

# LEAP

## A Brief Introduction

*LEAP was formed in 2006 with the mission to: “To promote efficient and reliable transaction processing within the energy trading industry by means of automation and standardization.” Our founders are a group of oil majors, banks and independent traders. These are the main beneficiaries of automation.*

**The Prize:** what these participants want and need (in 2011 more than ever) from their trade processing

### Accuracy & Timeliness

- Minimizing operational incidents

### Consistency

- Reduced operational risk

### Efficiency

- Ability to scale up the business while containing operating costs
- Remove front office volume limitations caused by manual process
- Mitigate the costs and bottleneck of Legal review

### Managed Risk

- Counterparty, operational and market risk

### Regulatory credibility

- Commitment to industry best practices

**= Better Access to Customers, Capital and Profitability!**

# The LEAP 2011 Initiatives



## Secondary Initiatives

Automated OTC  
Margin  
Matching

Inspection Data  
Standardization

Dodd Frank:  
Issues and  
Impact

NWE ARA Barge  
Contract  
Standardization

Settlement  
Matching

# Contract Matching

## Objectives

- Publish Master Trade Agreements (MTA's)
- Work with vendors to implement electronic matching, and to encourage voluntary adoption within the Industry of these agreements

## Benefits

- Reduction of manual effort, errors, and a savings of time & costs
- Allows the capture economies of scale

## Recent / Current Activity

- V2.1 Pipeline Master published
- V2.3a Canadian Addendum published
- V1.0 US Marine Annex published
- NWE ARA Barge contract Master drafted and reviewed
- User Guide published

## LEAP's Goal

- Capture metrics via survey around what other MTA's are in use globally
- Gain better understanding of roadblocks to adoption
- Progress adoption and the use of electronic contract matching

# Broker Matching

## Objectives

- Broker Confirms are often the primary vehicle for trade verification
- Match broker trade details timely and accurately
- Matching Canadian activity - currently being done on derivatives, US physical products and crudes.

## Benefits

- Minimize human error; prompt detection of trade discrepancies; improve accuracy
- Improve Process Efficiency: Average 5 mins to process a trade, ~10% contain discrepancies
- Spend work time resolving discrepancies rather than checking correct trades

## Recent / Current Activity

- Brokers (US and European) have been signing up at rate of 1 per month

## LEAP's Goal

- Progress this Initiative, we are seeking additional participation and development

# eDocs

(Electronic Cargo Documentation )

## Objectives

- Industry Adoption of electronic documents to replace existing manual, multi-copy, and paper based process
- Reduce lost time in document generation, transport, tracking, validation, and (ultimately) invoicing

## Benefits

- Overall document accuracy, speed in cargo ownership transition and validation
- Reduced demurrage, reduced need for LOI's, allows for timely invoicing, trade transparency (regulatory interest here)
- Reduces incurred working capital costs when indemnities are required

## Recent / Current Activity

- Support of several large integrated Oil Companies already exists
- Pilot activity is already underway.

## LEAP's Goal

- LEAP's goal is to accelerate, expand, and automate the process
- Progress this Initiative: We are seeking adoption of standardized electronic documentation across the industry (oil companies, ship owners)

# RIN's

(‘Renewable Identification Number’ – as applies to Renewable Fuel Standard Program )

## Objectives

- There is a need for clear interpretation and standardization of RIN's trading
- the need for a set of balanced GT&C's that at a minimum, address indemnifications, clarification of RFS2 standards and compliance, risk protections

## Benefits

- Current annual renewable fuels volume is 13 Billion gallons and is mandated to increase to 36B Gals by 2022, developing a set of balanced GT&C's now will greatly benefit all companies involved.

## Recent / Current Activity

- Annual Renewable Volume Obligation (RVO) is set yearly by the EPA for each RFS participant organization
- RIN's are used to verify each party has met its annual RVO
- BP and Morgan Stanley are key participants of this Initiative .

## LEAP's Goal

- To develop a set of balanced GT&C's that will address RIN's.
- Involvement to include Non-LEAP members

# US Pipeline Book-outs

## Objectives

- Automate the current manual process for US refined product pipelines
- Create a standard communication process
- Leverage Transport4, the de facto standard transaction hub for 12 US pipelines since 1997

## Benefits

- Find more complex book-outs & minimize product shipped (save \$)
- A clear method for communicating changes to the book or conversions to physical delivery
- Creation of an audit trail maintained by a disinterested third-part (T4)
- Applicable to other petroleum types (crude, NGL) and markets (cargo, non-US), assuming user participation is gained

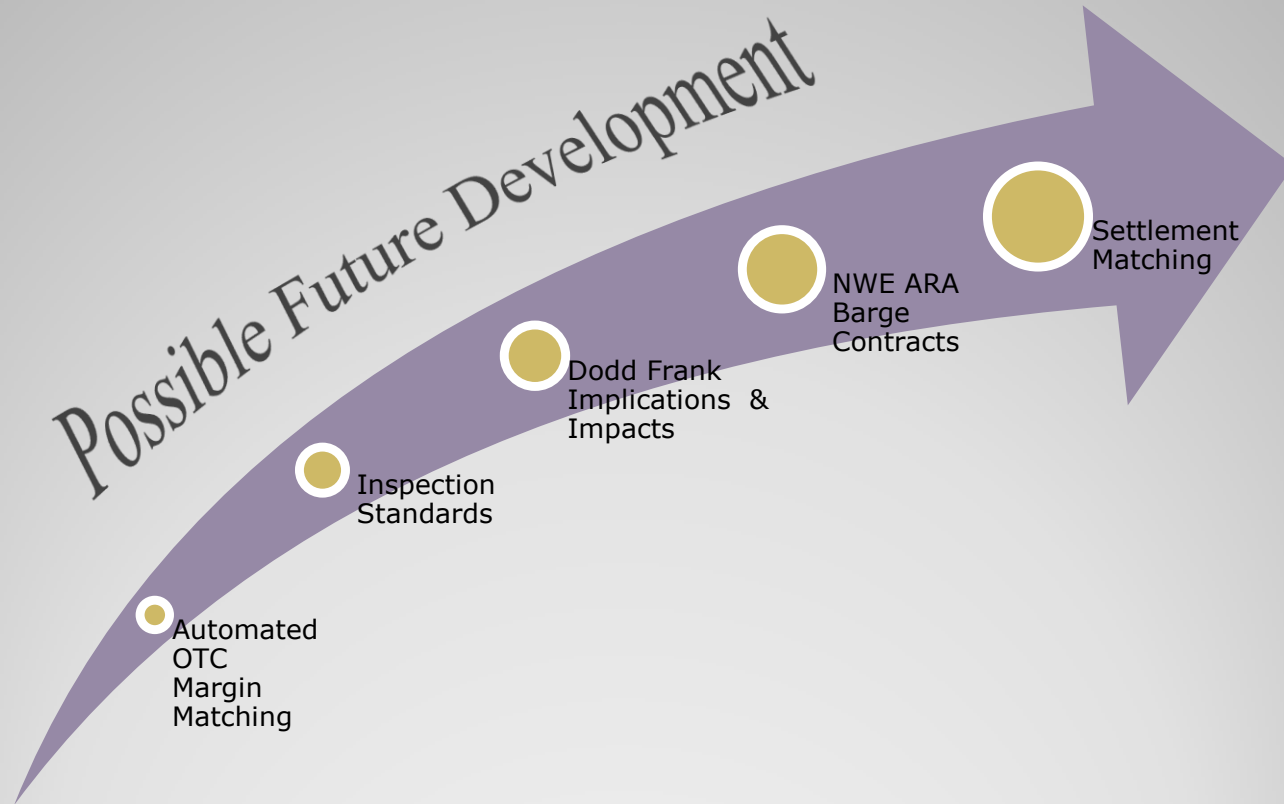
## Recent / Current Activity

- Development activity: parameters are well understood, production level software would be ready in 11 months;
- Require critical mass of users, operational consensus, funding and compliance with Dodd Frank

## LEAP's Goal

- To save companies money by minimizing product shipped by pipeline via an automated solution
- Provide an audit trail where none exists today

# Other Potential LEAP Initiatives



# Members of the Executive Committee



# The LEAP Board of Directors



# Requesting Your Involvement

## Levels of Involvement:

## Participation

## Next Steps

- Several levels are available, choose the one that best suits your corporate agenda
- Take a test run as a non-LEAP member – participate in up to 3 Work Group sessions as a silent observer
- Join LEAP as a Full Member (fee is prorated) - Actively participate, vote in the Work Groups, assign a representative to the LEAP Board, become a member of the Executive Committee decision process

- As a non-member: You are invited to observe the Work Group process, but not actively participate in the meeting dialog or direction
- As a LEAP member:
  - The option of Board membership is available (a commitment of 2 hours a month)
  - Active participation in a Work Group (Initiative) of your choosing is expected
  - A commitment of resources is expected to staff your Work Group, a greater monthly time commitment is required.
  - The pay-back is direct influence in the direction of the Initiative and Work Group effort

- Identify areas of interest (initiatives) that best suit your organization
- Make a participation commitment