

Exclusive interview: Julie Arnold, Energy Trading Consultant

Julie Arnold began her career in the energy industry as a UK power trader when the market was deregulating in the late Nineties, going on to work on six different trading desks at RWE Supply & Trading. She was Head of Power Trading for Asia Pacific at RWE until last year, when she became an independent consultant helping clients develop cross-border trading strategies, with a particular interest in Japan. Here, she talks to Jenita Riat, Director of EMEA Power, Gas and Energy Transition at Human Capital.



Julie Arnold studied math at university and began her career as a government statistician at the Ministry of Agriculture, Fisheries and Food back in the mid-Nineties.

Spotting a lot of similarities between the agriculture and power markets, most notably in terms of government intervention, she made the switch to the energy industry in 1997, becoming a power trader at Yorkshire Electricity just as the UK power markets embarked on deregulation.

Fast-forward to today and Julie has developed a unique perspective on deregulation in Japanese power, establishing a seat at the top table. After four years at Yorkshire Electricity, Julie joined RWE Trading in 2002 and her 17 years in the company saw her work through six different trading desks. In every role she was either building new trading desks or restructuring existing ones, and she covered a variety of commodities including UK power, gas, cross commodity, coal and Asian power, including physical commodities, futures and options.

Her final post was heading the Asian Power Trading desk for RWE out of Singapore, where she spent a four-year secondment until the end of 2018. Last year, she returned to London and established herself as an independent consultant, working to capitalise on her large network of contacts across Asia and Europe to do something different.

“I get a real buzz from building new businesses and making significant improvements to existing ones,” she says. “From my various roles at RWE I have experience of all aspects of trading desk set-up and project management. I have been exposed to the commercial aspects of trading - including extreme bull and bear market cycles - and to the way trading desks fit and interact with the rest of the business, from back office, risk and control to IT and HR. I would always be the organiser in any team.”

Today, her consulting work sees her helping European companies setting up businesses to trade Asian power markets, whether remotely from Europe or by opening offices. Her clients range from small funds to large utilities and from small local companies to large global firms; she is also helping Asian firms set up in Europe. Some clients in Asia are small companies with no presence in Europe who find value in having a reliable person they can call on over here at short notice to help with any issues which crop up. As well as power, she has had some involvement with coal and biomass projects.

“When I finished my secondment in Singapore, I didn’t want to just come back to the UK and go back to the daily drive up the M4,” says Julie. “I like building things and fixing things, and I have always been keen to share knowledge, teach people and help grow businesses. As a one-person company, I have no interest in keeping all the knowledge to myself. As quickly as possible, I want to look at what’s going on, what needs doing, and educate the people within the company to take it over so that I can go and do something different.”

Having spent a large part of her career in Asia, Julie is now keeping a close watch on

developments in Asia power markets. She says: “In recent years, the Australian power market has become more linked to the global fuels markets, especially LNG. This has been led by increases in Australian LNG exports and greater liquidity and visibility of the JKM index.”

She adds: “However, the newly deregulated Japanese power market is the one that most companies have an interest in, due to its vast size and the Japanese influences on the global LNG and coal markets. The next few years are key for the Japanese power and fuels markets. I think we will see a gradual change in the commercial behaviour of the large Japanese utilities.”



Julie has developed a deep understanding of the Japanese market over the last five years, building on her own experience of deregulation in the UK. “The fact that I had been through it before was a key thing that helped me build up contacts in Japan. I started with just one contact and using that initial contact slowly built many connections in the industry. On my first trip to Tokyo I noticed immediately that there were very few women or foreigners in the power industry – I have yet to meet a woman in a commercial meeting in Japan (with the exception of within METI, the Japanese government department responsible for energy), and I have been to a lot of meetings. It was very hard at the beginning and the only way I was able to break through and build a good reputation for myself and for my company was because of my experience; they understood that the knowledge I have from European power markets 20 years ago is relevant and valuable to them today.”

The Japanese power market is enormous – bigger than the UK and German markets combined – and the Japanese purchasing power of LNG and coal have an influence on global fuel prices. We saw with the Fukushima Daiichi nuclear disaster in 2011 that

what happens in Japan can significantly impact European power prices.

That means that Japan, along with China, should not be ignored by market participants, whether they are trading European power, LNG or coal anywhere in the world. At Human Capital, we are seeing firms looking to get more actively involved, with demand growing for Japanese speakers and decisions being made about whether to establish Japanese trading desks out of Singapore or Europe.

“The language, culture and lack of development of the market mean it is not an easy market to access,” says Julie, “But to me these challenges are what makes it different and exciting.”

TOCOM launched its long-awaited Japanese power futures last September and the EEX is planning to launch a cleared swap product in Q2 2020, which means that the market will open up to European power market participants.

Julie says: “There are a lot of things that need to improve in the Japanese market when you compare it with the more advanced European power markets which deregulated 20 years ago, but no new market has perfect data, perfect indices and a perfect regulatory framework. The more that new companies join the market, the quicker these areas will develop. How quickly the market develops depends on how many companies join, adding liquidity to help to get it started.”

She is optimistic that the pace of change will be prompt: “The market will develop a lot quicker than the European markets. In the late Nineties there was some experience from the American companies (Enron, Dynergy, TXU etc), but that was all, it was a new thing to deregulate your power markets. Japan can look at a lot of other models and is in a perfect position to cherry-pick the best bits of what other countries have done.”

For European traders looking to enter, it will be important not only to overcome the language barrier but also to understand the Japanese culture. Julie points out that illiquid markets can behave in certain ways due to the behaviour of market participants, and that should not be underestimated.

The best way to get access is going to be different for every company depending on risk appetite and strategy. Julie says: “The first thing, as with any market, is to study and understand the fundamentals. Then, from your modelling and your analysis, come to a conclusion about what sort of strategies you want to take. It can be done out of Europe without a presence in Japan as long as you’re willing to work the Japanese hours. Companies with a base in Singapore are at an advantage in that respect but it is not a prerequisite, especially at the start.”

One of the problems is a scarcity of talent: “Most of the Japanese utilities don’t have power traders because its power markets are so new,” says Julie. “Until very recently there were no power departments and there is a big shortage of people with both power knowledge and trading skills, whereas in the UK everyone grew up together and 20 years since deregulation there is a vast amount of power trading experience. The language barrier makes it difficult for them to import trading talent, but they are very keen to learn and they are very smart.”



When Julie arrived in Singapore with RWE in 2015, her brief was to restructure the company’s Australian business, and look at other markets while she was there. “That was when I spotted Japan,” she recalls. “I could tell they were talking about launching a market, but they didn’t really know how to. After a couple of trips to Tokyo and following discussions with the main market participants as well as METI and TOCOM I could see that progress would be very slow so I decided that I needed to help them get the market started. I didn’t quite achieve it while I was there, but I’m not giving up yet.”

The success of the market now depends on people getting involved, and Julie is passionate about telling that story. She says: “One of the main determining factors for Japanese power is the number of companies that are willing to get involved. You don’t need to be involved in a big way, you can be doing a small amount of trades with small risks. But if more people get involved there will be a snowball effect.”

Julie concludes: “Obviously you don’t want to take unnecessary risk just to help a

market set up, but you can earn money across your business from the knowledge gained by being in the Japanese market. You are adding value to your other strategies by building that knowledge. I'd advise everyone to get up to speed on the Japanese market now, even if you think it's not for you."

Julie has come a long way from her early days in Yorkshire Electricity, but continues to capitalise on the experience she built up 20 years ago in northern England.



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