

The pipe kings from Germany

Outside the pipeline industry, not many people have heard of the German company Europipe. Yet the firm in Mülheim an der Ruhr is the world's largest pipe producer. Last year, it emerged the big winner from a worldwide tender to produce the offshore pipes for Nord Stream.

| by *Stefan Nicola*



Michael Graf. Photo: Kai Senf

Approaching the Europipe head office, you can still feel the aura of big industry that once made the Ruhr area one of Europe's most important centres for mining and steel production. With a fierce whistle, freight trains haul away black-coated pipes, with hundreds more waiting behind the head office - a rectangular building that stands out from the organized chaos of

pipes, cranes and lorries that bustle around. While most mining and steel production has long left the Ruhr area, Europipe is still standing tall - it is the world leader in producing large-diameter pipes that are used in on- and offshore pipelines.

Europipe was founded only 17 years ago, in 1991 when two steel industry pioneers - the AG der Dillinger Hüttenwerke and the Mannesmannröhren-Werke AG - joined forces. Its entrepreneurial history is much older: it dates back to the times of Louis XIV, who gave permission for a steel mill to be built in Dillingen, where in 1804 the continent's first steel plate was produced. And in 1845, a company that later became the Mannesmannröhren-Werke produced continental Europe's first welded steel pipe. Some 160 years later, Europipe, with its nearly 1,500 employees, has headquarters in Mülheim (where 800 people work), as well as plants in France the United States and Brazil. It is eyeing expansion into the growing Asian market.

Europipe's reference portfolio includes several high-profile projects, including

offshore pipelines in the North Sea like StatoilHydro's 835 km, 630,000 tonnes Langede project and a 1,200 km gas pipeline running across the Gulf of Mexico from Alabama to Florida. From 2001 until 2007, Britain's National Grid ordered 780 km or 390,000 tonnes worth of high-strength X80 line pipes.

Russian connection |

The company's relations with Russia are also extensive, dating back to the famous 1970 Mannesmann pipe deal, in which the Germans sent steel pipes to Russia who in return pumped gas back across the Iron Curtain - the beginning of the German-Russian energy partnership that continues until this day.

From 1996 to 2000, Europipe supplied 975,000 tonnes of 18-meter pipes for the Jamal Pipeline that connects Russia's Torchok with Frankfurt an der Oder, in eastern Germany. Company officials were excited at the announcement of Nord Stream - the offshore pipeline that will transport natural gas for some 1,220 kilometers



under the Baltic Sea from Vyborg in Russia to Greifswald in northeastern Germany. 'We knew right away: this pipeline is going to be built in our backyard, and we want to have a large share of that job,' says Michael Gräf, the charismatic ceo of Europipe.

Only a handful of companies in the world are actually capable of quickly producing and then supplying the high-quality offshore pipes used in the Nord Stream project. In November 2006, six manufacturers in Germany, Russia and Japan were invited to bid, and then had to prove that they were able to supply high pressure-proof steel pipes with the especially large diameter (1,222 mm or 1.222 metres) for Nord Stream. It turned out that only four companies met the criteria.

One quarter of the order went to Russian company OMK, the remaining 75 percent was awarded to Europipe – a massive job that has an order volume of 860,000 tonnes of pipes, and – due to exploding steel prices – is valued at over 1 billion. It's the biggest contract Europipe has ever signed. 'Technical, commercial and capacity related criteria determined the split between the suppliers,' Nord Stream said in a statement. Industry experts and Europipe officials know that only the Germans, with their extensive offshore experience, are able to produce roughly 860,000 tonnes of steel pipes in such a short amount of time, and with such quality – a quality that ensures that each pipe is perfectly round, and that one pipe is the exact image of another.

Advantages |

Gräf knows this as well. Opening a window in the Europipe headquarters, he points to the coating facilities and the hundreds of large pipes waiting to be hauled to customers. 'You can't find a plant with this capacity in the entire world,' he says, gleaming with pride. 'We can easily produce more than 1 million tons of pipes a year, and we have a 18-meter line in our Mülheim mill equipped with presses that are especially good at quickly producing thick-walled pipes.' The

Mülheim an der Ruhr plant currently shells out some 90,000 tons of pipes per month; roughly half of them are for the Nord Stream project.

Europipe also had logistic advantages when competing for the Nord Stream job. From Mülheim, Europipe sends 700,000 tonnes of 12-meter-long pipes via freight trains on a relatively short 650-km trip to Mukran, a Baltic Sea port on the peninsula of Rügen, in northeastern Germany. From there, and from the Finnish port of Kotka, to where Europipe sends the remaining 160,000 tonnes, operates the company charged with weight coating the pipes. 'It costs relatively little money to send our pipes to Mukran,' Gräf says. 'Our Japanese competitors would have had to use first large bulk carrier ships and then switch to smaller ships to enter the Baltic Sea.'

Offshore pipes have to meet higher safety standards because, on the seabed, there is no easy way for maintenance. Europipe proudly contends that none of the pipes it has delivered to customers so far – some 5 million tonnes – has had to undergo repairs. 'It's a really big offshore pipeline, with a 48-inch outside diameter that exceeds all other offshore projects to date,' he says. 'The pipes we deliver for Nord Stream are

pipeline pressure. 'That eliminates costs for construction of the stations, their maintenance, energy consumption and staff.' The thick-walled offshore pipes are able to handle the pressure of roughly 200 bar at the start of the line in Vyborg; the gas arrives in Greifswald at around 100 bar. Because that is the pressure level of land lines, the gas can be easily fuelled into the domestic grid.

Due to resistance in Poland, the Baltic states and Scandinavia, Nord Stream has already been delayed significantly. That may irritate consortium officials in Zug, but in Mülheim, Gräf has no reason to be alarmed. 'Europipe has a firm contract with fixed delivery dates from Nord Stream and we will perform accordingly,' he says. This means Europipe is getting paid, no matter what. But Graf is confident that the project won't be stopped. 'Every day three trains with pipes head to Mukran. If you take a boat trip around Rügen, the tour guide will say: Here you can see the famous chalk cliffs, and a bit further south lie the pipes for the Nord Stream pipeline.'

The pipes for Nord Stream's second pipeline will be tendered likely in 2009 or 2010, and of course Europipe will once more try to snatch a piece of the cake. However, there

'The pipes for Nord Stream are the most advanced in the world'

the technically most advanced pipes in the world.'

Gräf says he does not understand the controversy surrounding Nord Stream regarding costs.

While laying an offshore pipeline is more expensive than laying one on the ground, running the pipeline over a course of more than 30 years is much cheaper because the consortium does not have to build up to ten compressor stations to regulate the

will be tougher competition. 'The companies in Japan and Russia will be better prepared, and there will also be a new competitor, Izhora Pipe, a daughter of the Severstal conglomerate. So it will become harder to get such a large share again,' Gräf says. That shouldn't be a reason for major concern. New projects are under way. Nabucco, South Stream, a major pipeline from Algeria to Sardinia, called Galsi. 'As long as there is gas, there will always be pipelines,' says Gräf. ■