
Strategy for New Business Development of OMV
- an integrated Oil & Gas Company

Abstract

Gerd Sumah (OMV AG)¹

1. Introduction

Issues of safety and the environmental impacts of energy supply have gained importance at the beginning of the 21st Century, and are reflected in energy and environmental policies at international, national and corporate levels. The strategic focus of energy companies thus increasingly integrates creative and sustainable paths of value creation, and the long-term energy outlook, based on their existing core competencies and core businesses, to ensure their continued ability to successfully deliver global energy needs.

2. Long-term Energy Outlook

The International Energy Agency (IEA) predicts in its latest Energy Outlook an increase in world population from 6.8bn in 2009 to 8.6bn in 2035, and an average global growth in GDP growth from 2020 - 2035 of 3.1% per annum. It further predicts a growth in global energy demand of 22% from 2009 - 2020 and of 15% from 2020 – 2035, which will lead to an increase in global oil demand of 12% by 2035.

3. New Business Strategy of OMV

OMV has in the past investigated various renewable energy concepts, in various parts of the world. It has now decided to focus on those which:

• Fit its core competencies / assets such as understanding of geology, drilling techniques, and operating conventional power plants.

• Are demonstrably capable of being profitable for the company (which may include government-offered subsidies, at least initially).

• Are able to be addressed by OMV at a scale which matches OMV’s scale, within OMV’s core geographical focus of southern Germany, Austria, Eastern Europe and Turkey.

¹ OMV AG, Corporate Strategy - New Business Development, GS-D; Trabrennstrasse 6-8, 1020 Vienna, Tel. +43-1-40440/23108, mail: gerd.sumah@omv.com web: www.omv.com
• Are capable of being developed into substantial, sustainable industries in which OMV will be a major player with a strong market share.

OMV has thus changed its corporate strategy for renewable energy opportunities.

In the field of electricity generation from renewable assets:

• It has decided not to further pursue 1st-generation electricity-generating renewables, including wind, hydropower, and solar power - both concentrated solar power (CSP) and photovoltaics (PV) - as although some of these are in some cases profitable they do not match OMV’s core competencies, nor, in some instances, its desire to achieve scale and a strong market share. It will instead help enable a wider usage of these technologies, most of which provide intermittent power, by providing balancing gas-fired power.

• In 2nd-generation electricity-generating renewables, ocean and wave power, in all their forms, currently both lie outside OMV’s core competencies and are not yet demonstrably capable of being profitable. OMV also has no interest in biomass conversion either for electricity or for heat generation.

• OMV will instead concentrate its efforts on geothermal power. This opportunity matches OMV’s competencies in the understanding of geology, drilling techniques, and operating conventional power plants. Although ultimately there may be opportunities across OMV’s geographical focus, initial investigations are centred on Turkey, where there is extremely large geothermal potential for electricity generation as yet largely undeveloped, and where the financial incentives offered for developing such by the Turkish Government support a strong business case. OMV is actively seeking suitable projects in which to participate.

In the field of renewable fuels for transport, OMV has two areas where it has now focused:

• Biofuels: OMV is developing 2nd generation biofuel technologies (where these use non-food crops or waste biomass as sources) for use in its existing refineries. There are two ongoing projects:
  o Co-processing of vegetable oil to co-produce non-mineral diesel
  o Biocracking of biomass to produce non-mineral diesel

• Hydrogen (H₂) Mobility: OMV is exploring the market for H₂ as a transport fuel by supporting a joint industry effort to build up the distributed infrastructure needed to supply H₂ to vehicle users.

4. Financial commitment

To support these initiatives, OMV has increased its annual R&D budget for renewable energies for the realization of projects. This is currently €20m/year and will increase to
€50m/year in the mid-term. Further capital budgets will be allocated as projects are selected and developed to operational status.