



Energy Derivatives Structuring & Risk Unbundling

The Need

Option technology has progressed extensively since the basic option model was introduced in 1974. Nowhere are these progressive hedge technologies more critical than in energy markets. Today's business and operating conventions require hedge structures that cannot be properly met with standard options. As a result, many standard energy price risks require an advanced or 'exotic' option solution.

The Program

This course examines sophisticated option structures in the context of their application to the energy business, demonstrates how the tools can be used to reduce the customer's cost of hedging, while simultaneously allowing transactions to be tailored to meet an exact need.

The Practical

This course combines aspects of the two prerequisite energy derivative seminars and takes participant knowledge to a higher level. Participants will develop skills to combine and decode multiple products to create and price complex structures. This bundling and unbundling process is the cornerstone of an integrated risk management operation that provides value-added products for customers. Understanding these processes allows for more innovative problem solving.

Summary and Objectives

At the conclusion of this program participants will be able to:

- ✓ *Combine multiple hedge components to create customized hedge structures*
- ✓ *Provide below-market pricing of energy through option structures*
- ✓ *Reduce the cost of customer hedges through sophisticated options*
- ✓ *Utilize innovative Asian-style, barrier, digital and other structures*
- ✓ *Design hedge structures for customers having risk exposures to multiple fuels*
- ✓ *Identify individual derivative components embedded within a complex agreement*
- ✓ *Price and structure complex transactions, which embed multiple derivatives*
- ✓ *Measure the desirability of hedge structures for power generators at given 'heat rates'*
- ✓ *Create a below-market price for energy by arbitraging mispriced embedded derivatives*
- ✓ *Extract cash value for a customer from an option identified within a complex supply agreement*