



## **Executive Perspectives**

*With the impacts of COVID-19 continuing to significantly impact global markets – including a collapse in the oil price in recent weeks – our CEO, Juergen Wollschlaeger sets out how, and in what ways, flexibility provides the best form of resilience to oil refiners facing an unprecedented, challenging business environment.*

### **Flexibility for business resilience in a COVID-19 world**

During these challenging times, flexibility – now more than ever before – can make all the difference for an oil refining business. This can come in many forms – whether it be the configuration of operations; diversification of product and market access; leveraging site and infrastructure; or even taking a long-term view and looking to future technology and business models. Flexibility in all these forms offers a refinery options, enhancing its value proposition, and are a key indicator of a business' overall resilience.

For many businesses, “simplicity” is often emphasized as a significant advantage, however, in our case the opposite is true. Refineries operating with combined production processes can often find that operational flexibility is constrained at both ends, with limited crude options supply-side, and a restricted number of refined products to offer customers demand-side. At Raffinerie Heide, it is our “complexity” rather than “simplicity” that offers us a real advantage. The complex configuration of our refinery enables the production of both middle distillate and chemical products, allowing us to increase our product diversity and the number of markets we can operate in.

At a time when many nations are still on COVID-19 lockdown and many more people are staying at home, we have witnessed a significant drop in individual mobility, with less air travel and fewer cars on the road. As a result, demand for both aviation fuel and gasoline – products that represent a significant proportion of our business during “normal” times – has fallen.

To overcome this challenge, we are able to reoptimize our operations to divert hydrocarbons and feedstocks away from low-demand products and channel them towards the production of other, less impacted middle distillates. Ethanol – which we would ordinarily blend into gasoline – is a product that in recent weeks we have started to sell in significant quantities to local disinfectant producers, in response to the increase in cleaning and hygiene products.

Our flexibility in production, is also matched on the supply-side. Over recent years, we have maintained a laser focus on increasing the number of different crudes we can process, managing to process more than 20 different crudes at any one time. We have more than 100 different crudes approved to be processed at our refinery and every week we assess more than 50 different crudes to identify which one will be the best for us to purchase next. Again, our complex operations widen the flexible options available to us.

Alongside our operational configuration, our location – and infrastructure associated with this – goes a long way to enable flexibility. Being situated in northern Germany, we benefit from both regional infrastructure – including the Mittelplate oil platform in the North Sea, where around 15% of our crude oil comes from – as well as local infrastructure – including our Brunsbuettel tank farm.

Given the turbulent market conditions we currently face, access to Brunsbuettel is a significant advantage to us. Ordinarily, our refinery is well situated to optimize local demand across the region, however, as regional demand decreases, the Brunsbuettel tank farm offers us the flexibility to dispatch almost 60% of our product by ship and deliver to German and European markets.

Beyond the here and now, we believe flexibility has a significant role to play in strengthening our resilience as we look to the future. Hydrogen production and synthetic fuel development offer us a valuable opportunity at Raffinerie Heide to future-proof our business and ensure that we are part of the energy transition. Both the KeroSyn100 and Westküste100 projects we are involved in are progressing well – the latter having taken a significant step forward towards the end of March, with the submission of our project application to the Federal Government.

How long the current situation will last and how long the recovery will take are difficult to predict. For the oil and gas industry – as for many other sectors – this latest challenge represents a significant resiliency test. Whilst it's unlikely that any business will emerge from this current situation unscathed, those businesses that are able to leverage flexibility – and the options this provides – will be best placed to weather the storm and potentially even position themselves for future success as we move into a “new normal”.

#### |About Raffinerie Heide

Raffinerie Heide GmbH is part of the Klesch Group and is one of the largest employers in Dithmarschen, Schleswig-Holstein, with around 560 employees and 40 trainees. The company has an annual processing capacity of 4.5 million tonnes of crude oil, equal to the oil demands of the entire state of Schleswig-Holstein. The refinery with a medium-sized ethos, which was founded in 2010, produces traditional petroleum products such as petrol, diesel and aviation fuel. It also produces light heating oil and base materials for the chemicals industry. Raffinerie Heide, which is one of the most complex refineries in Europe, is among the best in the continent in terms of utilisation and availability thanks to its strict standards of care in relation to maintenance.