



## Initiatives for stable crude procurement

# Feeling the Responsibility to Support Japan's Social Infrastructure



Crude Oil Group, Crude Oil & Tanker Department, Cosmo Oil Co., Ltd.

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## ● Negotiating Contracts for 100 million Barrels of Oil Per Year

After joining Cosmo Oil in 2009, I worked in the Crude Tanker Group of the Crude Oil & Tanker Department for three years. I have now been in the Crude Oil Group for one year. In the Tanker Group, I managed tankers bringing purchased crude oil to refineries in Japan. I now use that experience in my current position procuring condensate, a kind of crude oil.

Specifically, my work mainly consists of negotiating contract terms and conditions with producing countries and making monthly adjustments. There are one-year term contracts and monthly spot contracts: Our term contracts cover purchases of 300,000 barrels of oil per day, or 100 million barrels per year.

## ● Always Ready with a Backup Plan in Case of Problems

As term contracts are renewed each year in January, the negotiations begin two or three months prior. For monthly shipment, a detailed plan including the grade and quantity of crude oil, as well as the tanker and loading date is submitted to the producing country two months ahead of time.

Spot contracts are determined in meetings held two months in advance, concerning the amount of crude required and the supplier. Since spot contracts make up about 30% of total procurement, it is important to ascertain needs two months in advance and get the best conditions possible. Various issues both large and small arise in the course of this work. Therefore, alternative plans are always prepared, in order to ensure stable procurement of crude oil.

### What Is a Barrel?

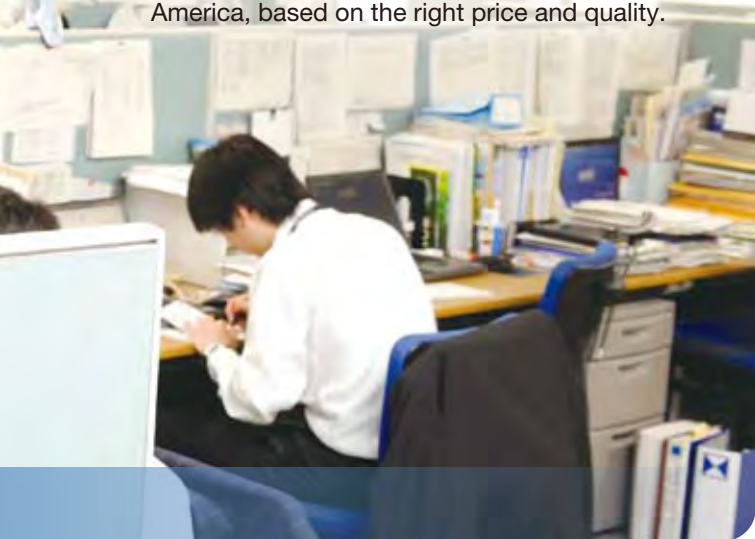
A barrel is a unit of volume measurement for oil. In addition to market transactions, it is the unit used to express the size of an oilfield in terms of the amount of crude it can produce. It also measures refinery production capacity and the amount of petroleum products that can be refined. There are various definitions of a barrel depending on the application or country, but a standard barrel of oil is 42 U.S. gallons, or about 159 liters. The tanker shown at right can transport about 2 million barrels of crude oil, the amount the Chiba Refinery can process in about 9 days.



◀ Crude oil tanker: *Maersk Hakata*

Far right  
Negotiation meeting ▶  
(at the Cosmo Oil Head Office)

In order to ensure a stable supply of crude oil, the Cosmo Oil Group began building relationships of trust and cooperation with oil-producing countries in the Middle East from early on. The Crude Oil Group of the Crude Oil & Tanker Department is responsible for stable procurement of crude oil, at the best possible price, which is used to make petroleum products. Crude oil is procured from other regions as well, such as East Asia and South America, based on the right price and quality.



### ● Seeking to Understand the World of Crude Oil from a Broader Perspective

In addition to the large amounts of money involved in this work, it is a heavy responsibility to handle procurement of a product that supports the foundations of daily life. If any problems arise in procurement or planning, the economy and production activities in Japan could even be impacted.

I joined this company because I want to do a job that supports the national interest of Japan. This job is never easy. For example, since the price of crude oil fluctuates due to the effects of speculation, I need to have knowledge not only of price and production trends in producing countries, but also hedging. Petroleum is a vitally important factor in the social infrastructure. By getting to know this world better and further broadening my perspective, I would like to help generate even greater trust and satisfaction among customers.



## Work and Mission of the Crude Oil Group

### Main operations

Devising and implementing crude oil import policies and plans (including crude oil procurement for Japan's national oil stockpiling)

Insurance

Preparing and submitting data to government agencies, as well as performance reports and external reports

### Cosmo Oil Group Code of Conduct

Chapter 1, 1 (1) Stable energy supplies  
Chapter 6, 3 (1) Honest transactions

Chapter 1, 1 (1) Stable energy supplies

Chapter 5, 2 (2) Appropriate information disclosure  
Chapter 6, 3 (5) Build highly transparent relationships with government and administrative agencies  
4 (1) Handle information properly



Visiting the Far Eastern Branch of the Economic Research Institute at the Russian Academy of Sciences (top) and the Far Eastern Federal University (bottom)

### Maintaining Stable Supply through Careful Negotiations

The Crude Oil Group procures oil from oil-producing countries, traders, and trading companies, and sells any surplus that is not refined. It performs various controls and procedures including insuring the process from purchase, to loading and shipping.

Our greatest mission is to ensure a stable supply of oil, which is the foundation of industry. Therefore, communication is actually the most important skill we have. Even in the main procurement region of the Middle East, social conditions and cultures vary substantially from country to country, which I learned during my three-year posting in Abu Dhabi. The most important thing is to communicate with people politely and sincerely, based on a good understanding of that country's people and culture. This is the key to securing stable procurement of oil at the best price possible.



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