

The oil shocks and the birth of the spot market

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

Independent oil trading was born of a market rupture. Until the 1970s, oil was marketed by the large integrated companies, which extracted, transported, refined and distributed within closed chains in which trading had little place. The nationalisations of the 1970s in producing countries and the two oil shocks of 1973 and 1979 broke these chains: the national companies of producing countries had to sell crude they did not refine, and independent refiners had to buy crude the majors no longer supplied them. A spot market then developed, first in Rotterdam and later around the Brent and WTI price benchmarks.¹ Independent traders, several of whom established themselves in Switzerland, occupied this space by organising flows between producers and buyers who did not know each other.

Geneva took its share for the reasons the preceding chapters have set out: neutrality, which made it possible to deal with every producer, the presence of banks willing to finance cargoes, the time zone, discretion and a tax regime which, until the reform of 2020, offered trading companies advantageous statuses. The traders of this generation, often trained in the major companies or in the grain houses, created businesses that still bear their names or their methods, and whose successors of the 1990s and 2000s, described above, inherited their culture: risk-taking, speed, personal networks with producers, and a conception of compliance that later cases forced to evolve.

1 Notes

1. ICE, “Evolution of Brent, its markets and why its ecosystem is relied upon by commercial participants” (ice.com): first Brent cargo traded in 1983, peak production of the field in 1984, Brent futures contracts launched on the International Petroleum Exchange in London in June 1988, addition of Forties and Oseberg (2002), Ekofisk (2007) and Troll (2018) to the basket; “Nearly two-thirds of the spot export market is linked to Brent”; Wikipedia (en), art. “1980–1989 world oil market chronology”: crude oil futures contracts on the NYMEX in March 1983, Saudi prices linked to the spot market from August 1985. ↩

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