



GDF Suez Trading

Energy Risk Manager of the Year

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GDF Suez Trading, the trading arm of Paris-based utility GDF Suez, has come a long way since it first opened up its Singapore trading floor in June 2012. Having begun by focusing on derivatives linked to crude oil and refined products, it has since expanded into areas including physical coal, freight and derivatives on liquefied natural gas (LNG). The Asia-Pacific business saw its revenues triple in 2013, while revenues for the first half of 2014 already stand at almost double the figure for the whole of last year, according to the company.

GDF Suez Trading says it owes its success to a deep understanding of the needs of energy traders and hedgers, as well as robust customer support. But good timing also played a role, says Eric Simon, the unit's Singapore-based chief executive. With banks facing stricter regulation, falling revenues and tougher capital requirements, the firm has undoubtedly benefited from their pull-back from commodities.

"There are a number of banks stepping back from commodities trading and it is a natural fit for us to fill in the gap," says Simon.

GDF Suez Trading currently has a team of about 30 staff based in Singapore. This doesn't just include front-office staff, but also comprises experienced hires in areas such as credit, market risk, legal and compliance. The existence of these well-trained support teams has been vital to the firm's rapid growth, says Simon. From a roster of about 20 counterparties at the end of 2012, GDF Suez Trading expanded its list of Asian clients to around 60 by the end of last year. It is on track to grow this figure by at least 50% this year – an impressive achievement given the time it can take to get new counterparties on board, says Simon.



Eric Simon

Oil is a major focus for the Asian energy market, so GDF Suez Trading established itself in the region by trading financial derivatives with

The firm is not just pursuing flow trading, however. It is also seeking to develop tailored hedges and portfolio optimisation strategies for clients. In doing this, Simon says it is willing to take on exotic and long-dated risks that other traders may find unpalatable or too difficult to handle. One example lies in the trades it has conducted with Asian firms looking to take advantage of the US shale revolution and secure a relatively cheap supply of LNG. That LNG is typically sold at prices linked to natural gas for delivery at the Henry Hub in Louisiana – an exposure that Asian buyers would rather live without. In response, GDF Suez



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refiners and commodity end-users. From there, it has built relationships with clients such as trading firms, financial institutions, oil producers and utilities. The last of these groups has been particularly pleased with the firm's offering, says Simon. "[Utilities] are very comfortable dealing with us, as opposed to dealing with a bank, because they feel that we know each other and we are running a very similar business on the physical side."

Physical coal has been a particular success. The Singapore unit only began trading physical coal on behalf of its clients last year, but has seen traded volumes rapidly take off. The company recruited Ivan van Niekerk, the former Singapore-based global head of coking and thermal coal at Standard Bank, to head up its desk in October 2013.

Trading has traded swaps and option structures linked to Henry Hub that allow buyers to offload this risk over the lifetime of the supply contracts, which can be as much as 10 years. "Buyers that are coming to us want to secure the economics of their US gas to deliver onto the Asian market. As a global gas trader, that is something we do understand," says Simon.

This work appears to be paying off. Clients praise GDF Suez Trading for its customer service, pointing to the firm's responsiveness and understanding of their needs. The company's pricing is also competitive, notes Sherman Yeo, trading manager at Singapore-based marine fuels supplier Transocean. "They're cheap and fast at the same time. Their prices are sharp and they are very responsive," he says. ■