

Interview: Gertjan Lankhorst – CEO, GasTerra – Netherlands

Gertjan Lankhorst, CEO of GasTerra, shares with EnergyBoardroom GasTerra's role in the current industry shift towards sustainability and in shaping the "gas agenda."

Your background is in economics, as well as the oil and gas and energy industry. What specific experience can you site as having helped you leverage your current career here as CEO of GasTerra?

Well, I think that the most important thing for me was knowing the broader picture; not being specialized in a smaller aspect of the market only. I come from a civil servant role where I was the Director General of Energy here in the Netherlands, so I have become familiar with the whole energy system and with the whole range of policy in this industry. It has helped me tremendously in strengthening GasTerra's role in the market, as well as contributing to the pervasive energy policy debate that is currently going on about sustainable energy.

What can GasTerra and other natural gas companies do to ensure that natural gas actually provides a greener future?

Natural gas companies can do a lot in this respect, and this is something we still have to work on. First of all, there is the role of gas in the energy mix. Gas is essential in providing the flexible and cheap means of balancing the whole energy system where we see more and more sources of energy being introduced that are not flexible and that are dependent on wind or sun. We need a system that can cope with this unpredictability. The most effective way to accommodate all of these fluctuations is to use the dense gas grid that we have in large parts of Europe and here in the Netherlands.

How do you promote these sustainable measures?

It's not only about making clear that this role of gas is essential and that we have to value it more, it's also about the fact that we have to look at ways of making gas in itself greener. What this means is bringing more green gas (biogas) into the grid. When you are more efficient with your gas use and you have a higher volume of biogas, the entire gas system becomes less CO₂ intensive. We have to work on appliances that are hybrid that can use either gas or electricity, whatever is available at the cheapest cost at that moment. So there is a whole range of technological options that have to be developed, and R&D is extremely important in this respect. In the end, it all comes back to the role of gas in the energy system. To think about energy not as separate energy sources, but rather as a system where all these sources—oil, gas, heat, power, etc.—play a role together is essential in policy making. It is also where we, as the gas sector, have to think about how we can place gas in the best position to play its role. What I'm convinced of is that many of the options that are discussed and researched now are much more expensive than just making use of the natural gas grid that already exists.

Are you partnering with anybody in the R&D department?

In the past we have promoted certain technologies. We were a strong promoter of MicroCHP, a heating system for homes. It is a boiler that not only produces hot water for your heating system but also has a small engine in it that produces electricity. It's a very efficient way to use gas in your home. However, over the last several years, we have chosen another path because we are too small to help develop certain technologies. Rather, we have to invest in the broader picture so we have partnered up with the University of Groningen and the Hanze University of Applied Sciences, also in Groningen.

We have also initiated the Energy Academy Europe, which is a joint project of the two universities. Thus, an institute has been created that does top research in energy matters and provides a top education on a series of levels, from vocational training to the highest academic education. Furthermore, it is multidisciplinary. It is not only technology, but rather technology, economics, policy, sociology, and even psychology and law, which all play a role in helping energy options become accepted. It is my conviction that nowadays if you look at energy projects, whether it is wind farms or oil and gas production, the biggest hurdle is not the technology or the capital, it is

social acceptance. It is in this area that we have to learn and combine all the disciplines. It is here that we have placed our stakes.

What can you do to promote this use of natural gas and in changing perception?

We are active in the area of gas advocacy, as we call it. First of all, what is most important are the facts—for example, we make clear how much CO₂ is emitted by a coal-fired power plant and that a gas-fired power plant produces 50 percent less. But then we are faced with the reality that coal is much cheaper and that we don't have a carbon price that is sufficient to bridge that gap between the competitiveness of coal or gas. So, we can advocate it, but hard economics don't work out in our favor. What we try to do is to put pressure on authorities to reform the ETS in such a way that carbon prices become high enough to encourage investment in efficient technology in Europe. This is absolutely necessary. Some steps have been taken, but it is still not sufficient. We are trying to put forward the advantages of gas, which are twofold. As I said, first of all, of all the fossil fuels, gas is the cleanest by far. Second, it is the most flexible fossil fuel. In this respect, gas is the ideal partner of renewables.

Russia has traditionally provided large amounts of natural gas to Europe, but with these shaky conditions across in Eastern Europe, what measures should both governmental authorities as well as companies like GasTerra do to ensure security and the continued supply of natural gas to Europe?

In the very short term, Russian and Ukrainian authorities need to negotiate a price for Russian gas delivered to Ukraine. This is short term and of course not fundamentally solving the problem. What is partially responsible for this problem is that large parts of Central and Eastern Europe are too dependent on Russian gas. What we must do is create a competitive market not only in the Northwest of Europe but also in the East. This can be done by creating government policies in those countries that really implement all the European energy legislation packages and regulation on how a competitive gas market should function. In my opinion, with not too much money you can achieve quite a lot in making the Central European countries better accessible for gas to flow from West to East. Lastly, we must look at the way the hubs in the [UK](#) and in the Netherlands have become successful. These hubs are now the dominant places where gas is traded in Europe and the price is extremely reliable. It is a liquid market; there is no possibility for any supplier or buyer to influence the price. This recipe that has led to the emergence of these hubs must be translated to the Eastern part of Europe as well. It requires two things: the TSOs that exist there to facilitate this hub and a market maker—a company that is willing to put volume at a certain price on the market all the time. These are all elements of what can be summarized as creating a competitive market throughout all of Europe.

Last year, GasTerra announced a partnership with Eneco to supply wind dependent energy. How does this innovative product affect the prominent role that GasTerra sees for gas in the transition to a more sustainable energy supply?

The product works as follows: we have a flexible contract with Eneco. When the wind blows harder, they take less gas from us because they have the power from their windmill. For this they pay a slightly higher price, which they can afford due to the revenues from their wind power. When there is less wind, they take more gas but at a slightly lower price. On the one side it is hedged for them and on the other it is hedged for us. In the end, we are both happy with how this partnership is working.

Moreover, GasTerra is very active in the market for biogas, also known as green gas. It is an activity that is still small scale. In fact, it is so small scale that we wouldn't normally take this into our portfolio because we are more of a wholesale company. However, we think that this development is so essential for creating a market for green gas that we put some effort into it to help these small producers who don't have the knowledge and capabilities of the gas market.

You were recently appointed as president of Eurogas. How would you say that your involvement in Eurogas helps you to advance the gas agenda as a whole, and what keeps you motivated?

Many of the things that we have discussed here already make clear that Dutch policy is part of European gas policy. It is very interconnected and most of the rules for the gas market here in the Netherlands are drafted in Brussels and not in the Hague. GasTerra alone, without Eurogas would be very interested and involved in what is

happening in Brussels. Now, as president of Eurogas, I am even more involved so it has been very directly beneficial for our company as well.

Do you see these challenges that the company has been encountering recently as making the company stronger and more resilient for the future?

Our portfolio is shrinking, mainly due to the decline in domestic production, so what we are working on is a reorganization whereby we try to make our company more flexible, smaller and more efficient, yet still capable of doing what's necessary in the gas market. Over the next several years we see ourselves as becoming a more compact yet more flexible and efficient company, able to adapt to whatever the future brings.

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