



Interview Reinier Zwitserloot, ceo Wintershall

Keeping the eye on the ball

Reinier Zwitserloot and Rainer Seele. Photo: Wintershall

Reinier Zwitserloot may not be among the world's most famous corporate executives, he is one of the most influential. In his eight years as head of German gas and oil producer Wintershall, a subsidiary of BASF, the Dutchman, who is retiring on the first of October, managed to build up an impressive network of political contacts in Germany and Russia. And he grew the business. 'If you really want something in life', he says, 'you can get it.'



we could have afforded over €50 bln for Yuzhno. Well, we invested just around €2 bln.'

Zwitterloot cites the biogas story to show the huge challenge the world is facing in making a transition to a low-carbon economy. He is convinced this transition is necessary – 'I do think we have a climate problem and we have to stop the temperature rise' – but disdains what he calls "eco-romanticism". 'I learned this word from my colleague Rainer Seele: *Öko-Romantik*. It's good to invest in alternative energies, but we should not romanticize them. There has to be a link between economy and ecology. For example, I don't see why we should go to the trouble of cleaning up and upgrading biogas to be able to feed it into the natural gas grid. It's not profitable. It makes much more sense to use biogas to generate electricity locally, at places that are removed from the grid.'

Whichever way you look at it, says Zwitterloot, the contribution biogas and other forms of alternative energy, such as offshore wind, will be able to make to the total energy consumption, will remain limited for a long time to come. 'The IEA has calculated that even if we take all the climate measures already agreed to, fossil fuels will still contribute 80% of our energy needs in 2030.' Rather than just focusing on renewables, we should focus much more on energy saving and energy efficiency on the one side, and technological innovation on the other, according to the Wintershall-chief. 'We need to solve this intelligently, not politically-populistically. It's a global problem anyway, so we have no choice. Non-OECD countries are already emitting more CO₂ than OECD countries.'

Einiges los |

Zwitterloot is convinced that natural gas ('my energy', as he almost lovingly calls it) will play a crucial role as a transition fuel in the coming decades. 'A lot of the CO₂ reductions in the last

| by Karel Beckman

Reinier Zwitterloot is a man of passionate convictions. On this August morning at the breakfast table in his office in Kassel, he pounds on the last issue of *European Energy Review*. 'It's very interesting what I read here!' he exclaims. 'About the biogas boom in Germany. Germany's largest Biogas project will produce 46 mln m³ of gas per year. That's a lot of gas, for sure. At the Yuzhno Russkoye field, in Russia (a Gazprom/Wintershall cooperation, ed.) we produce 75 mln m³ – *per day*. Yesterday, today, tomorrow, every day. And the cost? The biogas project costs €100 mln. On this basis



Photo: Wintershall



Reinier Zwitserloot receives the Order of Friendship of the Russian Federation by Russian ambassador, H. E. Vladimir Kotenev. Photo: Wintershall

years are the result of energy producers switching from oil and coal to gas. This effect is quite underestimated. And gas offers the perfect symbiosis with intermittent forms of sustainable energy, such as wind and solar, because it is the most flexible source for back-up electricity generation. Oil will become mainly a transport fuel and in this area it will almost certainly get heavy competition from electric cars. Once the drive towards electric cars get started, things can go fast. *Da ist einiges los*. But if this happens, the electricity for the cars will have to be generated too, and for this gas again is the ideal solution in combination with sustainable energy.'

So it is no coincidence that during his term in office, Zwitserloot turned Wintershall around from a predominantly oil company to a predominantly gas company. 'We went from 80% oil and 20% gas to about 30% oil and 70% gas.' Is he worried about the current surplus of gas in the market? 'No, this is part of the normal business cycle. We have had a wave of new LNG, successful unconventional gas development in the US and the economic crisis which have combined to produce a surplus and low gas prices. This will turn around again. The crisis will pass, unconventionals will – for various reasons, geological and infrastructural – not have the same success in Europe as in the US, and there is no next wave of LNG. If you

go to Mr. Al-Attiah, Qatar's energy minister, now, you can get a gas contract until 2014, but if you want one beyond 2020, it's going to be a lot harder.'

The fact that the oil price seems to be holding up at a fairly high level, around \$70, Zwitserloot ascribes to financial speculation. 'If you ask me, can I explain why oil costs \$70 today, I cannot. We are drowning in oil, there is 100 million barrels lying around in oil tankers, OPEC is producing more, not less, demand has not recovered yet – so how can we have \$70? It's not supported by fundamentals, it is a new round of speculation. It seems we have learned nothing from the last time.'

This kind of short-term thinking in the market is a matter of some concern to Zwitserloot. 'We have become much too focused on short-term results. Look at what is happening in the sector. BP, Shell, Exxon – they have all announced job cuts and cost-cuttings. At Shell they are shedding 150 jobs at the managerial level. Of course I ask myself, should I do the same? But just two years ago, we were talking in the industry about the "war for talent", and complaining we couldn't get enough good people. We issued retention bonuses to our geologists. And now we should fire them all again? It's not my style. I have decided that in this company, no one will have to go. Of course we will need

to cut costs where we can and we do. But I am not going to get rid of the people with whom we have built a great company. It would undermine our strength in the future. This is a long-term business after all.'

But don't they know this at Shell? 'Of course they do, but that's the tyranny of the financial market, the stock exchange. We only think one quarter ahead. However, I believe that those who are willing to think long-term, win out in the end.' Of course Wintershall's mother company, BASF, does expect results from its daughter. 'Our profits were 50% lower in the second quarter, so BASF were not too happy. Then they saw profits were down 60, 70% at Exxon and Shell, so they figured we didn't do too badly after all. Come on, let's be realistic. An ExxonMobil which makes \$45 billion net profits in 2008 – we can do with a little bit less, *oder?*'

Florida |

BASF's policy is to give its most profitable activities the most opportunities to grow, explains Zwitserloot. 'We have always been very profitable. I am allowed to invest 50 to 100% of my cash flow. They expect me to maintain my reserves of course. Ten years ago, we had 9 years of reserves with a production of 80 mln barrels a year. Now we produce 130 million barrels of oil-equivalents and I have ten years of reserves.'

Under Zwitserloot's "shift", as he calls it, Wintershall's sales grew from €5 billion in 2001 to €14.5 billion last year and income tripled to over €3.8 billion. The company managed to acquire major interests, mainly in Russia (Yuzhno Russkoye and Achimgaz, in partnership with Gazprom) and a 20% stake in the famous Nordstream pipeline. 'When I started my shift, we were "also featuring" in BASF's profitability film. Now, I think we play a major role.'

'Nordstream is an Alexei Miller-Jürgen Hambrecht-Wulf Bernotat-Reinier Zwitserloot-project. It is not a Gerhard Schröder-project'

So how did Zwitserloot come to join Wintershall in the first place? 'I was in charge of Exxon's logistical activities in Latin America, when I was approached by a head hunter. We were living in Florida, but we did not want to get old there. It was a possibility to come back. I was very impressed by BASF's style of business. I have had the privilege to work for the two foremost companies in their respective fields. Exxon is rough, socially speaking, but professional. Leading the energy pack. BASF is the leading chemical company in the world. It is more social, there is more give-and-take in the corporate culture. But

'It's an Unverschämtheit that the EU makes a deal with Ukraine without involving the Russians at all'

they are both wonderful companies which I could fully stand behind. And the team I have here at Wintershall is really superb. German engineering technology is simply first-class. It makes life a lot easier when you know you have got a great organisation behind you.'

As a Dutchman who spent his career at an American company, Zwitserloot must have been a complete outsider when he joined Wintershall, a German company located in the small town of Kassel, far from Berlin or any other important trade centre. Yet, over the years he managed to acquire an impressive network in the highest German and international political circles. He consults with the likes of Merkel, Putin and Schröder and is a personal friend of Frank-Walter Steinmeier, the German foreign minister. 'I am a politician too, the only difference is I make more money', he jokes. 'Seriously, ten years ago, when people in Berlin wanted to know something about energy matters, they would ask Eon or RWE every time, and not even think about us. Now they come to us first. Why? Because we have shown we are able to think beyond our direct short-term interests and talk about the future of this country. We have earned respect for that.'

But the politicians in Berlin must have been impressed above all by Wintershall's excellent Russian relations. Wintershall probably has better relations with Gazprom than any other western company. Zwitserloot remembers his first meeting with then-President Putin very well. 'We were at a dinner, and he said, Mr. Zwitserloot, what have you done today to convince Europeans of the reliability of Russian gas? I said, Mr. President, today nothing, because I flew to Moscow, but yesterday I gave a press conference in Germany. After the third German journalist asked whether we should be concerned about how reliable Russia is, I said – if I were you – this was just before the World Championship in Germany in 2006 – I would be more worried about the quality of the Mannschaft. Putin really appreciated that.'

But Zwitserloot says the importance of political connections for business is often exaggerated. 'It all begins and ends with the business. Just because a Dutch Minister talks to a Russian Minister, it does not mean that Shell gets a big contract. The idea that Gerhard Schröder landed the Nordstream pipeline is nonsense. Nordstream is an Alexei Miller-Jürgen Hambrecht-Wulf Bernotat-Reinier Zwitserloot-project. It is not a Gerhard Schröder-project.'

Furious |

Is he never worried about political developments in Russia? 'You have to be able to see the other side. It's a huge country, it's very different to govern a country like Russia than a country like Holland. There are a lot of things right in Russia, but we never hear about them. The western press is extremely one-sided. They wrote about Khodorkovsky as if he were a saint. Well, he is not. I think it's disgraceful how we deal with Russia sometimes. It's an Unverschämtheit that the EU makes a deal with Ukraine about Russian gas without involving the Russians at all! We have been warning for many years that Brussels is neglecting Russia. All the Ukrainians have to do is to transport gas for which they get paid royally. They should just do their job.'

'I am not going to get rid of the people with whom we have built a great company'

We have clearly hit another subject about which Zwitterloot has passionate convictions. He is still furious when he recalls how the US Ambassador in Sweden advised the Swedish government not to support Nordstream. 'We are talking about a project that has been officially designated by the EU as a TEN-E project, that is to say, part of the crucial Trans-European Energy network of the future. And here we have an American ambassador saying an EU-country like Sweden should not support it! How is this possible? And what do we do? Nothing. What business is it of the Americans anyway? They are also interfering in Nabucco. Europe has a strategic advantage in that it is close to the main sources of gas. We should not let the Americans take that away from us. Let them

take care of their much too high CO₂ emissions before they start lecturing us about energy.'

Very soon, Reinier Zwitterloot will not have to get excited about such matters anymore. He will move with his wife to the German town of Konstanz on the Swiss border. He has resolved to take on very few commitments, at least for a year or so. 'When I started my career, I made a deal with my wife. She would take care of the children, I would retire at 60. I'm rather old-fashioned in these things.' He is convinced he has left behind a sound company. His last big trick was his acquisition of the Norwegian exploration company Revus Energy, for which there was a lot of interest in the market. He got it, he says, because he was prepared well – and he was prepared to pay well, because he really wanted it. 'If you really want something in life, you can get it', he says.

It's one of the main lessons the football-fan Zwitterloot has to teach as retiring CEO. 'You have to keep your eye on the ball. You can't get everything, so you have to focus on what you really want. What do I really want? First, I want HSE – Healthy, Safety and Environment – at the highest level. That's my licence to operate. You have to deliver superb quality everywhere you operate in the world. If you don't, you won't be long in this business. HSE is what I really want, and this organisation knows it. Second, I want to grow. I want the people at Eon to regularly lie awake at night, worrying about us. Third, what I want is that a Spiegel reporter can come to my bed any time in the middle of the night, wake me up, give me a truth serum and ask me questions, and I won't get nervous. In this industry you operate in difficult countries. But there is no way that we don't play things clean. We want it clean, we want it environmentally responsible and we want to grow.' ■

Who is Reinier Zwitterloot?

Reinier Zwitterloot (1949), born in the small town of Groesbeek in the Netherlands, joined Wintershall in October 2000 and became Chairman of the Board in October 2001. Before this, he spent most of his career in Exxon, where he became Logistics Director of the US oil company's Latin American activities. He studied chemical engineering at Eindhoven University. He will be succeeded on 1 October 2009 by Rainer Seele, who has been a board member at Wintershall since 2002.



Photo: Wintershall