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FACTSHEET

Volatile Energy Markets Require Flexible Liquidity

How energy companies can manage margin requirements and preserve financial flexibility

The energy sector is operating in an environment of heightened uncertainty: volatile commodity prices, geopolitical developments and rapidly changing markets are creating growing challenges for liquidity management.

Derivatives are essential tools for managing price risk. At the same time, rising market values and increased volatility can lead to higher margin requirements. Companies may need to provide additional collateral at short notice – tying up liquidity that is needed elsewhere.

For Treasury teams, this creates a key challenge: How can short-term liquidity needs be absorbed without permanently tying up additional financing capacity?

Margin Calls Increase Liquidity Pressure

When commodity prices rise and markets become more volatile, margin calls can create significant additional funding needs.

In these situations, many companies rely on existing credit facilities or additional bank financing. These instruments are important, but they can create constraints, particularly when liquidity needs arise at short notice:

- Financing capacity is tied up to cover operational fluctuations
- Larger liquidity buffers need to be maintained
- Additional financing can affect the balance sheet and financial metrics

The challenge is therefore not only having access to financing, but managing liquidity with greater flexibility.

Operational Liquidity as an Additional Lever

While margin calls can tie up liquidity in the short term, there is often untapped potential within the operating business. More efficient Working Capital Management can help release liquidity and create additional financial flexibility – without companies having to rely solely on additional borrowing. Especially in volatile markets, the ability to deploy existing liquidity strategically and preserve financing capacity is becoming increasingly important.

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cflox pay: Greater Flexibility in Liquidity Management

cflox pay helps energy companies manage their operational payment flows more flexibly and use liquidity more efficiently. By extending payment terms, companies can keep liquidity in the business for longer while suppliers continue to be paid on time. This creates additional room for Treasury and Finance:

- Reduce tied-up Working Capital and optimize operational cash flows.
- Use existing credit facilities more strategically – for example, to meet short-term liquidity requirements arising from margin calls.
- Build greater liquidity buffers to better manage market movements and unexpected liquidity requirements.

Deploy Liquidity Where It Creates the Most Value

In a volatile market environment, liquidity itself becomes a strategic asset. This is exactly where cflox comes in: rather than looking at liquidity in isolation, we connect the requirements of Treasury, financing and the operating business.

1 **Take a holistic view of liquidity**
>> Margin requirements, financing and operational cash flows do not exist in isolation. Their interdependencies need to be considered as part of an integrated liquidity strategy.

2 **Make better use of existing liquidity**
>> Not every additional liquidity requirement needs to be covered by additional financing. Operational Working Capital can be an important lever for creating financial headroom.

3 **Deploy financing where it is needed most**
>> When operational liquidity is managed efficiently, financing capacity can be used more strategically – for short-term market requirements and strategic initiatives.

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