



# Energy Trading Annual Industry Survey

# 2021

## WELCOME FROM COMMODITIES PEOPLE

We're very pleased bring to you the first (but certainly not the last) **energy trading annual industry survey** which we hope you will find to be of interest and great relevance.

Throughout the many leading events we organise both in-person and online, as well as many tailored webinars in the field of energy trading, we gather and come across an enormous amount of data, both quantitative and qualitative, around the industry landscape, the industry stakeholders as well as the trends.

Instead of having this information sitting on a file, not being used, we've decided to share it with our community, alongside insightful commentaries from some of the leading experts in energy trading we're collaborating with.

This will become what we hope to be the defining industry sentiment and perceptions annual survey, with an annual summer release for commodity trading, and a more focused energy trading specific survey every winter.

Myself and the team very much hope you enjoy this survey and that it can help positively influence your business decisions. If you wish to be involved in a more formal capacity with future editions, or if you have any feedback at all, please do contact me directly on the details below.

With very best wishes



### **BEN HILLARY**

Founder & Managing Director,  
COMMODITIES PEOPLE LTD.  
ben@commoditiespeople.com

## BASIS OF THE SURVEY

### **Overall numbers and where they are drawn from**

- **Energy Trading Week, October 2021 – 4911** registrants – **1729** participated in the survey/poll

## SURVEY CONTRIBUTORS AND ANALYSTS

---



**Marc Ostwald**  
Chief Economist &  
Global Strategist,  
ADM ISI



**Elena Cretti**  
Head of Back  
Office, Edison



**Cetin Karakus**  
Global Head of  
Quantitative and  
Analytical Solutions, BP



**Alex Whittaker**  
Risk Manager,  
Bonroy Petchem



**Gary M. Vasey**  
Partner & Managing  
Director, ComTech  
Advisory

## A SPECIAL THANKS TO OUR COMMODITY TRADING ANNUAL PARTNERS

---

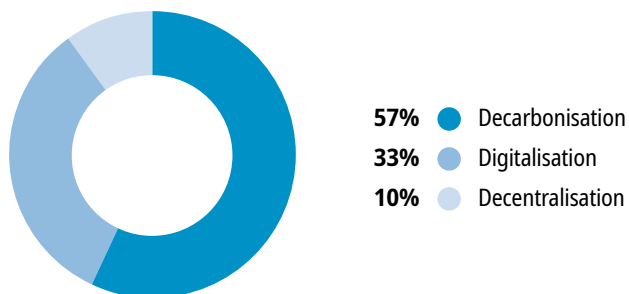


# REGISTRATION SURVEY



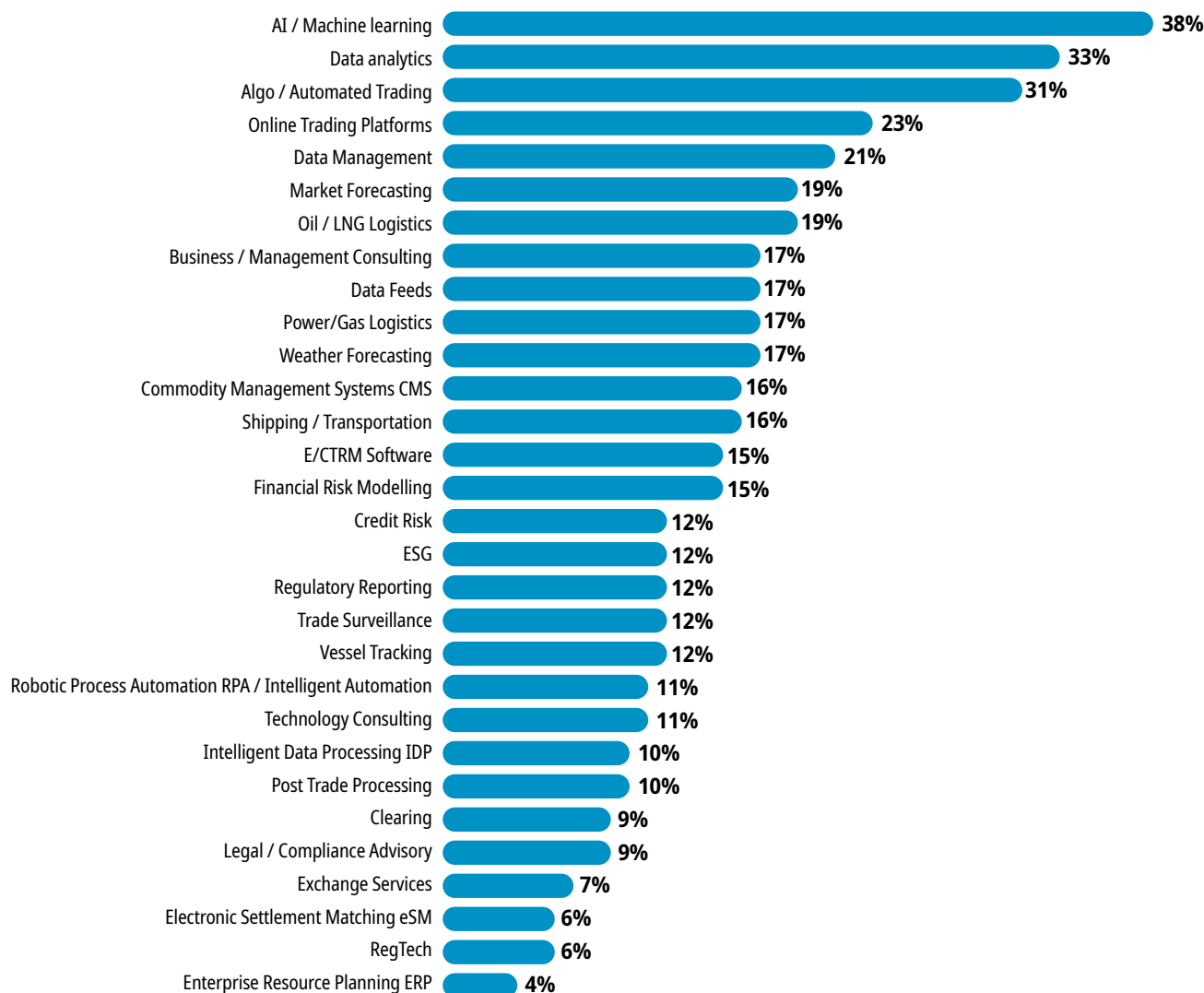
Which of the “3 D’s” do you believe will trigger the greatest change in energy trading in the next 5 years?

n = 1729



Are you actively considering purchasing solutions, services or advisory in any of the below areas in the next 18 months?

n = 1141 respondents



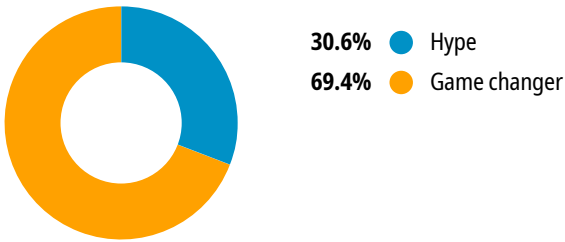
# ONLINE / IN-PERSON POLLING



## General

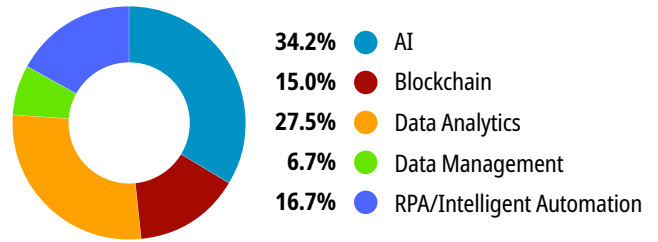
### AI - hype or game changer?

n = 124



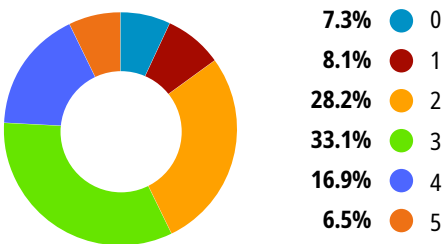
### What new technologies are you most excited about?

n = 120



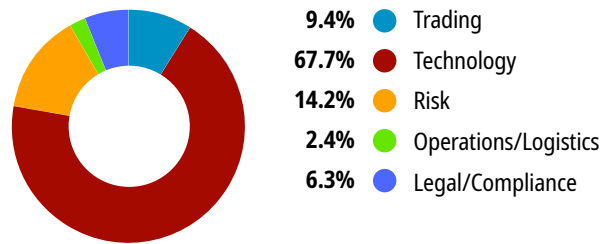
### In the next two years, how many days a week do you expect to be working from home?

n = 124



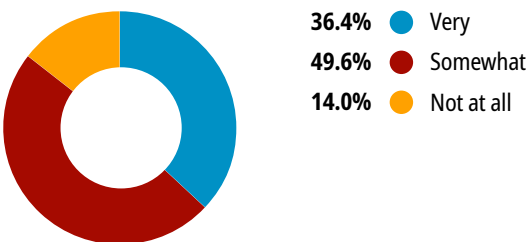
### What do you think will be the biggest profile hires in the next 2 years?

n = 127



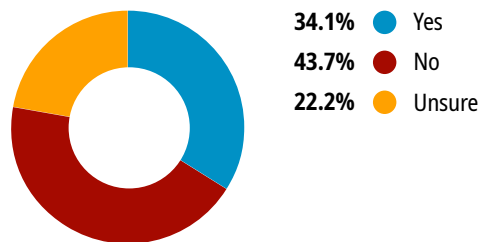
### How 'green' do you consider your firm?

n = 121



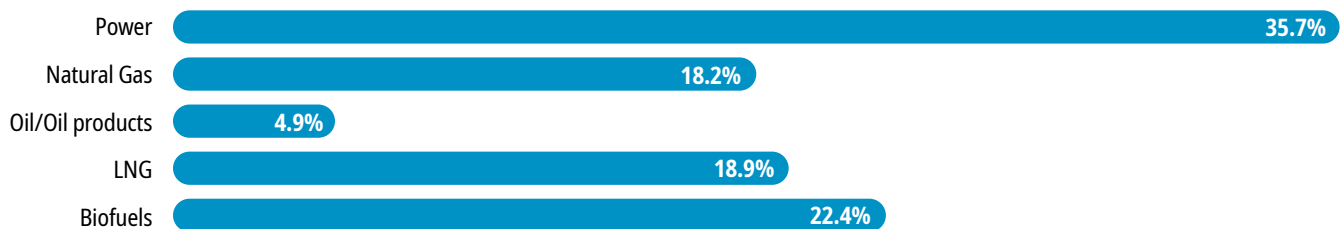
### In the future, will trading be done by traditional traders?

n = 135



### Which energy commodities do you expect will see the highest increase in value in the next 5 years?

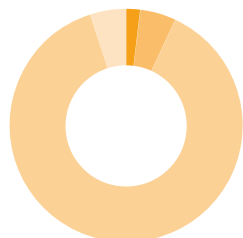
n = 143





**What is the future?**

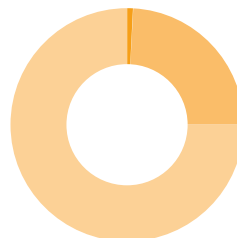
n = 129



- 2.3% Office
- 4.7% Home
- 88.4% Hybrid
- 4.7% Something else

**Wellbeing of the staff - is the responsibility of:**

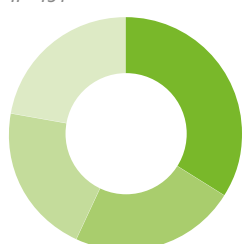
n = 118



- 0.8% HR
- 23.7% Your leadership
- 75.4% Both

**How long do you expect the present energy crisis to last?**

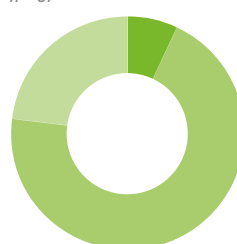
n = 134



- 34.3% 6 months
- 23.1% 6-12 months
- 20.9% 1-2 years
- 21.6% 2 years+

**Is the market properly hedged?**

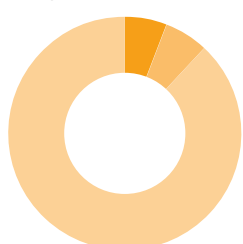
n = 87



- 6.9% Yes as necessary
- 70.1% Partly
- 23.0% Not at all

**Do you see your mind as a significant part of your trading edge?**

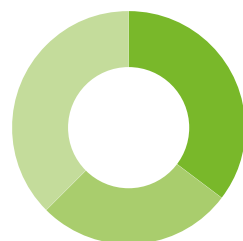
n = 16



- 6% No, I don't see it as being relevant at all
- 6% I've never really seen it as being part of my edge but now I'm convinced I need to look at the value and power of mindset to enhance my trading capability
- 88% Yes, absolutely it is fundamental to my edge, performance and trading capability

**How will EU Green Deal targets for reduced carbon emissions and higher renewable energy consumption impact price formation in the wholesale electricity market?**

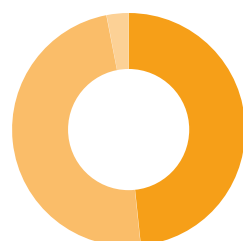
n = 29



- 34% Increasing volumes of intermittent RES power output and variable production of natural gas will drive episodes of power price volatility, requiring new approaches to hedging
- 28% A rising price of carbon and higher natural gas prices will push power prices up permanently, resulting in heavy interventions by national governments
- 38% The expansion of wind and solar generation will tend to drive power prices down and necessitate more widespread remuneration of standby generation capacity
- 0% There will be no significant impact

**Will hydrogen find an important place alongside electrification in the European energy market of the future?**

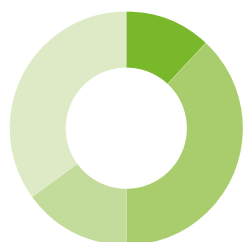
n = 29



- 48% Yes, in spite of high initial costs, demand for hydrogen will grow and a market will be established by 2030
- 48% Yes, but governments will hesitate to phase out end uses of hydrocarbons and costs will remain high, so demand will not accelerate till at least 2045
- 3% No, not in the foreseeable future

### In which environmental market or conventional commodity market will traders find the greatest opportunities in coming years?

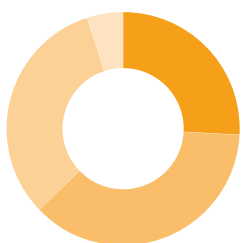
n = 29



- 12% ● Carbon emission allowances as issued under the EU ETS, the UK ETS, the Swiss ETS and other emerging schemes
- 38% ● Guarantees of Origin, carbon intensity certificates and other similar instruments, which validate the renewable or low carbon attributes of energy carriers
- 15% ● Forwards, futures and options in gases, coal, oil and derivative products
- 35% ● Spot transactions (day ahead and intraday) and flexibility services in power

### Technical Analysis skills give me an Edge in the energy markets

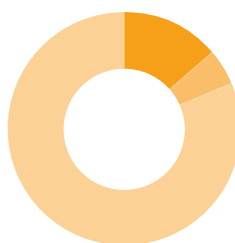
n = 19



- 26% ● Strongly agree
- 37% ● Agree
- 32% ● A bit
- 5% ● Not much
- 0% ● It's a disadvantage

### Should we fear our robot overlords?

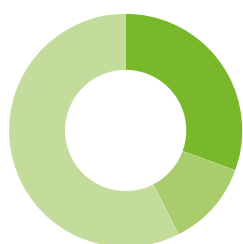
n = 22



- 14% ● Yes, all human traders will be redundant and working as HGV drivers by 2025
- 5% ● No computer can ever replace a competent human trader
- 82% ● No, humans and computers both have a place in the trading industry for the foreseeable future

### To close the gap and see speedy development in renewable PPAs:

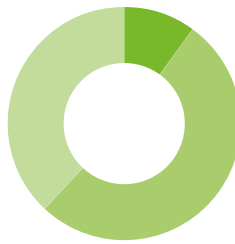
n = 26



- 31% ● Corporates should develop their procurement strategy
- 12% ● Developers should become more proactive in their financing strategy
- 58% ● Other players, such as trading companies and suppliers should step up to the game to help closing the gap

### Price. With high market prices and volatility in the near term and strong backwardation of the curve:

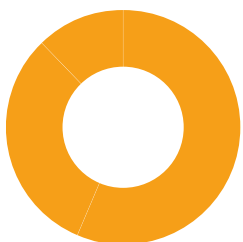
n = 26



- 10% ● Corporate offtakers will just wait better days
- 52% ● Developers prefer to have reliable counterparties than a high price for the long term
- 38% ● The wholesale market is what matters most

### Would you be willing to change behaviours to take market signals into account to save money?

n = 21



- 100% ● Yes
- 0% ● No

### Roughly how much battery storage is on the system today?

n = 23

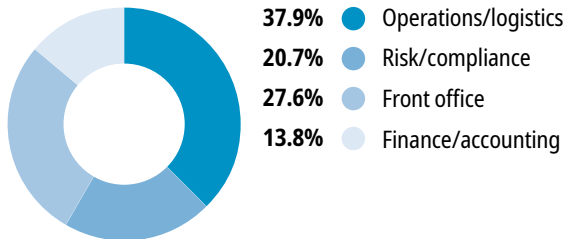


- 87% ● 1GW
- 13% ● 10GW
- 0% ● 30GW



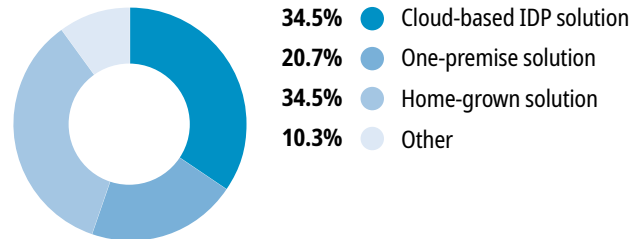
**Which department stands to benefit most from AI?**

n = 58



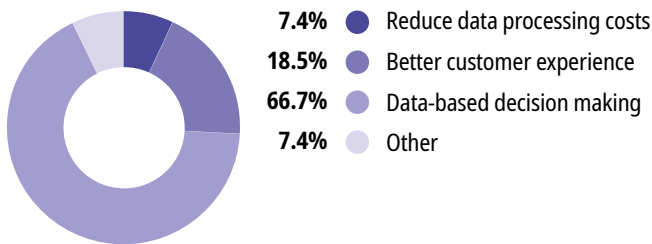
**What type of solution is your organization currently using for intelligent data managing processing?**

n = 29



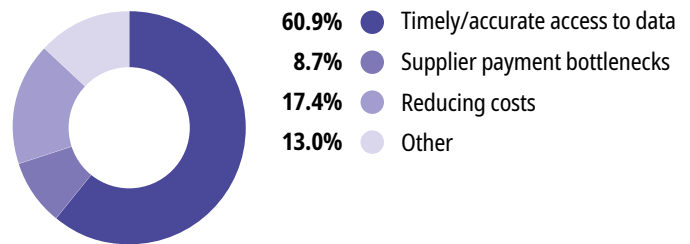
**Which of the following is the biggest priority for you next year?**

n = 27



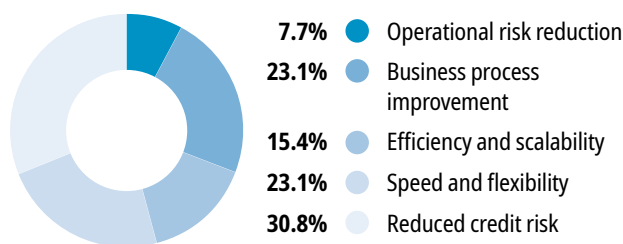
**What is the biggest operational challenge you're currently facing?**

n = 23



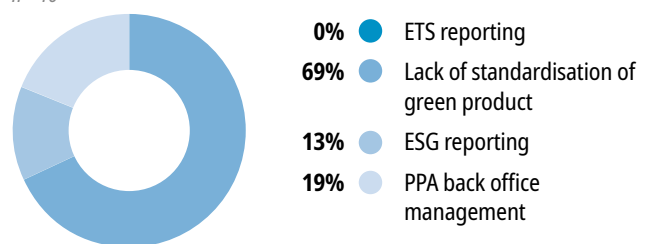
**Which of the business value eSM brings to the industry is most important to your organization?**

n = 21



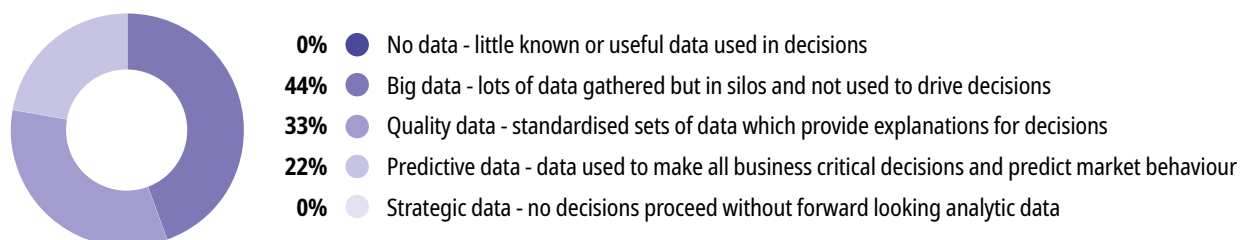
**Green products in the back office - What are the main company/industry challenges that need to be addressed first, and why?**

n = 16



**How mature are decisions within your organisation in relation to data?**

n = 21

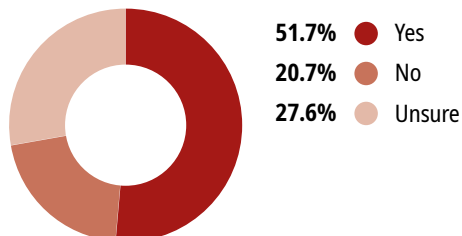






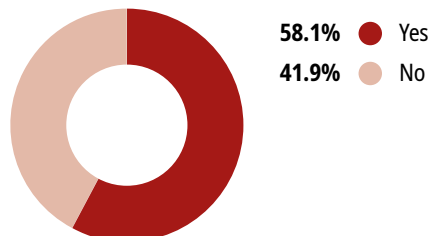
**Have you performed a risk assessment of your algorithmic deployment?**

*n = 29*



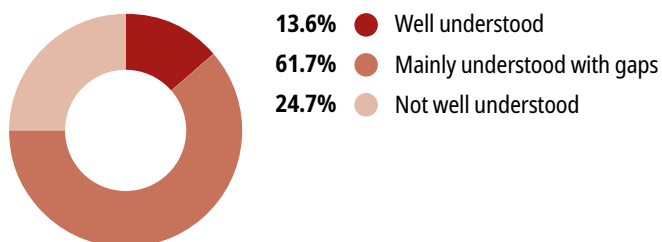
**Should REMIT II happen?**

*n = 23*



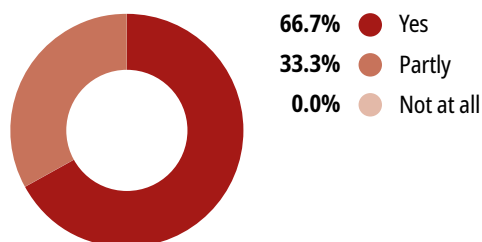
**How do market participants feel about REMIT?**

*n = 81*



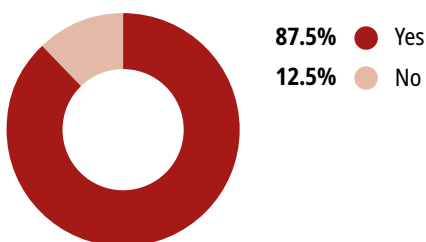
**Does monitoring work in the virtual world?**

*n = 23*



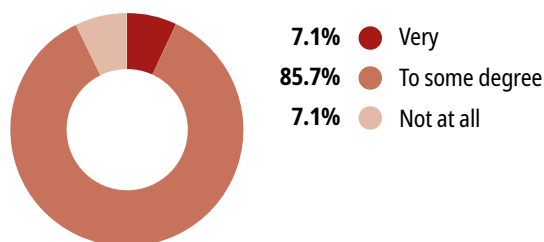
**Is it more difficult to maintain compliance in the virtual world?**

*n = 16*



**How comfortable are you with the current compliance culture in the “new world”?**

*n = 14*



**Where are you on your surveillance journey as of today?**

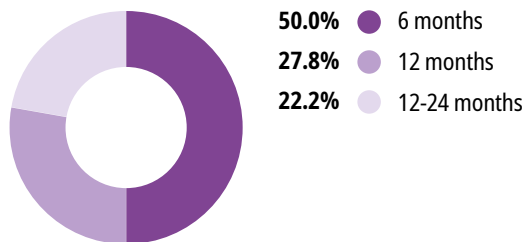
*n = 18*





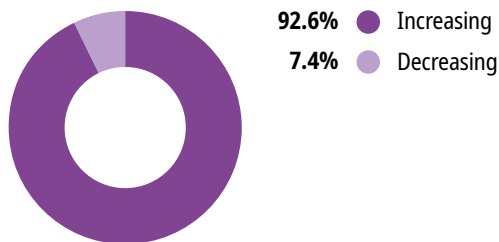
**How long do you see the current global energy crisis lasting for?**

*n = 72*



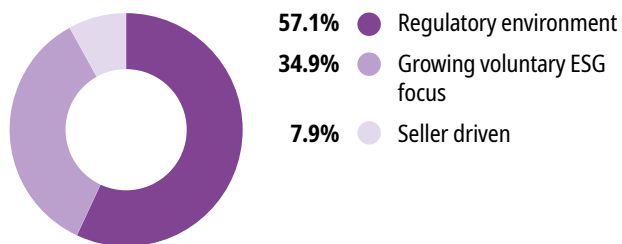
**Over the next 5 years, do you see the share of shorter term spot LNG increasing or decreasing?**

*n = 68*



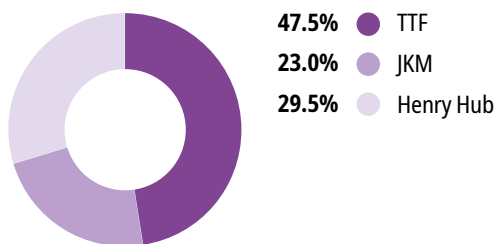
**What is driving the development of “lower-carbon” or “carbon-neutral” LNG? (Pick one).**

*n = 63*



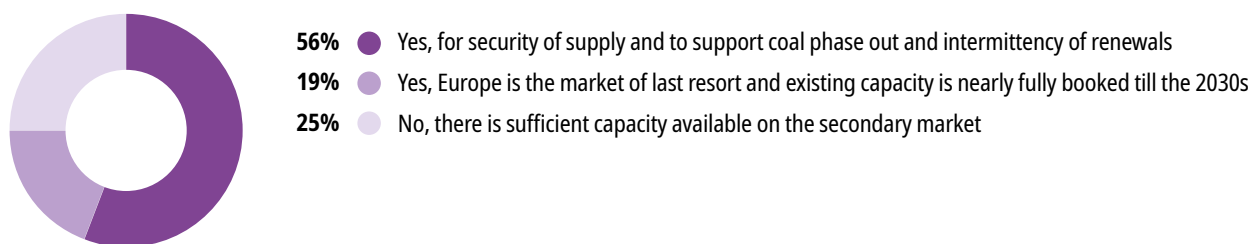
**Which do you think is the most influential benchmark for global natural gas pricing?**

*n = 61*



**Do you see the need for more regas capacity in Europe?**

*n = 16*



## ENERGY MARKETS TRENDS



**Marc Ostwald**

Chief Economist & Global Strategist, ADM ISI

Before highlighting some of the key survey results, I would highlight a couple of impressions from the panels that I participated in. The overriding one was that all participants from developers to traders believe governments and regulators need to do far more, and with much more urgency to establish market parameters and legal frameworks, if COP26 targets are to be met. The most telling comment on hydrogen was from Dr Michaela Kendall (Adelan CEO) the fact that use and development of hydrogen technology is not further advanced represents a market failure, for which capital misallocation has lot to answer for. Last but not least as one panellist noted, if the transition to renewables is to be accelerated, then it will in the first instance require sharply increased use of hydrocarbons to build and manufacture the infrastructure, and above all to achieve the colossal upscaling of capacity to displace hydrocarbons, with many sectors also requiring a quantum leap in technological development.

Some of the survey results have been overtaken by time, but it is still interesting to note that the majority had expected the energy crisis to be resolved within 12 months, though answers differed quite sharply between 'global energy crisis' (78%) and 'current energy crisis' (57%), per se suggesting that Europe's energy crisis is seen as rather more structural than cyclical, and given the evidence rightly so. Responses to the question on which energy commodities will see the biggest increase in value over the next 5 years, saw power on top at 35.7%, though behind the combined total of 37.1% for NatGas and LNG. Evaluating the response is difficult, it could be a function of the zeitgeist of the moment, i.e. the surge that had been seen at the time. It could on the other hand reflect a recognition that NatGas/LNG will be critical to energy transition.

The other two sets of responses that catch the eye were firstly on prospects for the hydrogen market, with a sharp division between those expecting a market to be established by 2030 (48%) due to high demand, and despite high costs, and a further 48% that believed will take till 2045 to see a sharp acceleration in demand, because governments will be slow to phase out hydrocarbons. Secondly were responses to "which environmental market or conventional commodity market will traders find the greatest opportunities in coming years?" Both 'Carbon Emissions' (12%) and hydrocarbon 'derivatives' (15%) were well behind 'Spot transactions flexibility services in power' (35%) and 'Guarantees of Origin, carbon intensity certificates and other similar instruments, which validate the renewable or low carbon attributes of energy carriers' (38%). 'Spot transactions' is perhaps less surprising given the inherent volatility of power prices and the opportunity for admittedly risky arbitrage, but the fact that 'Guarantees of Origin, etc' edged the former out for top spot points both to the need for the development of a very extensive services provision to back renewables & low carbon products, and perhaps the assumption of plenty of opportunities for regulatory arbitrage.



*Governments and regulators need to do far more, and with much more urgency to establish market parameters and legal frameworks, if COP26 targets are to be met*

## AUTOMATION IN THE BACK OFFICE



**Elena Cretti**  
Head of Back Office,  
Edison

The Annual Energy Trading Industry Survey is in line with what we have developed in Edison Back Office this year and which we are still developing, when it comes to automation. The use of RPA is here to stay.

We intend to give all the standard activities to the robot in order to leave to humans all the non-ordinary tasks. We transferred all the standard basic activities of the post trade process to RPA: confirmations are now received and filed by RPA. It matches confirmations with those trades we cannot process via CMS, sends out and files the signed confirmations, puts some extra details to trades to allow them to be processed for settlement and REMIT/EMIR reporting. Human colleagues can focus on higher value-added activities and sort out exceptions and anomalies reported by the robot.

Such changes are not so easy to put in place. At first the robot was seen as a non-thinking colleague you should monitor and check. It was perceived as extra work, however, in the long run, all colleagues understood it releases them from heavy activities as it can process in few minutes high volumes of trades. It brought efficiency, better quality of work and better quality of life too: no extra-time in peak period, less boring activities, less stress. The professionalism and the skills of the team is still recognised and never questioned as it is still used for solving mismatches and unusual events. The robot supplies what humans lack and vice-versa.

Thanks to the good results we got using RPA on the post trade process, we are thinking to apply it to the settlement of some trades. We started with the simplest ones and are scaling up to trades where we have the heaviest reconciliation activities. We are taking a dynamic approach to automation and are always willing to adjust should the circumstances change. For example, as the reporting activity for our company became less complex and heavy, we decided not to apply the RPA to it and move the next developments to settlement. Besides the measurable results (more efficiency, less typing mistakes, less extra work) we experienced a better mood in the team, self-confidence increased together with new ideas on areas to apply RPA. People who experienced the robot are often the promoters of further development of it.



*We intend to give all the standard activities to the robot in order to leave to humans all the non-ordinary tasks*

## DIGITALISATION



**Cetin Karakus**  
Global Head of  
Quantitative and  
Analytical Solutions, BP

The results from Annual Energy Trading Industry Survey confirms the strong industry trend around digitalisation. When asked about which “3 D’s (digitalisation, decentralisation, decarbonisation)” will trigger the greatest change in the energy trading over the next 5 years, digitalisation comes only after decarbonisation which is of course an existential concern for humanity and will dominate all aspects of human civilization over the coming decades.

If we break down the digitalisation into its constituent parts of automation, integration and operations, it becomes even more clear how it dominates the agenda of the survey correspondents and is likely to influence their investment and operational plans in the near future. For instance, around 69% of the correspondents state that they are actively considering procuring solutions and services in AI/Machine Learning and/or Algo/Automated Trading areas over the next 18 months. Both of these areas can be considered as automation and operation plays in the context of digitalisation.

The majority of the survey participants (69%) thinks that AI is going to be a game changer and they seem to be particularly excited about the combination of AI/ML technologies with data analytics focused ones, with a conviction that such a combination is likely to be opening up new and more powerful data analysis capabilities that could create competitive edge in trading and physical operations. This is not surprising when you consider that a great portion of the correspondents (67%) state that data-based decision making is their biggest priority. There seem to be huge expectations around applications of AI/ML technologies in the data analytics space and it will be interesting to observe how the reality will measure against such expectations over the coming years.

It is not a big surprise that remote working/working from home trends have been acknowledged by the survey responders. This is an obvious conclusion in the short-term and how things pan out in the medium-to-long term is subject to ongoing heated debate. On one hand, technological and organisational infrastructure to make remote working possible is firmly in place in many organizations. This has perhaps been one of the few benefits of the global pandemic. However, as more people work remotely on a permanent basis, new organisational/social issues and challenges emerge, potentially requiring reconfiguration of existing corporate organisational structures to address various aspects of remote working arrangements: reporting lines, working hours, location based pay policies, etc.



*There seem to be huge expectations around applications of AI/ML technologies in the data analytics space and it will be interesting to observe how the reality will measure against such expectations over the coming years*

## INNOVATION IN TRADING



**Alex Whittaker**  
Risk Manager,  
Bonroy Petchem

Overall, the survey highlighted some consensus over a major industry trend, identified a major industry problem, while also suggesting that the industry still struggles to think clearly over technology and is perhaps at risk of repeating past mistakes.

### Areas of consensus

1. 69% felt that AI is a game changer.
2. 68% felt that the biggest profile hires in the next 2 years will be in technology.
3. 88% felt that the future of work is a hybrid of office and home.

It is obvious that there is a lot of agreement across the industry over some of the most basic questions.

### Problems identified

1. 67% felt that data-based decision making is their biggest priority over the next year.
2. 61% felt that timely/accurate access to data is their biggest current operational challenge.

Data and systems go hand in hand.

When we know what problem we are trying to solve, then we can start to think most effectively about how we plan to solve it. EG we have seen with Vakt and Covantis that the industry has started to try and work together to identify and solve problems, often by trying to standardise/simplify systems and processes.

### What next?

1. 69% thought AI was a game changer, but only 34% were most excited by AI. 15% were most excited by blockchain, 28% by data analytics, and 17% by intelligent automation.
2. What department will benefit most from AI? 38% logistics, 21% risk, 28% front office, 14% finance.

I understand that a small survey isn't scientific, however, I still look at these results and I see confusion.

The areas where there are clear agreement and trends are basic and superficial – we understand that technology offers opportunities.

When the survey asks for something more specific the answers quickly fragment. It's easy to blithely say AI, blockchain, analysis, automation. But what does this actually mean, we need more focus on essence – why, what, how, when, who. These are the questions that challenge our thinking, make us think clearly, help us join the dots so that we can create good solutions.

Why is AI a game changer? What problem will AI solve?

Why is data-based decision making a priority? How do you make decisions currently? What data do you use currently?

After 10 years of CTRM growth, hundreds of millions spent on systems investment, why do 60-70% of the industry struggle with data?

What has been the point/achievement of CTRM and systems if people still can't access good data and use it? What mistakes have clients made? What mistakes have vendors/consultants made?

It is important that we challenge our thinking more robustly, making an effort to join the dots and think ahead.

A notable takeaway from energy trading week was the consulting firm who were honest enough to admit that, when they are called in to consult, they often find a situation where the clients don't know what problem they are trying to solve. Their thought processes are so muddled that they have forgotten (or perhaps never knew) what problem they are solving.



*When we know what problem we are trying to solve, then we can start to think most effectively about how we plan to solve it.*

## ANALYSIS *(continued)*

---

This resonated with me as it seems to explain a lot of the issues in CTRM/systems projects I have seen over the last 10 years. Clients cause problems with poor thinking, vendors/consultants cause problems by not standing up to this poor thinking. This is a vicious circle that wastes time and money, although it does make good money in billable hours of course.

### **Conclusion**

What can we learn from the mistakes we have all made over the years? Poor thinking and poor decision making has already wasted tens/hundreds of millions of dollars on bad CTRM projects over the first wave of technology expansion. As we look at a second wave of technology improvements we have an opportunity to think, learn, and improve.

## CTRM TRENDS



**Gary M. Vasey**  
Partner & Managing  
Director, ComTech  
Advisory

For the last few years, it seems that I have been writing about fundamental changes in the commodities complex using phrases like the ‘perfect storm’ and so on, yet each time I do so, something else occurs to make matters even worse or shall we say more complex. Right now, of course, that is the impact of the Russian invasion of Ukraine, but we still face a myriad of challenges from the energy transition, ESG and net zero politics through to supply chain disruption, volatile and rising costs and prices, inflation, and FX volatility and so much more! In a nutshell though, this all boils down to increased risk and the need to have the right systems in place.

Reflected in the polls and surveys that Commodities People ran during their conferences are many of the same trends that we, as analysts, see occupying the industry and driving software sales and demand. One of the underlying trends remains data. Access to good quality and timely data and information is a necessity in commodity trading. When asked about solutions and service purchase plans at Energy Trading Week in 2021, it is this emphasis on data that jumps out of the results. Some 33% plan on investing in data analytical tools, a further 21% in data management tools and 17% will invest in data feeds and 11% into RPA. By turning data into information and knowledge, better decisions may be made, risks managed, and opportunities identified. Data is the trader’s life blood.

Once data is organised, trustworthy and timely, things can be done with it. This too is reflected in the increased interest in AI/ML and workflow. Some 38% of ETW attendees cited AI and ML as an area for investment and a further 11% are interested in RPA. These results closely mirror our own findings in last year’s Disruptive Technologies research and report. We also expect to see process automation and AI used to sort routine transactions from those requiring management and user intervention in certain areas of the business more frequently in the future. AI is also identified as the technology area most are excited about.

CTRM and increasingly Commodity Management (CM) solutions are key systems and usually see a reasonable level of demand. The ETW survey shows this continuing with 16% possibly investing in CM solutions and 15% in CTRM solutions in the next 18-months. Often, these will be cloud-native and SaaS for greater adaptability, lower cost and to support an increasingly hybrid workforce in the office and at home. Online trading platforms are also being looked at with 23% citing this group of solutions.

Cost reduction and management is another area of significant interest and areas like logistics are targeted for greater optimisation, being closer to real-time and to reduce the risk of error. Oil and LNG logistics were cited by 19% of the ETW survey, 16% said shipping/transportation, 12% vessel tracking and 17% power/gas logistics. Again, this is also part of a trend to manage the entire supply chain more effectively via commodity management.


As everything changes and the pace of change gets faster, many will look for systems that are adaptable, cost effective, easy to use and deployable with minimum effort. Increasingly, this will be in the cloud and as ecosystems of solutions according to our own research. This also appears to be echoed in the Commodities People surveys that also hint at the coming ESG and net zero initiatives as a coming requirement requiring solutions.

It remains a perfect storm, but traders usually thrive on volatility and change. The key to success, however, will be the ability of the underlying systems to support the changes.



*As everything changes and the pace of change gets faster, many will look for systems that are adaptable, cost effective, easy to use and deployable with minimum effort.*





# ENERGY TRADING WEEK

## 28 – 29 September, 2022

### Hybrid event consisting of:

*In-person:* London

*Online:* Topic-focused months throughout the year

	Energy		Commodities	
	Online	In-person/Hybrid	Online	In-person/Hybrid
September '22	Oil Trading & Markets	Energy Trading Week 2022	Oil Trading & Markets	
October '22		Energy Trading Week Americas 2022	DigiCom: Commodities Digitalisation Forum	
November '22	ETD: Energy Trading Digitalisation		CTF: Commodities Trade Finance	
December '22			ComRisk: Global Commodities Risk Management Forum	
January '23				
February '23	Power Forecasting		Commodities Shipping & Maritime	
March '23	ETRC: Energy Trading Regulations & Compliance			
April '23	LNG Trading & Risk			Commodity Trading Week 2023
May '23	ESG & the path to NetZero		ESG & the path to NetZero	
June '23				Commodity Trading Week Americas 2023

