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Exclusive interview: OilX CEO and co-founder Florian Thaler

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Digital oil analytics firm OilX launched in November 2018 after many months of work on its core data offering. We met with ***CEO and co-founder Florian Thaler*** *to learn more about the company*

Everyone with experience of oil analytics is familiar with the problem of creating a solid view of global supply and demand fundamentals from the available data. After 15 years with some of the biggest names in oil trading, Florian Thaler decided to solve the problem by switching from data client to data provider. His company OilX looks a lot like the solution the industry has been waiting for.

HC Insider (HCI): **OilX launched toward the end of last year. Can you fill us in on progress so far and what the company offers?**

Florian Thaler (FT): OilX was created to provide oil traders, oil majors, national oil companies, hedge funds and investment banks with advanced data analytics capabilities. We created the prototype system over 16 months, and the company was incubated by Signal Ocean, part of The Signal Group. This took us from the idea stage all the way to a developed prototype, which was delivered in September 2018 before incorporating OilX as a separate entity and branding it in a way appropriate to the oil market. We're headquartered in London, and Signal Ocean remains a key investor and technology partner, helping us in the data-science side of our work and providing global tanker-tracking data.

HCI: What is the core problem that OilX will solve for clients?

FT: The core problem is that oil market data is generally very choppy and hard to collect, and analysts using the data suffer from time lags in a big way. A lot of it comes in the form of national statistics, and the numbers can be released with a time lag of up to three months. But the oil market trades on a real-time live basis, so this isn't good enough. We try to bridge that gap for clients by combining the statistics with other, new data sets from the satellite space or the marine intelligence sector. This delivers what we call a nowcast, which is a term borrowed from meteorology and economics. As in those disciplines, creating a nowcast requires that we consume all available data and distil it down to an interpretation of how conditions are expected to be. It's very hard for the market to understand what conditions are right now, or even yesterday, so that's where we come in. We create actual insights into conditions, giving a real-time mirror image of what the market's status is. But it's not a question of being right or wrong – our aim is to be scientifically rigorous so that we can deliver an accurate reading.

HCI: **What makes OilX's offering unique?**

FT: OilX's uniqueness lies in the fact that we believe in deep-domain expertise in everything we do, whether we're looking at the oil market, the shipping market or the data-science framework. This means that we start with the use case first, making the problem that the market wants to solve the core of our activity before looking for the technologies we'll need to deliver the solution. If we're unable to deliver the solution in-house, we don't settle for a best-effort internal approach. We prefer to partner up with people who are specialists in their fields. We don't compromise on deep-domain expertise.

There are other companies entering the oil sector with analytics offerings that come from a different perspective. They don't necessarily have the domain expertise and rather start out with whatever technology they have and apply it to all sorts of industries – so they might be applying it to the oil market at the same time as to the retail and insurance markets. What's missing from these offerings is a large part of the reason why OilX was born, because I suffered from this approach when I was a client. I needed solutions that would solve the real problems that the industry faces, and these ventures didn't understand the business need or the use case well enough.

HCI: **The creation of digital trade platforms and the steady progress of AI trading systems have been key topics of discussion over the last year or two. Where does OilX fit into that picture?**

FT: The oil market, like many others, is undergoing a shift. It's moving away from being largely opinion-based to becoming a data-driven world, and operations moving with the trend will gain a competitive edge. OilX only solves the fundamentals side of the puzzle, but we see ourselves as enablers for data-driven trading. The fundamentals side is giving an actual reading of the molecules and what is moving around the world. Our offering carries with it the notion of the digital twin. We've created a digital twin of the global supply chain, from the oil fields to the tanker or pipeline to where it lands and is transported to refineries. Our data-collection model isn't the usual boots-on-the-ground one. It's more about eyes in the sky, so that we can remotely monitor and assess tanker traffic, pipeline movements and the status of tank farms. But it's not enough to have the data alone. It's vital to have the data storage and processing capacity to create a coherent view of the market, and that's what OilX does.

HCI: **Over the last 12 months we have seen big oil producers and consumers setting up trading operations for the first time. What is driving this trend and where is it leading?**

FT: The trend is driven by asset optimisation. The national oil companies have always only been sellers, without ever stepping into the role of intermediary. These companies are becoming more integrated and are moving downstream in an effort to leverage their market positions. What it's important to remember is that the big established trading houses are moving in the opposite direction and are becoming like small integrated oil players as they add physical assets to their market footprints. The whole industry is working to unlock value, regardless of each company's place in the value chain. The bigger picture is that we're seeing a steady convergence from both ends of the supply chain, and that process will continue.

HCI: **What is the key issue facing the oil market over the next 12 months?**

FT: I think that the biggest issue will be the lead-in to the International Maritime Organisation's IMO 2020 fuel regulation, which requires ocean-going vessels to burn fuel with a maximum sulphur content of 0.5pc from January next year. The shipping industry still doesn't have a coordinated plan in place to deal with the fact that it won't be able to burn traditional bunker fuel. This lack of preparation will cause some erratic behaviour. We think that IMO 2020 is going to influence markets far beyond shipping, and that this effect is not yet visible. We expect it to be seen in crude markets, the refining space and potentially the airlines. The change in fuel regulation will affect the middle distillates market, so any industry with exposure to it will feel the effect.

Another big issue is going to be what OPEC decides to do to manage crude supply. Is it going to cut more or maintain the level as it is? The US re-imposing full sanctions on Iran will reduce Iran's exports, and this creates a complicated picture because Iran is an OPEC member. So, if the lost barrels are made up by Saudi Arabia, this goes against the working principles of OPEC, creating a sense of disunity. I don't think that OPEC has been given enough credit for how it has stabilised and supported prices over the last two years or so. We shouldn't underestimate the effect of OPEC's actions.

Dr Florian Thaler has more than 15 years of experience in oil analytics. He has worked as an oil strategist at Shell, Citigroup and a New York-based hedge fund and is one of the World Energy Council's 100 Future Energy Leaders.

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