

Jean-Marc Bonnefous
BNP Paribas



FRENCH bank BNP Paribas has always been strongly involved in arranging financing for energy companies, so it was a logical move for it to add risk management and trading tools to its commodity lending division. So says Jean-Marc Bonnefous, global head of commodity derivatives at the firm, who in 1988 – in his first career role as a junior officer in the project finance division – volunteered to work on developing BNP’s commodity derivatives trading business. Which may also explain why the commodity arm is part of the bank’s Energy Commodity Exports Project – which focuses on energy-sector financing – as opposed to the fixed-income division, as it is at many other banks.

Bonnefous became part of a five-strong team, most of whom came from Chase Manhattan, which saw an opportunity to improve the credit environment through providing risk management services. BNP was one of the first companies to identify this as an area of asset-client business, says Bonnefous. “We recognised that our clients could use hedging tools to

better manage their cashflows, so they could borrow more money due to their improved credit quality,” he says. Taking such an approach may well have stood the bank in good stead for the credit risk problems – and related debt financing requirements – that were to come in the energy business.

When Bonnefous started working on the derivatives side of the business in 1988, the over-the-counter energy market barely existed, he says – maybe 10 deals had closed. In investment banking terms, it was an arranging market rather than a trading market, he adds. In 1989, the bank started doing trades with airlines using the West Texas Intermediate crude price – the only workable index at the time, says Bonnefous.

More recently, the team has been doing some innovative work off the back of increased investment going into development of liquefied natural gas (LNG) plants and ships. BNP Paribas has started doing swaptions against the natural gas price – for example, against Henry Hub, west coast and northeast prices in the US – to hedge the exposure on LNG projects. “We have been waiting to do this type of business for a while,” says Bonnefous.

His commodity derivatives group now employs around 120 globally, having strengthened its team in early November by hiring three energy traders and an energy deal structurer. As banks continue to strengthen their foothold in the energy markets, Bonnefous seems set to ensure BNP Paribas is among the frontrunners.

Joe Marsh



Jean-Marc Bonnefous was profiled in *Energy Risk* in January 2004

“A lot of banks are tipped to enter energy trading markets in the next few years. But few will succeed.”

View the full profile online at www.energyrisk.com

Richard Bronks
Goldman Sachs

NO list of the most important individuals in the energy markets would be complete without particular mention of Goldman Sachs. The New York-based investment bank came top in *Energy Risk*’s subscriber-voted ranking-of-rankings for over-the-counter derivatives in the oil and oil products sector.

Much of the credit for this success must go to Richard Bronks, the man charged in 1993 with setting up Goldman’s energy derivatives business in London, who then in 1995 moved to New York to do the same there. He became co-head of the global commodities business in 2000 and earlier this year moved to the New Markets group where, among other things, he will develop opportunities for the commodities business in emerging economies.

The need for a combination of strong physical and financial market experience to succeed in energy emerges time and again and, sure enough, Bronks started his career at oil major BP in 1987. There he initially traded oil before spending five years in the options business and then trading physical crude oil. In this role, he was one of the original participants in the oil swaps business and a counterparty to some of the first hedging transactions executed in this market.

Due to its size, Goldman’s own commodity business operates separately to the rest of the bank’s groups and even under a different name: J Aron. “Because we have a much larger team than many of our competitors, we can’t physically locate it alongside other departments,” says Bronks. “However, we have a good communication culture, so this is not a hindrance, and we work closely with other groups when structuring transactions.”

This may prove very useful, in view of the growing trend towards trading the correlation between energy and other asset classes (see *Energy Risk*, October 2004, cover story).

Joe Marsh

John Browne
BP



BP chief executive Lord John Browne of Madingley may be leading one of the world's most successful oil companies, but ironically it could be his green credentials that he is remembered for.

Browne, at the helm of BP since 1997, would no doubt like to think he has revolutionised the oil business with his focus on finding new, environmentally friendly forms of energy – and crucially ones that will profit his shareholders.

"The evidence that human activity is altering the world's climate is mounting. Year by year new studies add to the body of knowledge," Browne said in a speech he made to the Princeton Environmental Institute in October.

"The science is provisional but on an issue like this we can't afford to wait for absolute proof," he went on. "We have to make judgments on the basis of the evidence we have. Given the weight of that evidence, there is an overwhelming case for precautionary action."

In other speeches he has highlighted the fact that finding sustainable

energy sources makes sound business sense and is good for shareholder value in the long run. This kind of talk would have been unheard of from the head of a large oil company even 10 years ago.

But it is working. Browne's views are taken seriously by environmentalists, whose respect he has of course carefully cultivated but often won all the same. His competitors have also taken note and put in place their own, more eco-friendly, objectives.

Born in 1948, Browne is the son of a former BP worker father and a Hungarian mother who survived Auschwitz. He joined BP after graduating from Cambridge University in 1966 with a degree in physics. Between then and 1983 he held a number of exploration and production posts around the world. In 1984 he became group treasurer and chief executive of BP Finance International. He was subsequently appointed chief executive of the Standard Oil and Production Company after its merger with BP in 1987, eventually joining BP's board as a managing director in 1991.

After the merger of BP and Amoco in 1998, Browne was made chief executive of the combined group, securing himself a place as one of the world's leading industrialists. And yet he is reportedly an unassuming man. When interviewed earlier this year by news organisation CNN, he was asked about making mistakes. His reply: "I always say to myself that the most important thing is never to lose the plot."

John Ferry

"The evidence that human activity is altering the world's climate is mounting. Year by year, new studies add to the body of knowledge" **John Browne, BP**

Shannon Burchett
Risk Limited



SOME might feel that a natural career inclination of a Texan would be towards the energy business. Shannon Burchett has certainly followed the calling of the lone-star state: as chief executive of strategic management consultancy Risk Limited, not only is one of his main specialisms energy, but he is also based in Dallas.

And he certainly enjoys a challenge. Burchett has been involved in three start-ups in the energy industry, two of which – Missouri-based Ameren Energy and Risk Limited – he founded. He also was also involved from the beginning with one of the first power traders and marketers, Duke Louis Dreyfus. When North Carolina-based Duke Energy and global commodity trader Louis Dreyfus formed the company in 1995, they hired Burchett from Chase Manhattan Bank.

He managed marketing and management sales for energy products and services at Duke Louis from 1995 to 1997 and helped develop strategies and products for the emerging electricity market. He also had a big role in changing the firm from a proprietary trading firm into a risk management provider. Electric Clearing House – part of investment bank Morgan Stanley – and Enron were the only others to have power-trading

operations, but Duke Louis was the first with strong electricity market experience. Then, in 1997 and 1998, Burchett set up a regional trading arm for major energy provider Ameren Corp. As president of Ameren Energy, he came up with the strategic plan for the business and also managed the design and construction of the 100-desk company's trading floor. It was a timely move, says Burchett – Ameren started setting up the floor in January 1998, and it was trading by June, just in time for a big electricity price spike.

Indeed, given that such volatility is part and parcel of the energy sector, Burchett feels his experience of finance has been crucial. He created innovative structured-note and hybrid-derivative contracts for clients while at Chase and, more recently, the RiskAudit concept for companies and lenders to assess risk profiles post-Enron.

Burchett has to take a long view of the markets, as a strategist – and he clearly has the background to do so. Oil and natural gas prices and extreme price volatility may be early indications of things to come over the next decade, he says. And assuming the current situation continues, he feels the need for energy consultancies will grow.

Demand for expertise will be strong in specialised areas such as risk management strategy and quantitative analysis, he says, especially if new energy legislation is finally passed after the US election. He points to possible developments for the electricity grid and for restructuring in the electricity sector if the Public Utilities Holding Company Act is repealed.

Joe Marsh