

New Strategy for Grupa Azoty

Competitiveness, innovation and a focus on pioneering solutions meeting the needs of both Polish and foreign customers—this is how Grupa Azoty (the Azoty group), a CEEP member and Poland's biggest chemicals producer, plans to respond to market demand under its new strategy.

The company is the European Union's second-largest producer of mineral fertilizers and the national leader in the production of polyamides, oxo alcohols, plasticizers and pigments. As part of its new strategy, the company wants to further strengthen its market position through moves including an ambitious investment program. The group wants to carry out 68 projects with a total value of more than zł.7 billion by 2020.

Grupa Azoty was created as a result of consolidation of the country's chemical companies, a process that got under way in 2010. Grupa Azoty brings together more than 50 businesses, including companies in Germany and Senegal. Businesses making up the group complement each other in production, trade, design, repairs, logistics and drilling work. In total, the group has more than 14,000 employees. As a result of consolidation, the chemicals industry has become a strategic sector in the Polish economy with potential for further development.

Investing billions

Azoty is set to be a huge construction site until 2020. A total of 68 investment projects worth more than zł.7 billion in total will be carried out, including the construction of two power plants in Puławy and Kędzierzyn, a new installation for the production of propylene in the northwestern town of Police (along with the expansion of the local wharf), three new lines for the production of nitrate fertilizers, and a new installation for the production of polyamide 6 in the southern city of Tarnów. Grupa Azoty will finance this program in part from its own funds and in part through loan agreements. At the end of April this year, the group's managers signed a zł.1.5 billion revolving loan agreement

with a consortium of Polish banks. The agreement is part of a package of long-term financing to the tune of zł.2.2 billion in total. The group has also signed a zł.700 million loan agreement with the European Investment Bank and the European Bank for Reconstruction and Development. The loan will be granted for 10 years.

Food security

Grupa Azoty is a strategic component of the Polish economy not only because it consumes nearly 20 percent of Poland's annual demand for natural gas but mainly because it produces nitrogenous fertilizers, which are a key link in the food production chain. Today, more than half the planet's population needs nitrogen fertilizers to feed itself—such fertilizers are an essential factor behind high crop yields. For several years, rep-

resentatives from Grupa Azoty have taken the floor internationally addressing food security issues in order to wisely influence EU legislation in this area. Domestically, Azoty is in active dialogue with agricultural producers to better adapt its range of products to specific crops. It also shares its knowledge of effective fertilizing so as to minimize its impact on the environment. Poland's agriculture, much as the chemical industry, has undergone an impressive transformation, achieving great success in Europe and becoming a symbol of the modern economy.

Grupa Azoty has been listed on the Warsaw Stock Exchange since 2008, and since 2009 it has been part of the Respect Index of companies abiding by the principles of corporate social responsibility. In 2014, the group generated sales revenue of nearly zł.10 billion.



CEEP News

'New Impulse 2015' for CEEP



Central Europe Energy Partners (CEEP) has won the New Impulse 2015 award for institutions that bring new quality into the economy and provide the energy sector with fresh impetus to develop. The award's jury said that CEEP effectively represents the interests of energy and energy-intensive companies from Central Europe, and strengthens the region's energy security within the framework of a common European policy. Five years after its foundation, CEEP has managed to integrate Central European firms and institutions that share the need for a stable legal environment and the security of energy supplies.

"Thanks to CEEP, producers and consumers of energy from Central Europe speak in Brussels with one voice," said Paweł Olechnowicz, Chairman of the Board of Directors of CEEP. That this voice is already strong is proven by progress in work on the so-called Energy Union and by support for the North-South Corridor from European Commission officials. "We stand a real chance of integrating the whole continent infrastructurally, diversifying domestic energy markets, enhancing our industry's competitiveness, and providing Europe with strategic security. These aims demand a broad coalition at the EU level. I am glad that, thanks to CEEP, this cooperation is not only possible, but also effective," Olechnowicz said.

CEEP Preparing Ground for U.S.-Europe Gas Partnership

As the United States is now on the cusp of becoming a major natural gas exporter, Europe has the opportunity to introduce additional supplies to its market and push down the prices of this

strategic resource. Both sides could largely benefit from opening their energy markets and facilitating transatlantic LNG trade. On Nov. 4, decision makers and industry representatives from both sides of the Atlantic met in Washington, D.C., to prepare the ground for a U.S.-European liquefied natural gas (LNG) partnership.

A series of roundtables initiated by LNG Allies and CEEP in cooperation with AT Kearney and Grupa Lotos, serve as high-level debate platforms for key members of the U.S. Congress, U.S. government officials, EU Commission representatives and members of the European Parliament. The roundtables also bring together U.S. exporters and upstream natural gas producers with their potential customers from Europe. The first roundtable took place on May 27-28 in Brussels and produced a joint memorandum signed by industry representatives from both sides of the Atlantic.

The Nov. 4 roundtable in Washington added another milestone on the way to providing timely legislative action in the United States and coordinated investment in gas infrastructure in the EU. It also confirmed the desire and readiness of prospective EU buyers to engage U.S. LNG suppliers and start trade cooperation without delay.

Revolutionizing Central European Energy Sector

The energy sector in Central Europe is on the cusp of a significant geopolitical breakthrough. "With new infrastructure that is integrating the region and opening it up to global sources of energy supplies, we stand a chance of integrating the whole continent, providing it with strategic security and enhancing the industry's competitiveness," said Paweł Olechnowicz, Chairman of the Board of Directors of CEEP, at the American Energy Exports Breakfast Seminar.

The meeting of top U.S. energy sector representatives took place in Washington, D.C., on Nov. 5. As the event's special guest, Olechnowicz briefed participants on the Central European perspective on the energy dimension of the transatlantic relationship. He said that linking Central Europe's energy market to a wider array of global sources of energy supply creates a real opportunity for the region's robust relationship with the United States.

"Central Europe is a significant market with a population of more than 100 million consumers. Natural gas plays an important role in our energy mix, and it can be increased through cooperation with the U.S.," said Olechnowicz. "In the hope of increasing the role of LNG in the supply of natural gas, the countries of our region are expanding the possibilities of imports via LNG terminals. The terminal in Lithuania is already operative and the facility at Świnoujście [in northwestern Poland] has just been completed and will soon be put into service. These terminals will allow Central Europe to strengthen the widespread pipeline connections penetrating the region's growing gas markets."

Concerns Over Competitiveness of European Industry

The European Commission's proposal to revise the so-called Industrial Emissions Directive (IED) has raised concerns over the financial implications of the move for the European energy sector and energy-intensive industries. CEEP is pressing for detailed environmental and economic impact assessments before any decision is made.

Jarosław Zagórowski, Vice-Chairman of the Board of Directors of CEEP, said that the standards put on the table by the European Commission will be extremely challenging and costly for industry. "They may lead to the closure of many combustion plants across the continent, which will negatively impact our competitiveness," Zagórowski said. "The consequences of this will go beyond the energy sector and affect energy-intensive industries as well. This will unavoidably result in a rise in unemployment."

According to CEEP, the newly proposed solutions will result in a significant decrease of the competitiveness and energy security of European industry. Marcin Bodio, CEO of CEEP, said, "No other country in the world will be faced with similar burdens, which will inevitably result in the relocation of our domestic capacities and jobs outside the EU. That is why we have called upon the European Commission to prepare detailed impact assessments of the new legislative measures, including the [impact on] energy security and competitiveness."