

Supporting your business through COVID-19



Three steps to mitigate risk and maximise opportunities with your energy procurement. March 2020.

With the rapidly changing nature of the global COVID-19 outbreak, it can be hard to focus and prioritise activities. At World Kinect Energy Services, we know that communication is important, particularly during this period of uncertainty and rapid change, and we are here to help.

We want to ensure you have access to relevant information when you need it to help you plan and act. Our team constantly monitors the energy markets so we can keep you informed with latest changes that may potentially impact your business.

It is unclear what will happen over the coming months, so to help your business mitigate risks and maximise opportunities during these uncertain times, we have put together three key recommendations:

1. Review your contract tenure

At the time of writing, most commodity markets have been on a bearish trend, with some recent significant falls compounded by - amongst other factors - a slump in oil price and a downturn in global demand. This trend presents both risk and opportunity.

We strongly recommend that you review your current portfolio and consider the contract tenure. Investigate options to extend contracts to either capture and lock in historically low prices or request a longer hedging horizon should the market dynamics change.

During these unique times all businesses will face different challenges. Consider your specific circumstances in order to find the approach that is both appropriate and achievable for your business. Your World Kinect Energy Services Key Account Manager and/or Portfolio Manager will be able to walk you through your options.

2. Be aware of your hedge position

It is inevitable that many commercial and industrial businesses will see a reduction in sales, as mandatory restrictions in movement in the world's largest economies take effect. These restrictions will also lead to a drop in output and energy demand.

It is worth remembering that all contract clauses are linked to variations in consumption. Depending on the terms of your specific contract, you may need to consider some mitigation action such as reforecasting consumption or reducing your hedge position.

To avoid potential penalties and/or being forced to unwind hedges, remind yourself of the relevant terms in your supply contract and keep in touch with your supplier, either directly or via your contact at World Kinect Energy Services. Our team is always on hand to discuss any issues and help agree mitigation strategies accordingly.

3. Understand your credit terms

Payment terms, and the availability of credit have always dominated the energy industry, and we want to reassure you that this a key focus at World Kinect Energy Services during these exceptional circumstances. Credit risks affect both suppliers and end users in equal measure, therefore communication and regular dialogue between counterparties is advisable.

At World Kinect Energy Services, we continue to support our clients through appropriate due diligence, aimed at minimising impacts in terms of financial or commercial risk.

CONTACT OUR TEAM OF EXPERTS

We are here to help during this uncertain time. Should you wish to discuss any aspect of your energy portfolio, our Key Account Management team and market experts are always available to advise and guide.

Contact the team today on:

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