



ICAP Energy is part of the world's largest voice and electronic interdealer broker - the ICAP Group - with an average daily transaction volume in excess of \$700 billion, more than 50% of which is electronic.

The ICAP Group has thrived on growth and volatility within the capital, foreign exchange and related markets, increasing turnover, cost control, and improving profit margins. And ICAP's diversification into new business areas, like energy, is now secured.

ICAP Energy now offers full service OTC brokerage, with information and technology support, to bring energy market buyers and sellers together. ICAP Energy is the number one electricity broker and a leading intermediary in other energy related products, including natural gas, coal and weather derivatives - and globally.

"Consistent with the way in which ICAP operates in other markets, we transact energy business as an independent broker on a strictly name give-up basis only. Regulated by the FSA, we maintain close two-way quotes on all energy related commodity prices, many of which are traded on our widely supported price execution screens. Our quotes cover various maturities in all actively traded areas within physical energy and related derivatives. We now arrange some 15,000 transactions per month," says Paul Newman, Managing Director of ICAP Energy Ltd.

"In all our operating areas, we believe that effective price dissemination helps to attract new participants and adds to the market's development and liquidity. And in many circumstances, it's clear that the ability to negotiate prices anonymously through an intermediary - before 'closing' the transaction - assists principal traders in achieving improved execution," Newman adds.

"Our position within the North American, UK, Continental European, Nordic and Asian markets provides our customers with a robust and dynamic trading experience. We work closely with partners around the world to provide the most timely information and interactive technologies possible. Integrating our knowledge-base around the globe into a single brand now allows us to serve customers more effectively, as well as

ICAP Energy is the leading OTC broker of coal, crude and refined products, together with electricity, emissions, freight, natural gas, weather and their derivatives.

And we have a powerful market tool many of our competitors are lacking - knowledge.

Knowledge that can only be gained through years of active participation in the energy industry. And our experience crosses all facets of the industry:

- **Transportation / Wheeling**
- **Physical Production / Generation**
- **Financial Markets**
- **Weather Forecasting / Hedging**

We understand industry information and make sense of the data. That, we believe, gives our customers a powerful advantage ...

offering product and geographical independence," comments Dennis Crum, CEO of ICAP Energy LLC.

ICAP Energy will continue to maintain leading positions in all major and complementary energy market segments - developing the hybrid broking model, whilst continuing to develop a suite of web pages, prices and services (such as deal confirmation and clearing) to attract more users.

ICAP Energy offers customers real-time price discovery and execution ...

For more information go to:

www.icapenergy.com



Amsterdam



Bergen



Chapel Hill



Houston



Jersey City



London



Louisville



NYMEX



Singapore



Sydney

Auctions Coal Crude Electricity Emissions Freight Natural Gas Weather

ICAP Energy recently participated at E-World, an energy conference and trade show in Essen, Germany, where numerous speakers discussed energy market transparency [among other things]. This topic, together with other electricity price drivers – such as CO₂ and other market dynamics – were high on the list of market participants interest and will continue to be at the forefront of commodity and energy trading in the foreseeable future.

For many years, the OTC broking community has contributed to energy market developments on a number of fronts. And knowing a market(s) value and providing cost efficient execution is key to the success of any broker. ICAP Energy covers all energy products in continental Europe and the UK (crude oils and oil products, electricity, natural gas, weather derivatives, coal, emissions and freight) and has witnessed market movements in each of these associated products increasingly influencing one other.

For example, France has historically traded off the back of movements in the German electricity market. However, on occasions where the UK is subject to a significant price move, French electricity prices will move accordingly, and thus cause moves in the German market. Consequently neighbouring markets, such as Holland, Austria and Switzerland, will also be affected.

Energy markets normally react on the basis of fundamental changes in supply and demand dynamics. At the same time, energy products are becoming more closely correlated. Market players, therefore, want to know which fundamentals are in play and driving investment intentions – and consequently prices. In short; where is the market going and why? Thus, the more information a sophisticated energy broker can provide, the more transparency and volume brokerage offers the marketplace.

One interesting impact has been the influence of continental markets on the Nord Pool region. The days when (if it rained) buyers out-numbered sellers, and if temperatures dropped, sellers became plentiful, have reduced dramatically. We now see the Nord Pool market reacting off movements in German electricity and other markets 'connected' to it. For example, last year we observed one continental company having to generate more production at one of their coal plants; consequently the required CO₂ certificates triggered price movements in Germany, France, Holland and Nord Pool markets. As a broker covering all of these areas it was an extremely busy, not to mention exciting day.

As in Nord Pool's example of market transparency, you often hear the comment that this is the 'ideal model'. The structure of Nord Pool may enhance the confidence and reliability of the spot market, but although forward traders will trade off the back of spot market results, the mainstream of trading would seem to be based upon information available between the markets and the influence of continental markets on the Nordic region.

This example serves to illustrate that investing in the talent to provide customers with a 'complete price picture' across all markets is a fundamental upon which ICAP Energy continues to build. In 2003, we added electronic broking and have never looked back in our ability to provide enhanced broking services to our customers – who now have the ability to view and trade any of our markets electronically with voice assistance from the best informed and qualified brokers.

Market regulation and clearing have often been referred to as key elements in developing market transparency. However, such elements also refine market growth. In the game of profit and loss, traders will often elect to trade the market that provides them with the most flexibility and lowest cost – and of course, the deepest liquidity.

The role of a broker is to bring buyers and sellers together and execute at best price. That means working to match the equal, and sometimes, opposing needs of customers including:

- **Producers / Generators**
- **Marketers**
- **Utilities**
- **Banks**
- **Trading Companies**
- **Insurance Companies**

Again, as we see interest in the inter-operability between markets, a 'one stop shop' can provide the appropriate platform for stronger interest and larger orders in a more harmonised marketplace. It will become imperative for the future of clearinghouse development to focus on cross-market clearing. The prospect of third-party credit services providing efficiencies across markets is very much in its early stages. The question remains; is clearing a nationalistic venture or does the market need to develop a more comprehensive service across a number of markets? One of the major clearers recently launched cross-commodity clearing but has yet to gain significant traction. They are, nonetheless, well positioned should demand for these services increase. With the increased entry of international players, expectations are high and clearing organisations will need to meet this demand to support added liquidity.

OTC trade information has been available from the majority of brokers by using an Application Program Interface to collate and organise data. But although this covers electronic trades, what about voice trades? With the upcoming implementation of the Markets in Financial Instruments Directive, brokers may be subject to much more rigid reporting requirements.

ICAP Energy have members on the boards of both the London Energy Brokers Association (LEBA) and the Nordic Energy Brokers Association (NEBA) where these issues are constantly under discussion. LEBA recently launched the LEBA Index, providing a source whereby brokers contribute to a price index benchmark. Perhaps in the future LEBA/NEBA can be instrumental in providing greater market transparency by creating indices for all energy products. Furthermore, brokers may offer confirmation services to the entire broking community and thus have one centralised source for all energy trades.

ICAP's determination is to service its customers in a way consistent with the maturity of given markets. As more countries and regions complete the liberalisation of commodity markets, we are confident that market fundamentals and required transparency will require everyone's attention. As the old adage goes, 'The only constant is change', and energy markets are no exception this ■

