University of Mustanseriya
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The Risk Management In World Oil Markets- An Applied Study

A thesis

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Abstract

The price risk is one of the most important of risks facing producing and exporting oil companies.

To encounter these risks, it has to use one of the instruments or tools for risks, it has to use one of the instruments r tools for risk managements.

In according to that, this study provides a theoretical and empirical framework on the nature and use of forward contracts and risk- participation contracts to protect spot price fluctuations of crude oil ,and ,in turn deceases the losses resulting from that and decease price risks.

Because oil views as most important goods, on which Iraqi economy depends on to get its revenues, this research focuses on Basra crude oil as an empirical analysis aspect, through a use of forward contracts and risk- participation contracts to protect against price risk of Basrah crude oil.

This research has two hypotheses:

1- Use of forward contracts leads to decrease the price risk of Basrah crude oil.
2- Use of risk- participation contracts leads decrease the price risk of Basrah crude oil.

There are many conclusions draw from this study. The most important of these are:

A-Use of contracts leads to decease the price risk of Basrah crude oil, through fixing the oil prices in future, and to achieve free-risk profits when the deceasing of spot price of oil lower than excise price mentioned in the forward contract.

B- Use of the forward contracts leads to loss or lack of opportunity to achieve excess profits, in the case

of increasing the spot price of oil over the exercise price mentioned in the forward contract.

C- Use of risk- participation contracts leads to decrease the price risk of crude oil with 50% losses achieving from decrease of crude oil prices in relation tone side (risk transfer), through transfer50% achieved loss minus risk- participation premium to other(risk- participators)

D-Use of risk- participation contracts leads to profit maximization as a result of an increase of spot price of oil over exercise price mentioned in the participation contract.

E- The second part(risk- participator) can a chive net profit as a premium for risk participation(5%) value of profit achieving to the first part(risk transferor) at the rise of spot price of oil.

The researcher