

Merchants, Majors and Bankers

Unveiling the history of oil trading companies, 1960s-2015



GLENCORE



MERCURIA



Marten Boon

Research project (2015-2018)

The Hidden Companies of the Global Economy: The development of international commodity traders, 1945-2015

Three projects:

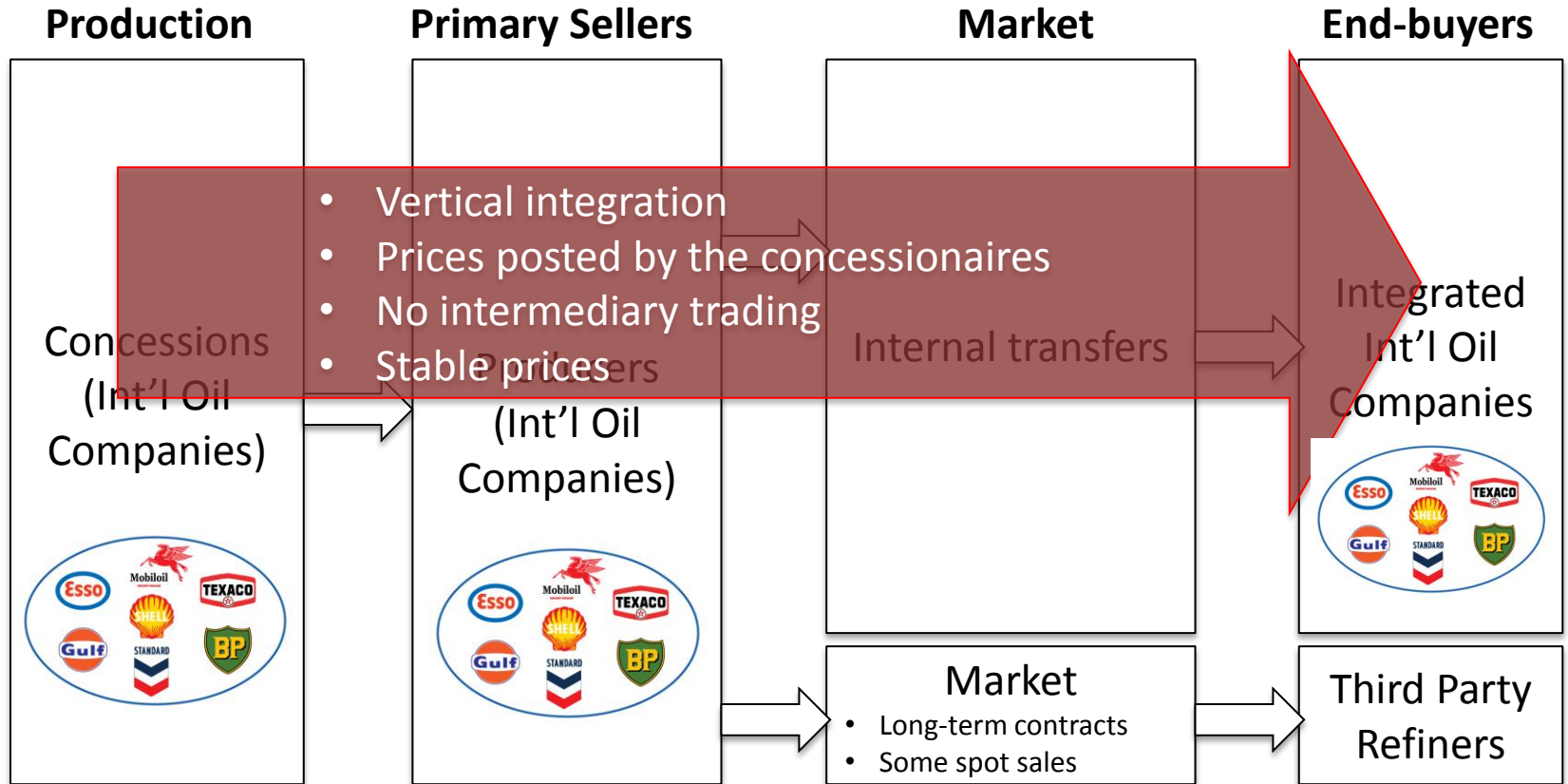
- Metal traders (Espen Storli)
- Oil traders (Marten Boon)
- Noble Group (Gwendolyn Lin)

Relevance & questions

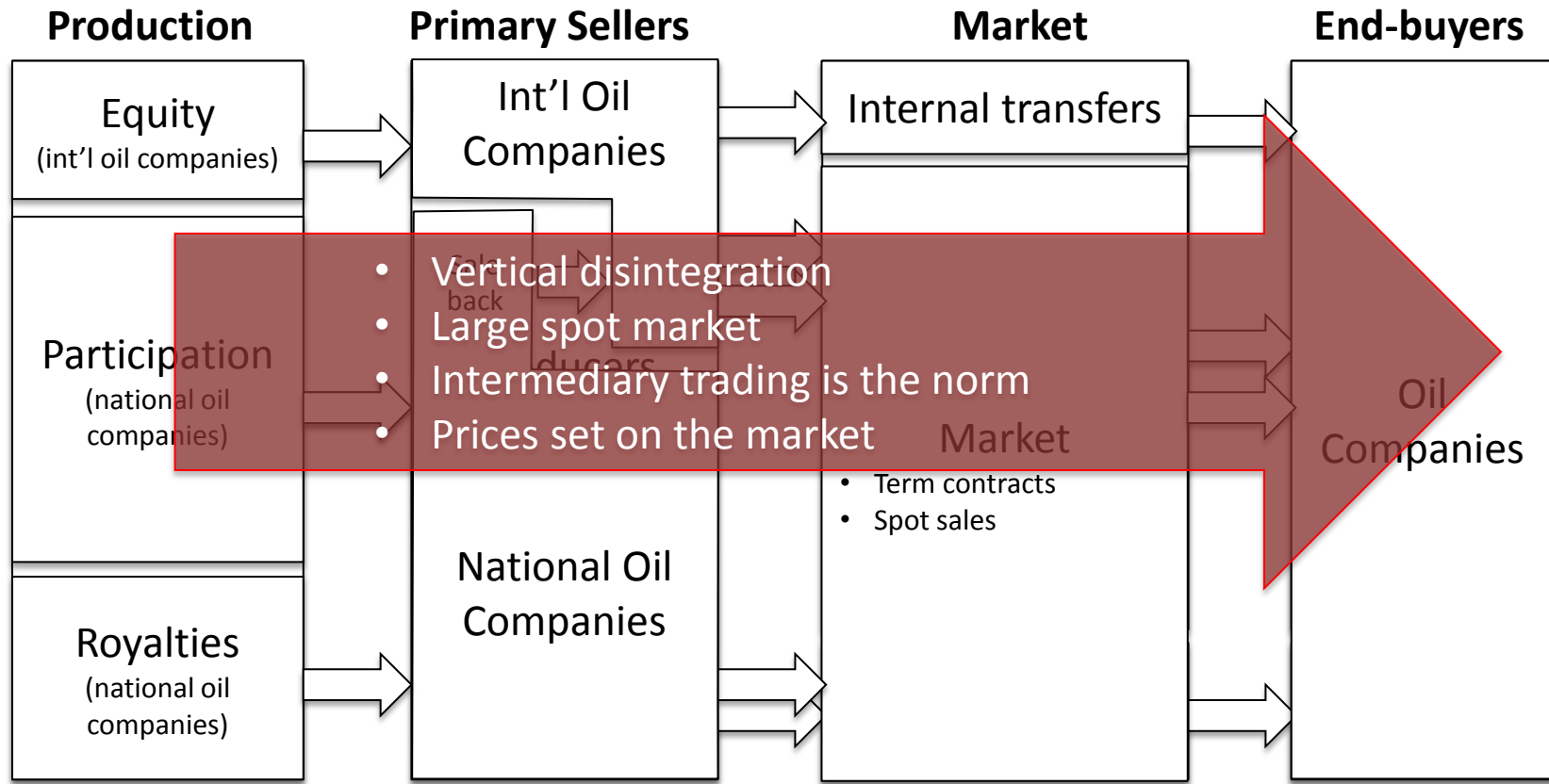
Independent oil trading companies

- ❖ Flow of commodities
- ❖ Evolution of markets
- ❖ Highly secretive
 - What are their origins?
 - What has been their role and significance?
 - Which factors determined success and failure?

From hierarchy to market: pre-1970s

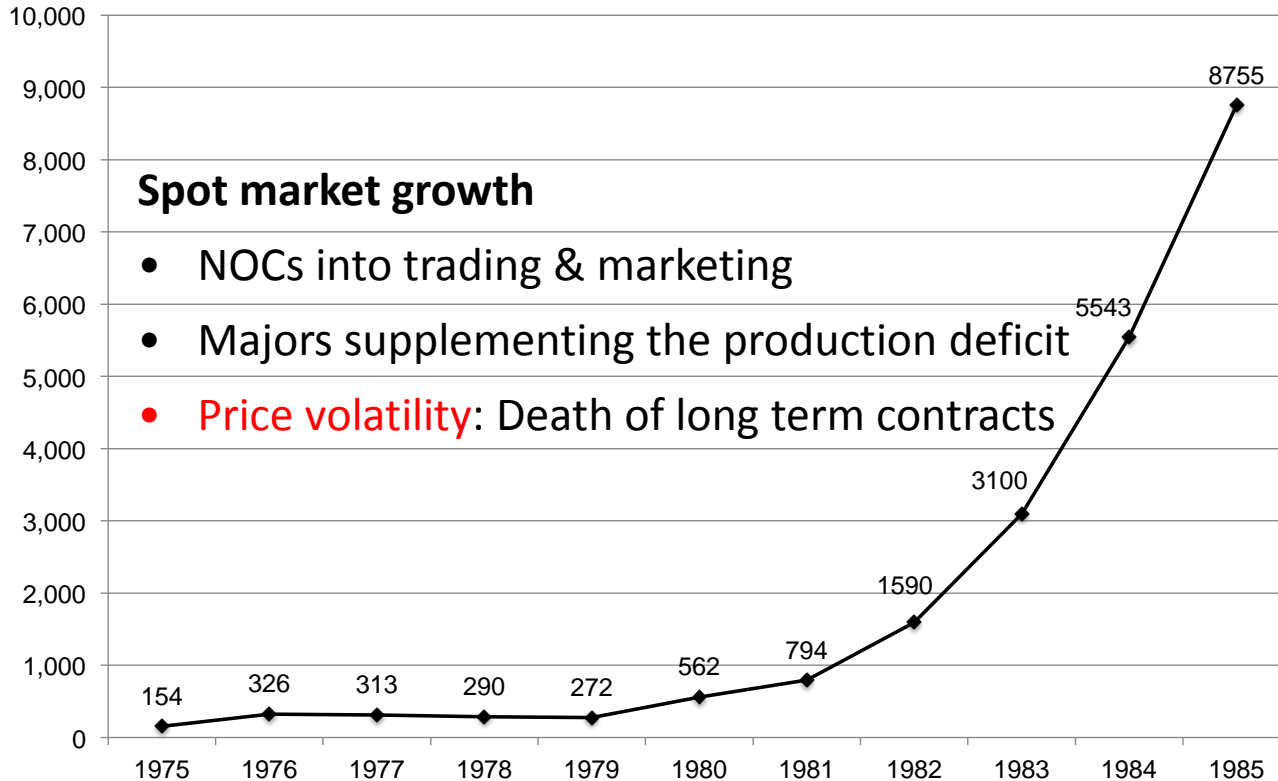


From hierarchy to market: 1980s



The spot market

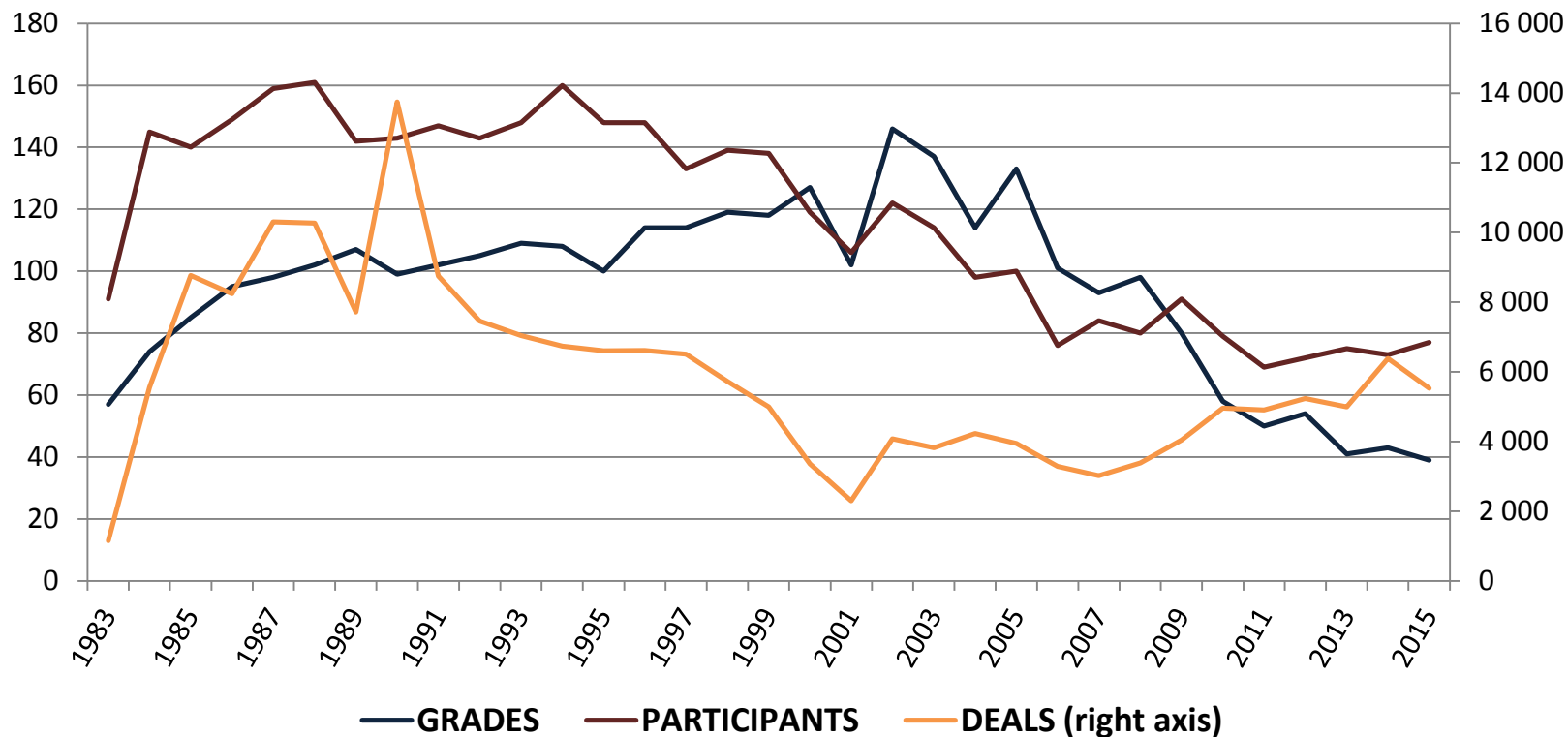
Number of spot crude oil deals, 1975-1985



Source: Argus Media, crude oil deals database. Excluding the intra-US market.

The spot market

Number of grades, participants and average deals, 1983-2015



Source: Argus Media, crude oil deals database. Excluding the intra-US market.

Conclusions

- Explosive growth of spot market after 1979
- Traders make up 25% of the market in the mid-1980s
- 1980s: heyday of physical spot market trading
- After 1991, but particularly after 2001, the trend is toward:
 - Convergence: less deals, less crude grades
 - Concentration: less participants, but larger volume & global operations
- Many questions remain

Trading: a hidden business function?

What is needed in terms of sources?

Sources from Trading & Supply units on:

- Unit organization: reports, memo's, minutes on:
 - Staffing, management, position in wider organization, back office organization, risk management strategy, IT, resources
- Trading:
 - Marketing (sales) & procurement (refinery intake) strategies
 - Trading strategy, policy: spot vs. term, level of third party trading, centralized vs. decentralized, mandates
 - Deal documentation: Contracts, pricing formulas, correspondence
 - Data: deals, volumes, prices, counterparts, crude grades