□ Types of Oil Contracts in the Global Energy Market By Mohammad Akhbari / Petro Broker Academy

n the complex world of oil trading, understanding the types of contracts is essential for both newcomers and experienced brokers. Contracts define not just the transaction structure, but also trust, compliance, delivery, and payment mechanisms between buyer and seller. Here's a breakdown of the most common types of oil contracts: 1. Spot Contracts These are short-term contracts for immediate delivery. ✔□ Features: Typically settled within 2–10 days Based on prevailing market price (Plats or Argus benchmarks) Useful for buyers needing urgent supply No long-term obligation 🔍 Risk: Price fluctuations and tight payment/delivery deadlines. 2. Term Contracts (Long-Term Deals) Term contracts can range from months to several years.

✔□ **Features:** Stable and predictable supply often priced with formulas (e.g. Brent + differential) requires stronger due diligence and documentation (e.g. NCNDA, IMFPA, and SPA)

Advantage: Builds long-term relationships with suppliers and refineries. 3. TTO – Tank Take Over Contracts TTO refers to the transfer of title when the product is in a tank farm (usually in Rotterdam or Houston).

✔□ **Process: Buyer assumes ownership in-tank Suitable for FOB transactions**

Often includes Dip Test Authorization (DTA) and SGS inspection

4**. TTT** – Tank to Tank Transfer In this case, oil is moved from the seller's tank to the buyer's tank. ✔□ Process: Usually local, requires coordination between tank farms Buyer must already lease a tank Title often transfers during or after the transfer 5. CIF Contracts (Cost, Insurance, Freight) The seller handles shipping, insurance, and logistics.

□ **Features:** Buyer receives goods at their port Risk shifts once the shipment is on board Includes Bill of Lading, SGS, and shipping documents 6. FOB Contracts (Free on Board) The buyer arranges shipment and assumes responsibility at the port of loading.

□ **Features:** Cost-effective for experienced buyers Requires access to shipping/logistics resources Common in Russian and Middle East markets 7. Buy-Sell / Allocation Contracts In some cases, intermediaries hold allocations or purchase rights.

□ **Features:** Often negotiated via mandates Includes documentation like Allocation Letters and POP

📌 Final Thoughts Understanding these contract structures is critical to success in oil brokerage. Each contract type comes with its own procedures, risks, and documentation. At Petro Broker Academy, we guide you through real-case simulations and templates so you can navigate deals professionally.