Trafigura reports record first half, writes down interest in Russia's Vostok Oil project to zero

Description

Trafigura logo is pictured in the company entrance in Geneva, Switzerland, March 11, 2012. (Denis I

LONDON — Global commodities trader Trafigura has completely written down its investment in Russia's Vostok Oil project in Siberia, the biggest oil development in post-Soviet times, following Russia's invasion of Ukraine.

In its first half results for the period ending March 31, the Geneva-based trader said it aimed to divest its 10 percent stake in the project after initially investing 1.5 billion euros of its own equity in 2020. The deal also included a crude offtake agreement.

The trader posted a record first-half net profit and core earnings on the back of extreme volatility across commodity markets. Net profit was $2.7 billion, up 27 percent on the same period in 2021 while EBITDA was $4.7 billion, up from $3.7 the previous year.

Trafigura has stopped moving crude oil produced by Russia's state-owned Rosneft since May although it still moves a small volume of products to Europe, in accordance with EU sanctions. CEO Jeremy Weir said earlier this week that the Russian business accounted for 6 percent of its total.

Traded oil volumes rose 14 percent to 7.3 million barrels per day (bpd) while non-ferrous metals rose by 16 percent and bulk minerals by 13 percent.

Prices and volatility across most key commodities spiked in tandem after Russia's invasion, creating an urgent need for extra banking lines to cover hedges and the suddenly much higher cost of every physical cargo.

"Extreme volatility…brought elevated margin calls and tighter position limits that made hedging activity more expensive and in some cases constrained access to commodities futures markets," Weir said in the half-year report.

In an accompanying press release, Trafigura said "lack of depth available in commodities futures looks set to continue to be a challenge."

Top trading firms said in March that the gas market in particular had become dysfunctional as liquidity evaporated when many market participants were forced to cut back trading.

Trafigura's credit lines rose by $7 billion in the period to a record $73 billion to cushion its trading needs and net finance expenses rose by 72 percent to $689 million.

Additional reporting by Dmitry Zhdannikov.

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