



上海国际能源交易中心

SHANGHAI INTERNATIONAL ENERGY EXCHANGE

上海期货交易所成员单位 AN SHFE COMPANY

Outlook on Energy Price Benchmark Market and Overview of SC Crude Oil Futures

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Chairman, SHFE and INE

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Riyadh, Saudi Arabia

Disclaimer



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Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. All references to options refer to options on futures.

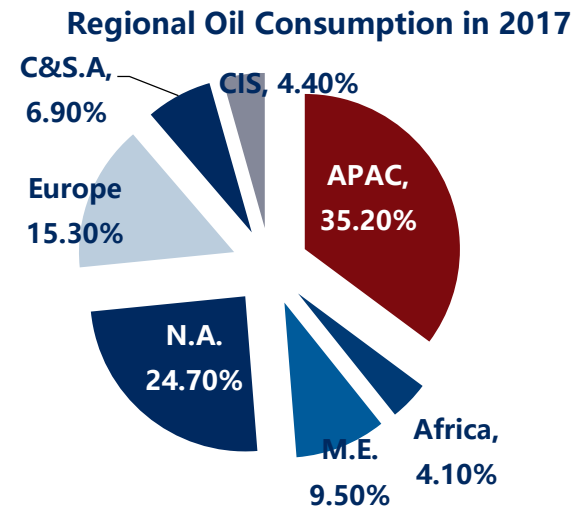
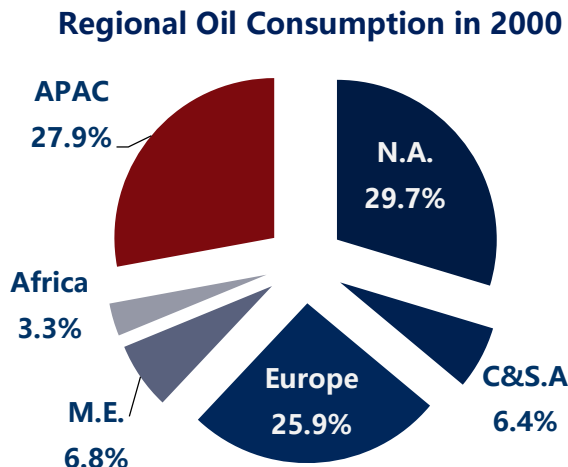
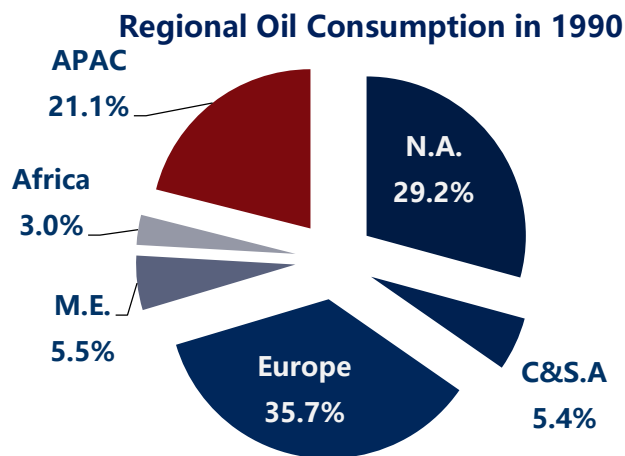
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Steady Volume and Share Increase of Asia Pacific Oil Consumption



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N.A.: North America
C&S.A.: Central and South America
M.E.: Middle East
APAC: Asia Pacific
CIS: Commonwealth of Independent State

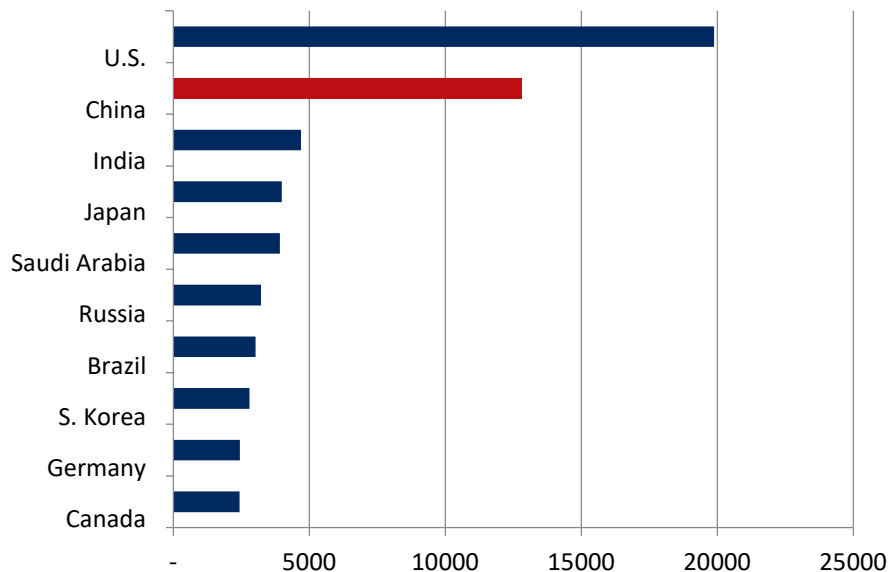
Data: BP

China: 2nd Largest Oil Consumer, Highly Depend on Import



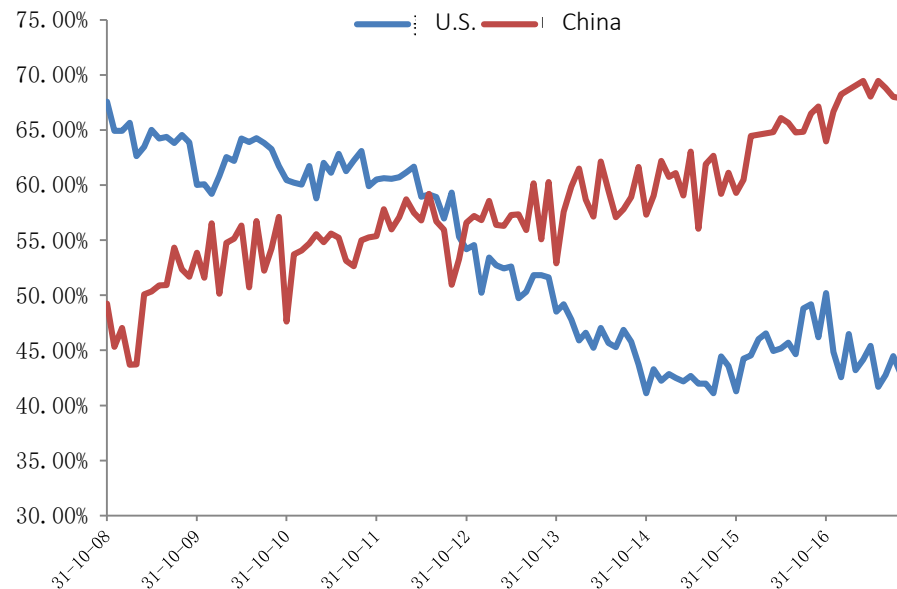
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2017 Oil Consumption by Country (kb/d)



Data: BP

Crude Oil Consumption Dependency on Overseas Import



Data: EIA, National Bureau of Statistics, Customs

Regional Crude Oil Benchmarks

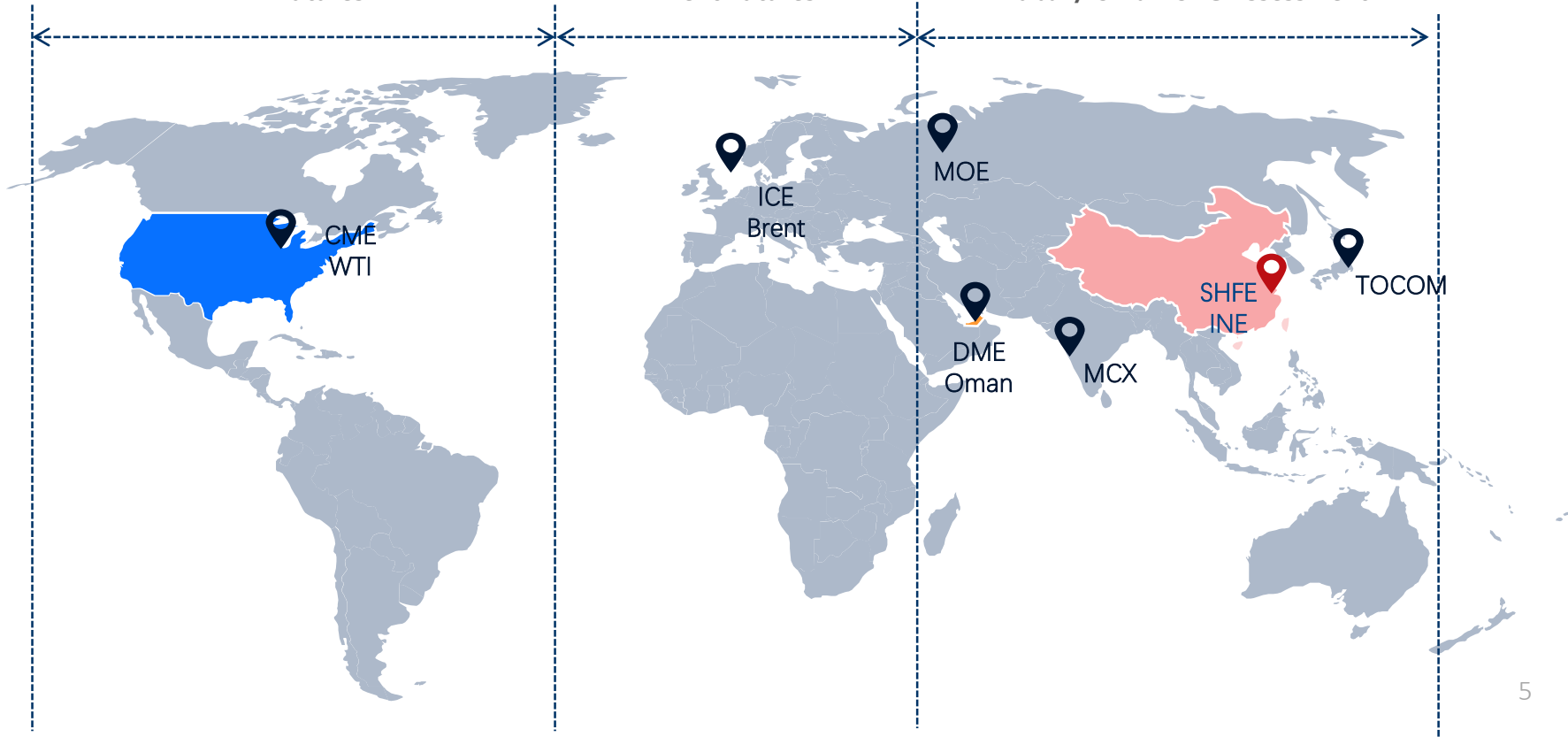


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WTI Futures

Brent Futures

Dubai / Oman OTC Assessment



SC: Middle Eastern Crude CRF Price to North-East Asia



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Lot size: 1000 bbls

Contracts listed : up to 36 months

Currency

RMB denomination, accept USD as margin

Trade Price

Net Pricing— No Tariff or VAT

Delivery Mode

Bonded Physical Delivery

Participant Types

Onshore and Offshore Participants

Underlying

Medium Sour Crude

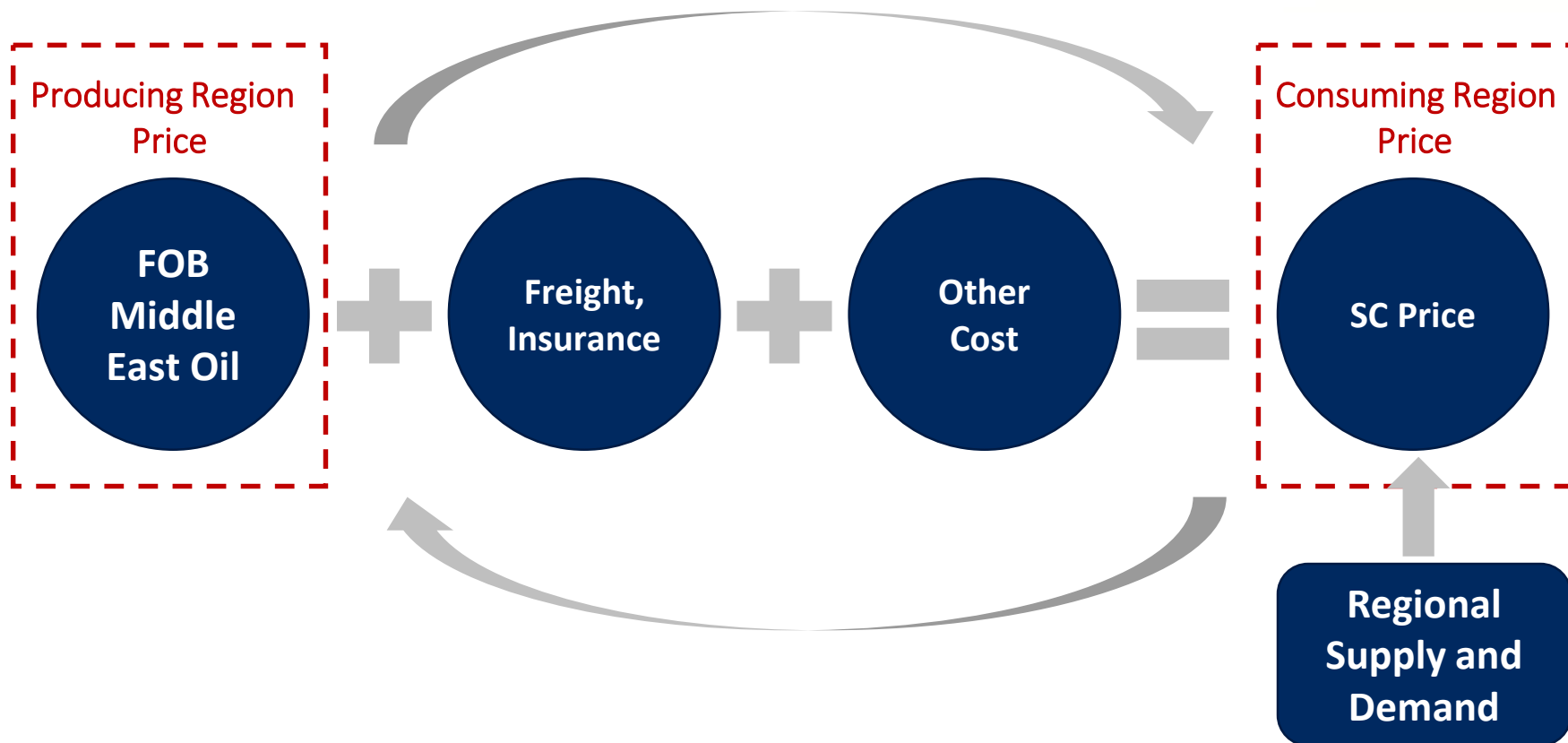


Nation	Deliverable Crudes
United Arab Emirates	Dubai
United Arab Emirates	Upper Zakum
Sultanate of Oman	Oman
State of Qatar	Qatar Marine
Republic of Yemen	Masila
Republic of Iraq	Basrah Light
People's Republic of China	Shengli

Price of Producing Region and Consuming Region



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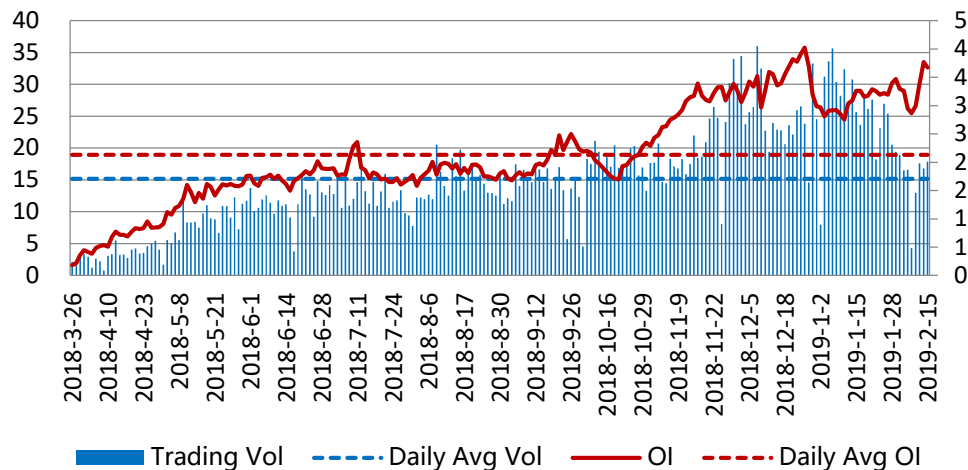


Market Size Increases Steadily

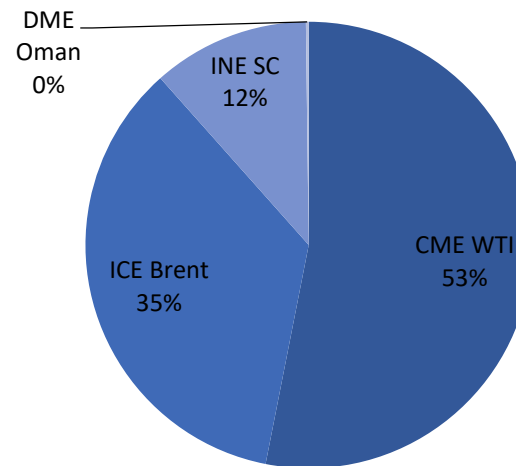


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SC Trading Volume and OI



Jan-2019 Trading Volume Market Share



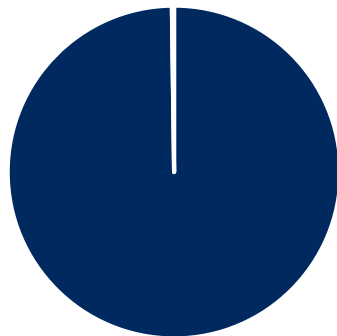
- From launch day to 15-Feb-2019, accumulated trading volume of the China crude contract was 33 million lots, with daily average volume of 150k lots.
- On 7-Dec-2018, the single-day trading volume reached historical high at 360k lots.
- It took NYMEX WTI 3 years and IPE Brent 5 years to reach an average daily trading volume of 50k lots equivalent.
- At close of 15-Feb-2018, total market open interest was 37k lots, with daily average open interest at 21k lots.
- Note: above numbers are counting single-sided

Offshore Participation

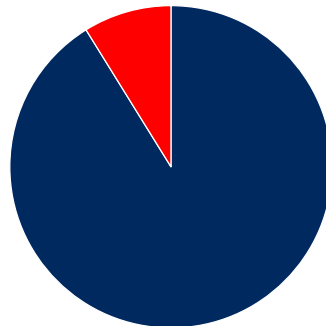


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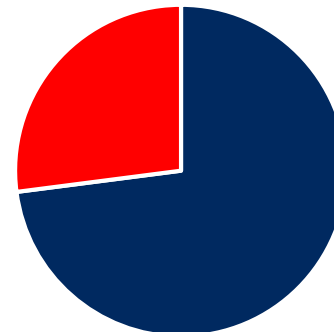
Account Number



Trading Volume



Open Interest



■ Onshore ■ Offshore

Note: as of Feb 15, 2019

48 Overseas Intermediaries

J.P.Morgan UOB



Straits Financial

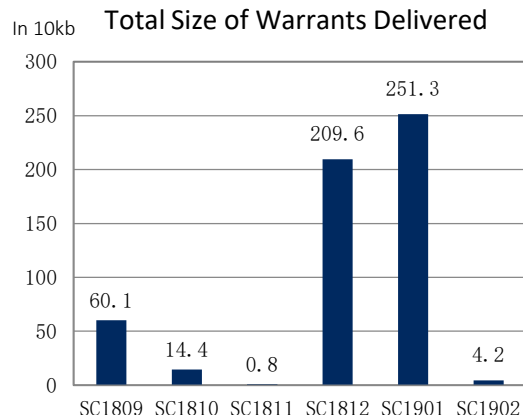
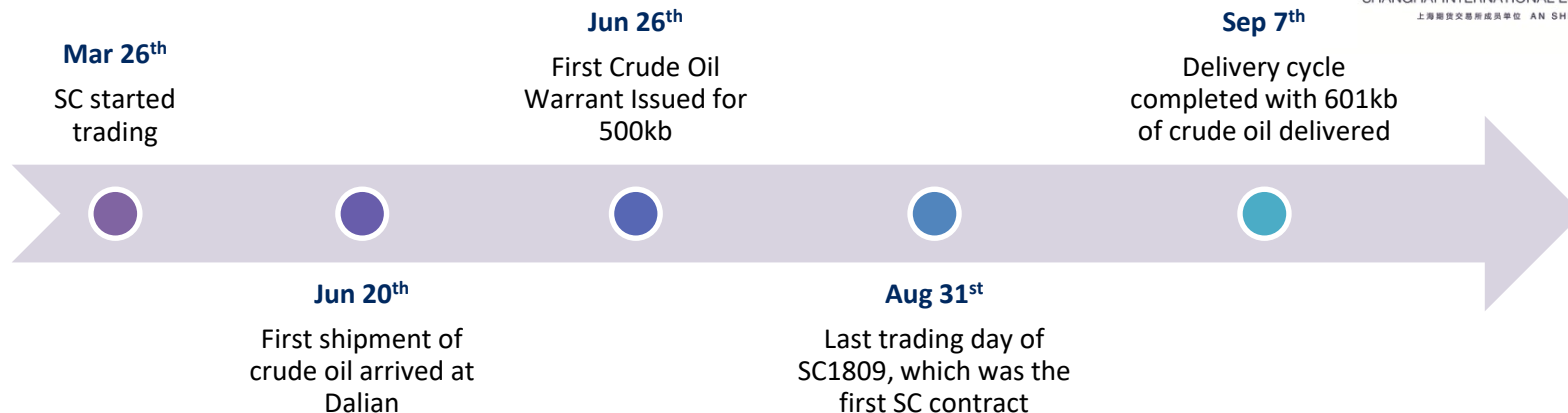
MAREX SPECTRON



Delivery Went Smoothly



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By Feb 2019, 6 contracts have completed their delivery cycles (SC1809, SC1810, SC1811, SC1812, SC1901, SC1902), with a total amount of 5.4 million barrels delivered.

- In April 2018, Shell and Unipet entered into a one-year crude oil trading contract using INE SC prices as benchmark
- Contract tenor: Sep 2018 – Aug 2019
- In Oct 2018, Unipet and one Chinese independent refinery signed a contract trading 350kb of middle eastern heavy and sour crude based on INE SC1812 prices

Chinese Futures Market and Futures Exchanges



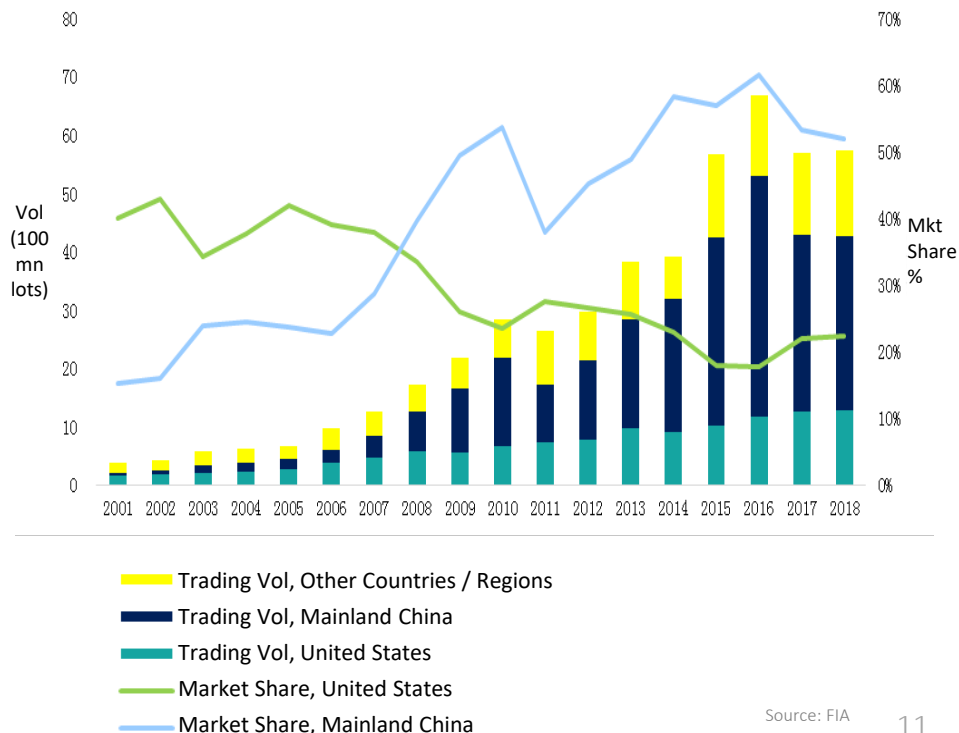
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2018 Top 10 Global Commodity Exchanges

Ranking		Exchange Name	Volume (100mn lots)		YoY Growth
2018	2017		2018	2017	
1	1	Shanghai Futures Exchange (SHFE)	12.02	13.64	-11.90%
2	2	Chicago Mercantile Exchange Group (CME Group)	11.82	11.32	4.43%
3	3	Dalian Commodity Exchange (DCE)	9.82	11.01	-10.84%
4	5	Zhengzhou Commodity Exchange (ZCE)	8.18	5.86	39.57%
5	4	Intercontinental Exchange (ICE)	7.97	7.85	1.54%
6	6	Moscow Exchange (MOEX)	4.78	4.91	-2.64%
7	7	Multi Commodity Exchange of India (MCX)	2.30	1.99	15.97%
8	8	Hong Kong Stock Exchange (HKEX)	1.85	1.58	17.53%
9	9	National Association of Securities Deal Automated Quotations Group (NASDAQ Group)	0.24	0.52	-54.43%
10	10	Tokyo Commodity Exchange (TOCOM)	0.24	0.24	-2.32%

Source: FIA

Global Exchange Traded Commodities Market Share (2001-2018)



Source: FIA

Outlook on Pricing Benchmark Market



Increasing uncertainties in oil supply,
demand and macro economy



Increasing fluctuation in energy prices



Greater importance of benchmark
market for price discovery and hedging
purposes



Opening up of Chinese futures market
provides international solution



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