

## GDF Suez Trading

Energy Risk Manager of the Year



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The past 18 months have witnessed the retreat of US and European banks once seen as major providers of energy risk management products. That has created a window of opportunity for non-bank firms to take their place.

GDF Suez Trading, the trading arm of Paris-based multinational utility GDF Suez, has firmly seized that opportunity, expanding into new markets and increasing its number of counterparties by 30% in 2013. Many of those counterparties are in sectors that have traditionally relied on banks, such as airlines and refiners, according to Mircea Caratas, the firm's Paris-based chief commercial officer.

"Until recently, major airlines that wanted to diversify their credit risk just used a large number of counterparties," he says. "Now they still use a lot of counterparties but, in addition, they try to have a certain number that are not from the banking sector."

Caratas says GDF Suez Trading is an attractive counterparty for hedgers because of its client-focused business model. Unlike the trading arms of other large utilities or integrated oil and gas majors, which are typically focused on trading around the assets of their parent company, GDF Suez Trading views itself as more of a service provider – a bit more like a bank, perhaps. Indeed, the firm actually has the same regulatory status as a bank. In 2011, in an unusual step for a utility trading arm, GDF Suez Trading registered with the French authorities as an investor services provider, a compulsory status for providers of financial hedging products to third parties.

"We are kind of a weird animal," says Caratas. "We have the strength of our mother company, a utility with a physical portfolio, and the physical

asset knowledge that comes with that, but we built up our business as a commercial franchise, with much more of a financial services model."

Yet, unlike many banks, GDF Suez Trading has been expanding its reach in global energy markets. In Asia, where it set up a Singapore trading floor in 2012, GDF Suez Trading has seen its business grow strongly over



Mircea Caratas

in Singapore and originators covering other locations, such as eastern Europe, the Middle East, Africa and the Americas. The business serves external clients as well as GDF Suez-affiliated entities.

That fits well with GDF Suez Trading's client-centric philosophy, according to Caratas. "When we supply molecules to a customer, we view this as providing a service," he says. "This is very different from being a pure physical supplier."

GDF Suez Trading's traditional core business, European natural gas and power, has also seen plenty of action. As utilities across Europe have struggled in the past few years,



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the past 18 months, with dozens of new counterparties coming on board, according to Caratas. Closer to home, the firm announced the opening of a new gas and power trading floor in Rome in January 2014. "The Italian market is not easy to trade from northwest Europe," says Caratas. "Liquidity is concentrated in a lot of smaller market players, and you need to be there in order to know who they are and enter relationships with them."

Another recent breakthrough at GDF Suez Trading is its move into physical coal. Although it traded physical coal before 2013, it only had a procurement and supply role and largely served the assets of its parent company. Last year, though, GDF Suez Trading launched a global, full-service physical coal trading platform, with one desk in Brussels, one desk

writing off unprofitable gas-fired power plants and trying to reposition themselves for a huge increase in renewable energy, GDF Suez Trading has worked closely with them on deals that allowed the utilities to monetize unwanted assets such as surplus natural gas storage and transport capacity. "This sort of activity really took off in the past two years and kept us very busy," Caratas says.

Counterparties praise GDF Suez Trading for its solid pricing, among other qualities. "Their quotes are quite competitive," says a risk manager with an Indian refiner. He also praises the firm's inventiveness. "They will come up with good suggestions," he says. "Obviously they're keen to make money off you, but they will provide some different approaches for how to do the same thing." ■

