

Taking stock

Stock levels are important for commodity traders, and permissioned blockchains can be used to provide useful aggregated data while respecting commercial confidentiality.



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This is possible because permissioned blockchains are restricted to participants who have permission to join them, and the data on them can be shielded from both other participants and the blockchain administrator.

This solves the problem of how to share information to produce an anonymous aggregate figure without revealing individual positions to external parties, such as database administrators.

Potential uses include anything needing secure data submission with adaptable privacy options and a clear audit trail. It could be particularly useful for complying with regulatory requirements to make market fundamentals – like stock levels – more transparent while protecting commercial confidentiality.

One example of this is the S&P Global Platts blockchain project at the Port of Fujairah in the United Arab Emirates, which launched in February 2018. Platts uses a permissioned blockchain to collect and publish weekly aggregated data on oil terminal stock levels on behalf of the Fujairah Oil Industry Zone authority and data committee FedCom.

Publishing stock level data – a key supply data point for traders – is part of FOIZ and FedCom's efforts to develop Fujairah as a trading

venue, not just a physical hub. The oil terminal operators submit the data, and the blockchain replaces a more laborious method involving spreadsheets and email chains with a quicker, more transparent, and secure process.

The project shows how blockchain can be used to create networks for natural partners – like trusted trading counterparties, regulators, and publishers – to securely share potentially confidential information.

This could include using blockchain to run auctions and electronic tenders for physical bulk commodities like crude oil and agricultural products, for example. These are often done now with sealed bids through email, and processed manually by the counterparties.

Blockchain is still a very new option – the S&P Global Platts project at Fujairah was one of the first live commercial applications in the energy sector. Regulators and market participants around the world are still in a fact-finding phase, with some entities more interested than others.

But the basic technology is proven, particularly for relatively simple tasks such as aggregating inventory data. How quickly it gets taken up for these tasks will depend on costs, regulatory attitudes and market reactions.

