TRIPLE POINT SOLUTION BRIEF

Next Generation Solution for Oil Trading and Risk Management

COMMODITY XL
MANAGE POSITION, MARKET RISK, AND LOGISTICS IN REAL-TIME
MARKET OVERVIEW

The complexity and volatility of the oil market is here to stay. Emerging markets such as China and India are headed towards increased energy consumption, and according to McKinsey, oil demand is likely to grow faster than supply capacity. Keeping pace will be challenging - procuring more output from existing oil fields is costly, and the logistics, supply systems, and political alignment needed to extract oil from new sources is complex, expensive, and time-consuming. All of this, combined with expected occasional supply disruptions due to severe weather events and political instability, makes the oil markets rife for continued price spikes and major supply chain issues.

In order to succeed in this complicated environment where unpredictability is the norm, marketers, refiners, and exploration and production (E&P) companies must have sophisticated systems in place that do more than capture and transact data in real-time. Systems that mitigate risk, enhance decision-making, and optimize physical movements across the supply chain are critical.

Position Management

Understanding position may be the single most difficult challenge faced by oil companies. This is due in large part to internal factors such as the use of multiple trading systems that are poorly integrated – or not integrated at all – and the use of these systems by employees spanning different time zones across the globe. In addition, external factors such as weather and political instability that cause continual price fluctuations make understanding position even trickier.

Risk Mitigation

In an environment filled with complexity and volatility, there’s little margin for error. Risk – market, operational, volumetric, credit, and delivery – permeates every aspect of the oil business. The application of advanced hedging and risk management techniques to new markets and the growth of complex derivative instruments have led to increased trading volumes and complexity. Effectively managing and mitigating these risks is vital to maximizing profits and remaining competitive.

Supply Chain Optimization

Volatile prices and operational uncertainties are forcing oil companies to focus on ways to cut costs and streamline supply chain management and physical logistics. With demand expected to outstrip supply, it’s more important than ever to proactively optimize the supply chain and complex physical movements. Failure to accurately and completely understand physical position including open obligations, inventory activity, and movement-related costs for different transportation methods can result in lost revenue, customer dissatisfaction, and considerable business inefficiencies.
Regulatory Compliance

Oil companies must contend with a growing array of regulatory issues, from hedge accounting regulations such as ASC 815 (FAS 133) and ASC 815-10 (FAS 161) to broader legislation including Sarbanes-Oxley, Dodd-Frank, The Clean Air Act, and the European Union’s IPPC directive. Corporate accounting controls must be put in place to ensure compliance and auditability.

To further complicate things, regulations constantly evolve and businesses often operate internationally, requiring that companies be prepared to change business processes and conform to new standards on an ongoing basis. Not having the right systems in place to manage these changes results in a lack of agility that causes significant compliance risk.

COMMODITY XL FOR OIL – THE COMPLETE SOLUTION

Commodity XL for Oil™ is the only solution for commodity and risk management that works in real-time from the front- through to the back-office. It empowers oil companies to achieve balance between profitable trading, marketing, scheduling, logistics, risk management policies, and accounting regulations in today’s volatile and complex environment.

COMPREHENSIVE LOGISTICS MANAGEMENT

- Track overall inventory levels across different storage facilities, ports, and terminals
- Support multiple inventory valuation methods including fungible, lot-based inventory, and MTM for all physical positions
- Enable what-if analysis to optimize scheduling activities around trading controls or inventory movements
- Monitor open obligations, inventory, storage, and cargo quantity balances
- Manage specific movement-related costs including demurrage claims, insurance claims, and quality claims

Monitor physical and financial position in real-time.

Robust Front Office Functionality

Commodity XL for Oil supports dozens of different trade types ranging from simple fixed price trades such as futures and fixed price physicals to more complex trades including crack spreads and formula-based physicals. Trades may be entered manually or automatically imported from other applications such as online brokerage platforms and exchanges via straight-through processing (STP).

Comprehensive Position & Risk Management

Only Commodity XL for Oil provides integrated position and risk management – in real-time. Rapid access to accurate, timely data enables oil companies to instantly determine their exact physical and financial picture. Customizable views and ad-hoc reporting allow users to see only what they want to see, how they want to see it. The solution’s risk engine is uniquely capable of capturing all aspects of oil market risk including complex, formula-based pricing positions.

Commodity XL is also the only enterprise solution capable of managing the four key areas of financial exposure indicated by the Committee of Chief Risk Officers (CCRO) – market risk, operational risk, counterparty credit risk, and regulatory risk.

“...within this decade, the world could experience a period of significant volatility, with oil prices leaping upward and oscillating between $125 and $175 a barrel (or higher) for some time.”

– McKinsey & Company
Key Benefits

- Streamlines oil value chain including trading, risk management, logistics, settlement, and compliance
- Mitigates operational risk by enabling straight-through processing from trade to delivery
- Delivers complete control over physical operations including transport/capacity releases
- Eliminates information silos and provides enterprise transparency for proactive decision-making
- Manages all key risk areas: market, operational, counterparty, and regulatory
- Handles FERC and pipeline scheduling complexities
- Provides a flexible, scalable architecture to accommodate future growth

Optimized Supply Chain Management

Commodity XL empowers oil companies to optimize supply chain management and physical logistics with fully integrated scheduling and inventory management. Powerful business intelligence tools drive better, faster decisions that enable proactive management of operational costs, reduce transaction and transportation costs, and minimize risks across the supply chain.

Commodity XL offers logistics and scheduling functionality for both simple and complex operations – from “back-to-back” matching of physical trades, to inventory movements and complex itinerary scheduling involving multiple trades. It has the sophistication to support logistical nuances associated with pipeline, truck, railcar, vessel, and barge transportation such as pipeline cycles, batches, and tariff schedules, multi-commodity cargoes, and high-volume truck and railcar movements.

Commodity XL provides specialized functionality for refiners, including a high-performance storage/inventory valuation engine supporting fungible and lot-based valuation methods (i.e. weighted average; FIFO; user-instructed allocation).

Refiners can easily view, forecast, and match refinery feedstock demands with current purchase and delivery commitments. In addition, Commodity XL enables recording and tracking of processing and conversion transactions such as blending, regrading, and fractionation.

Enhanced Compliance

Commodity XL supports compliance with Sarbanes-Oxley and other regulations by providing a system of record that accurately and efficiently captures all data, transactions, and required audit trails so information can be quickly and easily retrieved. Specialized solutions are also offered for addressing regulations related to hedge accounting and fair value disclosure requirements:

- **Commodity XL for Hedge Accounting™** manages all requirements under hedge accounting regulations including detailed testing, documentation and reporting that must be performed to qualify for hedge accounting status. It ensures full compliance with ASC 815 (FAS 133), IAS 39, and similar national hedge accounting regulations.

- **Commodity XL for Fair Value Disclosure™** provides the tools and framework to define, measure, and manage fair value levels and meet all disclosure requirements for ASC 820 (FAS 157) and IFRS 7 compliance.

Track physical inventory in real-time and simulate terminal delivery/lifting scenarios.
Streamlined Operations

Commodity XL for Oil streamlines operations by enabling STP from the front- through to the back-office. Benefits of STP include:

- **Reduced human error**: STP automates the entire transaction process, removing human error and enabling companies to prevent the potentially disastrous consequences of inaccurate position information.
- **Faster decision-making**: STP facilitates faster decisions by eliminating delays associated with data reaching each person in the transaction chain.
- **Improved productivity**: Delivery-based documentation is automatically generated, increasing productivity and expediting transaction processing.

“Triple Point’s real-time system helps customers of all sizes gain business intelligence for better decision making, streamline trade processing, reduce transaction costs, maximize supply chain efficiencies, precisely measure and manage market risk, evaluate performance, and ensure regulatory and accounting compliance.”

— CommodityPoint

**KEY FUNCTIONALITY**

- Determine your position at any time — quickly and accurately
- Plan, orchestrate, and optimize complex physical movements in real-time for multiple transportation modes
- Track inventory levels (in storage or in-transit) across different storage facilities, ports, and terminals
- Generate invoices automatically based on contracted provisional pricing and payment terms
- Enable automated production and matching of electronic confirmation documentation required under EFET standards

Calculate value at risk (VaR) using multiple models including Monte Carlo.
In addition, Commodity XL for Oil provides an “electronic back office” for automated counterparty confirmations. A typical organization has three days of outstanding confirmations. Because the confirmation process is normally used to catch trading and keying errors, that’s three days of possibly hedging an incorrect exposure. With Commodity XL, confirmations are matched instantaneously for reduced risk and costs.

Commodity XL’s STP capabilities may be extended to external entities including market exchanges, data providers, and partners including SAP and Oracle.

**Dynamic Reporting**

Commodity XL provides dynamic, comprehensive reporting tools for rapid data analysis and decision making. Every screen contains a sophisticated query tool enabling data to be rapidly sorted, filtered, grouped, subtotaled, and then printed or exported. Inventory tracking and forecasting reports provide users with a single, accurate view of open balances, forward receipts, deliveries, and adjustments for all physical positions on a daily or monthly basis, in tabular or graphic format.

Advanced business intelligence and strategic decision support is also provided through the Commodity XL Management Dashboard™ which displays enterprise-wide key performance indicators (KPIs) on a single screen for improved bottom-line results. The Dashboard is available through the desktop Commodity XL interface, or via mobile devices so executives can monitor performance while on-the-go.

**Remote Performance Monitoring**

In today’s global, 24x7 business environment, it’s vital to ensure that Commodity XL deployments can be monitored anytime, anywhere so issues can be resolved before they impact critical operations. Triple Point’s Mobile System Console™ empowers IT Technical Support to monitor, manage, and troubleshoot Commodity XL deployments while at home, in transit, or walking the floor. The Console provides secure, untethered access to the information required to optimize Commodity XL’s performance and ensure uninterrupted access for business users.

**NEXT-GENERATION TECHNOLOGY**

The winners in the fiercely competitive oil market will be those companies that adopt technology to streamline operations and improve efficiencies. To effectively manage market volatility and complexity, technology must be scalable, flexible, provide high performance, and embrace an open architecture.

Commodity XL for Oil is built on a highly scalable and flexible n-tiered, Java EE compliant, Web-enabled architecture. It delivers super-fast processing that allows real-time valuation and position reporting for large transaction volumes. Commodity XL provides concurrency across hundreds of users, Internet deployability, and open access via native XML messaging. Its platform-independent architecture quickly integrates with any operating system, application server, middleware, or database.
TRIPLE POINT OIL CUSTOMERS INCLUDE:

- China National Offshore Oil Corp.
- CITGO Petroleum Corp.
- Reliance Industries
- Saras Oil
- SK Energy
- Suncor Energy
- Tesoro Petroleum

CONCLUSION

Volatility and complexity is the norm in the oil business, with conditions expected to become even more challenging due to the increasing demands of emerging markets. In order to maximize profitability and mitigate risk, marketers, refiners, and E&P companies must have sophisticated systems in place that can integrate and streamline all aspects of the supply chain from initial deal to settlement.

Commodity XL for Oil provides the most comprehensive solution available for achieving balance between profitable trading, marketing, scheduling, logistics, risk management, and regulatory requirements. Its flexible, scalable architecture delivers real-time visibility into operations from the front-through to the back-office, and powerful business intelligence tools for faster, smarter decision-making. Powerful, end-to-end functionality, combined with Triple Point’s unparalleled Commodity Management expertise makes Commodity XL the only choice for maximizing profit and minimizing risk in today’s demanding business environment.

ABOUT TRIPLE POINT TECHNOLOGY, INC.

Triple Point Technology® is the leading global provider of cloud and on-premise Commodity Management software that delivers advanced analytics to optimize end-to-end commodity and energy value chains. The company provides real-time, innovative solutions to competitively address the complex and volatile commodities supply chain: buying, selling, trading, and procurement; enterprise risk management; scheduling and logistics; storage; processing; and settlement and accounting.

Triple Point’s Commodity Management platform enables over 400 customers in 35+ countries to profitably manage exposure to energy and raw materials across industries, including energy, metals, minerals, agriculture, transportation, shipping, consumer products (CP), industrial manufacturers, and big box retailers. Triple Point was named a “Leader” in Gartner’s ETRM Magic Quadrant for its completeness of vision and ability to execute in 2009, 2010, 2011, and 2012. Founded in 1993, the company employs over 800 staff in 14 offices and support centers around the globe. www.tpt.com.

How to Get Started

To learn how Commodity XL for Oil can benefit your supply, marketing, procurement, hedging, and trading activities, please email us at info@tpt.com, or visit us on the Web at www.tpt.com.