

## The invisible technology supporting LNG traders

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***HC Insider speaks to Melissa Lindsay, Founder of UK tech start-up Emsurge, an online platform designed to streamline the pre-to-post trade processes involved in LNG trading. Find out how Emsurge is helping to overcome the challenges faced by LNG traders and how the technological advancements in the LNG market is affecting talent demand.***

Melissa Lindsay, Founder of UK tech start-up Emsurge, describes the online platform as a cross between salesforce for commodities and tinder for cargoes, designed with the ability for LNG traders to share data internally and externally. HC Insider finds out how the former Global Head of LNG at Tullett Prebon is delivering a more connected, efficient LNG community through Emsurge.



**HC Insider: What is Emsurge, and how does the platform work?**

**Melissa Lindsay:** Emsurge is an online platform that allows a community of LNG professionals to harness technology to make their pre- and post-trade processes more efficient. It allows traders to input all the data relating to what they want to buy or sell, and this can be shared with others. Naturgy and Hartree are two of our clients and altogether we have 30 companies on the system. The three main user groups are

brokers and broker clients using Emsurge to access liquidity and check the market for opportunities or trade faster, LNG trading teams that see the value in organising data and want to manage internal information flows more efficiently, and gas or financial LNG traders and analysts that want improved visibility of the LNG traded market.

**HC Insider: What are some of the key trends affecting the LNG market?**

**ML:** This year was always anticipated to be a bear year for the LNG market due to an expected supply overhang from new liquefaction projects coming on-stream at a rate that outpaced possible demand growth. Covid-19 only exacerbated the situation by diminishing end user demand. Consequently, we will enter winter in a healthy position in that we have an abundance of LNG and storage reducing the risk of price spikes. Covid-19 however, has had a positive longer-term impact as it has forced companies to adopt new technology faster and accelerate the repositioning of LNG as a cleaner fuel. We have seen a wider acceptance of technology and digitalisation. LNG meetings used to take place face to face and there are lots of conferences to attend. This can cause a certain degree of inertia because you would have to wait till an event to speak to someone, but now most meetings are taking place virtually. Covid-19 has also brought forward the green agenda for many organisations. LNG is being touted as the transitional fuel - the bridge to renewable energy - though its place in the energy mix is likely to persist so some will challenge that label. Without doubt it can help many in the transition to a cleaner yet secure energy mix. How we make gas greener and how you manage those carbon costs will add an interesting dynamic to trading. For LNG traders, carbon and environmental costs will be additional parameters to factor in when trading, and technology will be key to tracking, reporting, and analysing the extra data.

**HC Insider: What challenges did you want to solve by creating a single point of data entry?**

**ML:** With Emsurge, I wanted to reduce the amount of time LNG traders spent on internal communications so they could respond to counterparties faster. Traders waste time entering the same data in multiple places - in emails, spreadsheets, trade systems. Or its often just left in chats, which renders the data useless to anyone else. I wanted to create one place where the data could be entered and shared so teams can collaborate on deals. I also wanted to remove the issue of stale prices by giving traders a way of instantly communicating changes to orders, and to automate the computation of nominations, volume flex and relative prices. Emsurge also maintains a directory of LNG traders to help members know who to contact for trades on each part of the curve and in each region. As the market grows, more people move companies, new entrants join and we continually see restructuring of existing teams to reflect the changing dynamics. For instance, we are seeing South America become very active in the LNG market, as is China, and teams are now appointing people to focus specifically on certain regions like the Middle East or India. Even within Europe, we are seeing the

region dissected further with someone looking specifically at North-West Europe and someone else focused on Mediterranean buyers for example. There are a lot of different ways to keep splitting the teams as the markets evolve.

**HC: How does the data captured pre- and post-trade help LNG traders?**

**ML:** All the information LNG traders collect pre-trade is not only related to the deals they close. The information is gathered from all the people they have spoken to leading up to closing a deal. If in the following month, or in three months' time, a trader has more volumes to market, then being able to look back to see who had demand and at what prices provides an instant list to refer back to. If you are trying to optimise a cargo, you can also see who was active in that same period and region the previous year. The data can also help determine when the most liquid point to trade is. Traders that have been in the market for a long time are extremely valuable because of their expertise. Junior members of the team, however, can now have access to that knowledge through the database.



**“Credible trade data is key to knowing how to value the operational and price risks inherent in trades and understanding the liquidity of the products you trade.”**

**HC Insider: What is the biggest barrier to getting companies to adopt the software?**

**ML:** The biggest issue is that corporations are slow to adopt new software. Companies

are only just beginning their digitalisation journey, and many are in the process of appointing someone to look after the task of digitalising LNG trading or haven't started yet. This will involve your back-office systems and risk management tools. We have gained great traction with LNG traders and it's a positive sign to see that they are the ones pushing for better software. Most traders have been surprised at how we have been able to simplify LNG trading and visually represent the market. Traders on Emsurge understand the value of technology and the trajectory of markets.

**HC Insider: How does Emsurge help manage the risks facing LNG traders?**

**ML:** Credible trade data is key to knowing how to value the operational and price risks inherent in trades and understanding the liquidity of the products you trade. Understanding what the current prices are is important. Until we start collecting more data on the various markets, for example, Middle East, India, and Mediterranean markets, we will not be in a place where traders can manage risks against quality indexes. The financial and physical markets are inextricably linked, and it is crucial for traders to have all of the information. Liquidity is also a really big factor in managing risks. If we can help traders access the market quicker to manage a production shortfall with cargo from another region, this should help them reduce exposure.

**HC Insider: What are the benefits of a more connected LNG community?**

**ML:** On a user level its saving time, on an industry level it's a more efficient market. For example, being able to re-direct when renewable energy is available in the base destination or to facilitate swaps and reduce the aggregate distance cargoes travel. A lot of work has been done to make local grids more efficient with optimisation across renewables, storage and fossil fuels. If LNG can be responsive, then we can be more efficient with resource allocation on a global level.

**HC Insider: What talent do you think is required to make sure that technology is used effectively?**

**ML:** You need people on the executive team to understand the value of technology and to understand its role in making an organisation competitive. The oil and gas industry is slow at putting in place Chief Digital Officers (CDOs). Often, if you say CDO to people, they will not even know what it means. I think a CDO is what we need to see in companies to ensure the successful adoption of new technology. But also, on the ground level you need people to realise that they need to invest time as well as money, giving feedback to the companies developing the software for them. Behind any software are teams of people, and any feedback provided leads to improvements. Some companies are starting to hire Chief Information Officers, Heads of Innovation, and Heads of Digital. We have even seen designated blockchain project leaders. It's a long journey but we are on the right path.

**HC Insider: What does your partnership with global commodities brokerage platform Evolution Markets mean for traders using Emsurge?**

**ML:** Traders will finally be able to get physical and financial LNG prices in one place, and by pooling resources we improve our coverage of the market and the level of service we can offer traders. To build liquidity and transparency you need visibility of both the physical and financial market and for traders to be able to respond quickly to movements in either. LNG still indexes off many other energy products and gas at multiple locations. For example, I might have somebody in the Atlantic that is looking to sell a cargo in December indexed to US gas prices while my demand for a cargo in Europe is moving with the UK gas price. I need live foreign exchange feeds and international gas prices to convert my bid/offer into comparable numbers. What Emsurge will do is take in the live prices from Evolution's gas broking desks and make all those computations instantly for our users, so they'll get a good indication on where prices are. Traders are also able to bring in their own price feeds.

**HC Insider: What's next for the LNG market?**

**ML:** The carbon cost in LNG is going to drive the next big shift in the market. We are excited at being able to tap into Evolution Markets' knowledge and expertise in environmental products because I think we will start to see more companies wanting to offset the carbon in LNG and there are huge challenges that come with that. It is a problem for technology to solve and we would like to lend our expertise and network to help with that. As a starting point we will be able to bring in carbon live pricing from Evolution into Emsurge - so again LNG traders with limited visibility to these markets can better understand their economics. Companies are likely to need to track, report and audit the emissions they are emitting in the future. We see this as a problem technology can really help with and blockchain lends itself to this process as there are multiple stakeholders in the chain. Blockchain is interesting for us as it makes a clear case for using external software vendors and moving away from building internal solutions. If you want to be able to reconcile emissions with contractual commitments to off-set and balance books without having an onerous auditing process or slowing down the speed of transactions, you need technology.



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