

The oil era

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

From the 1960s and 1970s onwards, oil trading took off in Geneva. The city became home to independent companies that bought and sold crude oil and refined products outside the integrated circuits of the major oil companies. The oil shocks of the 1970s, the nationalisation of resources by producing countries and the emergence of a spot market created considerable opportunities for independent traders, who were able to buy oil from producers and sell it to refiners and consumers.¹

The most famous figure of this period is Marc Rich, an American trader who founded his company in Zug in the early 1970s and built up a worldwide oil trading business, including with countries under embargo. Prosecuted in the United States for tax fraud and for trading with Iran, he took refuge in Switzerland before being pardoned in 2001. His company, taken over by its executives, would become Glencore.² Its head office was in Zug, but the story of Marc Rich shaped the image of Swiss commodity trading and anticipated several of its controversies: trade with contested regimes, circumvention of embargoes, opacity and taxation.

Geneva in turn attracted major oil traders. Vitol, founded in Rotterdam in 1966, developed one of its principal operational centres in Geneva.³ Companies linked to oil groups, such as those of Total, Lukoil or Rosneft, established their trading activities in Geneva.⁴ *Le Temps* estimates that nearly a third of the world's oil trade passes through Geneva.⁵ The Federal Department of Foreign Affairs likewise states that traders established in Switzerland handle around a third of the world's trade in crude oil.⁶

The phrase “passes through” must be understood correctly. Oil travels by pipeline and by tanker between producing and consuming countries. What passes through Geneva are the contracts, the financing, the documents and the decisions. This characteristic, which Part A identified as early as the medieval fairs, defines Geneva's commodity trading: a service activity that organises physical flows located elsewhere.

Caution. The claim that a third of the world's oil "passes through" Geneva refers to contracts negotiated from the city, whose physical flows follow other routes. Geneva's commodity trading is an activity of organising, financing and documenting goods that never touch Swiss soil.

1 Notes

1. Marten Boon, "Deuss' demise: an oil trader's struggle to keep up with the market, 1970s-1990s", MPRA Paper 95460, 2019: "The end of the concession system in the 1970s caused the oil value chain to disintegrate and a spot market for crude oil to emerge"; the independent traders, Marc Rich foremost among them, "have been credited with creating this spot market and its subsequent development"; Wikipedia (en), art. "1980–1989 world oil market chronology": crude oil futures contracts on the NYMEX in March 1983, indexation of Saudi prices to the spot market in August 1985, general adoption of netback pricing in 1986 and a fall of more than 50% in world prices that same year. ↩
2. Marc Rich + Co founded in 1974; in 1983, Marc Rich left the United States to escape prosecution for tax fraud and for trading with Iran under embargo and settled in Switzerland; sale of the majority of the company to its executives in the early 1990s, who renamed it Glencore; pardon granted by President Clinton in January 2001; "Décès de l'homme d'affaires zougais Marc Rich, le roi du pétrole", swissinfo.ch, June 2013. ↩
3. Vitol, "About" (vitol.com): "Founded in Rotterdam in 1966 by Henk Viëtor and Jacques Detiger"; offices opened in Geneva (1968), London (1969) and Singapore (1979); more than 40 offices worldwide; Wikipedia (en), art. "Vitol": principal locations in Geneva, Houston, London and Singapore; company owned by around 450 partners, current and former employees; more than 7.3 million barrels per day of oil and products. ↩
4. "Matières premières. Genève, plate-forme mondiale dans le négoce", Le Temps, 16 February 2023, which names Cargill, Vitol, Lukoil, Louis Dreyfus, Total, Bunge and Koch among the houses present. ↩
5. Le Temps, 16 February 2023, cited above. ↩

6. Federal Department of Foreign Affairs, Presence Switzerland,
“Négoce de matières premières”, cited above. ↩

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