

HOW IS DIGITAL MODERNIZATION IMPACTING THE ENERGY INDUSTRY?

Digitization is affecting all industries around the globe, but the energy sector faces unique challenges. Legacy systems and processes are ill-equipped to deal with increasing complexity brought on by changing regulations and the transition to renewables. We sat down with Andres Trujillo, FIS® industry specialist, and Chuck McClure, FIS enterprise energy sales executive, to get their thoughts about the impact of digital modernization on oil and gas companies.

Q&A by
 Andres Trujillo, FIS Industry Specialist and
 Chuck McClure, FIS Enterprise Energy Sales Executive FIS

Q: How are your current clients in the oil and gas industry using financial technology to build a digital-first culture that navigates the evolving energy market?

A: The energy industry is heavily reliant on manual process administration which is time consuming and inefficient. When workflows break down, there's not an automatic fix.

Our clients in the space are looking for financial technology solutions that solve these challenges by enabling more connectivity and easier communication across multiple business units and geographical locations. They're phasing out spreadsheets and moving operations to ETRMs that are tailor-made to manage the data and work flows associated with their business.

ETRM provide better controls, auditability, security, easier reporting and better connectivity for real-time decisions. These are cloud-native, fit-for-purpose systems that enable corporations in the energy space to connect directly with their clients and service providers via APIs and Integration as a Service (IaaS).

Q: What guidance would you give an energy executive regarding the modernization of their trading and logistics activities across various commodities?

A: There comes a point when a business grows large enough that sales spreadsheets and a singular trading system are not going to cut it anymore. Every commodity in the energy space has different peculiarities when it comes to operations, accounting and logistics. There is no one-size-fits-all software solution.

It's important to partner with a proven leader that understands the complexities in the energy industry and offers fit-for-purpose applications that can scale as a company grows. We emphasize the importance of open integration with leading technology partners like SAP that empowers companies to leverage their investment in that technology without giving up functionality. This is the approach FIS takes, and it helps our customers provide their employees and customers with the most capable and supportable systems in the industry.

Q: Why is it important to have a trading, logistics and accounting platform with capabilities specific to each commodity?

A: Different commodities behave differently, and this is particularly important to understand when it comes to trading risk management and logistics in the energy industry. A company moving liquid hydrocarbons versus natural gas is analogous to a consumer purchasing a hardcover versus a digital book online. With liquid hydrocarbons, like a physical book, there’s a lag time between buying and receiving. Buying and receiving natural gas is like downloading a digital copy of a book – it’s a lot more instant.

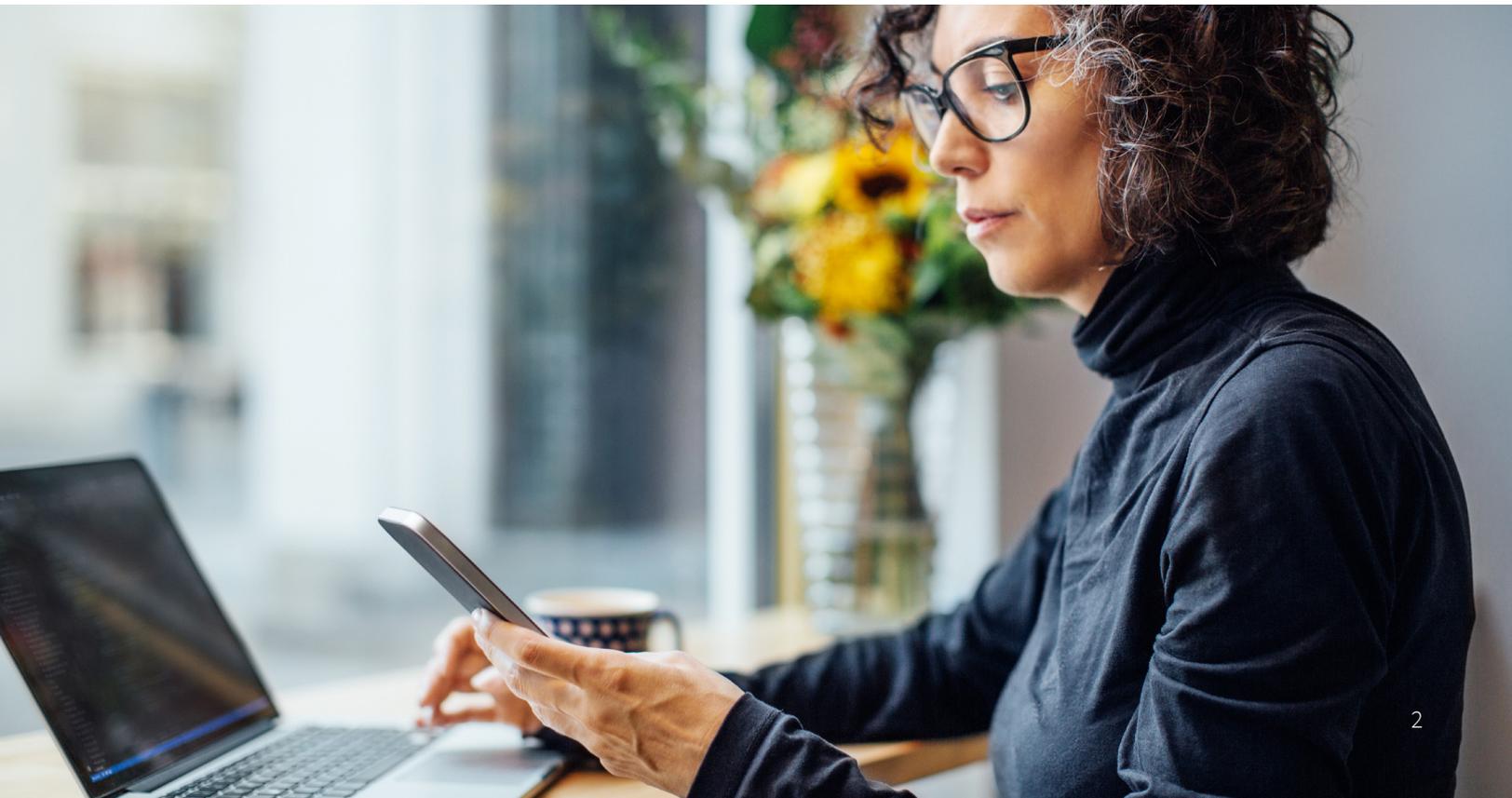
Because liquid hydrocarbons and natural gas don’t work the same way in terms of purchasing and delivery, the systems that track trading, risk management and logistical activity need to accommodate the differences. These are fundamentally different processes and require different data models.

Q: Why did FIS choose to partner with Egistix and what makes the partnership unique?

A: We recognize how difficult it is for multi-commodity oil and gas companies to find a suitable ETRM solution to capture their commodity marketing and trading activities. Solutions are limited and tend to be designed and built for either natural gas or liquid hydrocarbons and lack the functionality needed when extended to cover both commodities.

With Egistix, FIS saw the same thoroughness in handling oil as we have for natural gas. Combining our systems provides a solution to those that need an ETRM for managing oil and gas production, marketing, logistics and trading. It allows us to offer clients the ability to handle the unique logistics of both commodities, with a singular, enterprise-wide view of risk, credit and various trading metrics like mark-to-market and profit-and-loss.

Additionally, since Egistix is based in Canada and FIS is based in the U.S., we can share our expertise in each market. This enables FIS to better serve our Canadian clients and allows Egistix to tap into the U.S. market.



Q: With legacy ETRM system complexities and increased maintenance costs, why is a cloud-based solution important?

A: No matter the industry, everything is moving to the cloud and the overall goal with our technology is to be API-oriented. The cloud enables automatic software updates, smoother implementations, less costly upgrades and access to cybersecurity experts. Companies can simplify and optimize their IT operations, have more predictable operational expenses and free up resources to focus on bigger priorities.

Another benefit of moving to the cloud is the concept of “strength in numbers.” If there’s a vulnerability or cyberattack, a business using a cloud solution has the backing of a larger team of cybersecurity professionals managing that software.

Additionally, businesses are looking to move away from customized software because it’s expensive and a hassle to maintain. Integration-as-a-service is critical because it enables communication and integration at a more seamless level and eliminates the direct database-to-database queries that are prone to failure and costly to support.

At FIS, our customers benefit from our reach and scale in all these areas. We offer energy companies the same level of cyber protection that we provide the largest financial institutions around the world.

