Commissioner Carlos Moedas

Lunch with Mr Manuel Ferreira De Oliveira, Chief Executive Officer of Galp Energia

Brussels, Commissioner's Office
Monday, 23 February 2015
13h00-14h00

Cabinet Member:
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Key messages

- Research and innovation (R&I) will be one of the five pillars of Energy Union. It will build on the EU Strategic Energy Technologies (SET) Plan, which is currently being strengthened.
- National Research & Innovation Programmes and Horizon 2020 energy challenge will support the implementation of Strategic Energy Technologies (SET) Plan.
- Oil-and-gas-related research has received progressively less EU support throughout successive Framework Programmes, due to increasing efforts to move to an energy system based on low-carbon energy technologies.
- As for Horizon 2020, the emphasis will be on renewables, smart grids and energy efficiency as well as on leveraging Member States and Industry Research & Innovation investments.

1. STEERING BRIEF

1.1 Scene setter

Your lunch meeting is with Mr Manuel Ferreira de Oliveira, the Vice Chairman of the Board of Directors and Chief Executive Officer of Galp Energia.

Galp Energia is a Portuguese energy company with activities in oil and natural gas exploration and extraction, refining and marketing oil products, natural gas marketing and sales and power generation. According to its website, Galp Energia's market capitalization is EUR 9.9 billion and its turnover EUR 19.6 billion.

Galp Energia's participation to European Research Framework Programme is marginal. Only one project in the Seventh Framework Programme (FP7) is involving Galp Energia: 'COntent Mediator architecture for content-aware nETworks' (COMET) project that was targeting transport and storage of CO_2 (EU contribution to Galp was EUR 44k), in the context of Carbon Capture and Storage (CCS).

At EU level, the Strategic Energy Technologies (SET) Plan is being reshaped in order to address the entire energy system (from demand to supply) and not only the technologies of energy supply as it was the case until now. End of 2014, a comprehensive overview in a single framework addressing all the R&I needs and challenges of the entire Energy System was produced (Integrated Roadmap). Thanks to the involvement of Member States through the SET Plan Steering Group, this document covers areas of interest of the Member States and is recognised as a valuable source of inspiration for national and European R&I investments. It is therefore a unique tool to improve the coordination of efforts and cooperation among/between Member States in support of the Energy Union.

The next step is to develop an Action Plan that aims at outlining priorities at EU and national level, possible levels of cooperation, enhanced SET plan implementation mechanisms. The SET Plan Steering Group has been asked to provide non-binding information on their national priorities and relative weight of investment in the different themes identified in the Integrated Roadmap document. So far the Commission has received answers from 25 Member States. This is currently followed by a second step, where Member States are asked to flag the potential interest to cooperate in aspects of the different themes.

The Commission will thoroughly analyse all responses received from the Member States, also on the R&I areas of potential interest for Portugal. Indicated Portuguese priorities, among others, add to the global general interests of energy efficiency, grid or smart cities (also ocean energy, solar heating and cooling are mentioned as fields of high political importance).

1.2 Objectives

- To inform Mr Ferreira de Oliveira about the Commission's energy-research and innovation activities and priorities, particularly regarding Horizon 2020, the Strategic Energy Technologies (SET) Plan and the Energy Union.

- To invite Mr Ferreira de Oliveira to share his perspectives.

1.3 Line to take

- **Welcome** Galp Energia's interest in the European Commission's support for Energy Research and Innovation. **Thank** Mr Ferreira de Oliveira for his company's participation in the COMET project in FP7.

- **Highlight** that oil-and-gas-related research has received progressively less support throughout successive Framework Programmes, due to increasing efforts to move to an energy system based on low-carbon energy technologies.

- **Mention** that Carbon Capture and Storage, flexible power plants and unconventional hydrocarbons are the only fossil fuel related areas included in the Specific Programme for Horizon 2020.

- **Highlight** that key priorities of the Horizon 2020 Energy Challenge will be renewables, smart grids and energy efficiency as well as to leverage Member States and Industry Research & Innovation investments to foster the deployment of new energy technologies to the market.

- **Stress** that this is consistent with the agreed budgetary expenditure targets for the Energy Challenge of Horizon 2020 i.e. at least 85% of the overall budget dedicated to non-fossil fuel technologies and at least 15% to market uptake measures.

- **Convey** the message that Research & Innovation will be one of the five pillars of Energy Union.

- **Highlight** that this Research & Innovation Pillar will build on the Strategic Energy Technologies (SET) Plan, which currently being strengthened to contribute precisely to Energy Union.

- On financing energy technologies, **mention** that it is expected that the Research & Innovation pillar will also be supported by the Juncker Investment plan.

- **Invite** Mr Ferreira de Oliveira to share his thoughts on the energy transition and his company's role in it.

2. SPEAKING POINTS

- It gives me great pleasure to welcome you here in Brussels on this occasion. It is good to have an opportunity to learn more about Galp Energia and to let you know in turn about our many activities to support energy research and innovation.

- I am very impressed by the progress you and your company have made in recent years, [redacted] I will not even try to list all the countries were Galp Energia has recently been active!

- Given your company's portfolio, you know better than anyone that fossil fuels still play an important role in our energy system, and your company is doing its share to keep vehicles running and homes warm. At the same time, you will know as well that as a result of our increasing efforts to move to an energy system based on low-carbon energy technologies, oil and gas related research has received progressively less support in successive Framework Programmes.

- In fact, the Fifth Framework Programme (FP5 / 1998-2002) was the last Framework Programme where oil and gas research was supported, but only to improve the environmental footprint of oil and gas extraction.

- Horizon 2020 has discontinued such support, and the programme also excludes the development of technologies for the exploration, development and/or production optimisation of oil and gas resources. On the contrary, Carbon Capture and Storage (CCS), flexible power plants and unconventional hydrocarbons are fossil fuel-related areas specifically *included* in the Specific Programme for Horizon 2020. In 2014 call for proposals the EU funding in these fields amounted to EUR 33.3 million (EUR 21.8 million for 2 CCS projects and EUR 11.5 million for 4 projects on unconventional hydrocarbons).

- A key priority of the Horizon 2020 energy challenge will be on renewables, smart grids and energy efficiency and to leverage Member States and Industry Research & Innovation investments. This should help Europe to strengthen its industry in many

areas of relevance to the Energy Union launched by President Juncker, including renewable energy.

- This is consistent with the agreement between the Council and the Parliament for the budgetary targets regarding the Energy challenge of Horizon 2020, where at least 85% of the overall budget should support non-fossil fuel technologies and at least 15% should be dedicated to market uptake measures. This illustrates the EU political support for low-carbon technologies and their deployment.

- Given that your company is already participating in the 'COntent Mediator architecture for content-aware nETworks' (COMET) project on Carbon Capture and Storage, funded out of the Seventh Framework Programme, it seems to me that you, too, have realised the importance of moving towards a decarbonised energy system over the coming decades.

- European research and innovation is also supporting cooperation with third countries, providing that the cooperation is based of mutual benefits. It is in fact the most open research and innovation programme in the world. In other words, there are many opportunities to seize in coming years, [redacted]

- [redacted]

- [redacted]

[redacted]

- Of course, overall the European Commission is providing much broader support for energy research and innovation under Horizon 2020, with portfolio worth roughly EUR 6 billion. The key instrument for us to bundle these diverse activities is the EU's Strategic Energy Technologies (SET) Plan, which is currently being reshaped in order to address the energy system as a whole. In the spirit of the Energy Union, the Strategic Energy Technologies (SET) Plan will now focus on achieving better coordination and actual synergies of Research & Innovation actions among Member States, in order to maximise the use of scarce resources and the impact of Research & Innovation investments also on the global competitiveness of energy-related European industries. Preparatory work is currently on-going with the Member States on the identification of specific common priorities where coordination can be fostered and joint actions developed. The Commission will steer this process and this will lead to an Action Plan. The Portuguese contribution in this regard encourages our further collaboration and the needed endeavours ahead of all of us.

- Let me conclude by stressing that Research and Innovation plays an essential role in the Commission's flagship project to create a genuine Energy Union. Research and Innovation is one of the five pillars of Energy Union with the objective to deliver competitive low carbon technologies to build a clean, secure and efficient energy system as well as solutions for their integration into the energy system.

- It will help to maintain Europe's lead in strategic renewable technology areas such as wind and solar power generation as well as renewable-based district heating and cooling. It will contribute to Europe becoming a world leader in smart grid technologies and deployment, smart equipment and user-friendly appliances and to the further development of a new policy on sustainable and environment-friendly production and use of biomass and biofuels. This implies the accelerated transformation of our energy system, making it not only more efficient, but also more integrated, decarbonized and competitive.

- On financing energy technologies, it is also expected that the Research & Innovation pillar of Energy Union will also be supported by the Juncker Investment plan. A number of projects submitted by Member States are of direct relevance for the Strategic Energy Technologies (SET) Plan priorities.

- I am sure that with your company's diversified portfolio, and a range of activities in many countries around the globe, you will have many ideas on the subject. I would be very interested to hear your perspectives.

3. DEFENSIVE POINT

- Should Mr Ferreira de Oliveira insist on the need to continue funding fossil fuel research: Refer to the decisions taken to discontinue such support and to focus instead on low-carbon energy forms (see text above). Refer also to the recent adoption the 2030 Energy and Climate Policy Framework, which reinforces the European Union's commitment to move towards a decarbonised energy system.

4. BACKGROUND INFORMATION

4.1 CVs

Manuel Ferreira De Oliveira

Manuel Ferreira De Oliveira is Galp Energia's Vice-Chairman of the Board of Directors since April 2006 and Galp Energia's Chief Executive Officer since January 2007.

Vice-Presidente
Conselho de Administração

Manuel Ferreira De Oliveira is Galp Energia's Vice-Chairman of the Board of Directors since April 2006 and Galp Energia's Chief Executive Officer since January 2007. Before joining Galp Energia, he was the Chairman of the Board of Directors and the Chief Executive Officer of Unicer – Bebidas de Portugal, SGPS, S.A. from 2000 to 2006, and the Chairman of the Board of Directors and the Chief Executive Officer of Petrogal from 1995 to 2000. From 1980 to 1995 he held executive responsibilities at Lagoven, S.A. (subsidiary of Petróleos de Venezuela, S.A. – PDVSA, ex-Creole Petroleum Corporation, a Exxon subsidiary), in the areas of Production, Refining, International Commerce and Corporate Planning including responsibilities as CEO and/or Member of the Board of Directors of BP Bitor Energy (London), Nynäs Petroleum (Stockholm), Ruhr Oil (Düsseldorf) and PDV Serviços (The Hague). Among other current non-executive roles, he is the Chairman of the Advisory Board of EGP – University of Porto Business School. Ferreira De Oliveira has a Degree in Electric Engineering from the Engineering Faculty at the University of Porto, a Master of Science in Energy from the University of Manchester and a PhD in Energy from the University of Manchester. He achieved the Associated Professor Degree at the University of Porto, where he became a Professor in 1979. His management studies took place at IMD, Switzerland, Harvard and the Wharton Business School in the United States.

5. ANNEXES

5.1 Galp Energia at a Glance

galp energia

Galp Energia at a glance

Galp Energia is an energy company – finding and extracting oil and natural gas from sites across four continents to deliver energy to millions of customers every day. We drive the world a little further.

We are Portugal's oil and natural gas integrated operator. Our activities span from exploration and production of oil and natural gas to refining and marketing oil products, natural gas marketing and sales and power generation.

The Company's profile

Market capitalisation:	€9,881 million
Turnover:	€19,620 million
Net profit RCA:	€310 million
Number of employees:	6,968
Active presence in:	15 countries
Reserves 3P:	707 mboe
Average working interest production:	24.5 kboepd
Refineries:	2
Service stations:	1,435
Sales of natural gas:	7,090 mm^3

data from the end of 2013

Business segments

Exploration & Production

> More than 60 projects in portfolio

- Galp Energia's activity is growing fast, especially in Brazil, Angola and Mozambique with the recent discoveries;
- Production of oil is concentrated in Angola and in Brazil, with a WI production of 24.5 kboepd in 2013;
- At the end of 2013, 3P reserves NE stood at 707 mboe; 3C contingent resources WI at 3,923 mboe and exploration resources (unrisked) at 2,495 mboe;
- The development of existing resources, will allow Galp Energia to significantly increase its production.

Refining & Marketing

> 1,435 service stations

- We process oil into refined oil products, mainly marketed by our own network in Portugal and Spain;
- We are the only refining company in Portugal, and we currently have a refining capacity of 330 kbopd;
- Refined products are primarily marketed in the Iberian Peninsula but also in Africa, with sales to direct clients hitting 10 mton in 2013;
- In 2013, the marketing network reached 1,435 service stations.

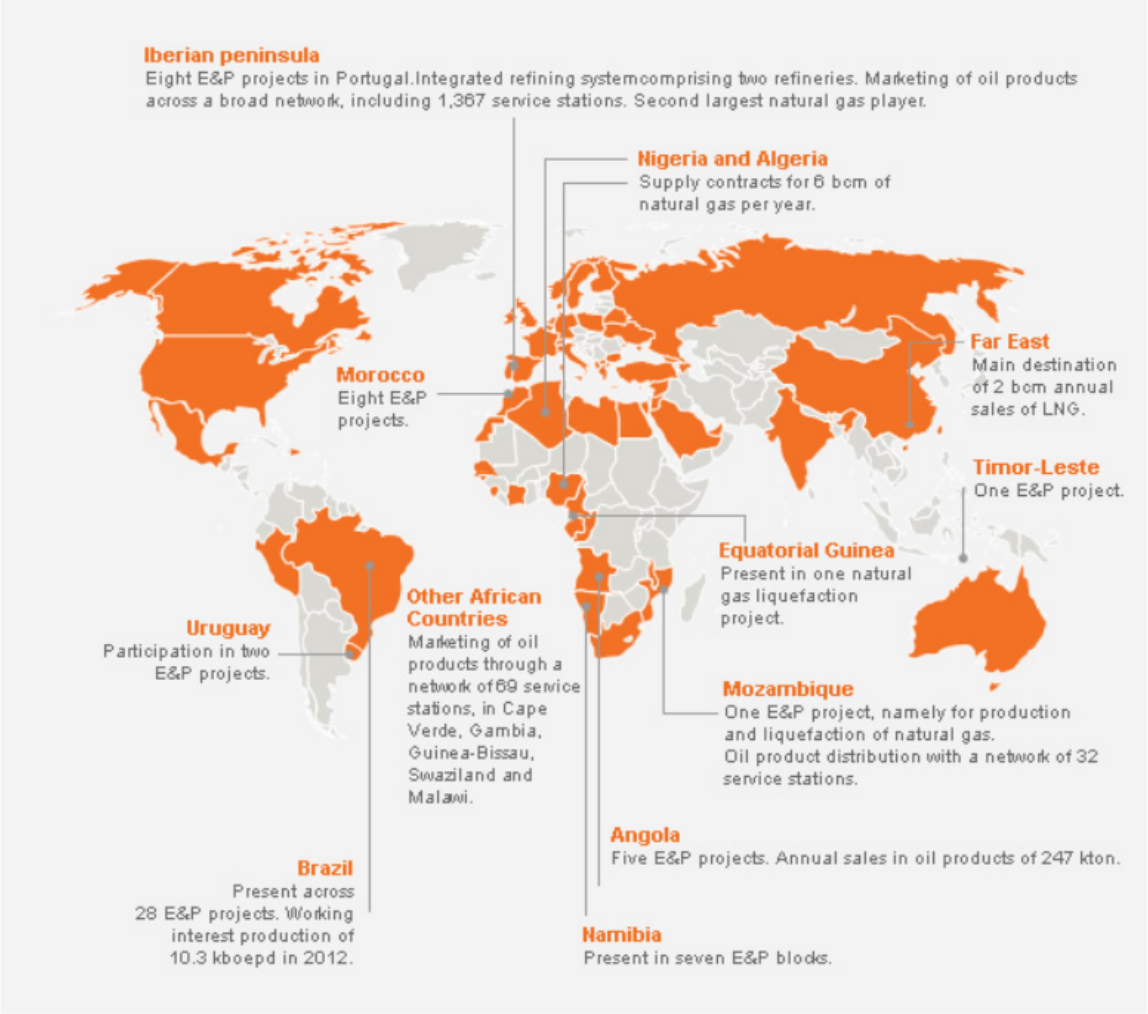
Gas & Power

> 7,090 mm^3 sales of natural gas

- The main activities of this business segment are import, distribution and sale of natural gas and production of electricity;
- Natural gas is sold in Portugal and Spain to around 1.3 million customers;
- We plan to exploit current developments in our power business to increase our sales of natural gas;
- In the power business, our aim is to position ourselves in the electricity supply sector in the Portuguese market.

Galp Energia in the world

Our activities are expanding strongly worldwide and are predominantly located in Portugal, Spain, Brazil, Angola, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia, East Timor, Uruguay, Equatorial Guinea, Morocco, Namibia and Malawi.



5.2. Galp Energia R&D Projects

galp energia

R&D Projects

Investment in Research and Development is understood as strategic and cross-cutting throughout the Galp Energia value chain, particularly in activities with higher technological intensity.

In 2012, Galp Energia invested about 7.6 million in research and development.

Find out more about our R&D projects:

Exploration and Production

Investment in R&D is essential to overcome the major technological challenges raised by E&P in the different locations on the planet where Galp Energia operates, especially in exploration of the Brazilian pre-salt layer. ▸

Refining

As the only refinery company in Portugal, Galp Energia approaches investment in R&D as strategic for value creation, differentiation of products and innovation in processes. ▸

comet

Carbon capture and sequestration

Galp Energia participates in COMET, a project aimed at identifying a CO_2 transport and storage infrastructure serving the West Mediterranean area. ▸

Last update: 01 Mar 2012

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