Risk Management

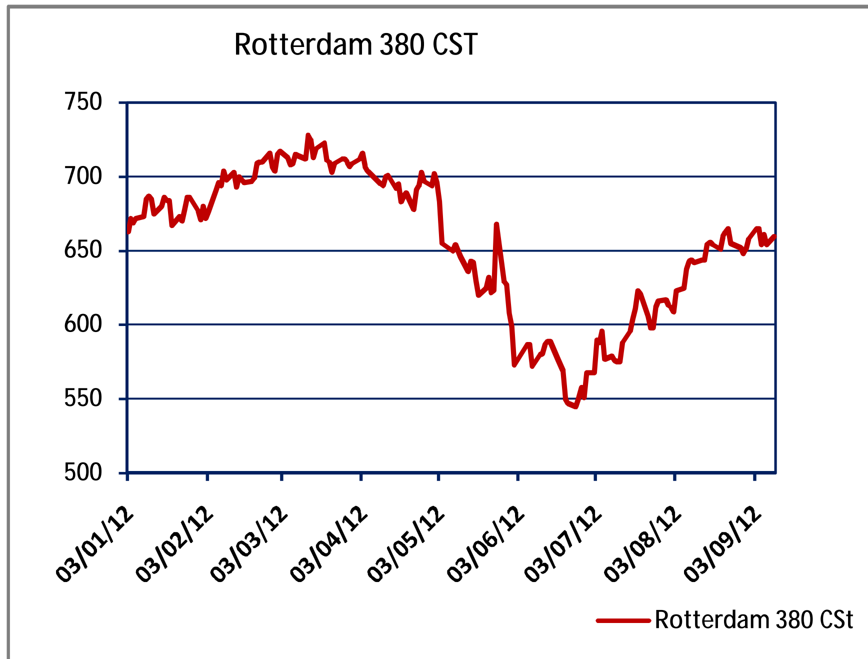
Cockett Marine uses its in-house expertise and alliance with Vitol to optimise risk management for your specific hedging requirements.
Why hedge:

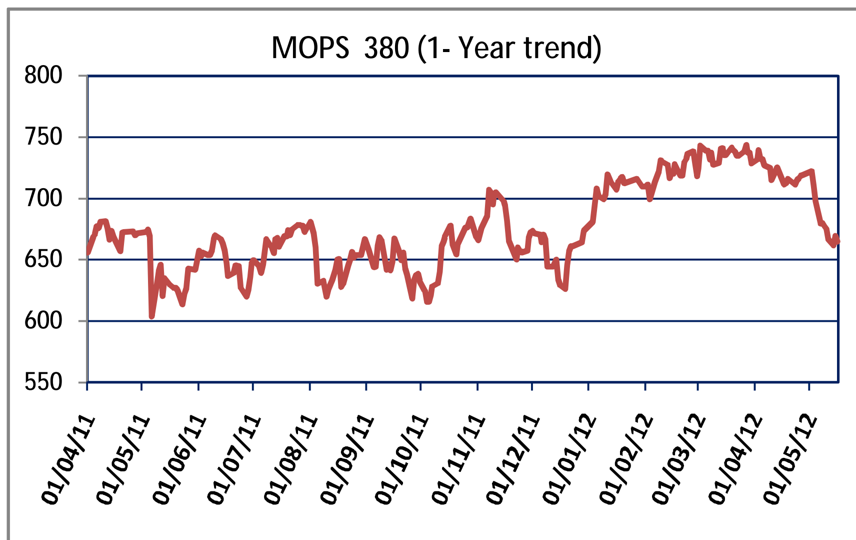
- Stabilize cash flows
- Reduce risk of significant financial losses due to high oil prices
- Protect budget targets
- Provide profit margin protection
- Help to determine rate offers
- Secure company's competitive edge
- Financial insurance

Fuel hedging is used to reduce or eliminate a company's exposure to fluctuating fuel costs. It is a contractual tool allowing a company to fix or cap a fuel price at a certain level and period of time. If your company is exposed to oil price fluctuations, fuel hedging is a tool that can help eliminate the risk of your fuel costs escalating beyond a budgeted figure. There are two main bunker hedging strategies.

Fuel oil derivatives (also known as swaps, paper, CFDs)

Cockett Marine Risk Management can provide you with fuel oil derivatives to enable you to lock in a Platts Cargo or Barge fuel index. If the subsequent index price for the chosen month average is higher than you had originally paid then we will reimburse you the difference (dollar per metric ton multiplied by the agreed volume). You still need to purchase the physical bunkers in the market, which in this example will have risen, so the higher price you pay for your bunkers is partially offset by the reimbursement Cockett gives you the derivative transaction. If the prices had dropped you would pay less for your physical bunkers however the swap would have lost money and you would reimburse Cockett for the derivative transaction. Thus if the market price falls or rises after you have entered into swap your net purchase value is unchanged for the period and quantity.





Forward Fixed Price agreements (FFPs)

Cockett Marine Risk Management service is here to help you manage your fuel procurement in a cost effective manner in this environment of volatile and unpredictable oil prices.

We aim to provide a one-stop solution that allows you to combine your physical bunker requirements and hedging in one transaction. We understand that everyone's needs are not the same and we work with our customers to develop bespoke solutions for their needs.

A forward fixed price gives you the tools to lock in one fixed price for your bunker requirements in certain regions in the future months. It is a simple process that allows you the flexibility to fix any percentage of your total requirements without the need to deal with complex financial instruments.

Our Forward Fixed Price agreements provide;

- An agreed quantity for single or multiple stems
- An agreed grade
- At an agreed port or region
- During an agreed period
- At an agreed fixed price

This simple process provides risk management and supply for any desired percentage of your bunker requirements without the need for you to participate in derivative oil markets. Through Cockett Marine's alliance with Vitol we are able to participate in the derivative market allowing us to offer you prices, volumes and solutions that our competitors cannot match.

You can fix the price of your future requirements at one or multiple ports in a region. Using a simple method to account for different prices in different ports, we can transparently manage your risk.

FFPs lock in forward prices avoiding price volatility and assisting budget control and provide an opportunity to lock in profits. Our simple one-stop solution process provides forward fixed price bunker fuel, saving you time and resources.

Locking in a fixed price for forward purchases allows you to avoid the uncertainty of the forward price allowing you to concentrate on other aspects of the business. For some budget control is an essential element and supply below your bunker forecasts is a valued asset. Other companies use FFPs to lock in the majority of their operating cost, essentially allowing them to lock in margins without the need to participate in derivative oil markets.

As deciding when to enter into an FFP is often difficult due to the price volatility many companies now seek to 'phase-in' purchasing FFPs in increments or at times when the market is below a certain level. Some buyers prefer to lock in only a fraction of their forward requirements. Cockett Marine can arrange a FFP covering, say 25% of a requirement, you can call us anytime and we will give a latest price for another tranche, maybe another 25%. This phasing has become increasingly popular.

Whatever your requirements or targets, Cockett Marine Risk Management team will help you decide the solution that is right for you. Whether you want to hedge all your bunker needs, or you want to phase it in, whether you want to hedge with derivatives or FFPs we will work out a fuel procurement strategy that works for you.