



Federal Antimonopoly Service

Market pricing: methodology, experience, prospects

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Crude oil and refined products

Results of the Working Group's activity

Meeting of the OECD Committee, February 2013, Paris



FAS of Russia and the Austrian Federal Competition Authority submitted a joint report on the results of the activities and initiatives of the Working Group.

UNCTAD meeting, July 2013, Geneva



Results of the Working Group's activity:

- *Representatives of 20 countries from three continents, including Russia, Austria, Portugal, Germany, Kazakhstan, Ukraine, USA, UK and others participated in the meetings.*
- *Exchange of experience on restraint of violations of AML in oligopoly markets of oil products.*
- *Analysis of markets of oil and oil products: it is important to bear in mind influence of regional, international and country factors;*
- *Impact of world prices on prices in national markets of large and small countries, importers and exporters of oil and oil products.*
- *The key pricing issue – ensuring transparency and validity.*
- *A need for a legal framework: exchange trade of oil and oil products; commodity derivatives, registration of off-exchange transactions; formation of indexes for exchange and off-exchange prices, as well as price indexes of comparable foreign markets.*

Международная рабочая группа
по исследованию вопросов ценообразования
на рынках нефти и нефтепродуктов
и способов их функционирования:

ИТОГИ, ЗАДАЧИ,
СТРАТЕГИЯ РАЗВИТИЯ

The International Working Group
on Investigating Issues on Pricing in the Oil
and Oil Product Markets
and Methods of their Functioning:

RESULTS, TASKS
AND DEVELOPMENT STRATEGY

IOSCO recommendations

IOSCO recommendations:

1. Formal documentation and disclosure of all criteria and procedures that are used in assessment of oil cost, including guidelines, in accordance with which decisions are made, as well as procedures for revision of methodology



Implementation in the Russian Federation:


The Law "On Protection of Competition" stipulates adoption of several legal acts relating to the sales via a commodities exchange:

- Procedure for Submitting to the Exchange the List of Affiliated Persons by an Economic Entity Occupying Dominant Position on the Relevant Market (approved by the order of FAS of Russia).***
- Criteria of Regularity and Evenness of Selling Commodities on an Exchange for the Single Commodity Markets (approved by the Decree of the Government of the Russian Federation).***
- Minimum volume of commodities selling at the commodity exchange, necessary for ensuring liquidity of trading (approved by the joint order of FAS of Russia and the Ministry of Energy of Russia).***

IOSCO recommendations

IOSCO recommendations:

2. The transparency of the procedures by which the Agency will consult stakeholders on any proposed changes in the assessment methodology, including the opportunity for stakeholders to provide comments regarding the impact of the proposed Agencies of changes in the assessment methodology



In the Russian Federation:

★ Federal law "On on-exchange trading":

Trade organizer is entitled to conduct the organized trading subject to the registration rules of on-exchange trading in financial markets regulator.

Trade organizer is obliged to calculate price, indexes and other indicators based on information on contracts, concluded at on-exchange trading and without on-exchange trading. The order and terms of calculation of these indicators are determined by the acts of the regulator of the financial markets, as well as methods established by organizers of trade.

Methods of calculation of trade prices, indexes and other indicators disclosed by the organizer are subject to registration in the financial markets regulator in established order.

The organizer of trading is obliged to ensure free access to information for all interested persons irrespective of purposes for obtaining such information.

Requirements to the procedure and terms of disclosure (provision) of information by organizer of trade are determined by the regulator of financial markets.

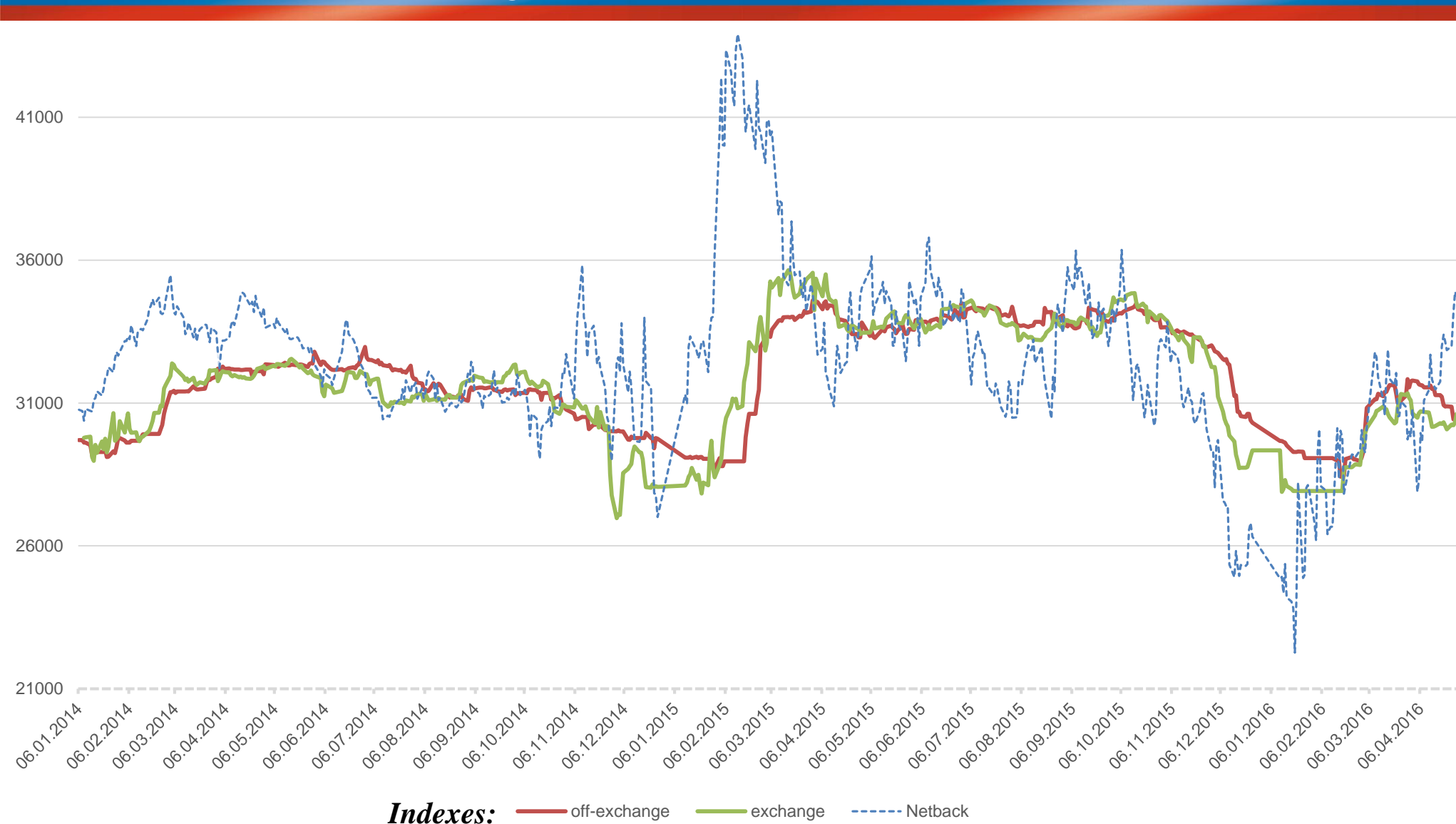
Comparative assessment of underlying information used in formation of price indexes in refined products spot market

	Platts (2012)	SPIMEX (2015)
Volume of refined products (mln. tonnes)	7,6	121,9
<i>Including: Exchange trading (mln. tonnes)</i>	-	13,6
Number of transactions (ths. items)	-	92,7**
Average volume of transaction (ths. tonnes)	-	0,15
<i>Off-exchange transactions (mln. tonnes)</i>	7,6	108,3
Number of transactions (ths. items)	3,5*	126,4**
Average volume of transaction (ths. tonnes)	2	0,86

* number of transactions includes transaction price or the estimated quoting from the levels of supply and demand

** factual number of transactions

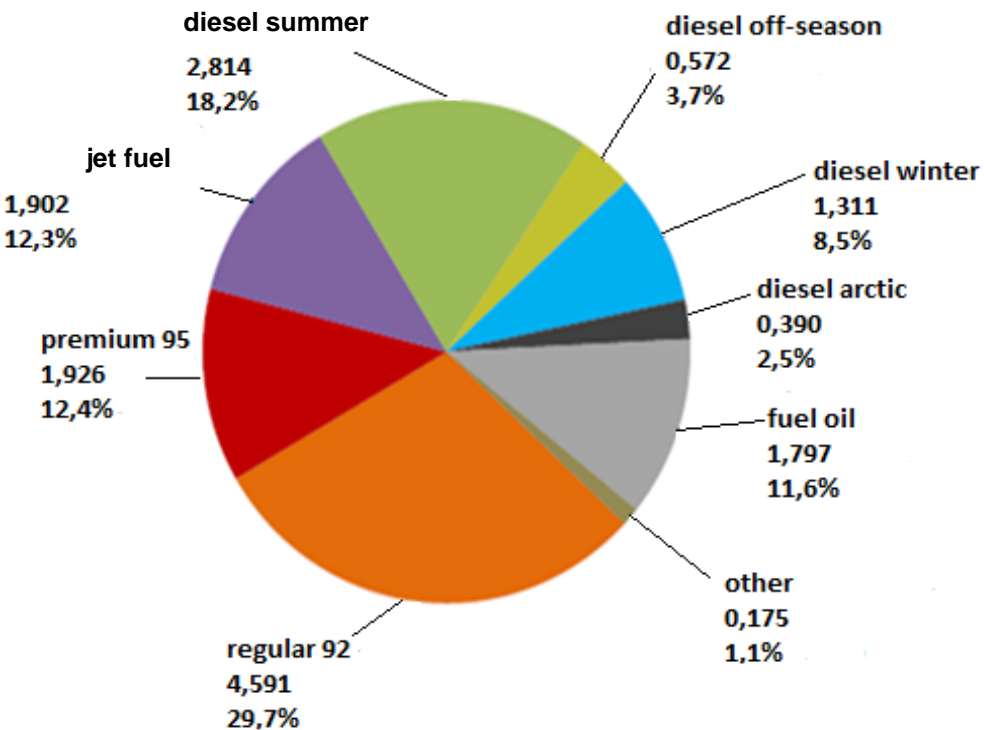
*Comparison of netback prices to KINEF refinery, SPIMEX Exchange (Vladimir, incl. transportation)
and OTC prices for summer diesel fuel (S<0.05) for 2014-2016
(according to SC "SPIMEX", JSC IAC "CORTEZ")*



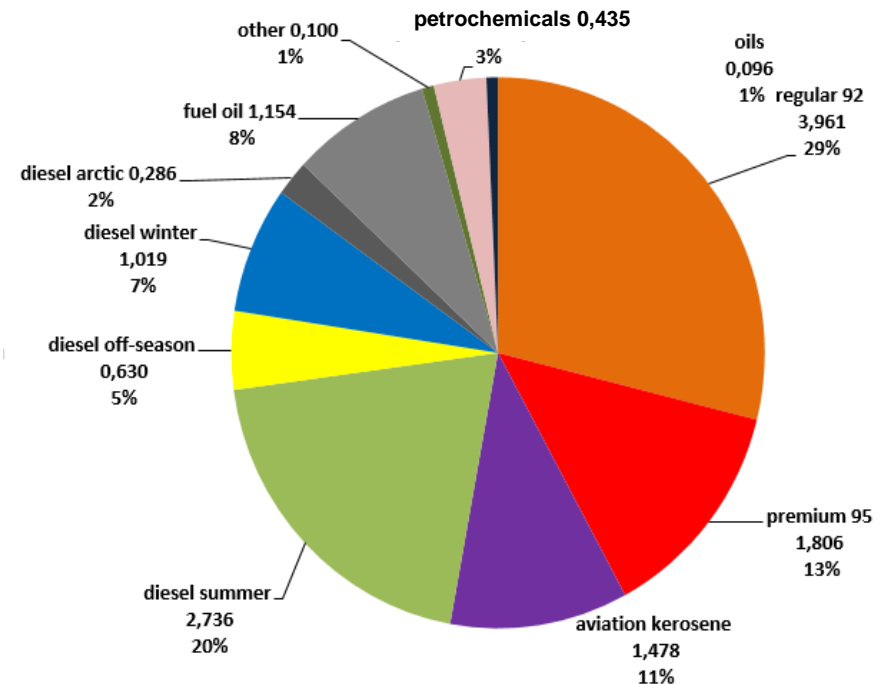
Refined products organized trading statistics

Organized trading		
	2015	2016*
Exchange volume (mln. tonnes)	15,9	13,7
Number of contracts (thousand)	101,4	98,7
Average transaction size (tonnes)	156,91	138,73
Number of participants	1674	1614

2015



2016



* - as of 28.10.2016

Russian crude oil futures

Implementation of Russian crude oil futures project will allow to create a transparent exchange mechanism for determining fair prices for Russian oil and to move away from current dependence on "assessments" practices, susceptible to price manipulation



- Detailed project implementation plan approved;
- Common General terms of delivery under the deliverable futures contract agreed with Russian oil companies;
- Rules of Trading and Access, Contract Specifications developed;
- Exchange, Clearing house and technical infrastructure in place;
- Start of trading – Q4 of 2016.

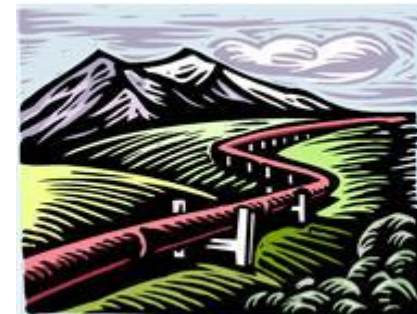


Natural gas

PJSC "Gazprom"



Natural gas extraction
LLC "Gazprom production"
>65% in the Russian Federation

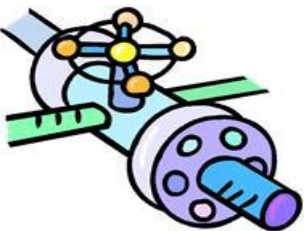


Gas distribution
OJSC "Gazprom gas distribution"
Gas distribution organizations

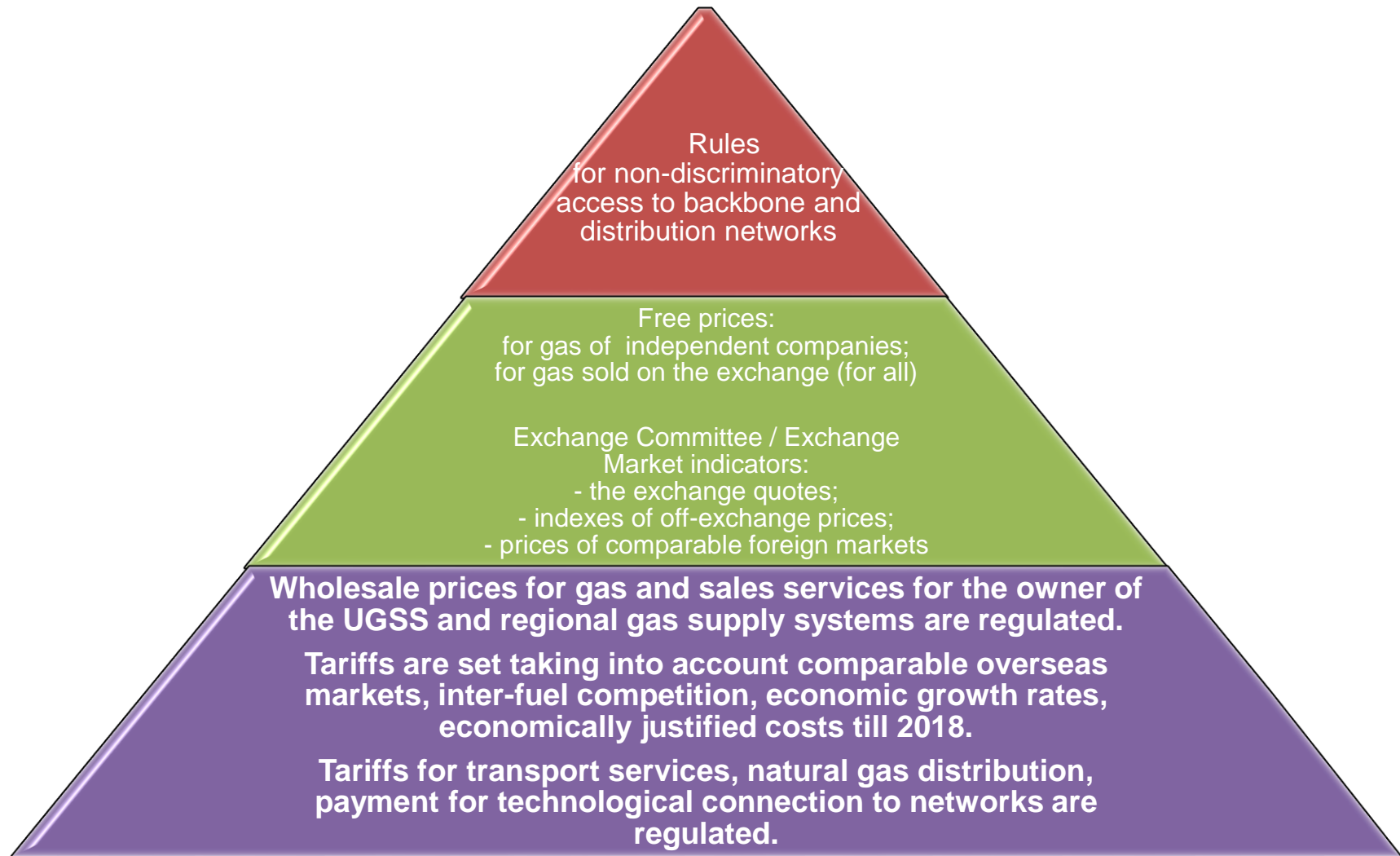
Gas transportation through main pipelines
Natural monopoly activity

Provision of services for technical maintenance of in-house gas equipment
OJSC "Gazprom gas distribution"

Sale of gas
LLC "Gazprom Mezhrefiongaz"
>65% in the Russian Federation



Terms of market pricing



Month ahead trading of natural gas at SPIMEX, October 2014-October 2016

Sold on the stock exchange (billion m³)	21.21
<i>Including PJSC GAZPROM (billion m³)</i>	12.71
<i>Independent companies(billion m³)</i>	8.50
Number of transactions	3549
Average transaction volume (mln m³)	6.0

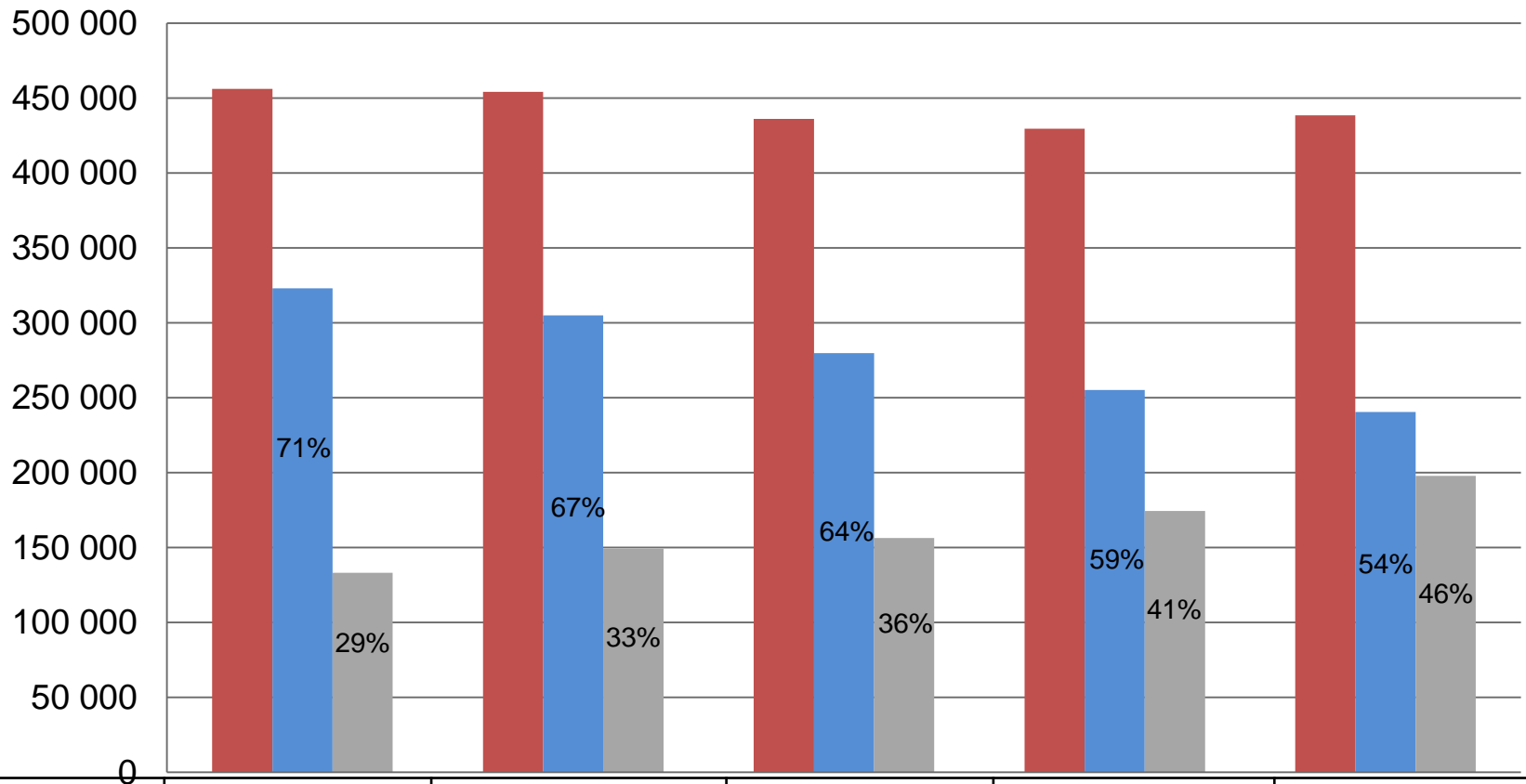
4 balance points; 6 suppliers; over 70 customers; 41 regions; over 500 consumers. Average price 3-10% lower than regulated tariff

Sales volume is 30-35 billion m³ per year starting from 2017 (planing).

Registration of off-exchange transactions

	1-3 qtr. 2016
Volume (billion m³)	195.97
Number of transactions	6 790

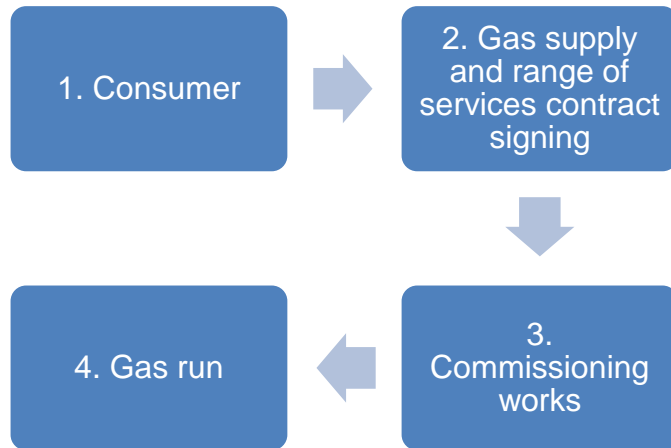
The supply of natural gas in Russia in 2011-2015. (million m³)



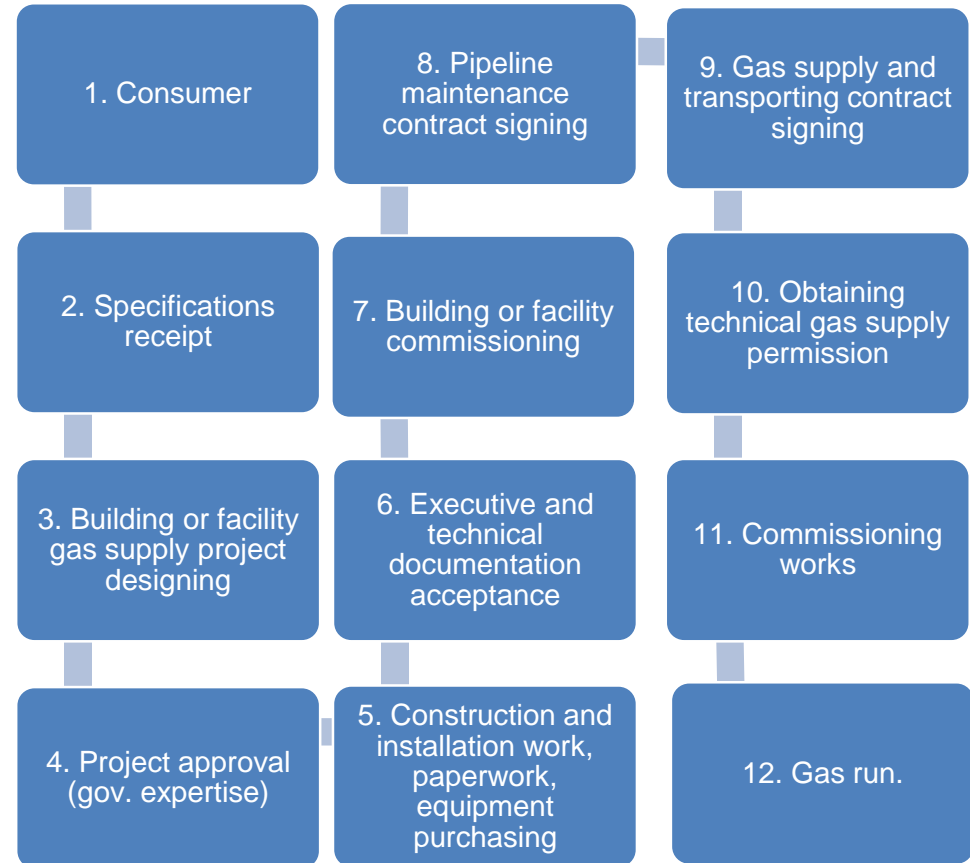
	2011	2012	2013	2014	2015
Total sales	456 197	454 143	436 217	429 658	438 501
PJSC "Gazprom"	323 030	304 899	279 824	255 217	240 570
Independent natural gas producers	133 167	149 244	156 393	174 441	197 931

«One-stop-shop» for resources' consumers

«One-stop-shop»



Common way



THANK YOU



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