

Vitol, Gunvor and Mercuria Energy Group among traders building up their metals teams

World's Biggest Energy Traders Return to Metals

Bloomberg

Some of the world's biggest energy trading companies are returning to metals, years after getting burnt in the notoriously difficult markets.

Vitol Group, Gunvor Group and Mercuria Energy Group are among the traders building out their metals teams, as they look to deploy capital generated by record profits.

The shift comes as forecasters turn increasingly bullish on copper, aluminum and other metals, where long-anticipated production shortfalls are starting to take shape. Many commodities houses also see strong links between metals usage and power markets — another growth area for traders.

The energy giants are entering a sector that's proven difficult to trade in the past, and one that's largely dominated by two players: Glencore Plc and Trafigura Group. Their arrival could challenge smaller-scale metals traders, which have struggled to turn a profit in recent years as soaring energy prices and supply chain disruptions crimped demand from manufacturers.

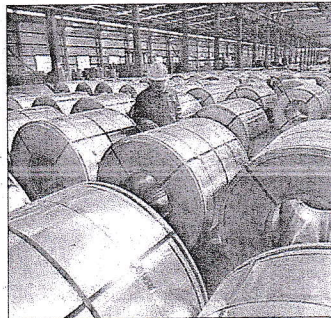
"For the oil traders, there's a whole energy transition story, but they've also got the cash to take significant positions," said Kristofer Tremaine, chief executive officer of Kimura Capital, a lender to the commodities sector. "A lot of metal traders should be worried — they're going to lose a lot of market share."

BIG PLANS

The early signs are that the new players are betting on bulk, with bigger volumes a good fit for the large-scale transportation networks of firms that move millions of barrels of oil per day.

As well as derivatives trader Woddy Zhang, Gunvor recently brought in Michael Gerard, formerly of IXM, to build out a concentrates trading business and has been in talks to hire Traxys' former head of West Latin America, Paolo Cabrejos, according to people familiar with the matter. That adds to a group of traders largely focused on aluminum that it hired late last year.

"As a company, what we're really doing is continuing our deep invol-



DIFFICULT SECTOR

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vement in energy markets," said Ivan Petev, global head of base metals at Gunvor. "The energy transition goes through metals — you cannot do it without metals."

Vitol is also initially focusing on aluminum, with Benjamin Seaford and William Gayner set to join from Mercuria. The world's biggest independent oil trader has also hired an iron ore veteran to trade that paper market.

"The bigger, commoditized metal markets are probably more suited to us because most of what we do is large scale commodity movements," Vitol CEO Russell Hardy said in an interview on the sidelines of a conference earlier this month. "So lithium, cobalt or other battery metals hasn't really crossed our thought process."

Mercuria has held talks about hiring Kostas Bintas — Trafigura's former co-head of metals and notorious copper bull — to build out a large-scale base metals trading business.

The ability of the energy traders to deploy vast amounts of capital could potentially have a big impact on metals markets.