Risk publications

EnergyRisk Asia Awards 2017

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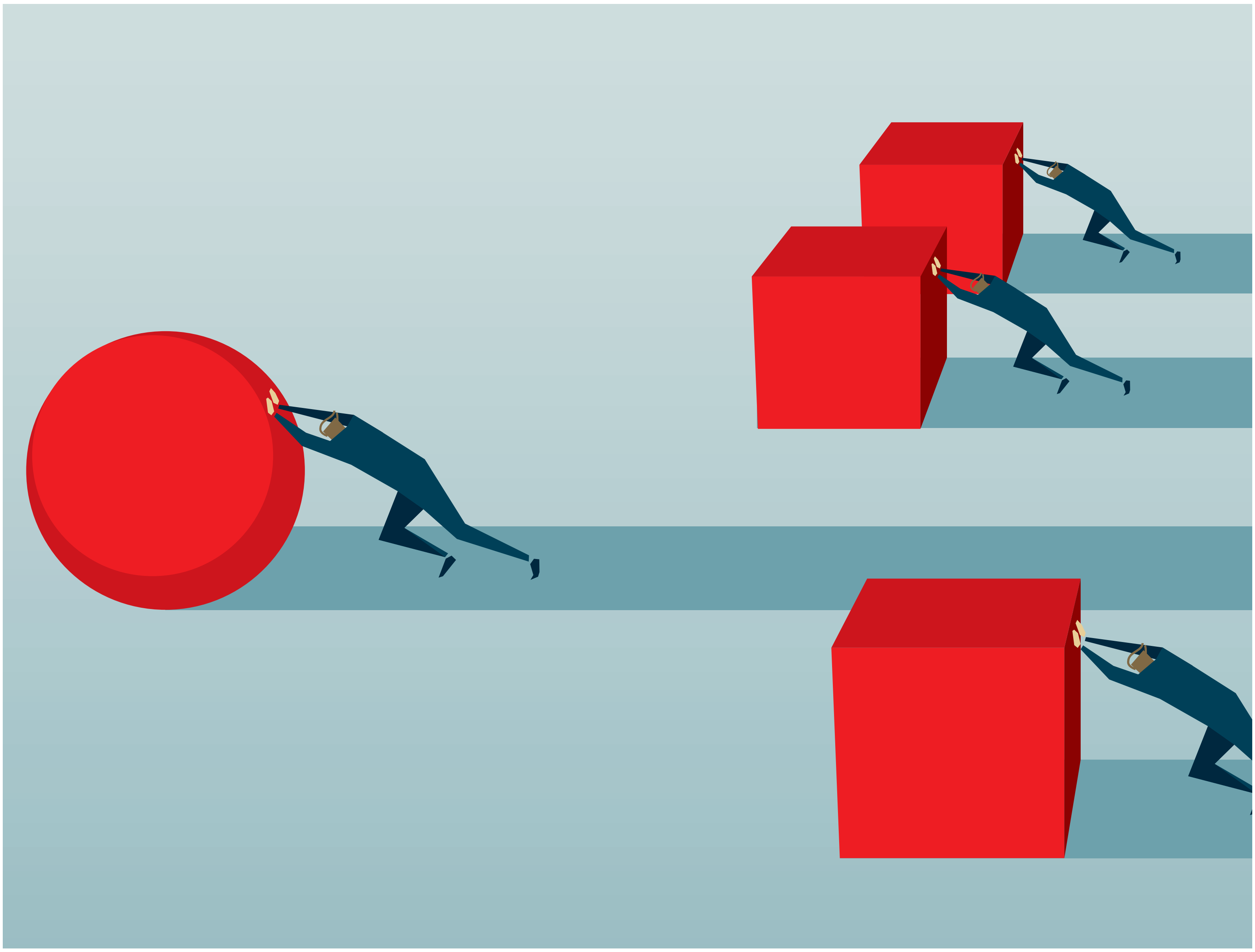

ETRM/CTRM software house of the year

openlink

EnergyRisk
Asia Awards
2017

Energy Risk Asia Awards 2017

Much has been made of banks fleeing commodities trading over the past few years – and with heavy regulatory pressures and a structural drop in volatility, who could blame them? But those willing to seek out potentially profitable niches in the asset class, be it types of commodities or regions, are reaping the benefits.

Take Societe Generale, successful in both the commodity finance and research house categories in this year's Energy Risk Asia Awards. One of the bank's main drivers has of course been China's substantial commodities markets.

"If you want to be in the metals and mining business you really have to be active in China. The country represents approximately 50% of global demand for a number of commodities," says Daniel Mallo, the bank's head of natural resources and infrastructure for Asia-Pacific. "We need to be active in China and we need to understand what is happening in metals in China."

Gaining a greater presence in China is key to the bank's long-term bullish outlook on its commodities business, he says. Societe Generale has arranged financing on a number of large-scale transactions in traditional oil and gas projects in the country, but has also gained a lot of traction in renewable energy.

Newer, cleaner energy markets are key to the bank's long-term plan, according to Mallo: "We see two phenomena: liquidity that seems to be channelled into the asset class, and deal flow building up from a low base."

The bank has also extended its regional research capabilities, winning plaudits for its positioning analytics – in which it analyses participants' exposures – and picking up this year's research house of the year award.

Citi has also benefited from other banks' departures from commodities, becoming the derivatives house of the year for Asia. The bank has tapped into what it sees as growing demand for over-the-counter derivatives among Asian commodity hedgers, notably Chinese oil refiners.

China's impact is also evident elsewhere in the awards: BNP Paribas picks up both precious and base metals awards, much of that down to its growing consumer markets in Shanghai and Dalian. China's maturing oil market has also seen domestic banks enter the fray with earnest in recent years: Bank of China International has educated a number of the country's refineries on the benefits of hedging, and picks up our oil and products house award.

Here, you'll find profiles of all our winners, highlighting some of the reasons that have made them stand out. The Energy Risk Asia Awards are decided by the Energy Risk editorial team following a lengthy vetting process in which our judges examine each firm's accomplishments and speak to its clients and counterparties. The awards are not intended to honour those with the greatest market share or revenues, but rather to highlight those firms that are most appreciated by their clients and who provide the most innovative products in the eyes of our judging panel. ■

Michael McCaw

ETRM/CTRM software house of the year

Openlink

Being ahead of the curve has paid off for Openlink, whose pre-sales relationship-building in Asia-Pacific has delivered results as the market has matured. A greater proportion of the market is making its first purchase of energy or commodity trading and risk management software than elsewhere.

"Often they are moving off excel spreadsheets, whereas in Europe a lot of people are actually about to go into their second purchase of ETRM/CTRM software," says Greg Moyle, vice-president for energy sales, Asia-Pacific, at Openlink. "So far, the challenge is more about proving the value of software that, on the whole, people have not been exposed to."

Part of the hurdle to overcome is the difference in cost: there is quite a difference in moving from paying a few dollars for an Excel licence to receiving the necessary budget allocation for a full enterprise software licence. However, as businesses grow, Excel sheets struggle to cope with large volumes of transactions. Openlink's products offer the capacity to trade and manage a large amount of risk for a wide range of asset classes.

Moyle says Openlink's products can mitigate operational risk, and allow large organisations to share information across geographies quickly and effectively. "The gaps we see or errors in the data can sometimes go unnoticed until such time that perhaps an audit is called or a trade is suddenly uncovered," he says.

Market maturity is progressing at different rates and with different drivers across Asia, says Craig Bennett, managing director, Asia-Pacific.

"On the one hand, regulation dictates companies should be able to report better on their hedge bets, and their risk position," he says. "But also on the flip side of that, deregulation of the market allows for greater trading opportunities for a company, and therefore greater trading volumes and more adventurous trading. [So] a system like Openlink can enable market participants to manage that portfolio and have greater visibility on positions, P&L and risk."

Japan's deregulation of its electricity market energy has proven just such an opportunity. The three-stage process, running from 2015 to 2020, first allowed independent suppliers to engage in flow, then consumers were allowed to choose providers, and finally transmission and generation businesses will be unbundled. New suppliers and trading operations have been created, and with them a wider customer base for software providers. Openlink has successfully connected with many of them, says Bennett.

But in some cases, new firms have struggled to commit to full-scale software implementations. Openlink has adapted over the past couple of years, by developing a cloud-based offering that can quickly be deployed and doesn't represent a fixed cost for customers.

"What we endeavour to do is provide the same sophisticated and powerful solution we have always offered," says Bennett. "On the cloud, the advantage is that Openlink can manage it, and perform all the maintenance and services.

"Changing market circumstances has required firms to scale up and have a better management of risk, leading to the need for both flexible systems, and more powerful systems" Greg Moyle, Openlink

The cloud allows firms to set a baseline computer processing capacity so large systems can run cost effectively. At the same time, it can provide the full range of instruments Openlink's flagship Endur platform is capable of handling.

Traders exposed to credit, currency and commodity risks have celebrated Openlink's cloud delivery model. One Japanese client, with exposures in power, liquefied natural gas, coal, oil and weather derivatives, says the system is intuitive to use, and "light years ahead of its competition".

The range of asset classes Openlink covers also makes it suitable for firms moving into new areas. Its work with liquid petroleum gas in the US made it a suitable partner for an Asian importer, for example, which had seen its popularity grow in the petrochemical sector. As a result, Openlink has established a foothold in a new market, and broadened the portfolio of energy commodities traded in the region.

"Changing market circumstances has required firms to scale up and have a better management of risk, leading to the need for both flexible systems, and more powerful systems," says Moyle. "As we already have all the assets covered effectively within the system, we can provide that sort of one-stop shop for them in terms of fulfilling that need." ■