

## Trading up

A look at some current issues facing energy and commodities traders



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# Introduction

In recent years, physical energy and commodities trading has entered a new era of sophistication and scale. Changing global economic conditions are giving rise to exciting new opportunities, but also hazards. International trading houses – whether in oil, metals or soft commodities – are extending their reach and scope, while expanding control of supply chains. The expectation of stricter regulation, financing constraints, emergent resource nationalism and fierce competition reward agility and adaptability as never before.

What are some of the specific issues and trends triggering this innovation in the energy and commodities trading sector?



**Greater optionality through assets:** Acquisitions in production, processing, logistics and downstream assets help traders gain competitive advantage through maximising the optionality inherent in their supply chain.



**Creative sources of funding:** With higher capital requirements for lending institutions and less credit available to some, trading companies explore new ways of funding in both their trading and asset-based businesses to maximise the liquidity of their balance sheets.



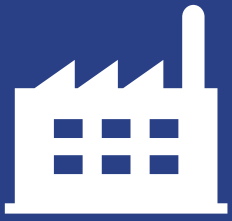
**Current risk and regulation challenges:** The changing financing and funding landscape is likely to bring further compliance requirements. Additionally, continued expansion into emerging markets, both in trading and assets, can mean that some risks assume a new prominence. Transparency requirements are tightening for investors in extractive industries – particularly in developing nations, and resource nationalism is on the rise.



**Information as a strategic asset:** IT – both systems and the data they contain – is re-characterised from cost centre to strategic asset.



**Places and people:** With Asia as the primary driver of increased commodities demand, many international traders are building out their Singapore/Asia presence as part of their strategy for global reach and global footprint, although other regional cities are starting to position themselves as alternatives.



# Greater optionality through assets

Traditionally, the success of traders depended on their superior knowledge of prices at different locations combined with their logistics capacity to move goods at the right time to the best markets. The energy and commodities trading sector has, however, been transforming rapidly.

The role of trading organisations as price mediators between supplier and customer has broadened; they also pursue control of supply chains, extracting value at all intermediate transactional intervals through the options within their portfolio of contracts. In recent years, acquisitions of assets by trading companies have continued to proliferate. These include: producing assets (such as mines, oilfields and, for soft commodities traders, estates and plantations); storage and logistics assets (e.g. terminals, storage, vessels and pipelines); transformation assets (e.g. refineries, smelters, blending plants, mills and crushing plants) and downstream assets (distribution networks, fuel retail outlets, etc).

## **Leveraging assets for optionality**

The strategic acquisitions of producing, blending, storage and logistics assets not only provide a hedge against trading activities but, more importantly, create optionality.

These assets give traders an array of choices in relation to:

- location;
- time (e.g. storage);
- quality (e.g. blending);
- lot size (e.g. breaking bulk); and
- extending payment terms to customers.

The more extensive the global supply chains, the greater the range of options. To identify and execute on these choices, it is critical to develop increasingly sophisticated forms of information-gathering, processing and sharing. Ideally, traders want to be ready whenever and wherever untoward events disturb supply-demand equilibria and create new, but often fleeting, opportunities. This creates what one large trading group, for example, has called “profit points spanning the entire pipeline”.

## **Assets “unhedge” flat positions**

As a general rule, traders are guided by the desire to run relatively flat books from a pricing perspective. Once a trader invests in a physical asset, this can no longer hold true by definition and the move upstream may “unhedge” them. Superficially, it may appear like the acquired supply, which is underground, can be forward sold in order to have positions net out. However, civil unrest or other extenuating factors that shut in supply do not likewise suspend the company’s obligations to counterparties. The new business model entails new risks requiring different mitigation measures.

## **Differing skills required**

There are risks associated with this asset-driven expansion of operations. Moving from a well-established, profitable business model and geographies into less familiar terrain can lead to overpaying for assets, underestimating the complexities of a different operational regime and overburdening capital and human resources.

The skill sets behind the profitable management of a smelter or refinery, for instance, are very different from those required for the management of a trading house. For example, an oil trader moving into storage and blending will need to be on top of the legal and chemical issues; and a warehousing company has different issues of physical security from a pure trader. In addition, the move into new areas can add an extra level of complexity from a tax perspective – for example a bank taking on a refinery might have an excise duty licence and associated reporting function, with completely different skill requirements and risk profiles than it is used to.

Whereas a commodities trader may regularly transact deals of considerable size, acquisition of a producing asset – or the merger with a commodity producer – is likely to take capital requirements to a whole new level and force a re-evaluation of risk management and capital allocation decision-making processes.

A move upstream may be motivated by a desire to control supply and go long on the market, but capital-intensive assets, which require very significant funding, do not constitute positions that are easy to offload when conditions deteriorate rapidly.

For some trading companies with less experience of operating assets, the risk exists that by vertically integrating across the supply chain in order to capture some margin, they will enter capital-intensive operations in which they have limited experience and from which an exit is not necessarily easy.

#### Our view

Compared with a “pure” trading model where a company’s capital is essentially tied up in short-term positions (inventory, receivables/payables and margins), moving into assets requires a longer-term commitment of capital with associated implications for the financing strategy for the business as a whole.

Furthermore, the integration of acquired upstream assets into a commodities trading business which has previously been a “pure trader” may result in some additional challenges. For instance, could some trading companies discover that the acquisition of a major asset affects their corporate character? Might traders feel dislocated in the post-acquisition company as the addition of physical capital and investment decisions shift attention away from the “pure business of trading”, despite the greater scope for trading that these assets present?

Similarly, if, as result of acquisitions, companies start to look and act more and more like integrated energy companies and big miners, is there a risk that the entrepreneurs who drive the trading business will chafe on their diminished roles? Could this, in turn, increase the likelihood that some will choose to start their own trading companies or hedge funds in order to exploit the niche arbitrage opportunities that big companies may overlook?





# Creative sources of funding

Trading organisations, in general, and independent ones, in particular, are often thinly capitalised and highly dependent on debt – especially short-term debt financing – to carry out their typically high volume and low margin business.

The financial crisis has had three main impacts on the commodities trading sector:

- many trading houses were adversely impacted by the credit crunch and the deleveraging of bank balance sheets.
- the impact of the financial crisis on the reduced capacity by European banks (traditionally the main source of commodities funding outside the US) to lend in US dollars has led to a need for creativity in funding. Examples include borrowing in currencies other than dollars, looking at securitisations and new sources of financing; and
- the current financing environment also has implications for the cost of capital, a key driver of decision making. Trading executives note that, often today, securing reasonably priced debt for a volatile income business with few physical assets can be expensive. Without a larger capital base, trading organisations cannot afford to tie up their capital in inventory and receivables.

Partly in response, some companies have been innovators in self-funded finance that has enabled them to generate cash through the securitisation of inventory and receivables (particularly receivables with a high credit rating) without drawing on their balance sheets. Several large traders have pursued a similar model that involves securing a borrowing base facility through the pledge of trade receivables and secured inventory. This arrangement gives the firms enhanced optionality and flexibility through the supply chain. In negotiating

payment terms with suppliers, these firms would seek to price in their credit exposure, calibrated to the day.

## Capital allocation

Generally speaking, a short-term financing structure typical of “pure trading” is unsuitable for the longer investment horizons of capital-intensive asset acquisitions. The trend amongst trading organisations towards the control of upstream and logistics assets raises new capital allocation questions. From an economic capital perspective, the trend involves the integration of two distinct business models and their differing financial needs. The trading side, which is powered by risk capital, differs from the asset-based side, which requires patient investment capital. How should one compare the performance of these two very different business types when making capital allocation decisions? The solution lies in finding the bridge between invested capital and risk capital metrics, allowing the risks and returns to be equated on both the physical assets and the trading book sides.

Whether it’s a trading company hunting for assets or an exploration and production (E&P) company getting into the trading business – the development and application of new performance metrics is mission critical. The E&P company is accustomed to securing long-term investments for its productive assets and measuring performance through the optics of return on investment or net present value. Just as a trading company needs to think differently about its asset business, so the E&P company also needs a different mindset when its new trading business deals with covering potential losses through risk capital. However, when making its capital allocation decisions, this parent may find such investments in the high-leverage business of its trading division less alluring than those in the high margins generated by its upstream assets.

### Funding alternatives

The growing financial needs of private trading companies are pushing up against the structural limitations of employee ownership and forcing new funding approaches. One such approach is seen in the sale by certain trading and logistics companies of minority stakes in assets to sovereign wealth funds or other state companies. In other cases, traders have secured much need capital by forming strategic partnerships with private equity, issuing bonds or going public. Whilst a handful of international trading organisations are public companies, many observers are sceptical that this could develop into a sector-wide trend. After all, the opportunistic risk management style and earnings volatility intrinsic to commodities trading could fall foul of external shareholders' expectations of orderly growth and controlled debt management.

### Our view

These changes come at a time when the capital needs of many trading organisations are increasing significantly as they move towards a more integrated business model involving strategic asset acquisitions and expanding balance sheets.

However, organisations considering new sources of financing need to examine the specifics of their situation thoroughly through a range of questions. For instance, what are the costs of these instruments and how complex is their implementation? What are the administrative requirements? What is the available pool of assets? Subsequent to clarifying these issues, the use of these instruments needs to be incorporated into the way that traders evaluate the profit on individual trades. With credit constrained there is a risk that traders who are not circumspect in evaluating and creatively employing the different funding tools available may find themselves priced out of the market.





# Current risk, regulation and compliance challenges

Risk management has always been a core competence for any trading organisation. Nonetheless, the changing financing and funding landscape discussed previously is likely to bring further compliance requirements. Additionally, continued expansion into emerging markets, both in trading and assets, can mean that some risks assume a new prominence.

A number of new regulatory developments, either imminent or mooted, are likely to continue to increase not only the compliance obligations for trading companies but also, in some cases, the cost of funding.

## **Financing**

Financing costs are affected by new regulatory developments (e.g. Basel III) that impose higher liquidity, funding and capital requirements and costs on lending institutions. These regulatory developments also result in higher costs of trading over the counter (OTC) derivatives which in turn may push traders to futures markets and increase liquidity issues.

Regulators in the US (Dodd-Frank) and the European Union (European Market Infrastructure Regulation, EMIR) are far advanced in implementing rules that set position limits and, in some cases, mandatory clearing on trading in specific commodities. Some are concerned that the envisioned regulation would potentially have the unintended consequence of reducing market liquidity and many trading executives fear that such regulation, if too heavy-handed, would hamper the ability of trading firms to hedge risk. Similarly, some industry executives have told us that the regulatory push to require price reporting agencies to gather details on each and every deal (such as the review in 2012 by the International Organization of Securities Commissions of oil price reporting) looks like it might have the potential either to scare off physical players from reporting at all, or to drown them in paperwork.

## **The spectre of resource nationalism**

Resource nationalism can broadly be defined as the efforts of governments to exert greater control over their natural resources, usually with the aim of increasing their share of the revenue generated from the extraction, processing and sale of those resources. Recent years have seen an upsurge in resource nationalism, as a result of high commodity prices, struggling economies and the contagion effect of countries following one another.

Resource nationalism comes in many forms. The most common are changes to mineral royalties, windfall taxes, equity participation rules, disputes over tax stability agreements and – in extreme cases – the expropriation of assets.

Among the many recent examples of resource nationalism are South Africa's introduction in March 2010 of a mining royalty, the much-discussed superprofits tax in Australia, Guinea passing a new mining code in 2011 which gives the government a 15% shareholding in all mining projects, and Argentina seizing control of YPF from Repsol.

For commodities traders which have moved away from "pure trading" and ventured further up the supply chain, resource nationalism is an issue of tremendous importance.

## **Transparency in tax and other financial flows**

Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) instructed the US Securities and Exchange Commission (SEC) to adopt rules requiring US-listed 'resource extraction issuers' to disclose in an annual report all taxes, royalties and other payments made to governments for the purpose of "the commercial development of oil, natural gas, or minerals". Whilst the focus of the rules is on companies engaged in exploration and production, other companies with activities in the commodities value chain may also be subject to the rules.



Dodd-Frank defined “resource extraction issuers” as including companies involved in the ‘export ... of oil, natural gas, or minerals’. The SEC has clarified that ‘we believe that “export” includes the export of oil, natural gas, or minerals from the host country’ and has stated clearly that ‘we note that these definitions could require companies that may only be engaged in exporting oil, natural gas, or minerals and that may not have engaged in exploration, extraction, or processing of those resources to provide payment disclosure.’

Thus, commodities traders could fall within the scope of these new transparency requirements. The rules will apply to companies that file a Form 10-K, 20-F, or 40-F with the SEC. The SEC resisted suggestions to exclude foreign companies and therefore foreign companies will be classed as ‘resource extraction issuers’ under the rules if they have a US listing. Furthermore, foreign companies will be subject to the disclosure requirements if their parent companies have a US listing.

In October 2011, the European Commission proposed a modification of the Transparency Directive and the Accounting Directives in order to introduce similar reporting requirements, not only for listed, but also for large, non-listed companies. The discussion between the European Parliament and the EU council is still ongoing.

Elsewhere, the Australian Stock Exchange has finalised enhanced disclosure rules for mining and oil and gas companies which will come into effect on 1 December 2013; whilst there is no mention of payments to governments, there are references to ‘greater transparency.’ In Canada, in September 2012, a working group of mining and exploration associations and transparency-focused Non Governmental Organisations (NGOs) signed a Memorandum of Understanding to improve the country’s transparency regime.

Recently, the topic also received political attention in Switzerland; at the time of finalising this report, a request for similar legislation in Switzerland was rejected by its parliament, although the Swiss government was nearing the end of a six month study into the commodities sector, and in particular into concerns that Switzerland was “exposed to risks to its reputation” by being a trading hub.

### **Tightening regulation**

The enforcement of anti-bribery regulations has intensified as is evidenced by the *Foreign Corrupt Practices Act* in the US and the *Bribery Act 2010* in the United Kingdom. These measures – seen by some as an example of “long-reach” legislation – allow for the prosecution of any individual or company with ties to the US and the UK, respectively, regardless of the jurisdiction in which the crime was reputedly perpetrated. Discovered non-compliance has the potential to put a company out of business. Sanctions legislation, which can impact a company’s ability to finance certain transactions, and knock-on effects as a result of additional clauses inserted by banks into letters of credit, can have a similar impact on businesses. This could either be in the increase in disputes over validity of letters of credit or concerns by some market participants that banks’ risk management policies go, in some cases, beyond the requirements of the sanctions legislation itself.

### **Pricing of credit risk and payment terms**

In recent years, the average credit quality has dropped, and firms are trading further down the credit spread curve in order to maintain volume, with a consequent higher risk of default. Well-publicised slowdowns of growth in certain emerging markets could also presage credit risk challenges ahead. As a matter of course, trading organisations arrange for appropriate collateral or other risk mitigation (such as credit insurance) in order to de-risk the trade to a tolerable level.

Experience suggests, however, that many firms are not detailed enough in pricing this credit risk into contracts and, as a result, potentially leave themselves exposed.

Another development is the push from many regulators, referred to above, to clear more OTC instruments centrally and require margining. Whilst this may indeed reduce credit risk (as a result of cash margin payments), it requires consequently higher capital buffers.

For a number of years, credit risk has not, however, been solely about collecting receivables. Equally important is the ability of suppliers or logistics providers to perform. As one trading executive told us, “if the supply does not turn up or the logistics do not arrive then the company has considerable exposure.” In today’s economic climate, it’s not unusual for traders to spend as much time assessing the creditworthiness of their supply and logistics partners as their customers. In particular, shipping companies attract a lot of scrutiny – not only have there been reported cases of default on vessel delivery obligations but, for chartered vessels, the headaches of releasing a cargo if a chartered vessel is impounded are not to be underestimated.

#### **Performance risk on the rise?**

When markets become volatile, transacting parties may resort to claiming *force majeure* or abandoning a contract rather than incur losses. This differs from pure credit risk where the receivables have been duly delivered, but the counterparty does not make payment. Both cases are, of course, equally important. A trading organisation must therefore be fully appraised

at all times of the size of its positions and of the risks involved. The positions must be evaluated on a real-time basis not only against conventional credit risk criteria, but also against performance risk criteria. Only in this way can the organisation be sure that its risks have been adequately accounted for.

#### **Some products elude traditional market risk measures**

Part of the challenge for some commodities trading houses is that some of the physical products they trade in do not lend themselves to traditional market risk measures. Some companies trade in commodities with no liquid markets that enable an easy exit – including emerging markets in fertiliser, iron ore, and scrap metal – whereby positions are held until expiry, and/or unwanted price risks cannot be hedged. Trading organisations are challenged to find a common measure of their market risk across their very diverse books. More specifically, they must determine how to adjust the market risk measures in order to (i) reflect the lack of liquidity in some of the markets or contracts they are in; and (ii) decide whether to enter into such contracts in the first place.

#### **Our view**

Whatever form new regulation or disclosure requirements ultimately take, many market players believe they are here to stay. As with any regulation or compliance challenge, the most successful organisations will plan early to ensure they have the systems and processes in place to capture and report this data – at whatever level of disaggregation is finally mandated – as part of business as usual. Different functions within companies, including finance, tax, legal, internal audit, risk, procurement, government and social affairs, and operations will need to work effectively together in order to ensure compliance and manage the implications.

Those who embed the reporting requirements into their day-to-day routines will minimise disruption to the core business.

# Information as a strategic asset



In a fast-moving world, information – and rapid access to it – is a competitive advantage.

## From cost centre to asset

The relative value of information has never stopped growing. Banks have begun to look upon information increasingly as an asset; following suit are commodities trading companies. After all, whoever can mine proprietary and market data most effectively may be better positioned to take advantage of market opportunities. Large trading organisations are investing heavily – with IT often a sizeable proportion of total spend – to share information globally within their organisation and standardise tools.

## Improving “early warning” capabilities

The recent Libor scandal illustrates dramatically another risk management issue in the financial markets. In its aftermath, banks are trying to implement better trade surveillance and analytics so as to spot unusual patterns, positions and behaviours before they lead to adverse profit and loss (P&L) consequences, unexpected tax exposures or catch the attention of regulators. IT systems must include an investigative or visibility function to identify anomalous trends and potentially fraudulent activity. Any early warning system must permit a highly granular monitoring of trading behaviour. There is an opportunity for trading organisations to learn the lessons from the banks and invest in such forensic capabilities.

## Market data use

Market data is generally of two types: 1) end-of-day pricing and 2) trading analytics. Whereas the former, which provides settlement quality prices, is needed once daily by the back and middle offices, the latter may be required by traders throughout the day in five minute intervals. The difference in the two purposes makes it difficult to combine the data into one single solution set or repository. Nevertheless, the move is towards a single repository that provides an unambiguous data source that feeds prices across the organisation to the invoicing, credit and risk management systems. The data required for traders for trading decisions is then layered on top.

## Reducing application complexity through functionality convergence

Each physical product and geographic region has its own nuances: agricultural products are managed differently from energy products, for example, so too is natural gas managed differently in Canada than in the US.

Industry is pushing this trend towards fewer systems in the commodities space. The movement away from “best-of-breed” to more integrative solutions can reduce complexity. Trading organisations understand that there are trade-offs when opting for an integrated single platform solution in order to minimise the number of interfaces. Certainly, additional care is required in configuring system solutions to ensure these adequately cater for jurisdiction and commodity specifics. For example, for a recent system being configured in North America for European supply chains, the concept of both an excise and VAT applying to the same transaction was not imagined possible. These limitations notwithstanding, many trading organisations are sold on the compelling benefits – more timely credit and risk management, for instance – that these solutions provide.

## Challenges

The need to handle multiple regions, time zones and commodities is a major challenge when developing technological solutions. Traders try to develop their IT systems to “cut the data” in the right manner and output information for optimised performance management and capital allocation. IT systems do not yet exist, however, that can do this on a consistent basis across the palette of traded commodities. The problem is evident when, for instance, one puts together two dissimilar systems – such as those for freight trading and trading metals – and tries to generate a useful set of analytical results.

This is also evident in the manner in which a global trading organisation effects its global close. With trading desks in Singapore, London, and the US, the P&L for each separate location is easily determined, but how is a final global position determined as the positions close in a successive westward roll at the end of each respective trading day? Moreover, how do you get all transactions from these geographically distributed desks into one repository in order to run mark-to-market as well as risk and credit calculations? And, when the sheer volume of transactional data runs up against the physical limitations of internationally available bandwidth, some kind of data summarisation may even become necessary.

A further key challenge, resulting from the sophistication and integration of systems, is security. A combination of a large amount of commercially sensitive data and potentially limited availability of IT skills, because of the niche market for IT development skills related to trading, can pose a challenge.

Whilst it is recognised that IT systems need to be more sophisticated, integrated and faster, trading executives tell us that there is a dearth of IT skills able to develop such systems (even from third party contractors). Trading is a niche market, hence IT systems tend to be developed from “scratch” and getting individuals with both the business process and IT programming knowledge to deliver cost efficient and fully operational systems can be a real challenge. The IT knowledge is limited and losing front office traders who know the business for months on end to develop systems is a significant cost.

One trading executive noted that “IT should be thinking of always being one or two steps ahead of the most sophisticated of hackers.”

#### **Our view**

Leading companies are already applying data analytics. What has changed, though, is the pace at which information flows and the speed at which decisions need to be made. Integrating different commodities, geographies and systems and unearthing valuable patterns in real time means that IT is a source of competitive advantage for leading trading organisations.

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**IT knowledge is limited and losing front office traders who know the business for months on end to develop systems is a significant cost.**

# Places and people



Trading organisations tend to congregate together. Geneva, Zug, London, Stamford, Houston and Singapore are perhaps amongst the most notable of these trading hubs, each with the necessary support infrastructure (talent pool, banks, lawyers, support services). Underlying changes in markets – both in sources of supply and demand – and the resultant patterns of trade may lead to expansion of some centres or new locations appearing. A key issue in choice of location, however, is the ability to secure the right people with appropriate skills.

Each of the established centres has strong advantages. Europe offers trading companies a location that straddles Eastern and Western hemispheres. A trader in Switzerland or London can operate fairly comfortably at both ends of the trading day. On the negative side, the European-based international trader's day must stretch a little to accommodate the schedule of the antipodeans. Singapore's global trading hub status is not all about China's commodities demand – most big trading organisations operate with Singapore as the indispensable Asian component in their 24-hour-per-day international market coverage.

Regulatory pressures can play a role in determining the competitive positioning of different locations. For instance, some attribute the decision of the UK government to avoid the Financial Transactions Tax as an effort not to undermine London's attractiveness for traders.

## **Eastward shift**

Global trading activity has gradually been shifting eastward, with several factors at play.

Firstly, the economic rise of Asia is key. Ever since the financial crisis, European and American economies have shown lacklustre growth. On the other hand, emerging Asian economies may have also felt the crisis, but the sheer momentum of their "catch-up" industrialisation programmes has kept their commodities' consumption buoyant.

Secondly, China sits in the centre of the commodities demand storm and accounts for almost 40% of global consumption of certain commodities (e.g. iron ore, copper). Recent signs of growth deceleration are unlikely to alter this macro-economic trend.

Thirdly, Australia has become China's "commodities superstore". Since Australia produces many of the commodities that China needs, trading and logistics companies with stakes in Sino-Australian trade are re-locating to Asia. These companies are not only seeking to be close to burgeoning supply and demand, they are also doing so from a time zone optimisation perspective.

## **Asia's commodities trading hub**

Building out its position as Asia's pre-eminent global trading hub, Singapore is enjoying a perfect storm of advantages. Singapore's Global Trader Programme means that tax rates on corporate profits can be as low as 5%, which, under certain circumstances, beats those in select Swiss cantons, but is unachievable in London or Houston. The importance of the city's high quality of life is another attraction. Recently, however, some other countries in the region have started to position themselves as an alternative destination for traders.

## **Expansion of commodity sources**

Global economic and geopolitical conditions have led to the emergence of new sources of commodities and changing trade patterns. Trading organisations have taken notice of developments and business opportunities in Africa and South America. Source markets are, however, also appearing in several developing central and southeast Asian markets such as Mongolia and Indonesia. These jurisdictions can create additional risks for the unwary, particularly around regulatory and tax unknowns.

### **The importance of people**

In today's competitive environment, being in a location where there is access to the right skill levels is key. The trading business is more complex and fast moving, leading to a requirement to have a deep skill pool of people not just in the front office, but also in the middle and back office. Those skills are not always readily available. Some locations, such as Geneva with its *Master of Arts in International Trading, Commodity Finance and Shipping*, are taking active steps to develop this talent pool across all aspects of the trading business.

### **Our view**

Whilst none of the established trading centres is likely to see its importance downgraded any time soon, the geographic underpinnings of the international commodities trade are always shifting and several new factors could have major impacts.

These might include the impact on the Pacific natural gas trade of the transformation of the US from a prospective LNG importer five years ago to a prospective LNG exporter as a result of the production surge in natural gas from North America's "shale gale". Similarly, as Chinese money continues to look for opportunities to take stakes in underlying resources, assets and global commodities trading organisations, at what point might Shanghai or another Chinese city join London, Geneva and Singapore as a first-tier global commodities trading hub?



# Contacts

To discuss any of the issues covered in this publication, please speak to a member of our network.

## Commodity trading specialists

### Global Industry Leader – Energy & Resources

**Carl D. Hughes**

+44 20 7007 0858

cdhughes@deloitte.co.uk

#### Switzerland

**Chris Jones**

+41 58 279 81 57

crispjones@deloitte.ch

**David Quinlin**

+41 58 279 61 58

dquinlin@deloitte.ch

#### United Kingdom

**Julian small**

+44 20 7007 1853

jsmall@deloitte.co.uk

**Hans-Kristian Bryn**

+44 20 7007 2054

hbryn@deloitte.co.uk

**Tim Archer**

+44 20 7303 4484

tarcher@deloitte.co.uk

**James Leigh**

+44 20 7007 0866

jleigh@deloitte.co.uk

**Mark Atkinson**

+44 20 7007 3797

matkinson@deloitte.co.uk

#### Canada

**Trent Gall**

+1 403 267 0569

tgall@deloitte.ca

#### Australia

**Alex Georgievski**

+61 2 9322 7032

algeorgievski@deloitte.com.au

#### United States

**John England**

+1 713 982 2556

jengland@deloitte.com

**Andrew Fike**

+1 713 982 2918

afike@deloitte.com

## Other Regional contacts

#### South America

**Ricardo Ruiz**

+54 114 320 4013

rruiz@deloitte.com

#### Asia Pacific

**Adi Karev**

+852 2852 6442

adikarev@deloitte.com.hk

#### EMEA

**Carl D. Hughes**

+44 20 7007 0858

cdhughes@deloitte.co.uk

#### North America

**John McCue**

+1 216 830 6606

jmccue@deloitte.com

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