

This program covers asset-backed trading (ABT). The activity ABT covers the hedging of exposures. It includes the hedging of assets.

During the delivery of this program attention is given to optimization in the sense of optimizing the hedging process. This is why various ways of hedging are covered. Numerous hedging strategies are set out, as well as their consequences. Next, lock-in models are touched upon. Moreover, book structures and internal transfers (and the related pricing) are covered. Participants are shown how the relationships between the business units Sales (downstream) and Trade are organized. Likewise applies for the relationship between Generation (upstream) and Trade.

During the delivery of this program you'll be facing the application of derivatives, such as futures and options. Next, options are handled, just like the valuation and hedging of those instruments.

### Level & Prerequisites

Mercurious guarantees a very interactive, practical and hands-on three days, full of examples, cases and exercises. Participants are required to participate actively and thereby we stimulate the learning curve optimally.

There are no specific prerequisites to attend. In other words, you don't need any basic knowledge, and still you'll manage to take it into depth. Mercurious is responsible for the guidance and helps you dealing with these challenges.

### Asset-backed trading

- What is it?
- Risk taking
  - Limit structures
  - VaR limits
  - Position limits
- Internal transactions
  - Internal transfer pricing

### Ways of hedging

- Perfect hedging versus imperfect hedging
- Hedging of supply contracts
  - Hedging of gas exposures with Summer & Winter contracts
  - Hedging of Volume flexibility contracts
  - Hedging of profiles
    - Forward curves

### Hedging strategies

- Back-to-back hedging
  - M-to-M valuation
  - Hedge accounting
- Proxy hedging
  - Correlation
- Value hedging
- Volume hedging
- Beta hedging
- Delta hedging
  - Dynamic form of risk management
  - Timing; when?
  - Size; how much and thus for what volumes?

### Transport capacity as real option

- Gas / Power transport capacity
  - String of location-spread options
- Basis trading
  - Trading the basis

### Gas storage capacity as real option

- Gas storage
  - Sequence of time-spread options
- Locking in the value of gas asset
  - Hedging process
  - Setting up hedge
    - Choose amount/significance
  - Unwinding hedge
    - Choose significance
  - Repeat sequence
  - Timing is critical element
  - View on the market

### Power generation capacity as option

- Power plants as sequence of call options on the spark spread
- Asset-backed trading
  - SS optimization
  - Delta hedging
  - Strategy to lock in
  - Dynamic hedging
  - Objective approach
  - Subjective approach
  - Under/over-hedging
  - Value of real option
    - Time value
    - Intrinsic value
    - Volatility of SS