

Managing supply-chain disruption, investing in new energies



DICK RICHELLE: 'Collaborating with customers, suppliers, and contractors we can jointly reduce emissions to realize more sustainable supply chains.'

➤ **Chemical infrastructure and logistics companies are facing many of the same challenges as the chemical manufacturing industry, including international supply-chain disruption, the impact of the conflict in Ukraine, and public and government pressure to decarbonize.** EPCA board member Dick Richelle, who at the beginning of 2022 became chairman and CEO of tank storage market leader Vopak, explains to Chemical Week's Ian Young how the company is tackling these challenges and focusing its growth strategy on new energies and sustainable feedstocks.

Chemical Week: What are the short-term and long-term impacts of the current international supply-chain disruption on the chemical logistics industry? What are storage and infrastructure companies such as Vopak doing to address it, and what more will need to be done?

Dick Richelle: We are always in dialogue with our customers around the world to find out where and how we can best support them in these challenging times. Northwest Europe is for example currently impacted by extremely low Rhine levels, we are helping our customers to facilitate more imports via rail or road modalities. In the long term I think more optimization and security of supply chains can be realized by collaborations. This will enable chemical companies to run their individual plants to optimum levels and reduce costs and increase flexibility. This can also relate to onsite logistic infrastructure, such as how Vopak partnered with Blackrock to service Dow in the US. It gives chemical companies the option to free up capital from non-producing assets and enables companies like Vopak to optimize the logistics.

CW: The war in Ukraine and COVID-related lockdowns, particularly in China, have altered trade flows for chemicals, oil, and gas. How are storage companies including Vopak adapting to these changes?

Richelle: Both these major and tragic events have clearly shown the importance of our role in various supply chains. Owning and operating critical infrastructure for the vital products for the energy

and manufacturing markets is an important role for our customers and society. We are glad and proud we can play this role and want to continue doing so in a responsible manner. So far, all our locations around the world have been operational during the COVID crisis. And for example, the LNG terminal in Rotterdam, which we own and operate together with our partner Gasunie, currently fulfills an important role in the security of energy for Northwest Europe. We successfully have been able to expand its send-out capability, which will also be of help during the winter.

CW: What is the impact of EU climate policy and legislation, such as the Green Deal and Fit for 55, on the tank storage sector?

Richelle: Alongside the challenges it also gives opportunities, for example in the storage of traditional chemical products that are essential for the energy transition. And for the development of new infrastructure solutions to help decarbonize the industry. Vopak supports new vital products like new 'green chemicals' and hydrogen carriers such as ammonia. We are very well positioned for this. We have a large presence in key industrial clusters and safely store ammonia already at six locations in the world. High-quality infrastructure serving the needs of the chemical and energy markets is critical in the transition. We are an important participant in the current transition studies and projects. At the same time, storage is often 'undervalued.' It comes with high construction and maintenance costs as well as high operating costs. It's important that the chemical industry gets a broader view of the value of storage and logistics, which creates both security and flexibility. Also, with new products like green ammonia, a focus on safety and reliability of the supply chain is essential, and this comes with a cost.

CW: How can companies such as Vopak cut emissions and become carbon neutral?

Richelle: Vopak has set an ambition to become climate neutral in 2050 and we have an intermediate target to reduce GHG emissions 30% by 2030 including future growth of our business. Effectively, this is a GHG reduction of 45-60% from our existing

business in 2030. So, a lot has to be done and is being worked on and executed as we speak.

We are currently reducing our carbon footprint by various measures such as improving energy efficiency, switching to renewable electricity, and electrifying our operations where possible. We also generate our own renewable electricity in for example the large solar park in the Netherlands that we built together with our partners. We see the offsetting of CO₂ emissions as a last resort and a temporary solution. At the same time, we are always looking for opportunities to help our customers reduce their footprint. By collaborating with customers, suppliers, and contractors we can jointly reduce emissions to reinforce our impact and realize more sustainable supply chains for our customers.

CW: Please provide an update on Vopak's investments in infrastructure for new energies and sustainable feedstocks, particularly ammonia and hydrogen. What is the strategy behind them?

Richelle: We see many opportunities here to support our customers and are very well positioned for this. We think that with our global network within the major industrial clusters, our wide capabilities also in gas and industrial terminals, and our strategic customer and partnership base, Vopak can support its customers very well as they go through the transition. We have announced that we will accelerate our investments in infrastructure for new energies and sustainable feedstocks by investing €1 billion by 2030. Supported by our proven track record in gas and ammonia storage, we will expand in storing hydrogen. Here we are involved in three logistic solutions: ammonia as hydrogen carrier, liquid hydrogen, and liquid organic hydrogen carriers (LOHC). For example, in Rotterdam we would like to facilitate the import of ammonia as a hydrogen carrier via the ACE terminal. Together with, among others Shell, we are looking into liquid hydrogen imports from Sinnes to Rotterdam. And together with Hydrogenious we are looking into hydrogen supply chains using LOHC.

Those terminals within our network that store traditional fuels and feedstocks are well positioned to handle low-carbon substitutes. We are also well positioned to provide Long Duration Energy Storage solutions in major industrial clusters or CO₂ infrastructure services. For example, in Rotterdam we are in CO₂next together with partners preparing for an open-access CO₂ terminal that will be connected to depleted gas fields.

We clearly see, if I compare where we are today

with where we were 12 months ago, the momentum around new energies is building massively. I see that in terms of the type of projects that we are working on. Also, the geographical spread of where those projects are happening is widening.

CW: Why is Vopak growing its base in industrial and gas terminals and reducing the share of chemicals and oil?

Richelle: We do see that changes are happening in the end markets of our customers, especially in the energy and manufacturing markets. We support our customers in these changes and want to make sure that we offer the right services to serve their end markets. So, we are gradually moving and changing our portfolio towards their needs. We're active in all major industrial clusters around the world and we

‘High-quality infrastructure, serving the needs of the chemical and energy markets, is critical in the transition.’

will grow our position as a market leader in industrial terminals. We will allocate €1 billion of growth capital to gas and industrial terminals by 2030 and €1 billion in growth capital towards new energies and sustainable feedstocks by 2030. This will not only shape the future of Vopak, but also positively contribute to the transition within key industrial clusters. At the same time, we will look with a critical eye at the returns. We aim to improve the performance of our portfolio and target an operating cash return of at least 10% by 2025.

CW: Vopak forms part of the Xycle plastics recycling joint venture. Why has a storage company joined such an initiative? What are Xycle's growth plans beyond the announced plastics recycling project at Rotterdam?

Richelle: This is part of Vopak's strategic direction to accelerate towards new energies and sustainable feedstocks. We recognize the importance of plastics recycling and see the recycled product as a future new feedstock for our customers and industrial complexes. We can play a role here using the strengths of our company. Our customers are asking for our support and active involvement. Xycle is a joint venture with a proven depolymerization technology, to recycle plastic waste into liquid hydrocarbons (pyrolysis oil). Our mutual ambitions stretch beyond Rotterdam. This technology can be of use in many locations around the world.