

Managing fuel costs: a critical challenge

With 10% of the global fleet reported to have been idle, 2009 will be remembered as the year the shipping industry was overwhelmed by crisis. With declining world trade, plunging freight rates, high bunker fuel prices and eroded profits, survival was the mantra. Industry experts predicted that survival would continue to be the driving force for shippers through 2010.

In such an uncertain financial climate, now more than ever, consumers and suppliers will constantly seek to lower fuel costs. The high cost of alternative fuels, together with price volatility and the need to maintain product quality, stability and availability, all pose challenges that have a direct impact on the profitability of both shipping and bunkering companies alike.

All of this puts the spotlight on bunker trading and supply, and the need for measuring and optimising processes for the best possible margins. To do this, visibility throughout the trade process is crucial.

When considering the selection of IT systems to support these requirements, bunkering firms need to ensure that systems can:

- Enable traders and management to capture and report profitability on multi-product spot and term bunker deals, from contract through to settlement.
- Allocate cargo purchases, sales, internal movements and outturn adjustments by location.
- Report credit risks associated with new and existing customers.
- Create reports using access to timely local and global crude prices, bunker prices, port information, analysis, and news.
- Report key performance indicators and metrics.

What's in your tank? The value's in the visibility

Knowing exactly what stock is held in multiple tanks in ports across the world, together with product value, title and specifications, is critical to the profitability of a bunker supplier. Visibility of what's available for sale or transfer is crucial for credit reporting and for the banks to understand who you're doing business with. In today's uncertain times, any shipper or supplier who made payment six months ago can easily be in trouble today.

Energy Trading and Risk Management (ETRM) systems with strong inventory capabilities provide a real strength and competitive advantage in a market where spreadsheets have long been the norm for managing trades, and have created blind-spots in the supply chain. Leveraging the right ETRM System helps bunker traders manage trades and understand profits & losses (P&L) and exposure in real time against changing inventories.

But for many bunkering companies, large ETRM systems are often too complex. This can scare companies away from trying to implement a solution, leaving them to continue managing their inventories in the way they have been managed for many years – with spreadsheets. But this leaves value on the table. Spreadsheets don't allow collaboration between traders, inventory managers and accounting. Spreadsheets don't give good visibility, let alone provide the capability for what-if analysis.

Aspect Enterprise Solutions (AES) has built a specific energy trading and risk module for the unique trading scenarios of bunker trades. AspectETRM is the fastest-growing next generation solution globally for downstream traders and buyers of oil, products, petrochemicals and other commodities. AspectETRM for Bunkering combines all the required core functionality required for trading together

with ultra-fast speed of implementation – typically a few days, not weeks or months – and a scalability that makes it cost-effective for small operations right up to the heavyweights that dominate the world's bunkering hubs.

AES's any-to-many scalability results from its Software-as-a-Service (SaaS) foundation, which means bunkering operations never need to install and maintain software and IT hardware, or the associated costs. Users simply but securely access AspectETRM for Bunkering through a standard desktop or mobile browser. The architecture enables key elements of a fully end-to-end solution, including fuel procurement capture, derivative-based risk hedging, and back office accounting to be in place and delivering savings within a matter of days.

Today's bunker trader

Most of today's bunker traders are responsible for the entire trade, from receipt of an inquiry for product to collecting payment. Some also have responsibilities for managing other traders and monitoring the day-to-day risk. They need to be able to make arrangements for contracted supply with customers and ensure product is loaded for vessels from the right supplier. They also manage spot deals, and so having real-time market data for crude oil, bunker prices and analysis is necessary. Many of our customers access real-time and historical market data, charting tools and other news and exchange feeds through our market data portal AspectDSC. It's on the same platform as their energy trading and risk module, and provides a tremendous advantage in the market, and cost savings on the solution.

The focus on price given today's shipping conditions is very competitive. But traders are more than buyers and sellers. Clients are looking for advice for the best product and timely supply, so

Update Bunkering Order

Common

ID AS_1 State Pending

Entry Date 2010-01-18 Trade Date 2010-01-18

Bunkering Term Contract

Buy / Sell Buy Sell

Fully operated

Fuelled ship Sea Princess Estimated Pricing Date

Financial Period 06/07 Closing Financial Period

Strategy Singapore Bunkering Trader Stas Chetvertkov

Counterparty Star Marine Co Location Jurong Port

Broker No Broker Book Bunkering

Company Demo Trading Pte

Pricing

Units BBLs

Comm/Uncomm (pricing) Common Uncommon Rounding 0.001

Order Quantity

#	Commitment	Product	Quantity	UOM	Conversion	Underlying	MTM
1	Spot Order	MDO	4500	MT	7.45	"GasOil 0.5 Singapore"+20	
2	Spot Order	HSFO 180 CST	5500	MT	6.35	"HSFO 180 CST Singapore"+15	

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This screen shows a simple multi-commodity trade spot order for marine diesel and fuel oil from Singapore. From order entry to settlement, this trade is tracked through the system for shared information with your front and back-office teams

again real-time information from regional markets is critical for success. What may look like an obvious deal may actually result in getting caught in a line of backed-up vessels and supply delays. Other alternatives may be available and so information aids timely, smart decision making for the customer, and keeps that customer coming back.

About Aspect Enterprise Solutions

Aspect Enterprise Solutions provides enterprise-class market information, trade and decision support tools for oil and gas, metals, agricultural and other commodities professionals. We deliver near real-time position keeping, risk management, market prices and intelligence to users virtually anywhere, anytime. Trusted by over 500 corporations in more than 80 countries, our solutions routinely support more than US\$10 billion of transactions every day. Our solutions go live quicker, fit more exactly and deliver greater ROI, yet cost far less to implement than first generation offerings.

AES clients are bunker companies with supply and trading activities, oil and gas suppliers, refiners and marketers, large end users, and physical and financial trading firms, big and small. AspectETRM includes a Standard Edition and a customised Bunkering Edition,

specifically developed to meet the unique trading requirements of bunkering companies. Other vendor systems do not cater to bunker company needs and are often cost-prohibitive, unlike AspectETRM for Bunkering.

Other AES applications include AspectDSC and Aspect TradeFlo. AspectDSC is our multi-commodity market data portal and decision support centre; Aspect TradeFlo is the professional edition of AspectETRM, which is designed for small to mid-size companies with less complex trading and risk requirements. All of our applications are integrated on the same web-based platform and delivered SaaS. This means you receive your applications swiftly, not in months or years. Our on-demand commodities trading and risk-driven performance applications deliver a robust suite of tools to create a seamless, visible transfer of activities between trading, operations and back-office teams.



For more information, visit www.aspectenterprise.com or e-mail us at moreinfo@aspectenterprise.com