Crude Oil Hedge & Risk Management Plan (Consulting Style)

Report Date: 2026-02-11

Execution Window: 2026-02-11 ~ 2026-03-03

Volume: 200000 tons / 1460000 bbl

Target Coverage: 70%

Primary Benchmark: Brent (ICE)

Market Benchmarks: Brent (ICE), WTI (NYMEX), SC (INE), BU (SHFE)

1. Executive Summary and Strategy

Verdict: For the pricing window 2026-02-11 ~ 2026-03-03, the recommended posture is defense-first with dynamic layering under event-driven binary uncertainty. Target coverage is 70% with a mix of ~35% base futures, ~42% collar/insurance, and ~28% dynamic layering; late-window anchor ~59.5%. Scenario weights (Base/Bull/Bear) are 50%/25%/25%.

Context: Pricing is currently dominated by event cadence and risk premium, while macro and inventory anchors constrain medium-term mean reversion risk. Primary benchmark is BRENT. Observable anchors include DXY 128.15, VIX 17.36, and EIA inventory WoW -3.45.

Exposure & funding: Volume ~200000 tons (~1460000 bbl), hedge target ~1022 contracts; notional ~USD 101.95M, initial margin ~USD 8.18M, buffer ~USD 2.45M.

Governance: Use stress shocks as funding guardrails and review news/authority updates, macro/inventory, and margin/liquidity daily; when triggers fire, reduce net risk first, then rotate instruments.

Window length: ~20 days (calendar diff).

Data note: term structure / roll cost, crack spread / refining margin, basis / EFS is unavailable; related judgments remain framework-level until backfilled. [1,2,3,4]

2. Geopolitical Risk and Scenario Review

As of 2026-02-11, the geopolitical landscape is defined by the US-Iran indirect talks in Oman, which have introduced significant uncertainty into the Brent pricing mechanism. (news time anchors: 2026-02-09, 2026-02-06) Evidence from sources and) indicates that while talks had a 'good start' on 2026-02-09, the market remains on edge. This event serves as the mainline driver, where the transmission mechanism moves from geopolitical risk premiums directly into implied volatility (VIX 17.36), subsequently increasing margin requirements and dictating a more cautious execution pace for the 1,460,000.0 bbl exposure.

The transmission of this risk is particularly acute because the 'easing tensions' reported in early February can rapidly reverse into 'sanctions warnings'. This creates a scenario where traditional supply-demand metrics, such as the -3.45 million barrel EIA draw, are secondary to diplomatic outcomes. If negotiations stall, the risk premium will expand, forcing an immediate increase in the cost of procurement. Conversely, a breakthrough would likely see Brent retreat from the 69.83 level as the geopolitical premium evaporates, potentially leaving fixed-price hedges underwater.

Executable guidance requires a scenario-contingent approach. In the Base scenario, continue dynamic layering to reach the 70.0% target while maintaining the 2,452,800.0 USD margin buffer. If a Bull trigger occurs-such as a breakdown in talks or new sanctions-execution must shift to an accelerated locking of the remaining 1,022 contracts to front-run price spikes. In a Bear scenario, where a formal agreement is reached, the action is to implement options collars to protect the 101,951,800.0 USD notional value, allowing the firm to capture downside savings while maintaining the mandatory hedge ratio. [13,15,17,19]

2.1 Geopolitical Risk and Key Market News

- 2026-02-06 | Al Jazeera: US-Iran updates: FM Araghchi says latest round of talks 'a good start' [19]
- 2026-02-09 | Bloomberg: US-Iran Talks Make a Good Start But Oil Markets Can't Relax Just Yet [13]
  An Iranian crude oil tanker anchored off the coast of Gibraltar in 2019.Photographer: Marcelo del Pozo/Bloomberg.
- N/A | AP News: Iran and US hold indirect talks in Oman over Tehran's nuclear program [17]
  `! ![](https://dims.apnews.com/dims4/default/94c503b/2147483647/strip/true/crop/640x236+0+0/resize/320x118!/quality/90/?url=https%3A%2F%2Fassets.apnews.com%2Fc3%2F4c%2F65482a7b452db66043542c093eaf%2Fpromo-2x.png) ![](https://assets.apnews.c ...`

2.2 Scenario Analysis and Probability Allocation

Scenario	Probability	Trigger	Action
Base	50%	Oman talks continue without definitive breakthrough; EIA inventory draws remain near -3.45M barrels.	Execute dynamic layering of futures to reach 70.0% coverage while maintaining the 2,452,800.00 USD margin buffer.
Bull	25%	Negotiations stall or US issues new sanctions warnings; Brent breaks upward from 69.83.	Accelerate fixed-price locking via ICE Brent futures to front-load the 1,022 contract requirement before risk premiums expand.
Bear	25%	Formal agreement reached in Oman leading to sanctions relief; DXY strength persists above 128.15.	Implement options collars or insurance to protect the 101,951,800.00 USD notional value against price collapses while retaining procurement savings.

3. Fundamentals and Macro Backing

The primary uncertainty stems from the US-Iran Oman nuclear talks, where a 'good start' f1b3a3bace92) competes with lingering sanctions risk. This geopolitical friction transmits to procurement costs via a Brent benchmark currently at 69.83, with a high DXY of 128.15 acting as a potential ceiling on USD-denominated price spikes. Executable actions: 1. Monitor the EIA inventory draw of -3.45 million barrels) as a fundamental floor against bearish talk outcomes. 2. If talks stall, initiate a 35% volume lock via futures to defend against a return to risk-premium pricing.. If talks progress toward sanction relief, defer of the planned 70% coverage to capture downside volatility indicated by the VIX at 17.36. [3,4,5,6,7,8]

4. Technical Structure and Key Levels

Risk centers on the pricing window of 2026-02-11 to 2026-03-03, where a 10% price shock would result in a 7136626 USD impact on the 1460000.0 barrel exposure. As term structure metric data is currently unavailable, the roll risk remains unquantified, necessitating a focus on flat-price protection at the 69.83 entry level. Executable actions: 1. Execute 1022 contracts of Brent futures to achieve the 70% coverage target, prioritizing the front-month to maintain liquidity during the Oman talk window. 2. Establish a margin buffer of 2452800 USD to withstand the 1635200 USD margin change projected in a 10% upward stress scenario.. In the absence of term structure visibility, avoid long-dated calendar spreads and maintain a rolling hedge posture aligned with the immediate procurement window. [1,2]

5. Cross-Market/Spread and Arbitrage

The risk of basis mismatch and procurement cost slippage is elevated for this importer due to the lack of crack spread metric and basis metric metrics, which obscures the relationship between Brent 69.83 and local delivery costs. With refinery utilization at, physical demand remains robust, potentially tightening local basis if geopolitical tensions disrupt the Strait of Hormuz. Executable actions: 1. Utilize the allowed 'dynamic layering with spread arb' to bridge the gap between Brent (ICE) and physical arrival, targeting a 70% hedge ratio. 2.

Since crack spread logic is unavailable, focus exclusively on the crude component of the 101951800.0 USD notional value.. Implement a phased execution: lock 42% of volume pre-event (Oman talk conclusion) and the remaining 28% post-event to balance the risk of a 'buy the rumor, sell the fact' price correction. [1,2,13,15,17,19]

6. Hedge Strategy Matrix

The execution framework addresses the uncertainty of US-Iran Oman talks, where a breakdown could trigger a rapid price spike toward the 2026-02-11 benchmark of 69.83, while a breakthrough could lead to a sharp retracement. Executable actions involve immediate deployment of a 70% futures lock to secure the 101951800.0 USD notional value, followed by a transition to options-based insurance if VIX (currently 17.36) compresses post-event. Traders must maintain an 8175999.999999999 USD initial margin and monitor for a 10% shock which would require an additional 1635200.0 USD in liquidity. [1,2,3,4]

Strategy Matrix

Strategy	Tool	Ratio	Trigger	Cost/Premium	Expected Effect	Risk
Fixed-Price Futures Lock	Fixed Price Lock (Futures/Swap)	70%	Pre-event window (as-of 2026-02-11) or Brent breach of 70.0 USD/bbl	Initial margin of 8175999.999999999 USD; zero upfront premium	Eliminates price variance for 1460000.0 barrels; locks procurement cost at current benchmark	High margin call risk; a -10% price shock results in a 7136625.999999999 USD hedged PnL loss requiring cash liquidity
Zero-Cost Collar (Insurance)	Zero-Cost Collar / Insurance	42%	Post-event window; VIX retracement below 17.0 or confirmation of Oman talk progress	Net-zero premium (Put sale funds Call purchase)	Provides a price ceiling for 42% of volume while allowing participation in downside if sanctions ease	Capped benefit if prices drop significantly below the put strike; potential for delivery mismatch
Dynamic Spread Layering	Dynamic Layering + Spread Arb	28%	Late-window (2026-03-03) or widening of Brent term structure during inventory draws	Transaction costs only; margin offset against existing futures	Optimizes the blended entry price by capturing roll yield or basis improvements	Execution complexity; requires monitoring of EIA wow changes (currently -3.45) to timing entry

7. Phased Execution Plan

The execution strategy addresses the uncertainty of US-Iran Oman talks by phasing 1022 BRENT contracts. Pre-event (before 2026-02-11), we lock 35% of volume to mitigate upside risk from failed diplomacy. Post-event (after 2026-02-11), we scale to the 70% target if talks stall or sanctions tighten. In the late-window (approaching 2026-03-03), we rebalance to 59.5% to manage basis risk and roll costs. [13,15,17,19,3,4]

Phased Execution Table

Stage	Target Ratio	Trigger	Action
pre_event	35%	Initial window opening on 2026-02-11 while US-Iran talks are in progress f1b3a3bace92).	Execute fixed-price futures lock for contracts (35% of total exposure) using TWAP over hours.

Stage	Target Ratio	Trigger	Action
post_event	70%	Confirmation of talk stalemate or new sanctions reported by authority sources f0f1ee7a9d8).	Layer an additional 35% (contracts) using options_collar to protect against price spikes.
late_window	59.5%	Approaching 2026-03-03 pricing window expiration with VIX exceeding 17.36.	Reduce total hedge to 59.5% by liquidating contracts to lock in gains or minimize carry costs.

8. Execution Details and Risk Controls

Risk management focuses on the 8175999.999999999 USD initial margin requirement and the 101951800.0 USD notional exposure. We mitigate liquidity risk by maintaining a 2452799.9999999995 USD buffer. Executable actions include daily VaR monitoring against the 17.36 VIX level and mandatory stop-losses if Brent breaches the 69.83 benchmark by 10% in either direction. [1,2,13,15,17,19]
Execute the roll of 1022 contracts at least 5 business days prior to the 2026-03-03 window end. Monitor the BRENT front-month liquidity to avoid slippage. If the term spread widens beyond the 1.02 threshold, transition from fixed-price futures lock to dynamic_layering to capture spread arbitrage while maintaining the 70.0% coverage target.
Enforce a hard cap of 1022 contracts to prevent over-hedging. All trades must be executed within the 2026-02-11 to 2026-03-03 window. Daily margin reconciliation is required against the 8175999.999999999 USD baseline. Any deviation from the 'balanced' risk preference or use of non-allowed OTC instruments triggers an immediate compliance freeze and executive review.

Stress Test Table

Shock	Estimated PnL	Margin Change	Control Action
+5.0%	3,568,313.00 USD	817,600.00 USD	Deploy 817600.0 USD from the 2452799.9999999995 USD buffer to cover variation margin on the 1022 contracts.
-5.0%	-3,568,313.00 USD	817,600.00 USD	Reduce net risk and add liquidity buffer
+10.0%	7,136,626.00 USD	1,635,200.00 USD	Reduce net risk and add liquidity buffer
-10.0%	-7,136,626.00 USD	1,635,200.00 USD	Liquidate 20% of the fixed-price futures lock position to preserve cash as hedged PnL reaches -7136625.999999999 USD.

9. Conclusion

The primary uncertainty lies in the binary outcome of US-Iran Oman talks, where a breakdown could trigger a geopolitical risk premium while a breakthrough may accelerate a price correction toward the 5% downside stress test level. To manage this, importers must transition from static procurement to a phased execution model. Executable actions: 1) Initiate a 35% baseline hedge using BRENT futures at the current 69.83 level to secure the primary volume. 2) Deploy a 35% secondary layer using zero-cost collars to protect against a 10% price shock while maintaining participation in potential downside.) Monitor the 128.15 DXY and 17.36 VIX levels daily; if VIX exceeds 20 during the Feb to Mar window, pause new layering to avoid premium inflation. [1,2,3,4]
Maintaining an unhedged spot-only exposure or a 100% concentrated long futures position without stop-losses during the Oman negotiation window, which risks uncapped procurement costs on a diplomatic breakdown or severe margin calls on a 10% downside price correction.

Execute a 70% phased hedge by combining immediate BRENT futures locks for 35% of volume with a 35% options collar to mitigate geopolitical spikes while preserving 69.83 benchmark stability.

10. References

References are numbered by evidence-pack order; in-text superscripts correspond to the bibliography.

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