Q: Guy Isherwood (GI – Editor, Commodities Now)
A: Steffen Köhler (SK)

(GI): EEX has a history of successful expansion into new regions and asset classes with the Nordic market being the latest. Can you define the rationale for this?

SK: Our rationale has always been based on the simple principle of making trading easier and more profitable for our customers. Our performance over the past 12 months has been particularly strong and that success is largely due to major growth in our core markets, as well as expansion into new European territories.

Furthermore, with the addition of new commodity markets to our portfolio, such as Agriculture and Freight, we’ve added an exciting, new dimension to our existing energy-based business model. This diversification takes us one step further in realising our ambition of being able to provide our customers with a credible one-stop-shop proposition.

You mention the Nordic market, it is still early days for us as we have literally just entered this market, nevertheless, it is certainly a major strategic priority for us. The opening of our Oslo office in September was an important step, as this enables us to offer real, ‘on the ground’ support to our Nordic customers. Our product offering comprises financially settled power futures which are available for trading and clearing on a monthly, quarterly and yearly basis.

Additionally, through their EEX membership, our Nordic clients will get access to power products not only in the Nordic region but also in Germany/Austria, France, Italy, Spain, Greece, Netherlands, Belgium, Switzerland and Romania. This offering is supplemented by the option of spread trading between different markets, for example, the spread between the Nordic power market and the very liquid German Phelix Future.

(GI): EEX’s expansion into the Italian market has been notably successful. What were your key strategies to achieve this outcome?

SK: Italy has indeed been a great success story for us and a carefully thought-out and well executed strategy helped us achieve our goals. Every element of our strategy was created “hand in hand” with our Italian customers. We sought their opinion at every stage, even down to the location of our office and in my opinion, this is why we have seen such success, with an average market share of 45% on the total Italian market (Jan-Aug. 2015). We took our time to cultivate and develop meaningful relationships with the Italian customers. From there we were able to fully understand the wants and needs of the Italian market and create a local product offering, which is based on the concept of the Phelix Future. For us, it is very important that we (literally) speak their language, and our Milan office opening has been instrumental to our success. We’ve been very pleased with the volumes in Italy. To date, we have admitted 122 participants, with 250 TWh having been transacted from beginning of the year until September 2015.

(GI): I expect EEX will continue to build on its successes and experiences. Are there any further European diversification plans in the pipeline?

SK: In November we will enter the UK market and provide an alternative to the current offering of financially settled UK Power Futures. This is a significant move for EEX Group as it brings together all major European power markets for clearing on one single platform. When we launch, we will offer the full curve for the UK market, ranging from day futures to calendar years – this will only be available at the EEX platform. The strategy behind this lies in the promotion of UK
power market liquidity in what is a key European hub for us. Also, in response to the growing influence of renewables within European energy markets, we launched trading in Cap Futures this September. This product addresses the challenges faced by market participants by assigning a value to scarcity of supply. By offering this product, we have made flexibility a tradable commodity. With this move, EEX Group becomes the first exchange in Europe to offer a derivatives market product referring to the intra-day market. In the immediate future, we will also extend our Freight Futures offering with a number of key product enhancements. With an extended product offering, in addition to a significant reduction in transaction fees, we are showing our commitment to this market.

As far as geographical expansion is concerned, together with Cleartrade Exchange (CLTX, which is part of EEX Group), we will continue our strategy to expand our presence and explore further opportunities in Asia. As you can see, the expansion into new territories and new markets is at the heart of our growth strategy and we will continue on this path.

(219) Within your growth plans, how much focus and effort are you putting into your core markets?

SK: Our core markets are extremely important to us, and we are fully committed to developing these markets further. In Germany, we managed to increase our average market share on the total market to 30% from 24% in the same period (Jan.-Aug.) of last year. In France, we increased our average market share on the total market to 22% from 6%. These figures, while strong, demonstrate that there is still huge potential to gain volumes from the uncleared market. It’s important for us to listen to the market and to remain flexible in order that we can provide our customers with the best possible solutions. We will certainly look to extend our product suite for power futures in continental Europe and we’ll also look to do the same with natural gas. In addition to this, we will continue to provide new products which suit the ever changing needs of the market, for example, in the context of “Energiewende”; and also strengthen the benefits of cross margining and straight through processing. It’s also very important that we continue to enhance our trading functionality, and make it easier for our customers to trade.

(231): EEX’s global evolution is well underway, shown by its expansion into Asia. What is your reasoning behind this and how have you achieved it?

SK: Ultimately, EEX Group’s approach to trading and clearing promotes choice for customers and stimulates competition between marketplaces. In order to be successful in any market, firstly you have to understand your customers’ wants and needs, only then can you provide the necessary solutions. By reducing barriers and making trading easier for our participants, EEX Group has positioned itself as an exchange of choice. Since our inception as the Leipzig Power Exchange in 2000, we have continued to evolve and expand. Today the EEX Group is spread across 13 locations, and as well as the energy sector, we are active in many other markets. Our aim now is to build on our achievements and develop further, positioning EEX Group as a global multi-commodity exchange.

"Our aim now is to build on our achievements ... positioning EEX Group as a global multi-commodity exchange"