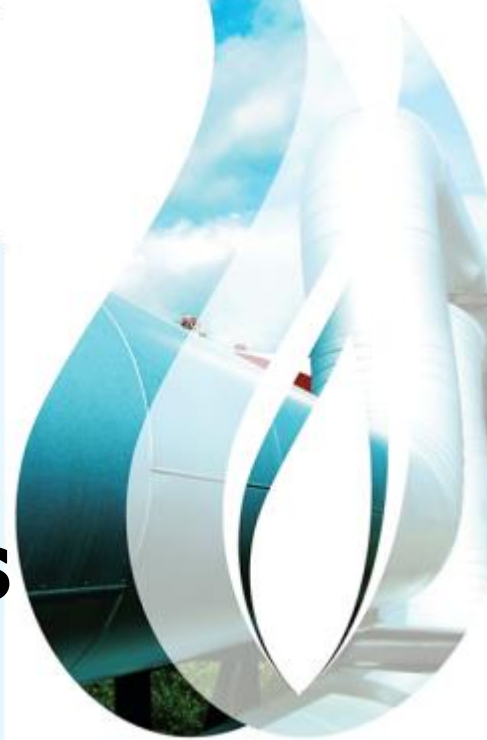




Demystifying Natural Gas Marketing & Trading

Speakers: **Dena Wiggins**, NGSA
Kevin Maule, Statoil, on behalf of NGSA
Orlando Alvarez, BP, on behalf of NGSA

February 12, 2018
WWW.NGSA.ORG



Disclaimer for BP/Statoil the “Companies”

Copyright ©. All rights reserved. Contents of this presentation do not necessarily reflect the Companies' views.

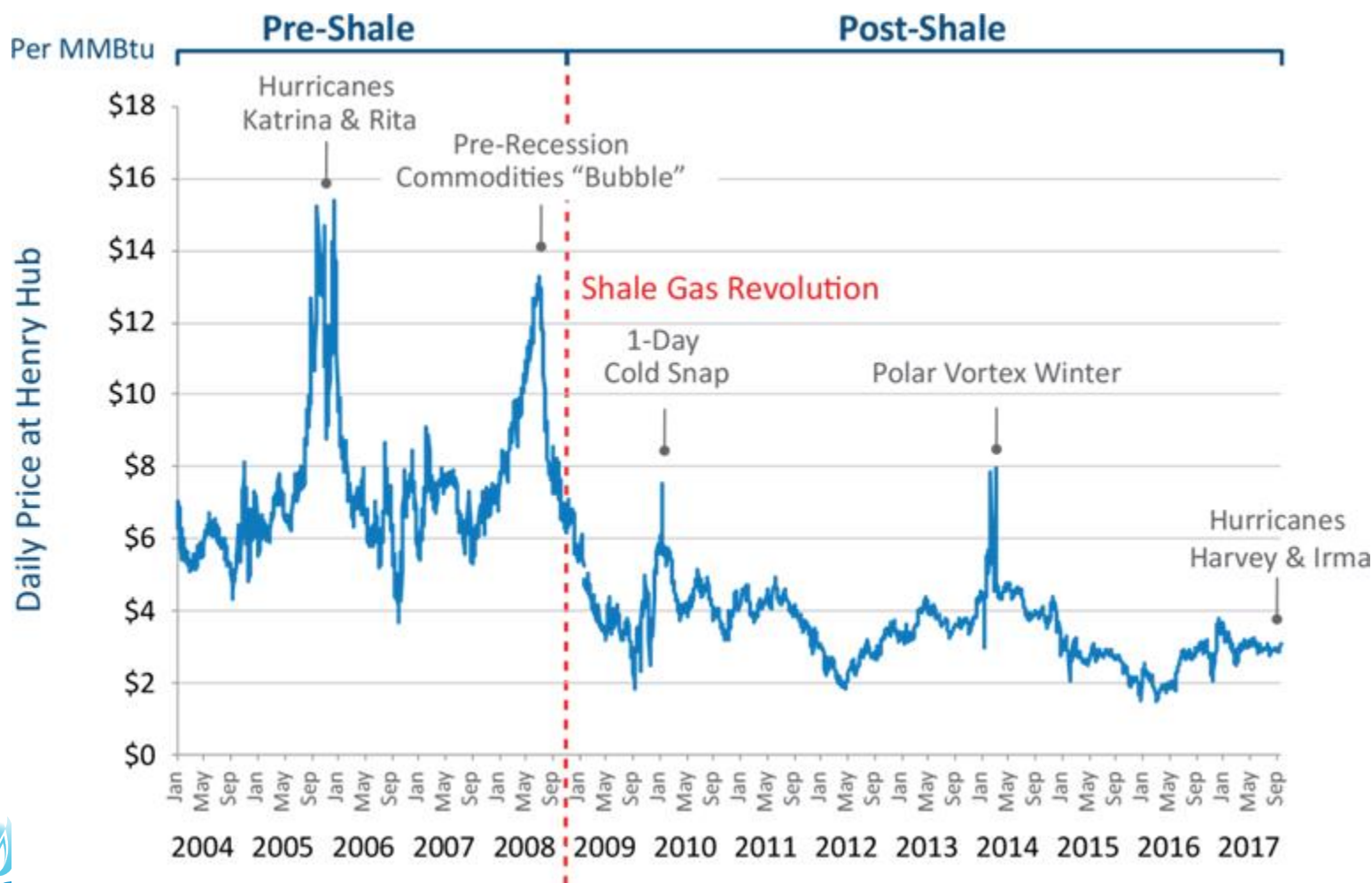
This presentation and its contents have been provided to you for informational purposes only. This information is not advice on or a recommendation of any of the matters described herein or any related commercial transactions.

The Companies are not responsible for any inaccuracies in the information contained herein. The Companies make no representations or warranties, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information, assumptions or analysis contained herein or in any supplemental materials, and the Companies accept no liability in connection therewith. The Companies deal and trade in energy related products and may have positions consistent with or different from those implied or suggested by this presentation.

This presentation may also contain forward-looking statements. Any statements that are not historical facts, including statements about the Companies' beliefs or expectations, are forward-looking statements. These statements are based mostly on publicly available information, estimates and projections and you should not place undue reliance on them. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast, suggested or implied in any forward-looking statements in this presentation due to a variety of factors. Factors which could cause actual results to differ from these forward-looking statements may include, without limitation, general economic conditions; conditions in the markets; behavior of customers, suppliers, and competitors; technological developments; the implementation and execution of new processes; and changes to legal, tax, and regulatory rules. The foregoing list of factors should not be construed as exhaustive. The Companies disclaim any intention or obligation to publicly or privately update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Participants should seek their own advice and guidance from appropriate legal, tax, financial and trading professionals when making decisions as to positions to take in the market.

Comparison of Hurricane Impact on Daily Prices: **What a Difference a Decade Makes**





Demystifying Natural Gas Marketing & Trading

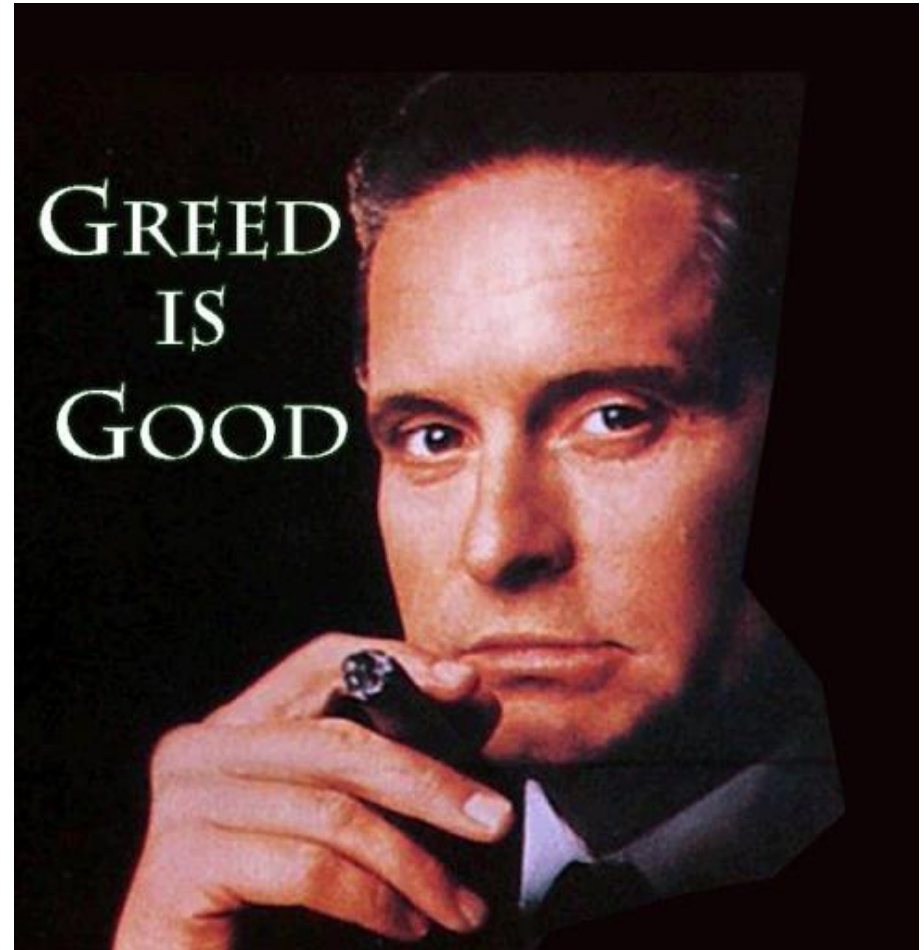
Part I: What is Trading?

Kevin Maule, Statoil, on behalf of NGSA

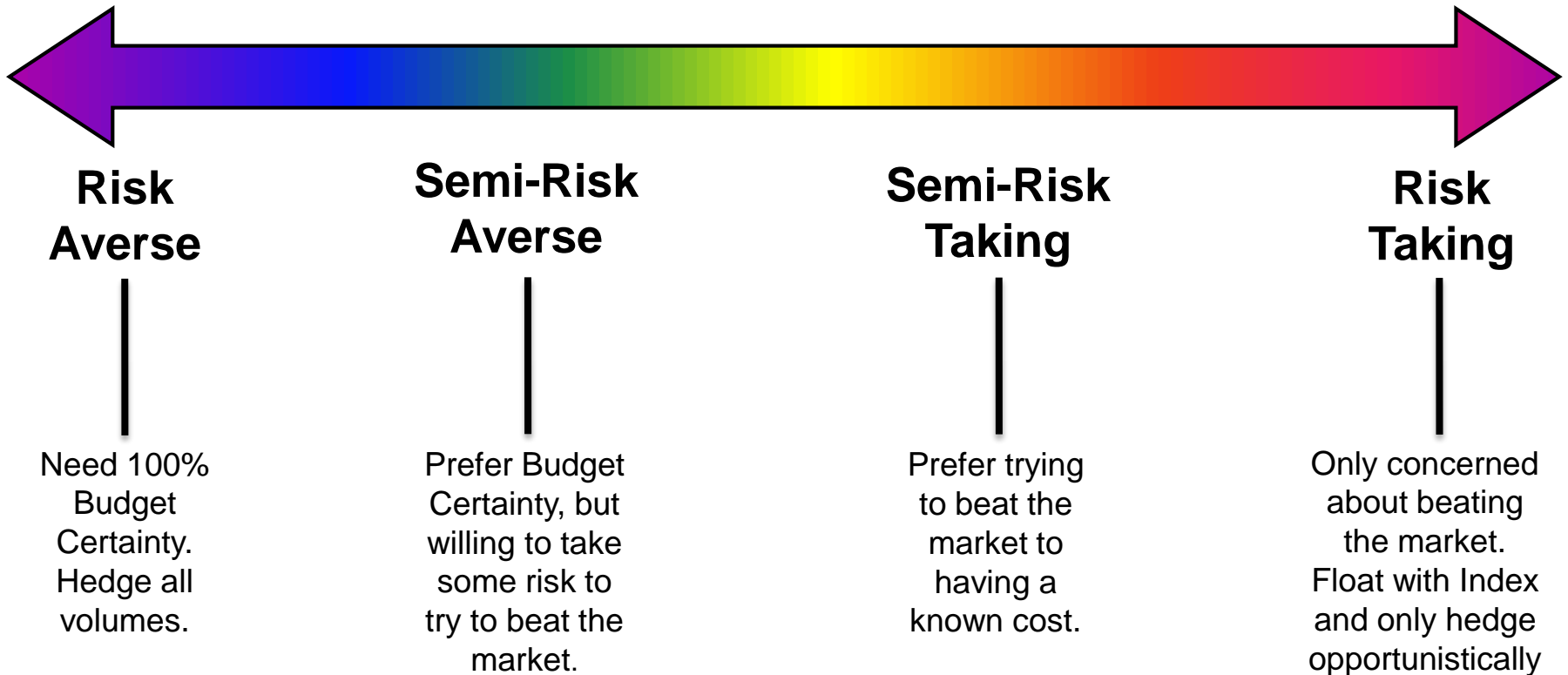
February 12, 2017

WWW.NGSA.ORG

So is trading about two emotions?



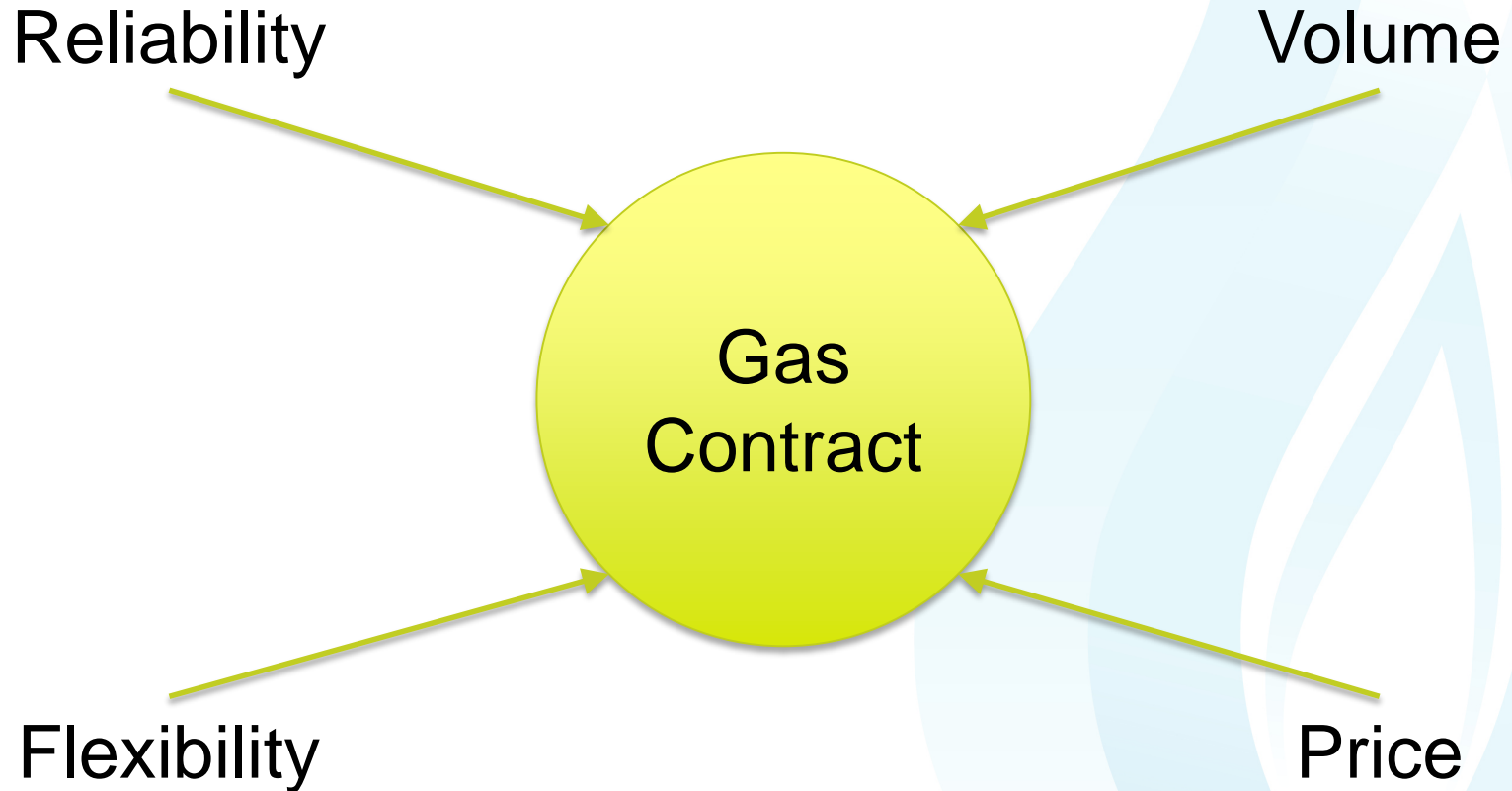
Hedging Spectrum – Risk appetite



Let's think of it from a consumer perspective:



But what is important?





Demystifying Natural Gas Marketing & Trading

Part II: A Day in the Life of a Marketing and Trading Organization

Orlando Alvarez, BP, on behalf of NGSA

February 12, 2017

WWW.NGSA.ORG

Marketing and Origination (M&O)

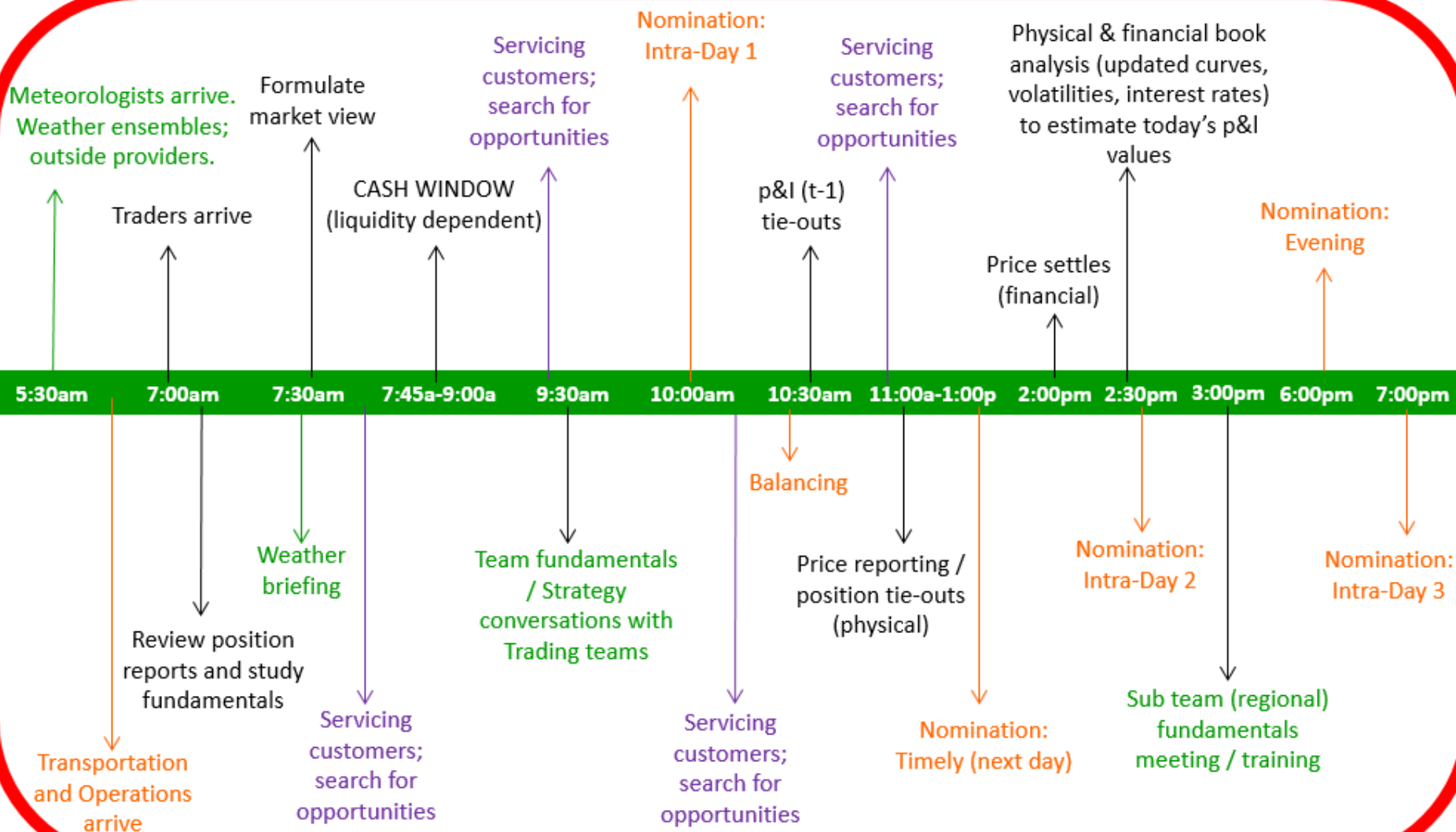
Marketing

- The act or process of buying or selling in a market
- **Objective:** Engage buyer or seller and arrange a transaction, with an eye for incremental opportunities
- Typically driven by specific production and/or change in demand
- Short-term solutions

Origination

- To bring into being or create
- Ability to:
 1. **understand the objectives** of client
 2. the **strategy** of your business
 3. **market fundamentals** and
 4. your **product toolbox** to design a custom solution that satisfies both you and the client's objective
- Creates opportunity to identify transaction that a client wouldn't identify/need on their own
- Longer-term strategy

A Day in a Marketing and Trading Organization



Market Analytics – Key contributors

Supply Factors:

Production



Imports (LNG, Canada)

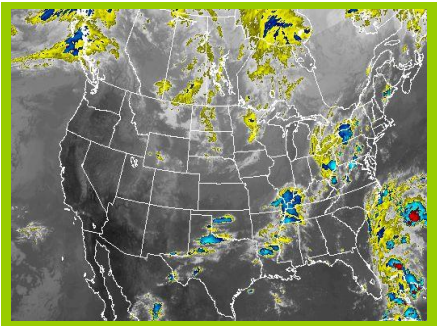


Transportation Capacity



Demand Factors:

Weather



Power (Competing Fuels)



Exports (LNG, Mexico)



Other Factors:

- Pipeline scrapes
- Producer financials
- Regulatory landscape
- International demand
- Ship movements
- Freight rates monitored
- Trader views on “who is doing what in the market”?

Typical day at the desk - Trading

5:30
am

Meteorologists
arrive

6:00
am

Fundamental
analysts arrive

7:00
am

Traders arrive

7:00-
8:00
am

All discuss
market
changes

7:45-
9:00
am

Cash Window

7:00-
4:00
pm

Trade view;
service
customers

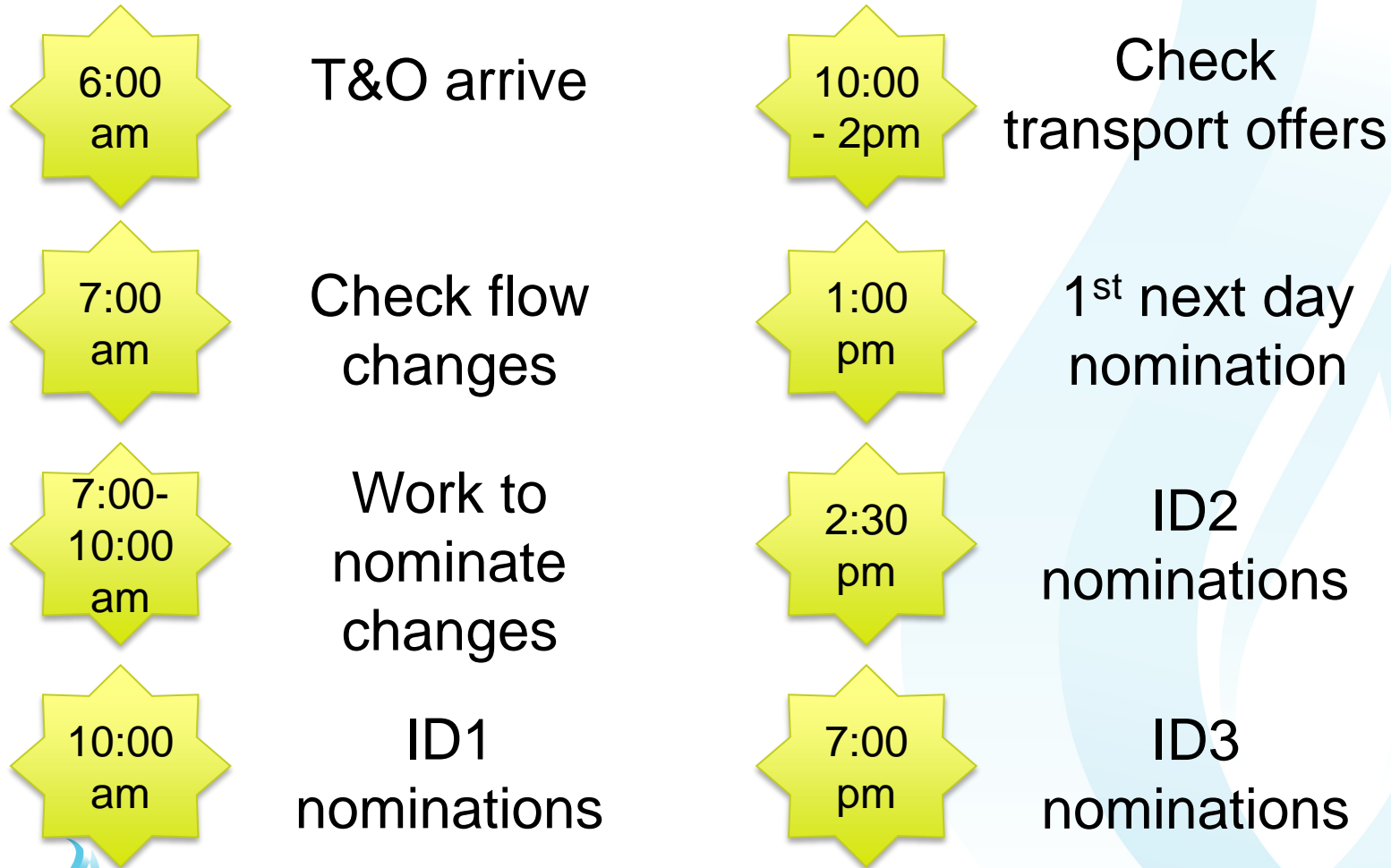
2:00
pm

Price Settles

<5:00
pm

Tie out P&L

Typical day at the desk – Transport and operations



7 Elements of an Effective Compliance Program

Clearly Written
Standards and
Controls

Management
Support,
Resources &
Oversight

Due Diligence in
Delegating
Authority

Effective
Communication
and Training

Consistent
Monitoring,
Evaluation and
Reporting

Consistent
Enforcement via
Incentives &
Discipline

Response &
Continuous
Improvement

Q&A

