EnergyRisk
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# ASIA

## CTRM/ETRM software house of the year

OPENLINK

Energy Risk AWARDS 2016 ASIA

# WINNER

## CTRM/ETRM Software House of the Year


The past year has been a turbulent one for both energy producers and consumers in Asia, faced with low oil prices, an increased global supply of liquefied natural gas (LNG) and growing market liberalisation.

For consumers, the 60% drop in the price of Brent crude since mid-2014 resulted in massive losses on hedges executed when prices were above $100 a barrel. For producers, it has created razor-thin margins and a pressing need to manage cashflow and lock in profits. This is now a prerequisite for obtaining much-needed funding.

While many banks have pulled back from physical commodities and reserve-based lending, other counterparties have really stepped up their offering in Asia. Oil and gas major BP – this year's energy dealer of the year – has been increasingly partnering with Asian producers over the past 18 months. Its aim is to offer holistic solutions that provide producers with access to various financial services, says Iain Lawson, BP's Singapore-based head of structured products for the eastern hemisphere. "We will step in to off-take the crude and also provide a hedge, or even a fixed price for it, which makes the project more bankable for a lender than a small producer standing alone," he says.

BP has been equally active with consumers, in some cases helping to restructure distressed hedges. BNP Paribas, the winner of our oil dealer of the year award, has also been active in this area, leveraging liquidity for consumer transactions from structures put in place with refineries. Much of this work has taken place in China, where the bank – also 2016's base metals dealer of the year – has also grown its presence in the base metals market, setting up shop in onshore China earlier this year. The BNP Paribas China metals desk provides physical metal deliveries, as well as financing and hedging to local companies and onshore subsidiaries of multinational clients.

Price volatility and the need to preserve working capital has been a theme across all commodities in the last year, especially precious metals. Citi's increased activity, especially in gold markets across Asia, won it our precious metals dealer of the year award. Its inventory financing solutions combining risk management were particularly noteworthy.

Renewable energy has become a greater focus in Asia recently as governments try to meet growing energy demand while reducing pollution. This has created a huge need for project financing, which Societe Generale Corporate & Investment Banking (SG CIB) – this year's commodity finance house of the year – stepped in to meet.

"We can see a clear acceleration of renewable energy in Asia-Pacific, so it's at the centre of our strategy," says Daniel Mallo, the bank's Asia-Pacific head of energy, infrastructure, metals and mining finance.

Asia's electricity and gas markets are also developing quickly, with Japan's energy market liberalisation central to this. The Singapore Exchange, this year's exchange of the year, has been quick to respond to the changing needs of the market, pushing ahead with its electricity, LNG and freight offerings.

As the Asian market becomes ever more complex, the need has grown for sophisticated commodity trading and risk management (CTRM) software and effective ways of managing data. Both OpenLink, winner of our CTRM and ETRM software house of the year, and GlobalView, our data provider of the year, have recently developed products particularly applicable to Asia. ■

Reporting by Roberto Barros, Stella Farrington and Pauline McCallion

# CTRM/ETRM software house of the year

## OpenLink

Rising numbers of small commodity traders have set up shop in the Asia-Pacific region in recent years, lured in by increasingly liberalised, globally connected markets and lower commodity prices, say market participants.

Whether pure start-ups funded with venture capital, or subsidiaries of large parent companies, this new wave of commodity shops has created a demand for commodity trading and risk management software (CTRM), says Greg Moyle, head of energy and commodity sales at US-based CTRM software developer OpenLink.

"Competition among these shops is fierce and having the right CTRM system can give a firm a much-needed advantage," he says. "As the markets are becoming more complex, operating on spreadsheets is not really an option now, even for the smallest of players," he adds.

However, tapping into this new market presented a challenge for OpenLink. Its traditional customer base consists mainly of Tier 1 commodity firms such as multinational utilities and oil majors headquartered in the US and Europe, which have very different needs and budgets to smaller shops. OpenLink's flagship Endur suite and its RightAngle product – acquired in its 2011 purchase of SolArc – were developed for large-scale, highly customised implementations across many users; putting them in place would be too long and costly for small firms wanting immediate access to the market.

OpenLink's response was to develop RightAngle Xpress specifically for the Asia-Pacific region. By having less customisation, RightAngle Xpress gives smaller players the core functionality of RightAngle – which specialises in the oil and refined products space – far more cheaply and quickly, Moyle says. It can be delivered onsite or via the cloud.

"Using our global customer database to give us an insight into how firms use our products, we were able to develop something that we knew would meet around 80% of firms' needs straight off the shelf," he explains.

The first implementation of RightAngle Xpress, which went live at the end of 2015, was for United Petroleum, an independent Australian petroleum company setting up a new oil-trading operation in Singapore. In January 2016, the solution was taken up by another commodity trading shop in Singapore, this time the subsidiary of one of the largest Japanese petroleum companies. Implementation via the cloud took four months.

OpenLink then invested in broadening the commodities covered by RightAngle Xpress. Deals are now in the pipeline with firms wanting the product for metals and agricultural commodities, says Moyle.

As well as bringing new firms into the region, the Asian liberalisation agenda has brought increased challenges for incumbents. Particularly affected at the moment are Japanese energy firms that are contending with the liberalisation of the country's electricity market – which began in the retail sector in April 2016 – and natural gas market deregulation, which is scheduled to start in April 2017. This comes at a time of hugely increased reliance by utilities on liquefied natural gas (LNG) following Japan's nuclear plant closures in the wake of the 2011 Fukushima disaster.

All of this results in increased trading complexity and has caused incumbents to revisit their ETRM software systems, Moyle says. Against this backdrop, one of the largest Japanese incumbents tendered for an entirely new ETRM system last year to replace an existing system where spreadsheets were in use to bolt on a lot of physical trading information. Winning the tender, OpenLink landed the largest ETRM software deal in Asia in the last 12 months, Moyle says.

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> Greg Moyle, OpenLink

The deal, signed in June 2016 for the implementation of Endur, entails more than 100 users across offices in Tokyo and Singapore and will enable the firm to combine some physical and accountancy data into the trading and risk management function, Moyle says. He attributes OpenLink's success in the tender to its decade-long presence in Asia giving it in-depth knowledge specific to the region. Additionally, all OpenLink executives have experience in the commodities industry, not just knowledge of OpenLink products, he says. The firm's Asia team is now more than 100-strong with staff based in Singapore, Australia, Malaysia and India.

Moyle also points to OpenLink's team of 'engagement directors' that oversee a project from sales execution through to go-live and beyond. "These are very experienced implementation specialists with industry experience and they ensure continuity and local dedication across the entire project," he says. "It's a unique structure for a CTRM vendor."

Endur's LNG trading functionality is also an attraction for energy firms in Asia, says Moyle. "Very few systems can handle the physical complexities of LNG very effectively," he says. "The full LNG supply chain is more complex than other commodities as firms need to be able to handle the liquefaction, transporting and regasification processes, as well as managing supply contracts, pricing and cost." ■