Economics and Making Money (8:00 a.m. – 4:00 p.m.)

#### ▣ Session 1 – Crude Oil Arbitrage Trading.

Are market fundamentals leading the futures market or are futures leading the fundamentals. Yes to both. This session will discuss how fundamentals & futures are inter-twined with each other. Let's look at various futures/physical trades & positions from both a trading & risk management perspective. One of the most common approaches to trading physical crude oil is from an arbitrage (spread) viewpoint. This session will delve into the concept of arbitrage trading for both the US & International crude oil markets. We will set up a variety of arbitrage relationships (major traded arbs) and go through the analysis, economics, trade potential and the main market drivers.

#### ▣ Session 2 – Physical Product Arbitrage Trading.

We will continue where we left off in the previous session only this time we will be focusing on the major physical product relationships bit domestically & internationally. We will set up a variety of arbitrage relationships (major product traded arbs) and go through the analysis, economics, trade potential and the main market drivers.

#### ▣ Session 3 – Refining & Cracks.

Since all of the physical crude oil that is produced must be refined a tremendous amount of physical oil trading is centered on the refinery. This session will delve into crude valuations in the various international spot markets, netbacks and how trading and supply meet in this arena. This session will include discussions on short term deals, term deals, relationship of physicals to financials (futures & derivatives) both from the perspective of the trader and the supply analyst.

#### ▣ Session 4 – A Few Approaches That Work For Physical Oil Trading.

This session will continue where the previous session left off and discuss some of the major techniques that work well for the various physical oil markets. Some trading tools & techniques work better than others for the various markets. The session will discuss some of the major approaches for both outright (long/short) & spread trading. We will take a techno fundamentalist approach to the market. The Fundamentalists uses industry specific information to determine why markets move while the Technical trader uses price & volume data to determine the direction & timing of the market. Do they contradict each other or can they be used synergistically? This session will use them synergistically in analyzing the main physical markets. Past & current data will be used to demonstrate the approach.

#### ▣ Session 5 – Simulated Trading.

This exercise will demonstrate the excitement, risk and reward of trading physical oil. We will conduct a simulated trading session using both crude oil & products that will demonstrate many of the principles discussed in the course.

### Learn From The Best!



Don't miss this chance to learn from 30 years of energy trading experience with industry expert Mr. Dominick Chirichella. Mr. Chirichella has started and operated several highly successful domestic and international trading companies. He served on the NYMEX advisory board and helped start and trade the very first heating oil contract on the NYMEX. He has traded every type of energy contract including crude, Nat Gas, power and oil products. Truly an industry luminary, Mr. Chirichella has developed innovative trading strategies that you can learn first-hand and put to use in your successful career.

## About EMI Instructors



### Learn From the Experts that Experts Trust

EMI experts are frequent editorial contributors to petroleum magazines & are trusted by today's leading news sources. Our experts have been featured in:

*Futures Magazine* • *The Wall Street Journal* • *USA Today* • *The New York Times* • *The Washington Post* • *Journal of Commerce* • CNN • NBC • CBS • ABC • Bloomberg • Reuters

EMI's leading industry experts have an average of over 30 years of knowledge and experience in:

**Energy • Commodity trading • Risk management**  
**• Education • Consulting • Financial services**

Plus many years of managing marketing, international trading, manufacturing, consulting, start-up operations and project finance operations of well-known companies; integrated major oil companies as well as international trading companies.

EMI's industry experts have also provided risk and value management analysis, advice, information, and services to a variety of companies in the electric power industry. Clients have included power marketers, integrated utilities, retail power providers, hedge funds, and power plants.

**Highlights of our instructors' experience** include: • Developing a suite of models for a variety of power markets that quantify value and risk • Managing spark spread portfolios for hedge funds in the power markets • Operating in futures trading pits as a market observer in the power markets • Developing working papers for investigations and performing compliance audits in the power industry • Helping Texaco initiate its first use of futures exchanges as an integral part of hedging/trading strategy • Chief Operating Officer of Triwell Marketing and refining • Director of OPIS, Oil Price Information Service, a management-consulting and educational services group that solely focused on the downstream energy industry • Member of Board of Directors of Longview Refinery • Member of the New York Mercantile Exchange Petroleum Advisory Board • Expert witness for a hearing before the subcommittee on surface transportation for the Commerce, Science, and Transportation Committee of the US Senate • Supplied expert testimony to a US Senate subcommittee hearing on diesel petroleum product pricing • Supplied testimony to the Federal Highway Administration regarding fuel tax evasion • Expert witness in a MTBE litigation against the major oil companies • Publishers of *The Daily Hedger*, *BTU's Daily Gas Wire* and *BTU's Daily Power Report*, which advise thousands of petroleum professionals daily.

Our instructors are frequent expert speakers for numerous petroleum industry events and trade associations including: • DOE DESC World Energy Conference • OPIS Fleet Fueling • NYMEX • Fuel Management University • NATSO • ATA • AAA • Dairy Distribution • eyeforEnergy eCommerce • OPIS Supply Summit • CIOMA • American Society of Mechanical Engineers • American Society of Lubricating Engineers • Ambrust Aviation • NACHA.

**Over the years** EMI has developed a series of intensive courses covering all aspects of Energy from production all the way to managing the impact price and volatility on the margin of end-users, resellers, traders, marketers, shippers, retailers and refiners. Our instructors have had the privilege to instruct thousands of professionals representing all aspects of the energy industry, including every major oil company (i.e. Exxon Mobil, BP, Shell, Equilon, Motiva) major power utilities (i.e. Sempra, Edison Mission, Berkley, Toronto Hydro, Dominion, Conectiv) small marketers (i.e. Sprague, Getty, Southern Counties, Western Petroleum) trucking fleets from 50 to 10,000 (i.e. UPS, U.S. Postal Service, Yellow, Pepsi, Werner), gasoline-powered fleets hyper-markets (i.e. The Pantry, Wawa, BJs Wholesale) and many fortune 500 energy consumers.



# Physical Crude Oil & Products Trading

March 23-24, 2010 ~ CME NYMEX, New York, NY ~ An EMI Energy Training Program

## Reserve Your Seat Today!

### Three easy ways to register:

1. Call PMA Conference Management at 201.871.0474 or send email to: [register@pmaconference.com](mailto:register@pmaconference.com).
2. Complete & fax this form to 253.663.7224.
3. Complete & mail the form to: PMA Conference Management, POB 2303, Falls Church, VA 22042.

<b>A</b> <b>Registration Fees:</b>  \$1,895 for full program  This fee includes expert instruction, course materials & lunch.	<b>Discount for Additional Attendees:</b>  2 <sup>nd</sup> delegate \$1,595  3 <sup>rd</sup> delegate \$1,395
<b>B</b> <b>Enrollment Information (please print clearly)</b>  <b>NAME:</b> _____ <b>COMPANY:</b> _____ <b>ADDRESS:</b> _____ _____ <b>PHONE:</b> _____ <b>FAX:</b> _____ <b>E-MAIL:</b> _____	
<b>C</b> <b>PAYMENT METHOD</b>  <input type="checkbox"/> Please invoice my company (payment must be received prior to course date) <input type="checkbox"/> MasterCard <input type="checkbox"/> Visa <input type="checkbox"/> American Express  Card Number _____ Expiration Date ____/____/____ Card Holder Name _____ Card Holder Signature _____	

REFUND/CANCELLATION POLICY:  
 Attendees may reschedule for a different date or course with no penalty. 100% refundable with 14 days cancellation notice. 80% refundable with 5 days cancellation notice. Cancellations are non-refundable day of or after course.

\_\_\_\_\_