

Supporting energy transition in commodity finance

NATIXIS CIB

Natixis CIB has successfully managed the challenges of the recent commodity price rises, continuing to support producers and traders with the credit limits they required – thanks in part to its partnership with Credendo. The bank is also tightening its focus on aiding the global energy transition to greener fuel.

Natixis CIB, a subsidiary of Groupe BPCE, the second-largest banking group in France, has been a leading player in the commodity finance market for 30 years. The bank supports producers and traders across many sectors including soft commodities, mining and metals and energy.

The bank first established a relationship with Credendo in 2007 – with the partnership further strengthened when Carole Macaire-Freyne became Global Head of Credit Insurance in 2013. Her role has grown to include infrastructure and energy transition finance – an area of increasing importance for the bank.



CAROLE MACAIRE-FREYNET,

Global Head Infrastructure and Energy Finance Syndication and CPRI at Natixis CIB

“When we approach the insurance market, we don’t always come with easy proposals, and some require more in-depth explanations. Credendo is very open to listening to us and our analysis and reasons why we think it is a good transaction.”



ALINE DUPERREX,

Senior Underwriter at Credendo

“We hear Natixis when they say they really need capacity, and we will do our best – it doesn’t mean it will always work, but we always try.”

Natixis CIB regularly makes use of Credendo’s Single Risk insurance – a division within the company that merged with Credendo – Excess & Surety in June 2021 to form Credendo – Guarantees & Speciality Risks. “This merger helped improve relations between Credendo and the bank even more,” says Macaire-Freyne.

“We always had a good relationship with the team, but there has been a different momentum since the merger – helped by a clear definition of who is doing what. This is to some extent facilitating us doing business,” she says.

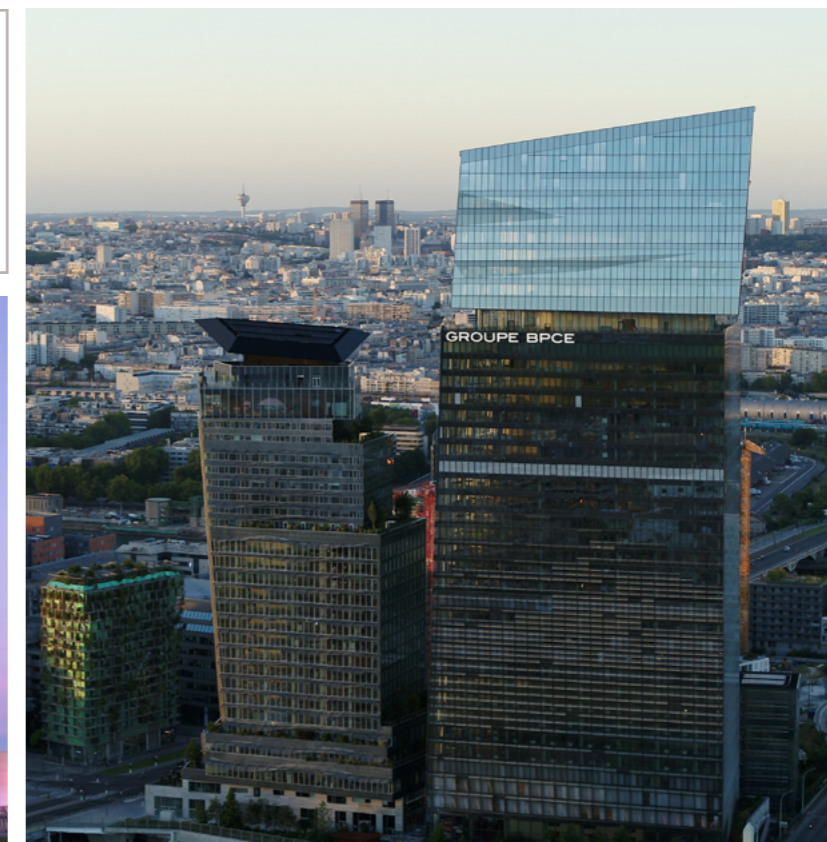
Since the invasion of Ukraine by Russia in February 2022, commodity finance markets have been a challenging area to work in, with the conflict between two key markets pushing energy and food prices sky high.

“Natixis CIB was active in Ukraine and Russia for many years, so of course 2022 did affect us as we stopped doing business in these two countries,” she says.

“There has been a clear impact on global trade flows and commodity prices. With prices increasing, traders need more support and increased credit lines – which in turn means we need to use more insurance products so that we can share the risks and preserve our balance sheet.”

Natixis CIB is keen to maintain its support for traders and producers throughout both the good and more challenging times, particularly those involved in efforts to transition from fossil fuels to greener sources of energy. The bank is one of many financial institutions that signed up to the UN-backed Net-Zero Banking Alliance in April 2021, which commits members to align their lending and investment portfolios with net-zero emissions by 2050.

“ESG is a clear focus for our bank,” she says, explaining how the bank’s customers are supporting the energy transition in a multitude of ways. For example, metals traders are key in providing metals required for batteries that fuel renewable energy generation. Even on the traditional oil and gas side, traders and producers are investing in new greener technology such as carbon capture – which involves capturing carbon dioxide produced by industrial processes and storing it deep underground.



“Due to the increased cost of oil and gas, many energy companies are reinvesting their increased cash flows into supporting the global energy transition – for example by investing more in their renewable energy production,” she adds.

Natixis CIB’s ESG goals align with Credendo’s own increased focus on how it can support its clients to become greener.

Reflecting on the bank’s partnership with Credendo, Macaire-Freyne says the insurer stands out from the competition for its market knowledge. “The team has a good understanding of the commodity finance sector and traders in particular. Knowledge and understanding make a big difference. It is important we have insurers that understand risk they are taking,” she says.

She goes on to explain how Natixis CIB often requires insurance capacity on transactions that are a little more complex than the average commodity finance deal.

“We are not necessarily looking to support clients where everyone is and where the pricing is very tight. We prefer to be present where we see from our perspective that the risk is a good one. But it can be more complex, and we capitalise on our expertise and experience in fields that are considered more difficult by other players,” she explains.

“When we approach the insurance market, we don’t always come with easy proposals, and some require more in-depth explanations. Credendo is very open to listening to us and our analysis and reasons why we think it is a good transaction.”

Aline Duperrex, Senior Underwriter at Credendo – Guarantees & Speciality Risks adds that Credendo always aims to work together on finding a solution for the bank: “We hear Natixis when they say they really need capacity, and we will do our best – it doesn’t mean it will always work, but we always try.”