

CASE STUDY

Reasons for Oil Price Increases: Contract Dispute

INDUSTRY

Manufacturing
Petrochemicals

AREAS OF EXPERTISE

Arbitration
Contract disputes
Econometrics
Energy markets
Expert testimony

FOR MORE INFORMATION

CONTACT

Kathleen King, PhD, Principal
202.747.1497
kathleen.king@bateswhite.com
Bates White, LLC
1300 Eye Street, NW, Suite 600
Washington, DC 20005

ABOUT BATES WHITE

Bates White is a consulting firm offering services in economics, finance, and business strategy to leading law firms, Fortune 500 companies, and government agencies. Bates White has offices in Washington, D.C., and San Diego, California.

SUMMARY

Bates White was hired by a polyester fiber maker in a dispute over contract pricing of polyester fiber. The dispute turned on the nature and causes of recent oil price increases. Drs. Kathleen King and Leonardo Giacchino filed an expert report, and Dr. Giacchino provided expert testimony in arbitration proceedings in this matter.

BACKGROUND

The contract stated that the price of polyester fiber could be adjusted when oil prices changed as a result of certain causes. The dispute arose as to the interpretation of this price adjustment clause and the causes of the run-up in crude oil prices in 2007 and 2008.

ANALYSIS

Drs. King and Giacchino performed a qualitative and an econometric analysis of the crude oil market. They identified the causes of daily crude oil price changes and classified those causes into different categories. Then they statistically calculated the importance of different categories of causes of oil price changes, attributing a majority of the price changes to the causes for which price adjustments were allowed.

OUTCOME

The matter was resolved in a private arbitration with an outcome that remains private. Dr. Giacchino presented oral testimony during the proceedings.