

# BP emerges as another big winner from Texas freeze



(Bloomberg) – Two months on from the winter freeze that paralyzed Texas and sent electricity and gas prices soaring, another big winner has emerged.

BP Plc said Tuesday its gas trading unit had an “exceptional” first quarter, helping to drive profit well above pre-pandemic levels. While executives didn’t spell it out, all signs point to large gains from the frigid weather in Texas.

“It was a very exceptional quarter in gas trading,” Chief Executive Officer Bernard Looney said in an interview. “We were well-positioned for colder-than-normal weather in the U.S.,” as well as in Asia.

The London-based oil major doesn’t disclose trading results, but its quarterly earnings suggest the gas and power unit “easily topped \$1 billion,” according to Citigroup Inc. analyst Alastair Syme. “Although not mentioned by name, we think positioning around the February storm in Texas – Storm Uri – has been the biggest driver of these gains.”

The next-biggest supplier, Macquarie Group Ltd., also enjoyed a windfall from gas and power price swings, pocketing \$210 million. Other companies to profit included pipeline operator Kinder Morgan Inc., which reported a \$1 billion gain, and more may emerge as earnings season progresses.

Yet among BP's oil peers, some have already flagged that their results will suffer from the deep freeze. Royal Dutch Shell Plc has warned its adjusted earnings will take a hit of about \$200 million, while Exxon Mobil Corp. expects profit to be curtailed by as much as \$800 million.

## Trading Giant

BP benefits from having one of the largest in-house trading units in the industry. Last year, the company offered a glimpse into just how profitable the secretive trading operation is: it boosts returns on average capital employed by around 2 percentage points, suggesting it brings in as much as \$2.5 billion a year.

On Tuesday, BP's executives batted away repeated questions from analysts calling for more details on the scale of the trading wins. "I don't really want to give up commercial advantage," Chief Financial Officer Murray Auchincloss said. "I don't think I'm going to go any further in describing what we do commercially. It's just not helpful to our traders."

For now, BP will only give a steer using adjectives such as average, strong or exceptional. The company has had three "exceptional" quarters in the past decade, the latest example – before the one just reported – being the second quarter of 2020, Auchincloss said.

The trading business will mostly remain a black box for investors and analysts, but Auchincloss said the company would "probably" give guidance on the unit's contribution to returns once a year, starting next February or March. Giving away more details than that would be a distraction, he said in an

interview.

Analysts questioned whether the gains reflected an outsized appetite for risk in trading. But the CFO countered that the successes were down to managing long and short positions, and arbitrage.

“We have a very, very strong and long history of knowing how to manage these disruptions and doing well,” he said. “And of course we had disruptions in the first quarter in Asia and the United States.” ©2021 Bloomberg L.P.