

CREATING VALUE OF OIL AND GAS PROSPECTS THROUGH HEDGING

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The globalisation of world economy, privatisation processes and the liberalisation of economic contacts among countries all necessitate a change in the priorities and strategies of oil companies. In the countries that are currently in the stage of transformation from central planning to market economy there is a need to take a wider look at the problem of the value of natural resources, including the oil and gas resources. The lack of experience in establishing the fair market value (FMV) of geological properties in Poland results from the fact that up to now there has been no market in which the mineral fields would be treated as 'commodity'. It has become necessary, then, to get to know and adopt methods of FMV appraisal that are used world-wide. It is especially important to be able to manage the value of the field so that the shareholder value is increased. In the case of a field, managing its value is connected with, among other factors, risk management. In the article the author presents the concept of introducing financial tools such as hedging into the process of managing the economic risk, and more specifically, the price risk. Over the past decade, the forecasts of oil and gas prices have had very significant consequences for the financial effects of oil companies. The risk of a fall in prices can be considerably decreased when financial tools are introduced. Although some financial tools have been introduced in few commercial banks in Poland, introducing them to the area of managing the value of a company, or the value of a field, is a totally new concept. For this reason the present article seems to contribute to the popularisation of new methods of managing the value of a geological property. And the need to introduce financial tools to this area will soon become a necessity connected with the fact that Polish economy will join the economic structures of European Union and the world.