



## Energy Trading & Markets Group

The one-stop shop for cross-functional advisory on energy and commodity procurement and trading at Deloitte.

Exceptionally high and volatile energy prices present a major challenge for companies' business models across all industries. The current market situation calls for businesses to review this notion, not least since Russia's invasion of Ukraine.

What's more, companies must initiate inevitable transformation measures to achieve climate goals by progressively eliminating fossil fuels from their entire supply chain. Stakeholders demand accountability and action from market participants to secure

sustainable and affordable energy. Accordingly, companies must adapt their current business model and process landscape to the new status quo of energy procurement.

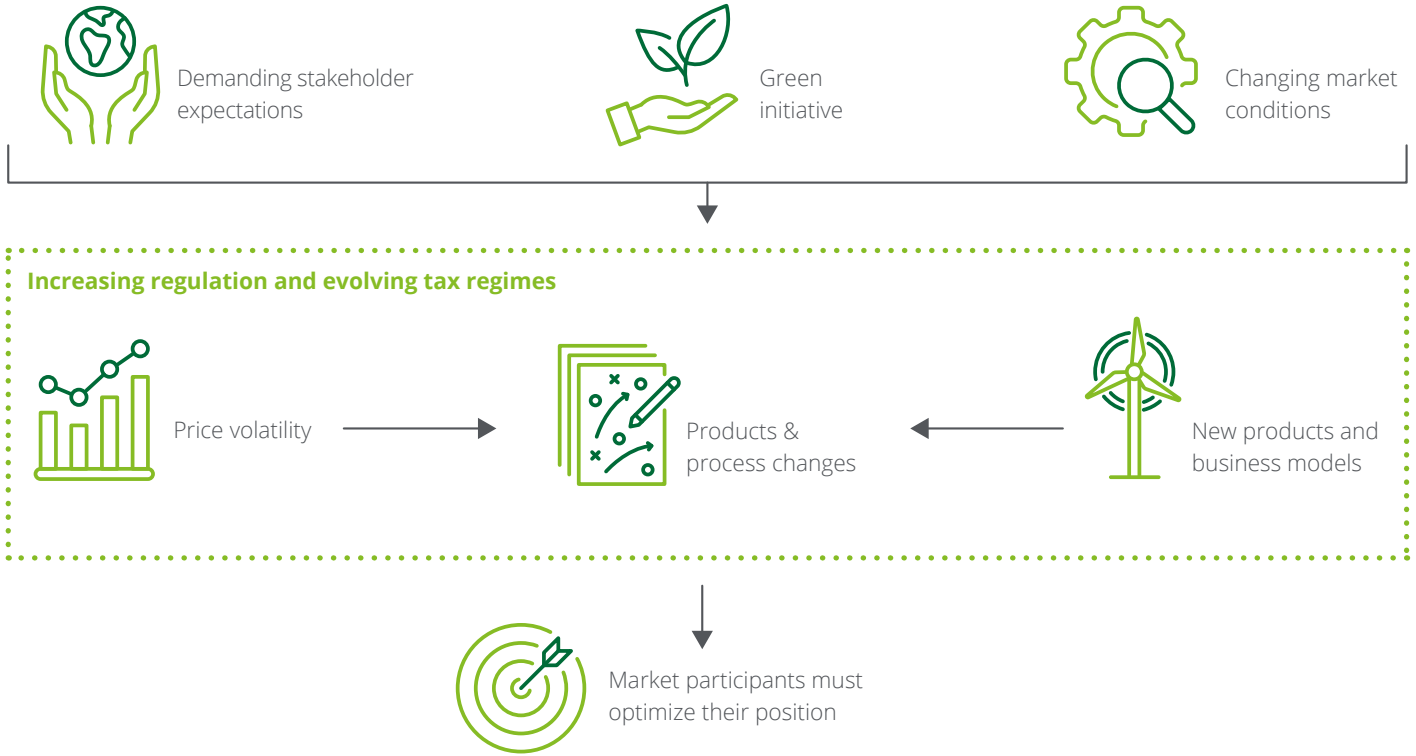
Successful and quick transformation requires detailed understanding of energy markets and products, such as Power Purchase Agreements (PPA's) as well as price and liquidity risks. Consequently, the disruption of energy procurement challenges both, corporates and energy utilities, in terms of strategy, risk, and accounting.

Our Energy Trading & Markets Group provides cross-functional advisory on all challenges and questions surrounding energy and commodity procurement for industrial clients, and energy traders with a focus on strategy, risks, and accounting. Our team combines a wide range of Deloitte's capabilities and integrates them to serve the highly specialized energy and commodity operations needs of our clients. ➔



## Current drivers in the energy market

**Fig. 1 – Drivers of change in energy procurement**



### Green initiative

- Stakeholders demand accountability from all market participants
- Sustainability is an important factor in corporate and private decision-making
- ESG-KPIs are now mandatory and central to making investment decisions

### Market price volatility

- Significant volatility in energy and commodity prices highlights the need to address market and liquidity risks
- Energy procurement is becoming a major cost driver as opposed to a miscellaneous expense
- A lack of predictability and stability pressurizes cash flow and risk measures

### New products and business models

- Wind and solar energy are becoming economically viable, and new products, such as PPAs, Green Certificates, and CCfDs are emerging
- Further alternatives such as LNG or hydrogen are materializing to diversify the supply
- New business opportunities emerge (EV-charging, algo-trading, etc.)

### Product & process changes

- Procurement and trading strategies need to be reconsidered
- Understanding, evaluating, and accounting for new products is becoming increasingly challenging
- Processes, systems, and data need to be made available, condensed, and monitored

### Increasing regulation and evolving tax regimes

- Energy markets are experiencing an increase in regulation
- Deep understanding of local markets is required to assess legal requirements
- The complex tax landscape is having a drastic impact on decision-making

## Challenges our clients are facing



### Corporate industrial clients

- How do current market conditions impact our energy procurement, and how should we react?
- How do we manage profit and loss/cash flow stability?
- What are the accounting and risk implications of commodity products?
- Do we have appropriate energy procurement processes, systems and internal control structures?
- How do we execute our ESG strategy and processes?



### Utilities & Energy Traders

- How can we improve our trading systems, decrease our operational risk and enhance our risk management capabilities?
- How do we assess and benchmark our liquidity, market price, or credit risk methodology?
- How do we benchmark our deal flow processes and provide focused guidance for enhancement?
- What do we need to consider when entering new markets and developing new products or business models?



### Renewables

- How do we challenge our commodity price assumptions?
- How can we optimize our renewables portfolio?
- What are the risk management and accounting implications of new renewable products?

### Commodities and products in focus



Green power



Power Purchase Agreements



Carbon Contracts for Differences



Green certificates



Emission certificates



Natural gas



LNG



Freight



Brown power



Crude oil



Coal



Metals



Agricultural products



Weather

## Our service offering



### Strategy

#### Strategy and the market

- Fundamental market studies, market entry strategies, development and review of market and stress scenarios
- Planning and roadmaps for new products, markets, and geographies
- Developing energy trading businesses towards industry best practice
- Drafting and executing an ESG strategy

#### Commodity transactions and investments

- Commercial due diligence and negotiation support on new energy products
- Contract and portfolio risk reviews
- Design, challenge, and implementation of hedging strategies
- Integrated support for renewable asset acquisitions or repowering



### Risk Management & Processes

#### Risk assessment & management

- Risk measurement and steering for Market Risk, Credit & Counterparty Risk, Liquidity Risk, Operational & Strategic Risk
- Development, implementation and validation of risk models, sensitivity analysis and stress tests
- Assessment of limit systems and mandates (volume, VaR, PaR, credit), limit monitoring and escalation processes
- Implementation of enterprise risk management

#### Processes and internal controls

- Design and implementation of risk management and internal controls in energy trading or procurement
- Refreshing and advancing forwardcurve validation processes and controls
- Performing benchmark analysis on front-to-back operation controls in the deal life cycle



### Accounting, Tax & Compliance

#### Accounting consultation

- Assessing accounting implications and guiding new commodity products such as PPAs
- Training employees and conducting workshops on products and accounting standards (e.g., IFRS 9,16)
- Process analytics using process mining
- Providing insights into ESG requirements

#### Tax

- Transfer pricing, VAT, income tax
- Tax equity and local markets

#### Compliance

- Fraud and market manipulation assessments
- Compliance with regulatory reporting requirements

## How do we encourage the energy transition?

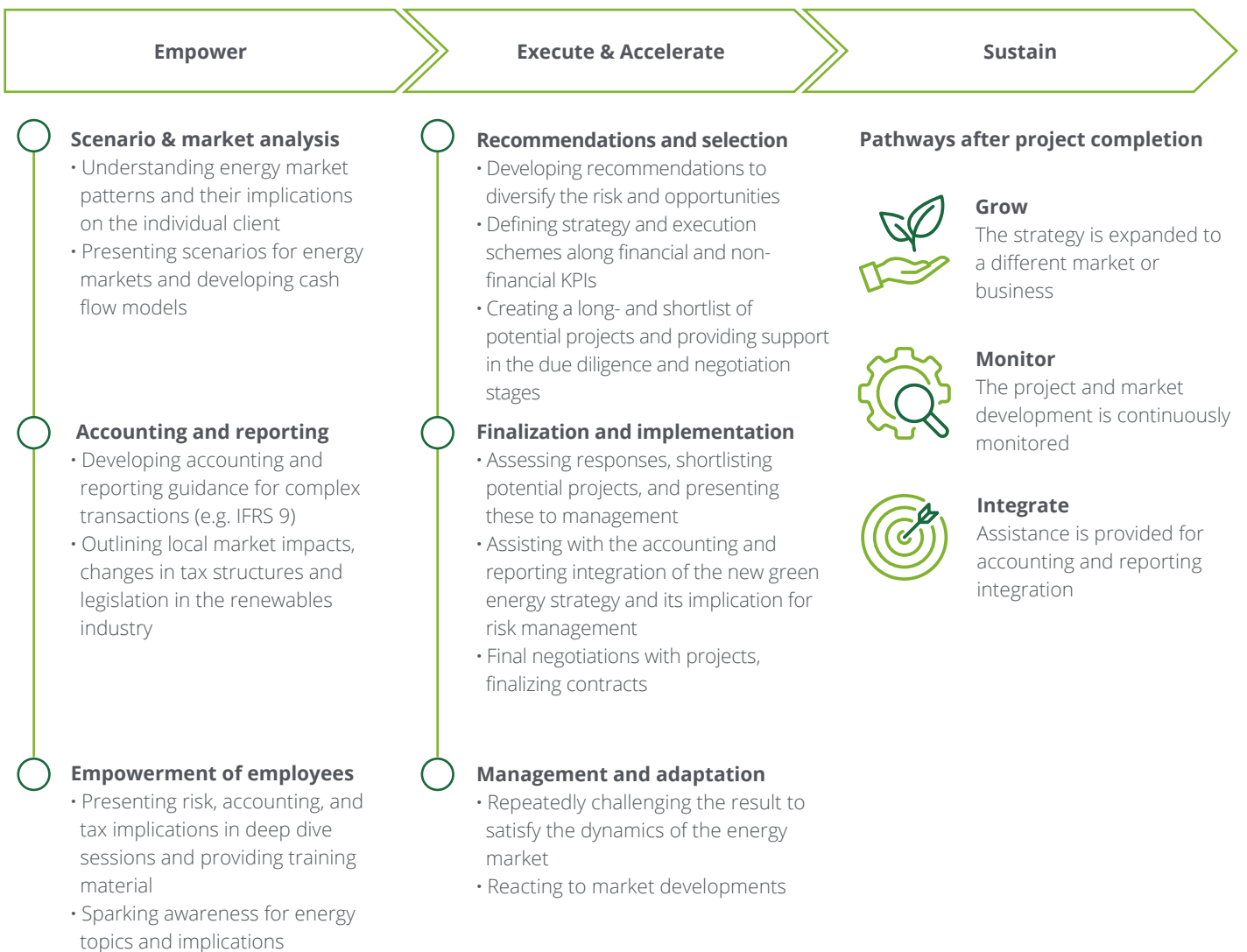
We strongly believe that the energy and industry transition to drive decarbonization is of utmost importance and provides new opportunities and benefits for all industries, their suppliers, and their customers. At the same time, we recognize that challenges within the energy transition require support throughout the duration of a project to enable sustainable results. ETM's

cross-functional approach puts the client and their needs front and center. ETM serves as a sparring partner throughout the project, providing support for risk and problem assessment as well as solution drafting. But our commitment goes beyond the individual project to provide ongoing support. ETM's mission is to contribute to the energy transition by empowering our

clients and equipping them with the knowledge and approaches they need to cope with energy transition challenges.

Our team ensures integrated and coordinated delivery of services while leveraging the necessary global expertise within our Deloitte Network and maintaining the highest quality standard.

**Fig 2. Example project: global green electricity procurement for an industrial client**



# Contacts



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