



AN EDISON ENERGY COMPANY
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CASE STUDY

METRA

Dynamic Risk Management During The Energy Crisis Affords €4m Cost Avoidance



Company

Metra is an Italy-based manufacturer of aluminium extrusions through vertically integrated supply chains that guarantee the quality of the entire production process. The company produces 83,000 tons of extrusions globally and 55,000 tons in Italy. Metra services industries such as rail, mechanics, industrial applications, automotive, building, construction and road transport.

Background

Metra used to hedge irregularly when markets were bearish during 2020 for front year and front quarter periods. Higher forward curve prices than spot prices (contango) did not spur the need for longer term price security or framework renewal to allow quick reactions to market moves. However, spot prices started increasing by the end of Q3-21 on lower gas storage, limited LNG imports and soaring carbon prices.

Solution

In September 2021 Metra partnered with Alfa Energy who proposed a combination of:

- a minimum preferred cover with soft budgets.
- close monitoring of fixed price performance versus spot and DA pricing.

Thanks to close monitoring of fundamental and technical drivers, we continued hedging Metra's position into an increasingly challenging market (rising and highly volatile pricing), identifying dips to extend their positions regularly.

Alfa's strategy has afforded Metra excellent budgetary protection while still enabling the business to respond to spot pricing to most effectively manage the company's risk during the energy crisis.

"With its aluminum foundry and several extrusion presses, including one of the four largest presses in Europe, Metra is a large consumer of gas and electricity. Energy prices surged by almost 20 times in Italy during 2022 and a simple pass through policy would not have made our selling prices acceptable in our competitive arena. At the end of 2021 we engaged Alfa Energy and together we drafted a hedging policy to suit our purposes. Alfa managed to interpret and present to us in a clear and transparent way, unambiguous recommendations of market trends, to enable us to make informed decisions. By doing so, we ended up hedging most of our energy needs well before the beginning of the geopolitical turmoil. As a result, we achieved prices that allowed us to protect and boost our business in international markets."

Nicola Morelli, Finance Director of Metra

Result

Metra operates in a competitive sector where energy cost increases have proved challenging and have impacted business margins. As a result of the dynamic risk management strategy put in place and managed by Alfa Energy, not only was Metra able to maintain its competitive through lower production costs than the prevailing energy market would have enabled, but also shielding Metra's clients from the uncertainty caused by market volatility.

Metra benefited from the market backwardation thanks to a quick framework extension, while supply contracts under reasonable management fees were still available. Alfa Energy achieved year-on-year savings against the secured volume. Contract extension is being negotiated to continue working on a three-year rolling cover plan.

2022 saving, power against spot - €2,424,405

2022 saving, gas against DA prices - €1,652,622



Total saving 2022 - €4,077,027

About Us

Alfa Energy Group (part of Edison Energy) is an international energy, sustainability and technology consultant partner with more than 200 employees over four international locations. For over 25 years. Alfa has been servicing its clients' needs through energy and water management, sustainability, and compliance consulting, and an intuitive ecosystem of user-driven energy, water, and carbon management software platforms.

With coveted awards, an international industry-wide recognition, and clever simple solutions, today Alfa is partnering with clients to establish and deliver pivotal net zero strategies. Through smart energy management, the expertise and diligence of our people, transparent processes, and data management, Alfa continues to lead through its recognised gold standard of service delivery.

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