PENINSULA
ENERGY FLOWING

Peninsula Structured Products

From Total Procurement
To Global And Regional Contracts

Physical Operations in: Algeciras • Amsterdam • Antwerp • Barcelona • Gibraltar • Houston • Las Palmas • Los Angeles Long Beach • Malaga • Malta • New Orleans • Panama • Rotterdam • Tenerife

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Peninsula **Structured Products**

Benefits Of Hedging:

• Commodities are amongst the most volatile of asset classes

• Effective price risk management can reduce earnings volatility by shielding buyers and sellers from suddenand unanticipated market movements

• Volatile fuel prices can significantly impact profit margins and the ability to duly service debt; the proper management of price volatility can help to improve budgeting, creditworthiness and the overall balance sheet

Types Of Fuel Hedges

Physical Hedging

• Also known as Structured Products; integrated into physical supply contracts
• Includes
• FFP
• MPFFP
• FPF
• APF
• Easy to administer and track
• Generally suitable for rateable monthly volumes

Financial Derivatives

• Also known as paper hedges
• Includes
• Fuel Swaps
• Gasoil Swaps
• Separate from physical supply contracts
• Financial settlement of derivatives offsets price movements on physical fuel
• Flexibility
• Potential margin calls and accounting issues should be taken into consideration

Physical Structured Products

FFP Fixed Forward Price
Lock in a specific quantity to be lifted during an agreed period at a fixed price level.

MPFFP Multiple Port Fixed Forward Price
Lock in a specific quantity to be lifted during an agreed period in a base port at a fixed price level, with the option to lift in multiple ports with a fixed or floating differential to base port.

FPF Floating Price Formula
Lock a differential to the port's main underlying index with flexible pricing during an agreed period.

APF Alternative Price Formula
Price a product using an uncommon underlying index to the port/region.

OB Open Book
For certain customers, Peninsula manages bunker requirements for an agreed period at an agreed price/rate.

Financially Settled Derivatives

Derivatives Swaps
Transact fuel oil and gasoil swaps with Peninsula with no restrictions on quantity and tenor within the pre-set limits.

S-to-P Swaps to Physical
Transact fuel oil and gasoil swaps with Peninsula
and agree a premium/discount to convert a paper
transaction into a physical delivery.

FFP

Fixed Forward Price

Lock in a specific quantity to be lifted during an agreed period at a fixed price level.

Introduction

An option for known voyage and commitment.

How It Works

• Buy fuel at a pre-agreed price for a specific volume within a time-period, removing uncertainty in fuel prices.

• Requires a predetermined monthly volume commitment

• Requires a rateable lifting schedule

• Any over-lifts or under-lifts are reconciled after each calendar month

• Over-lifts are priced at the agreed floating price formula

• Under-lifts are invoiced at the price difference to the market multiplied by underlifted volume

1

Inquiry: Feb-20
1. Period: Apr-20
2. Qty & Fuel: 1kt VLSFO
3. Port: Gibraltar

2

Goes Through Credit, Hedging And Supply Team
1. Credit gives the green light
2. Hedging Desk reverts with a price curve
3. Supply Team confirms the delivery schedule

3

Offers Shown
1. Gibraltar Apr-20 1,000Mt at $510
2. ICE gasoil+5 for over-lifts. (optional)

4

Agreement Reached
1. 2-3 Liftings In Gibraltar
2. Apr-20 1,000mt At $510

5

Ppg Confirms The Deal
1. Deal confirmed in our system
2. Hedging Desk executes hedge

6

Follow Up On Deal
1. Buyer to revert with vessel schedule and quantities for delivery in Apr-20.
2. Reconcile any over/under-lifts

Conclusion

• No basis risk
• Invoice is issued with the original agreed price
• Utilises existing credit line
• No regulatory reporting requirements
• Flexibility to cash settle the existing FFP
• Margining can be applied depending on tenor and quantity

MPFFP

Multiple Port Fixed Forward

Lock in a specific quantity to be lifted during an agreed period in multiple ports at a fixed price level.

Introduction

Works like an FFP but offers the ability to lift at different ports. Lock in a price with port flexibility.

How It Works

• Buy fuel at a pre-agreed price for a specific volume
Buy fuel at a pre-agreed price for a specific volume within a time-period, removing uncertainty in fuel prices, with the option to lift in multiple ports

• Requires a minimum monthly volume commitment

• Requires a lifting and port schedule

• Any over-lifts or under-lifts are reconciled after each calendar month
• Over-lifts are priced at the agreed floating price formula
• Under-lifts are invoiced at the price difference to the market multiplied by underlifted volume

1

Inquiry: Feb-20

1. Period: Q2-20
2. Qty & Fuel: 5kt VLSFO
3. Port: Rotterdam and/or Malta and/or Las Palmas

2

Goes Through Credit, Hedging And Supply Team

1. Credit gives the green light
2. Hedging Desk reverts with a price curve
3. Supply Team confirms the delivery schedule

3

Offers Shown

1. Rotterdam and/or Malta and/or Las Palmas Q2-20 5,000Mt at $470 in Rotterdam, $508 in Malta/Las Palmas
2. ICE Gasoil -38 for Rotterdam over-lifts or ICE Gasoil flat for Malta/Las Palmas. (optional)

4

Agreement Reached

1. 4-5 liftings in agreed ports
2. Q2-20 5,000MT at $470 /$508

5

Ppg Confirms The Deal

1. Deal confirmed in PPG system
2. Hedging Desk executes hedge

6

Follow Up On Deal

1. Buyer to revert with vessel schedule and quantities for delivery in Q2-20.
2. Reconcile any over/under-lifts

Conclusion

• An MPFFP offers more flexibility than FFP
• No basis risk
• Invoice is issued with the original agreed price
• Utilises existing credit line
• No regulatory reporting requirements
• Flexibility to cash settle the existing FFP
• Margining can be applied depending on tenor and quantity

FPF

Floating Price Formula

Lock a differential to the port's main underlying index with flexible pricing during an agreed period.

Introduction

Guarantee bunker supply volume in a port while following market fluctuations.
Flexible as it doesn't necessarily require a fixed volume.

How It Works

- Price a product against an underlying index at a fixed differential for a specific time period
- Does not require a minimum monthly volume commitment
- The pricing period is flexible
- Pricing basis date of nomination
- Pricing basis date of delivery
- Pricing whole month average
- Trigger pricing

1

Inquiry: Feb-201. Period: Apr-20

1. Period: Apr-20
2. Qty & Fuel: 1kt VLSFO
3. Port: Gibraltar
4. Pricing Period: DON

2

Goes Through Credit, Hedging And Supply Team

1. Credit gives the green light
2. Hedging Desk reverts with a price differential
3. Supply Team confirms the delivery schedule

3

Offers Shown

1. ICE Gasoil + 5 $/tn basis DON
2. (Flexibility to convert to fixed price)

4

Agreement Reached

1. 2-3 liftings in Gibraltar
2. ICE Gasoil +5 $/tn basis DON

5

Ppg Confirms The Deal

1. Deal confirmed in our system
2. Hedging Desk includes deal in pricing calendar

6

Follow Up On Deal

1. Follow up upon nominations
2. Reconcile the final buy price after the pricing period settles

Conclusion

- Buy price will follow market fluctuations
- Invoice is issued with the calculated price after the pricing period has expired
- No Regulatory reporting requirements
- Flexibility to convert the Floating Price Formula into an FFP
- No margining requirement
- Credit line may be affected by market volatility

APF

Alternative Price Formula

Price a product using an uncommon underlying index to the port/region.

Introduction

Price a product against a preferred underlying.

Guarantee bunker supply volume in a port while following market fluctuations.

How It Works

- Guarantee a differential against a preferred underlying index for a specific time period
- Does require a minimum monthly volume commitment
- The pricing period of the price formula is flexible
  - Pricing basis date of nomination
  - Pricing basis date of delivery
  - Pricing whole month average
  - Trigger pricing

1

Inquiry: Feb-201. Period: Apr-20

1. Period: Q2-20
2. Qty & Fuel: 1kt 380cst
3. Port: Rotterdam
4. Price against: MOPS 380
5. Pricing Period: DON

2

Goes Through Credit, Hedging And Supply Team

1. Credit gives the green light
2. Hedging Desk reverts with a price differential
3. Supply Team confirms the delivery schedule

3

Offers Shown

1. MOPS 380 - 10 $/tn basis DON
2. (Flexibility to convert to fixed price)

4

Agreement Reached

1. 2-3 lifting in Rotterdam
2. MOPS 380 - 10 $/tn basis DON

5

Ppg Confirms The Deal

1. Deal confirmed in our system
2. Hedging Desk executes hedge
3. Hedging Desk includes deal in pricing calendar

6

Follow Up On Deal

1. Follow up upon nominations
2. Reconcile the final buy price after the pricing period settles

Conclusion

- An Alternate Price Formula allows a shift in baseline price formula from one index to another preferred index
- Increase pricing optionality and reduce volatility
- Can capture favourable price spreads between markets/indices
- May improve correlation between budget and derivative hedges

Consolidate purchases onto preferred indices and eliminate regional basis risk

- Identify opportunities even if flat price is not compelling
- Requires minimum monthly volume
- Month-end reconciliatio

Open Book/ Physical Procurement

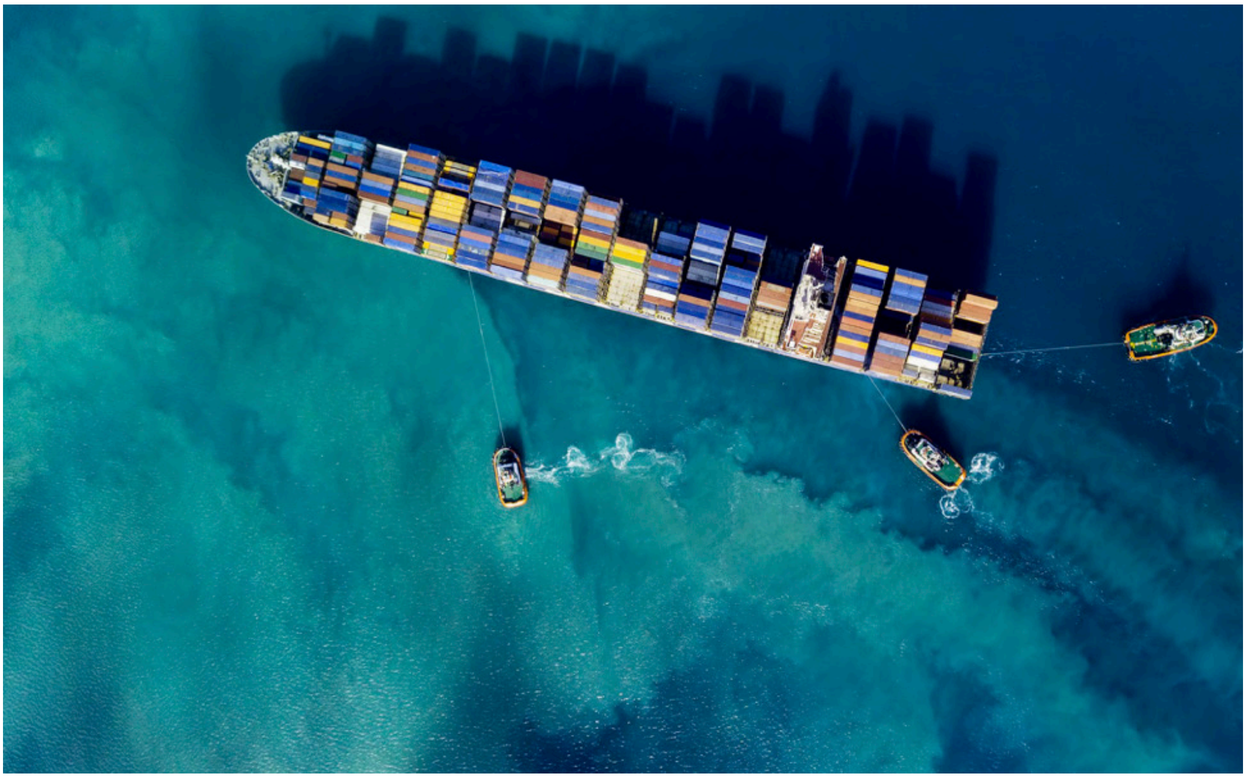
With increasing market fluctuation, budget certainty can be difficult in the current volatile climate.

Introduction

Peninsula can manage the Physical procurement of Fuel or Gasoil. We have the ability to monitor risk and market developments and act quickly where necessary.

How It Works

- During periods of extreme downside/upside risk through fundamental or technical reasons, Peninsula can provide the 3 best quotes from local vendors or our own barrels
- Peninsula will increase the offer price by an agreed fee (as a management fee or a minimum lump-sum), consequently determining the Open Book price
- This agreed Open Book Price will be sent on all confirmations and/or invoices
- Procurement invoices available upon written request
- The Open Book Price can be a floating differential with a trigger date to be agreed



Derivatives

Swaps

Transact fuel oil and gasoil swaps with Peninsula with no restrictions on quantity and tenor within the pre-set limits.

How It Works

- A swaps agreement with Peninsula allows for utilisation of the credit line
- Buy or sell any quantity with flexible tenors
- Post trade admin is done by Peninsula (including weekly/monthly report)

Introduction

Can hedge against market fluctuations by buying the underlying paper direct from Peninsula.

Flexibility to float the inquiry in the market at any point in time.

1 Inquiry: Feb-201. Period: Apr-20

1. Customer
2. Period: Jun-20
3. Qty & Underlying: 1kt Sing gasoil 10 ppm
4. Bid/Offer: BUY

2 Goes Through Credit, Hedging And Supply Team

1. Credit gives the green light
2. Hedging Desk reverts with a price curve
3. Final Price: $67.50

3 Offers Shown

1. 1,000Mt Jun-20 Sing gasoil 10 ppm OFFER at $67.5
2. Brent ref $56.8

4 Agreement Reached

1. BUY 1,000Mt Jun-20 Sing gasoil 10 ppm at $67.5

5 PPG Confirms The Deal

1. Deal confirmed in our system
2. Hedging Desk executes trade
3. Hedging Desk includes deal in price exposure report

6 Follow Up On Deal

1. PPG provide a weekly/monthly P&L report
2. Follow up on margin calls
3. Cash settlement after expiry

Conclusion

Benefits

- Fast onboarding process (long form)
- No need to setup clearing account
- Already existing relationship for credit line
- Easy trade process
- Tailored reports
- Daily/weekly/monthly P&L
- Minimal setup cost
- Range of tenors available (bullet, weekly)

Drawbacks

- Basis risk for physical delivery
- Margin call management
- More administrative work required

Swaps

Transact fuel oil and gasoil swaps withPeninsula and switch them for a physicaldelivery at a pre-set premium for a specific delivery period.

Introduction

Can hedge against market fluctuations by buying the underlying paper direct from Peninsula.

Flexibility to float the inquiry in the market at any point in time.

Flexibility to convert the swap into a physical delivery.

How It Works

A swaps agreement with Peninsula allows utilisation of the existing credit line
• Buy or sell any quantity with flexible tenors
• Physical delivery premiums/discounts on top of a transacted swaps are agreed for specific delivery periods
• Request a differential premium/discount to any port basis any underlying swap

1

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1. Customer
2. Period: Jun-20
3. Qty & Underlying: 1kt Sing gasoil 10 ppm
4. Bid/Offer: BUY

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Follow Up On Deal

1. PPG provide a weekly/monthly P&L report
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3. Cash settlement after expiry

Conclusion

Benefits

• Fast onboarding process (long form)
• Already existing relationship (credit)
• Tailored reports
• Daily/weekly/monthly P&L
• Range of tenors available (bullet, weekly)
• Flexibility to choose the delivery month before the swap starts to price
• Flexibility to roll the swaps forward to accommodate physical delivery

Drawbacks

• More administrative work required
• Margin call management

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