

Energy & Commodity Trading 2025

A Clearwater Analytics (CWAN) Report

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Introduction

Energy and commodity markets have had an interesting 2025, from the steady evolution of renewable energy and LNG projects, to the uncertainty of tariffs and their effects on prices and supply chains.

To examine the actions and intentions of these market participants, we commissioned a 2025 research study of energy and commodity traders in North America and Europe.

Independent research company Pure Profile interviewed 100 executives and senior energy and commodity traders, quants, and analysts at specialist trading firms, hedge funds, fund managers, and investment banks responsible for total capital allocated or assets under management for trading of \$1.4 trillion.

We asked a broad range and variety of questions, from perceptions of capital growth and competition, to the impact of advanced technologies, perceptions of risk and their ability to manage it, and the most important focus areas for competitive advantage. The results reveal an industry that is still in transition from spreadsheets to modern risk management tools, with impacts far beyond the IT and trading desks.

Countries

Respondents were drawn from the US, UK, Europe, and Canada.

US	Europe	United Kingdom	Canada
55%	24%	16%	5%

Trading areas

Firms surveyed operated over a wide range of tradeable commodities and instruments, with a significant majority covering physical, financial, or structured energy-related products

Physical Energy (Oil / Oil Liquids, Natural Gas, Electricity)

80%

Financial Energy (Oil / Oil Liquids, Natural Gas, Electricity)

62%

Structured Transactions (Tolls, PPA, Full, Storage, Transport, LNG)

50%

Renewable Energy Products / Carbon Credits

34%

Precious / Base Metals

18%

Physical Metals

11%

Bloomberg Commodity Index (BCOM and similar products)

8%

Agriculture / Softs

2%

Energy and commodity markets face intensifying competition

Technology can be a competitive advantage

As the competition increases for new capital flowing into this market, firms face mounting pressure for optimized risk exposure, enhanced transparency, and sophisticated pricing models. Moving from spreadsheets to modern analytics and real-time risk management solutions will be critical to attract and retain both clients and talent.

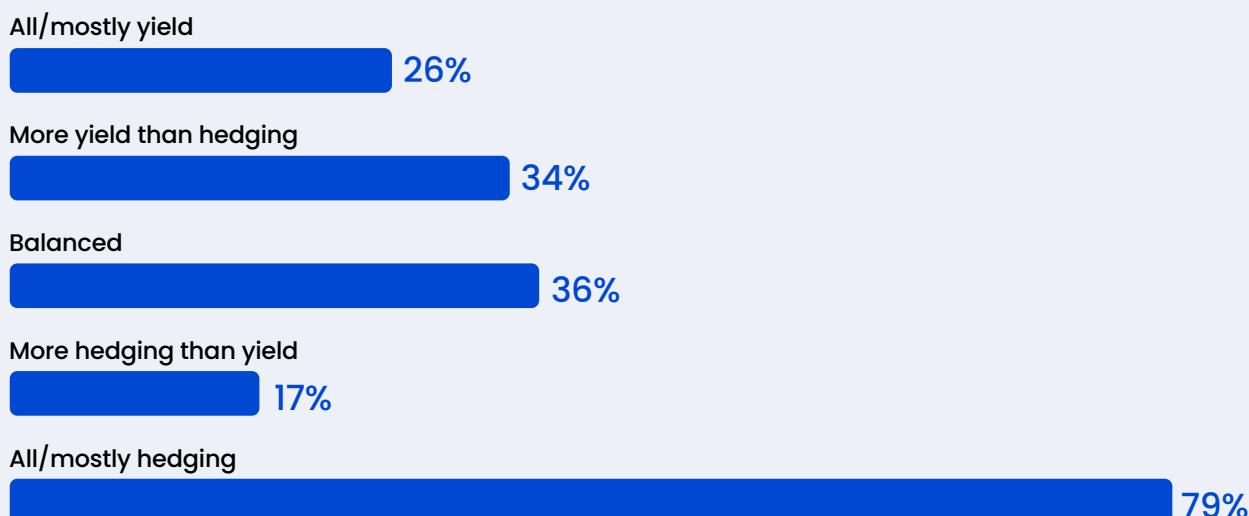
Hedge funds, banks, and tech-driven trading firms are looking to grab a greater share of the profits available in energy and commodities markets. A significant majority of traders (66%) expect the number of new market entrants to increase by up to 50% over the next 24 months, and 32% predict that it could rise by more than 50%.

With nearly all traders anticipating a substantial influx of new competition, the race for alpha is intensifying across the sector.

Most of the existing market players are definitely after the money. When asked about the strategic focus of their trading, two in three (65%) respondents indicated they had a stronger emphasis on profits over hedging. Only 5% said their focus was primarily on hedging risk, while 21% said they took a balanced approach between the two.

Interestingly, hedging-focused respondents expect two to three times more growth in capital allocated for trading energy and commodities over the next 24 months than balanced or profit-focused respondents.

Predicted growth of tradable assets by investment focus over the next 24 months



Outsourcing is the top choice for improving risk management

To understand how these traders are managing increasing risks and volatility, we asked about their intended steps for improvement. We found that outsourcing risk management to third-parties is the key strategy firms are adopting to improve risk management capabilities.

Outsourcing to specialized firms ranked first on a list of seven strategies, followed by adding new tools or platforms to plug gaps in current systems, and transferring risk management analysis away from spreadsheets and manual processes.

Hiring additional risk management staff ranked fourth, with changing existing platforms, expanding recruitment across sectors, and increasing training rounding out the list.

Priority rankings for risk management improvements

Based on weighted rankings where 1st choice = 3 points, 2nd choice = 2 points, 3rd choice = 1 point

Outsourcing all or more to respected third parties

1.06

Adding new tools or platforms to compensate for deficiencies in our current systems

1.03

Transferring more of our risk management analysis away from spreadsheets and other manual processes

1

Hiring more people in risk management and related roles

0.9

Changing the tools or platform we use

0.85

Recruiting people from a wider range of sectors/industries

0.77

Increasing the level of training

0.38

Execs and analysts have different perspectives

Comparing the responses from the executives and their quant, trader, and analyst colleagues paints a slightly different story. Executives placed the most emphasis on outsourcing, while their trader and analyst colleagues placed an even greater emphasis on getting risk management analytics out of spreadsheets.

Top 3 improvements – C-level executives

Weighted rankings where 1st choice = 3 points, 2nd choice = 2 points, 3rd choice = 1 point



1.04

Outsourcing all or more to respected third parties



1.00

Adding new tools or platforms to compensate for deficiencies in our current systems



1.00

Recruiting people from a wider range of sectors/industries

Top 3 improvements – trader/quant/analyst

Weighted rankings where 1st choice = 3 points, 2nd choice = 2 points, 3rd choice = 1 point



1.12

Transferring more of our risk management analysis away from spreadsheets and other manual processes



1.09



1.09

Adding new tools or platforms to compensate for deficiencies in our current systems

Traders bullish on capital growth

But need to move faster with better models

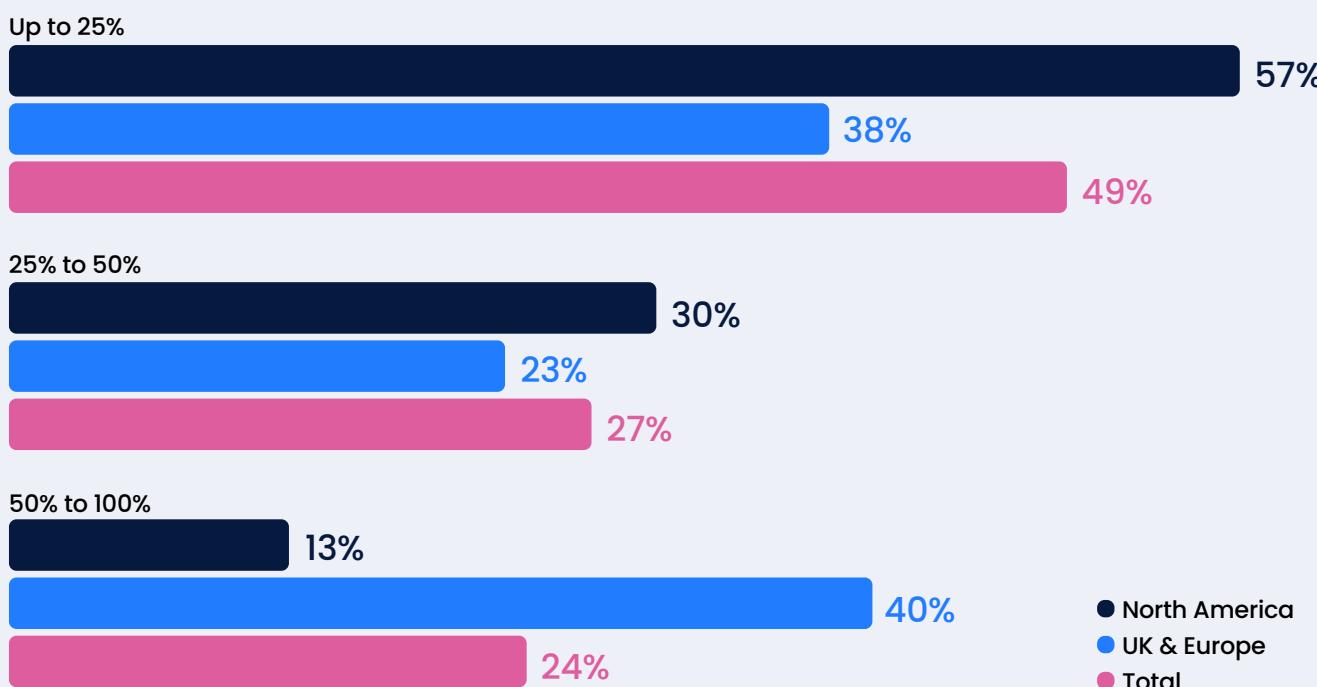
The winners will be those that treat risk management technology as a competitive tool, not just a compliance requirement. With volatility here to stay and trading complexity increasing, the question isn't whether you'll need better tools, it's whether you'll have them deployed before competitors do.

Energy and commodity traders are betting big on growth, with expectations of increased trading volumes over the next two years, fueled by higher levels of capital. Nearly a quarter expect their tradable capital to jump by more than 50% in the next two years. But there's a catch: 57% also expect tighter trading restrictions, and nearly half see mismatched hedging as their biggest risk. This disconnect between ambition and operational reality could determine who thrives in the next market cycle.

We found that, while bullish on growth, the group expects changes in trading restrictions and limits on portfolio and risk management, as volatility increases and hedging complexity intensifies.

Nearly a quarter (24%) of the energy and commodity traders surveyed expect their available capital allocated to trading to climb by more than 50%. Overall, European respondents are expecting 25% to 40% higher capital growth than North American ones. Increased capital at risk, market volatility, and global uncertainties underscore the need for traders and analysts to move faster with better models.

Predicted growth of tradable assets by investment focus over the next 24 months



This widespread confidence in market expansion over the next 24 months is highlighted across various commodity sectors:



Oil, power, and natural gas: more than half (52%) of respondents anticipate growth in overall market trading levels to exceed 25%, with 4% believing it could rise by 75% or more. Two in five (39%) foresee an increase of up to 25%. Just 3% say they expect a decline in trading levels.

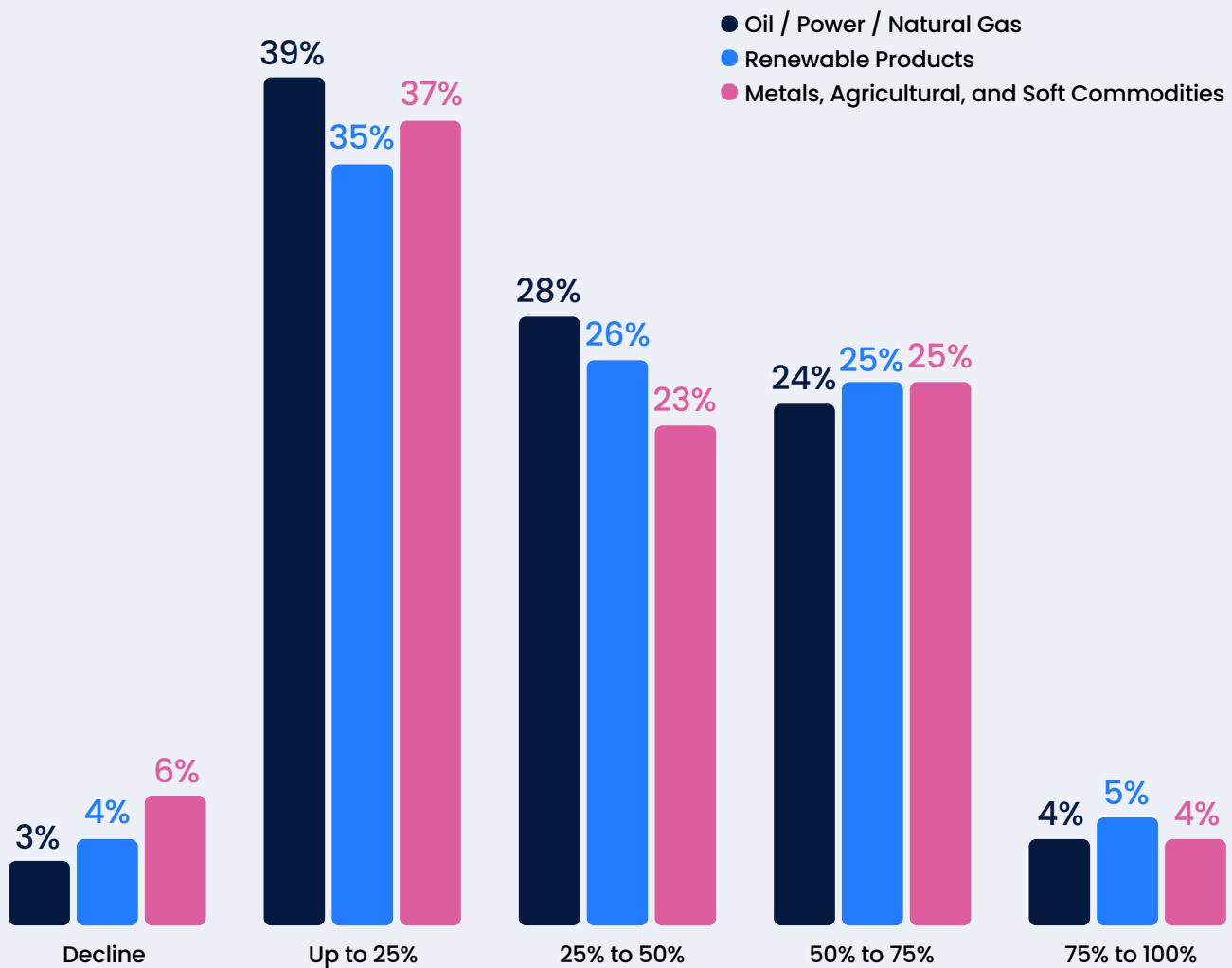


Renewable products: the overwhelming majority predict an uptick in trading, with 32% anticipating growth to exceed 50%; 27% expect it to be between 25% and 50%, and 37% foresee an increase of up to 25%. Only 4% of respondents say they expect trading levels to decrease.



Metals, agricultural, and soft commodities: 31% project growth above 50%; around one in four (24%) anticipate a 25% to 50% rise; over a third (39%) predict growth between 10% and 25%; and only 6% foresee a decline in trading.

Predicted growth of tradable assets by sector



Many see speed limits ahead

A large percentage of the traders we surveyed expect the number and size of internal trading constraints and portfolio limits to expand in the year ahead. Nearly six out of 10 (57%) predict greater restrictions with 6% forecasting significant expansion over the period. Just 3% think restrictions will ease, and 40% foresee no changes in what they can trade or additional limits on their risk management and portfolio metrics.

Despite the heightened restrictions, traders are also expecting a rise in risk management challenges with mismatched or inadequately hedged positions seen as the biggest threat, by 48% of traders. They also expect a range of risk management concerns to increase, including liquidity management and stress testing constraints as well as the use of higher risk capital strategies.

The chart adjacent breaks down which operational challenges survey respondents expect to grow.

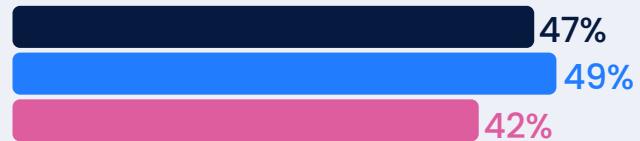
Risk priorities vary by role

Executives were twice as likely to say that liquidity constraints and the need for more sophisticated tools would increase over the next year. For their part, quants and analysts were 30% more likely to think that the size of P&L deviations would increase the most.

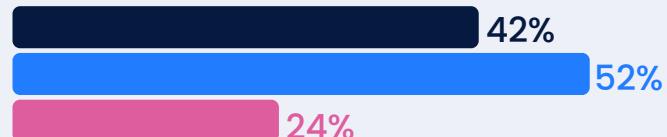
Percentage of respondents expecting risk management challenges to worsen

- Overall
- C-Level Executives
- Quants/Analysts/Managers

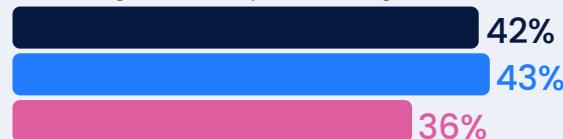
Incidence of mismatched or inadequately hedged positions



Liquidity management and stress testing constraints



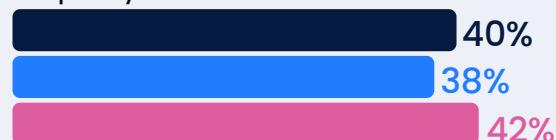
Use of higher risk capital strategies



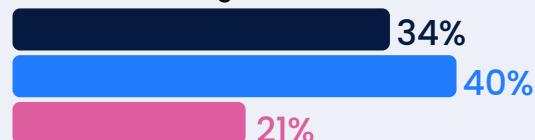
Size of large P&L deviations due to market moves or unexpected losses



Frequency of risk limit breaches



Need for more sophisticated scenario analysis and risk modelling tools



Resource allocation priorities

How quickly can firms adjust to market pressures?

These findings highlight a clear disconnect between current resource allocation and trader priorities. With over half of risk management work still handled through spreadsheets, and strong demand for more sophisticated due diligence and stress testing, firms have a clear roadmap for where to invest their technology and process improvement efforts. The question isn't whether change is needed — it's how quickly firms can realign their resources to match their teams' priorities.

Energy and commodity traders feel stretched thin across multiple risk management activities, but where do they most want to redirect their efforts?

From our survey, they want significantly more focus on investment due diligence and stress testing, while executives and front-line staff disagree on other key areas.

Investment due diligence and stress testing top the priority list

The survey asked traders to rate how well their firm allocates time and resources across a range of portfolio analytics and risk management functions. The results align with current market pressures. Investment due diligence and stress testing top the list of areas where traders want more focus, with over half (51%) saying their firms should devote more resources to due diligence and 44% calling for more stress testing.

Nearly half believe their firm spends about the right amount of time on cross-asset risk aggregation and data integration, while 29% believe they spend too much time on manual processes and legacy tools.

The table below shows around half (48%) believe their firm spends about the right amount of time on cross-asset risk regulation while 29% believe they spend too much time on manual processes and legacy tools.

Portfolio analytics and risk management function	Percentage of traders spending too much time and resources on it	Percentage of traders spending about the right amount of time and resources on it	Percentage of traders who think they should spend more time and resources on it
Investment due diligence and valuation	15%	34%	51%
Scenario analysis and stress testing	20%	36%	44%
Managing platforms	18%	41%	41%
Data integration and management	16%	46%	38%
Cross-asset risk aggregation	15%	48%	37%
Regulation and compliance	18%	45%	37%
Liquidity and cashflow planning	21%	43%	36%
Manual processes and legacy tools	29%	39%	32%

Executives and practitioners disagree on priorities

C-level executives and their quant/trader/analyst colleagues had significant differences of opinion on where to focus efforts. While both groups agreed on due diligence as most important, executives were more than twice as likely to say they should spend more time on cross-asset risk aggregation and data integration.

The quant/trader/analyst group was twice as likely to say they spend too much time on manual processes and legacy tools, as well as liquidity and cash flow planning. This frustration may reflect the reality that firms surveyed manage 53% of their trading, portfolio optimization, and risk management work through spreadsheets.

Traders face growing risk visibility challenges

Superior technology can provide a clear advantage

As markets grow more volatile and trading strategies become more complex, risk visibility is becoming a competitive necessity. Firms with outdated technology risk being blindsided by exposures they can't properly assess. Traders with superior technology gain clear advantages: better model transparency, real-time risk monitoring, and faster decision-making. In today's markets, these capabilities directly impact fund performance, not just compliance.

Energy and commodity traders may be risking more than they realize. Our research reveals that portfolio risk visibility is suffering from inflexible models and systems that struggle to adapt to changing market conditions. While most respondents believe they have good visibility into their trading risks, the data suggests visibility has actually deteriorated for many firms over the past few years.

Most respondents report confidence in their risk visibility capabilities. Only 2% of respondents described visibility of their risks as "fairly poor", while 35% described it as being "adequate". The majority (57%) referred to their visibility as "good", and only 6% rated it as being "excellent".

What is making visibility deteriorate?

However, these assessments don't tell the full story. One in five (21%) respondents reported worsening risk visibility over the past two years, while 43% saw no change and 36% noted improvements (27% improvement, 9% significant improvement).

For those reporting declining visibility, the leading cause cited was an inability to modify or customize pricing models and risk analytics, followed by difficulty adapting to rapidly changing market conditions and volatility.

Top six reasons cited for deterioration in risk visibility

- 1 Inability to modify or customize pricing models and risk analytics
- 2 Difficulty adapting to rapidly changing market conditions
- 3 Challenges integrating data from multiple sources / consolidating risk across multiple assets or books
- 4 Cutbacks in investment in technology
- 5 Development of more sophisticated investment / trading strategies
- 6 Existing systems do not meet current needs

What is making visibility improve?

Among respondents who saw an improvement in risk visibility, the leading driver was technology that enables closer alignment between data scientists and portfolio managers, allowing faster and more effective evaluation and adaptation of investment strategies. Other factors include a shift away from monolithic front-to-back systems toward more flexible, best-of-breed or open-source solutions and increased use of third-party specialists in risk analytics and data management.

Top six reasons cited for improvement in risk visibility

- 1 Technology allows for closer alignment between data scientists and portfolio manager
- 2 A move away from outdated front-to-back systems
- 3 Greater use of third-party specialists
- 4 Ability to experiment more to scale quickly to evaluate multiple scenarios
- 5 Ability to customise models and analytics to adapt changing market conditions
- 6 Greater investment in technology

The risk management capabilities that matter most

Increasing pressure on firms to improve agility through technology

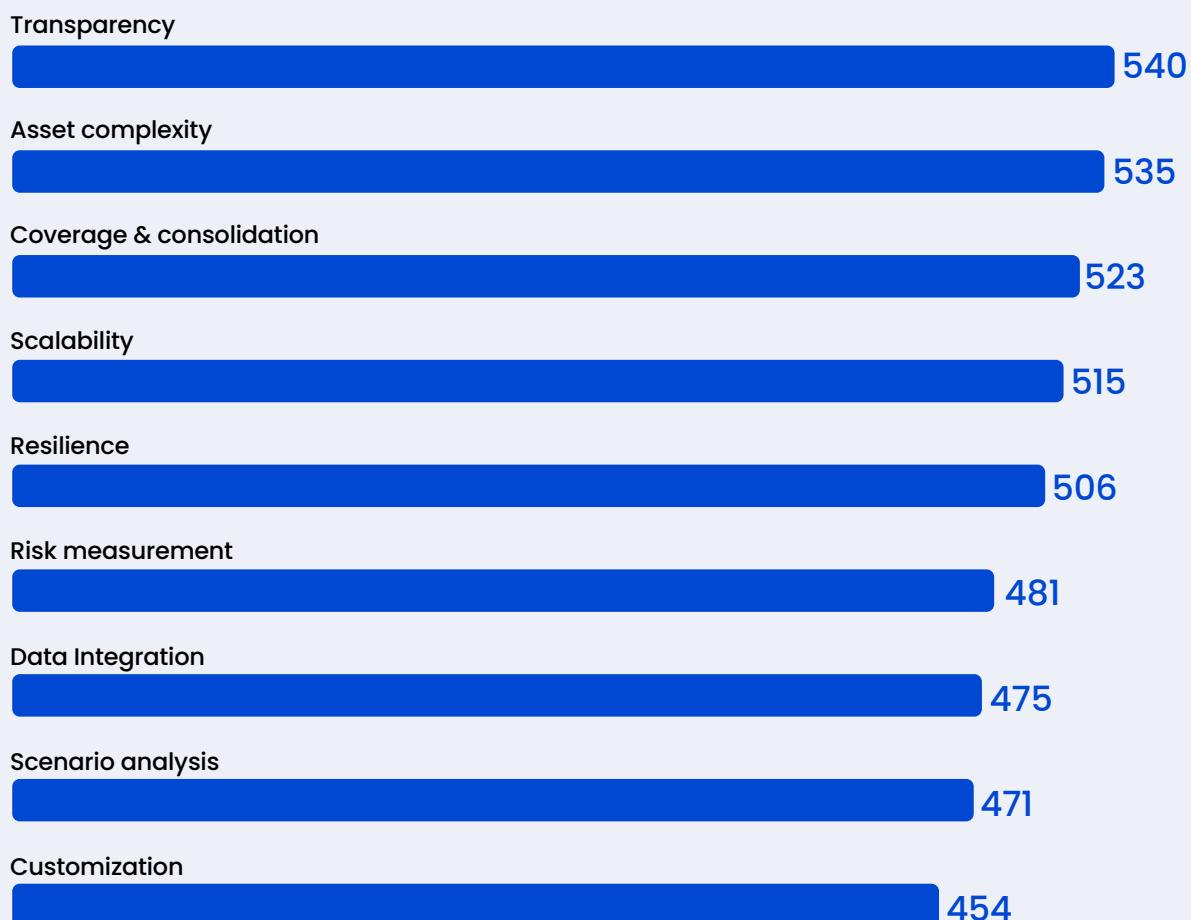
These findings suggest that certain risk management capabilities may be more critical for competitive advantage than others. Respondents who rated their investment performance highly were significantly more likely to rate their systems as strong in areas like cross-asset risk consolidation, coverage across portfolios, and model customization. For energy and commodity traders, investing in these differentiating capabilities — rather than just foundational requirements — may be key to achieving superior performance in an increasingly volatile landscape.

Energy and commodity traders face multiple risk management challenges, amplified by growing volatility and uncertainty in the markets. But where should they focus their efforts to get the biggest impact?

We asked respondents to rate both their risk management systems and their investment performance relative to industry peers across a range of capabilities:

 Asset complexity Structuring and pricing structured products, exotics, and other complex instruments	 Coverage & consolidation Aggregating risk exposures across portfolios, strategies, and trading desks for a firm-wide view
 Customization Building, modifying, and deploying models, applications, and analytics directly within the system or via APIs	 Data integration Ingesting and normalizing trade, position, market, and third-party data from multiple internal and external systems
 Resilience Maintaining stability when faced with data disruptions, calculation failures, or system outages	 Risk measurement Calculating VaR, sensitivities, and other key risk metrics consistently across asset classes, desks, and portfolios
 Scalability Managing increased computing demands, larger datasets, and higher processing loads efficiently	 Scenario analysis Designing and executing historical, hypothetical, and multi-factor stress scenarios
 Transparency Gaining visibility into risk at a granular level and identifying unexplained risk factors in calculations	

Key risk management challenges currently faced by energy / commodity traders



Next, we segmented the respondents into performance groups ranging from “underperforming” to “significantly outperforming”. Our findings reveal a clear pattern: traders who rate their risk management capabilities highly are also more likely to report superior investment performance.

The results highlight the increasing pressure on firms to modernize their risk infrastructure and improve agility through technology. Three risk management challenges stood out as the most pressing:



Transparency

Gaining visibility into risk at a granular level and identifying unexplained risk factors in calculations



Asset complexity

Difficulty structuring and pricing structured products, exotics, and other complex instruments



Coverage & consolidation

Aggregating risk exposures across asset classes, portfolios, strategies, and trading desks for a firm-wide view

Better systems = better investment performance

For each of these system capabilities, those who rated their own systems as “good” or “excellent” were twice as likely to rate their fund performance as greater or much greater than their peers. Delving into these responses in more detail, it’s interesting to note how capability ratings differ between the lowest-performing and highest-performing firms.

How risk management priorities differ by fund performance level

Low-performing respondents rated asset complexity, scalability, and data integration as their top three challenges. From the chart below, these capabilities show the smallest rating gap between performance groups, suggesting they may be foundational elements rather than competitive advantages.

High-performing respondents rated coverage & consolidation, asset complexity, and customization as their top three challenges. These areas show the largest rating differences between performance groups, indicating they may be key differentiators for investment success.

Risk management capabilities versus investment performance

Percentage difference of “excellent” ratings between those rating investment performance as “significantly outperform” vs “underperform”

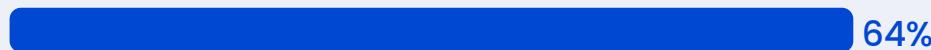
Risk Measurement



Coverage & Consolidation



Customization



Resilience



Scenario Analysis



Data Integration



Transparency



Asset Complexity



Scalability



Traders eye technology upgrades and third parties for risk management

But firms still rely on spreadsheets for half of their work

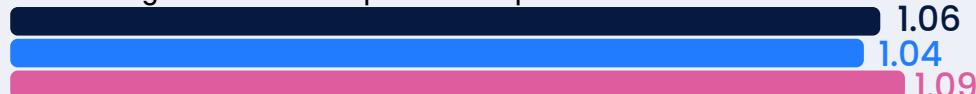
Rising market uncertainty and an increasing number of market players are prompting energy and commodity trading firms to reassess their risk management strategies. Despite a move toward third-party solutions, firms must still address their persistent spreadsheet dependency while modernizing their technology.

Executives at energy and commodity trading firms are looking to third-party suppliers and new technologies to improve their risk management capabilities. While most respondents are satisfied with their current systems, they're preparing for future challenges: 62% plan to upgrade or replace software vendors within two years, driven by needs for better customization, performance, risk consolidation, and migration away from spreadsheet-based processes.

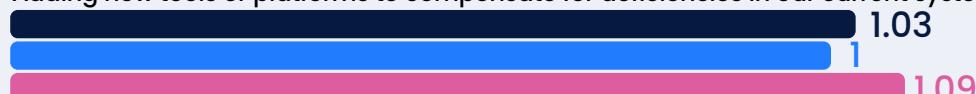
Which of the following is your organization doing to improve risk management capabilities over the next 12 months?

Weighted rankings where 1st choice = 3 points, 2nd choice = 2 points, 3rd choice = 1 point

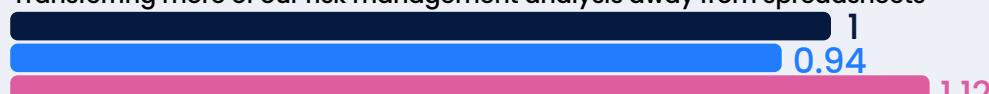
Outsourcing all or more to respected third parties



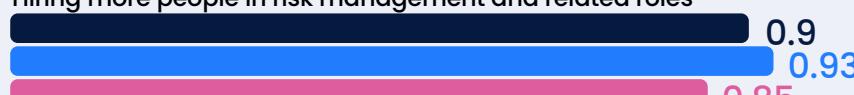
Adding new tools or platforms to compensate for deficiencies in our current systems



Transferring more of our risk management analysis away from spreadsheets



Hiring more people in risk management and related roles



Changing the tools or platform we use



Recruiting people from a wider range of sectors/industries



Increasing the level of training



- Overall
- C-Level
- Trader/Quant/Analyst

Improving risk management

The migration away from traditional spreadsheets — which still account for more than half of the typical work processes — ranked third overall among improvement priorities. However, this varied significantly by role: analysts, traders, and quants in the study ranked spreadsheet replacement as their top improvement objective, while the C-level respondents placed it fourth.

This disconnect has real budget implications. Respondents reporting the highest budget increases over the past two years cite nearly twice the spreadsheet use of respondents reporting flat budgets, and 3.5 times that of respondents reporting decreased spending.

Percentage of work that is managed through spreadsheets



Preparing for the future

Most respondents express confidence in their systems' adaptability. Around 60% say their trading and risk management systems can easily handle diversification into new commodities, instruments, energy types, and data sources due to highly integrated systems. Just 6% report finding those changes difficult.

Managing models, data integration, and cross-asset risk aggregation are frequent topics in the industry, and capabilities vary significantly across firms. Two-thirds of respondents felt that their firm's governance and version control of models and analytics were good or excellent. And nearly half (48%) said it was easy for their firm to aggregate risks, exposures, hedges and yields across their portfolios.

Artificial intelligence adoption looks promising: more than half (53%) say their systems are well-prepared to incorporate AI and machine learning, while just 2% say they are not ready.

Change is coming to the vendor landscape. Around 62% of survey respondents expect to add to, replace, or augment existing software vendors over the next two years. The top motivations are:

- 49%** Ability to customize and support different models, analytics, or tradable instruments
- 47%** Higher performance for more complex scenarios and real-time risk and exposure calculations
- 41%** Ability to consolidate risks into one platform

Only 17% cite better service as a switching factor, and 14% mention lower costs. The focus on customization aligns with respondents' reports that 44% of their pricing models are proprietary on average.

Closing remarks

Energy and commodity traders and analysts face complex challenges in a volatile environment. This research study provides some useful information on market expectations, technology usage, and best practices.

Some of the core learnings from the study include:

- ✓ Market competition is expected to increase, and modern analytics will be a source of competitive advantage.
- ✓ More tradeable capital will be countered by heightened trading restrictions and portfolio limits.
- ✓ Investment due diligence and stress testing need more resources to be effective in a fast-paced current market environment.
- ✓ Front-line teams are more concerned about the amount of time spent on manual processes and legacy tools than execs, which should be a red flag to senior management.
- ✓ Risk management capabilities of coverage and consolidation, asset complexity, and customization may be key differentiating factors.
- ✓ Too much time is still being spent in spreadsheets, which is negatively impacting risk management budgets.

“As volatility increases and risk profiles rise, funds must deploy advanced technologies to help model risks more transparently and in real-time. A modern risk and performance infrastructure not only helps your firm stay competitive, it enables you to manage exposures proactively, respond quickly to volatility, and maintain operational resilience. Energy and commodity traders that have adopted these best in breed technologies are able to continuously adapt, using open architecture and powerful analytics to stay ahead of risk in a volatile landscape.”

Brian Wood, Senior Product Manager, Risk & Performance at CWAN



About CWAN

Clearwater Analytics (NYSE: CWAN) is transforming investment management with the industry's most comprehensive cloud-native platform for institutional investors across global public and private markets. While legacy systems create risk, inefficiency, and data fragmentation, CWAN's single-instance, multi-tenant architecture delivers real-time data and AI-driven insights throughout the investment lifecycle. The platform eliminates information silos by integrating portfolio management, trading, investment accounting, reconciliation, regulatory reporting, performance, compliance, and risk analytics in one unified system. Serving leading insurers, asset managers, hedge funds, banks, corporations, and governments, CWAN supports over \$10 trillion in assets globally. Learn more at www.cwan.com.