

IRO CHAIRMAN PIETER VAN OORD:

‘Energy transition is a process that will take thirty years’



Pieter van Oord, IRO chairman

Energy is something we still need, but the way we produce it is changing fundamentally. The offshore energy sector is in a state of flux, and the Dutch supply chain is on the cusp of an extremely exciting future. IRO chairman Pieter van Oord confirmed optimistically that ‘the future is bright’. Han Heilig spoke to the driven CEO of Van Oord NV in a duo interview with Sander Vergroesen, who for the past ten years has occupied the position of IRO director with huge dedication and effectiveness. The background to this interview was the celebration in November of the 50th anniversary of IRO’s establishment. The perfect time to evaluate, to discuss the opportunities offered by the energy transition and above all to look forward to the future.

One thing is abundantly clear. The past decade has been particularly unsettled, with peaks and troughs. In a sector that was first headlined by the fossil industry, as part of the energy transition, the development of wind energy has taken on a leading role. The result has been considerable turbulence. Not only in society but specifically also in the political corridors of The Hague, where in the Binnenhof a political reality is steadfastly maintained that deviates clearly from the real world represented by IRO.

According to the Climate Agreement, by 2030, we must be producing at least 35 terra watt hours (TWh) of renewable electricity (based on wind and sun), onshore. In the longer term, offshore wind energy is set to grow to 49 TWh. 70 percent of all electricity must be generated from renewable sources, by 2030. This growth target will undoubtedly contribute to bringing about the renewable energy goals outlined in the Paris Climate Agreement. In terms of offshore power, at least, the Netherlands is well on track. Above all, the energy agreement and climate agreement represent important steps forward. Against that background, Pieter van Oord is firmly convinced that the national supply chain in the Netherlands can certainly handle growth of 20% in this decade, but in his judgement, the 30 to 40% growth target ambitiously presented by the politicians is unachievable. With its current capacity, ships and people, the supply chain cannot handle that level of growth.

'IRO members have already acquired a leading international role in the energy transition'

Sander Vergroesen, IRO director



"We simply have to accept that the energy transition is a process that will take thirty years. It is not something we can bring about at the drop of a hat. I therefore consider it the task of IRO to at least explain the inherent complexity of the global energy system. To successfully bring about change in that system, we need at least a complete generation. You could call it a political message, but for IRO, it is nothing short of practical reality. There is no way around it."

"It is our task, in combination with other parties, to explain what gargantuan sums of money will have to be invested in a new energy system. An investment on that scale can simply not be achieved in ten years. IRO is anything but negative in its attitude to the process, and believes firmly that by 2050 there will be a totally different energy system based for the most part on renewables and hydrogen. But achieving that objective means taking account of a period of at least thirty years."

What does 50 years of IRO mean to you?

Sander Vergroesen: "For me it is a sort of flashback experience. IRO started 50 years ago with pioneering work on the North Sea. What we managed to achieve then is truly fabulous. What we are experiencing now is a new shift from fossil-based energy to wind-based energy, on the same North Sea. The area we are talking about is manageable in scale, close to home, and our members make up the complete supply chain. The relatively shallow North Sea is a perfect laboratory environment for developing new ideas and investing in effective and efficient solutions that can then be rolled out internationally, to conquer the entire world. Effectively, we are repeating the moves of the past. At the time, the majority of turnover from the oil & gas sector was generated outside Europe. Today, the North Sea is once again the ideal testing ground. It is IRO's job to promote the knowledge and expertise our members are currently gathering in the field of wind energy to the rest of the world."

While of course still sharing their O&G knowledge. It is not without reason that we changed our name last year to IRO, the Association of Dutch Suppliers in the Offshore Energy Industry."

Has IRO deliberately sought a position within the energy transition?

Sander Vergroesen: "In reality, no. It has developed organically. A large proportion of our members recognised at an early stage the need to make the switch from O&G to renewables. We at IRO anticipated the change almost automatically. And it is a development we have grown into, more or less naturally. For businesses in the offshore energy sector, sustainability is hugely important. Everyone is striving for corporate social responsibility so that the world remains a place in which future generations can also live successfully. As far as possible, emissions must be reduced and the energy we need must be produced as sustainably as possible, mainly using wind and solar power, in a world in which society is calling increasingly for wind turbines to be installed offshore. Our members have already acquired a leading international role in precisely that field."

Exactly how realistic is the energy transition?

Pieter van Oord: "The energy transition will mean higher energy bills for everyone. The switch will cost hundreds of billions, but at the same time offers opportunities. I expect the energy transition to create tens of thousands of new jobs in the Netherlands, thereby pumping money back into our economy. But we must make haste here in the Netherlands, because if we are not careful, we will end up playing second fiddle to Denmark and Germany. To a certain extent we have already missed the boat. We could have developed our own Dutch energy island on the North Sea. It is now the Danes who will be taking the honours, even though it was originally a Dutch idea."

How badly has IRO been hit by the COVID-19 pandemic?

Sander Vergroesen: "We were hit hard, amidst ships. All of a sudden we were not able to maintain physical networks. And our export promotion activities came to a grinding halt. No more taking part in trade missions or attending international trade fairs. Everything was put on hold, and that called for a quick turnaround to participating in webinars, and maintaining virtual contacts. In truth we were reasonably successful, and our membership remained fairly stable, but what you miss when physical meetings are impossible is the bycatch. I am therefore more than delighted that we have now been able to organise the first Member Meets Member meeting. And that we are again able to physically attend trade fairs."

Pieter van Oord: "I certainly share Sander's opinion. The IRO has two main goals; our role is first and foremost to provide a network. Our members need to be able to meet together. They must form a cluster that enables them to keep passing the ball, between them. And to support one another. A case of strength by association. The second goal is encouraging exports. When it comes to networking, the energy transition has changed nothing. However, as a result of COVID-19, export promotion has become a completely different story. The future of export is suddenly more uncertain. Traditionally the IRO has attended a number of specific O&G trade fairs, including OTC, ONS and Adipeec. The million dollar question now is to what extent these trade fairs will adapt to the current circumstances. Will they also be making the transition from fossil to renewables? In order to maintain their raison d'être over the next 20 years, they too will have to make changes. And then of course we are seeing the emergence of specific wind trade fairs around the world. It is up to us to examine what prominent role the IRO can play in that development. As well as Europe, there are key markets in Asia, the United States and Brazil. Our goal is to serve as a broker on those markets too, between our members and the new trade fair organisations. It will certainly be a challenging task for IRO, in particular if we consider that at least for the next twenty years, O&G will continue to be relevant in the intended energy mix."

'The Netherlands must make haste with the energy transition, otherwise we will end up playing second fiddle to Denmark and Germany'

Pieter van Oord, IRO chairman

Can we survive without gas? Does IRO have ideas on the issue?

Pieter van Oord: "All around the world, volumes of text are being produced on this subject, by people who understand the issues far better than IRO. Many of our larger members have direct access to those reports. The same does not always apply to our SME members. For that reason, it is important for IRO to share and communicate the



core messages from all those reports, in a form of presentation. In my speeches to members, as chairman, I always try to offer an outline of the future, with regard to renewables and O&G.”

Is there some form of common denominator in all these reports?

Pieter van Oord: “According to all of the models, the burning of coal is clear taboo. As for the quantities of oil and gas consumed worldwide, over the next decade they are definitely likely to continue rising. We have certainly not yet reached either peak oil or peak gas. At the height of the COVID-19 pandemic, a number of writers suggested that we had already reached peak oil, but that is a scenario that can be quickly and quietly disposed of. For the time being, we are heading for daily consumption in excess of 100 million barrels. For the 195 countries that have signed the Paris Climate Agreement, that fact represents a tremendous dilemma; by signing up, they have all declared their willingness to do their best to ensure that the Earth does not become more than 1.5 degrees warmer.”

So what advice does the IRO offer an SME company that asks how it should organise its business, in the future?

Pieter van Oord: “It’s very simple. Our advice is: focus both on the O&G and the wind sector. Stick with your oil, gas and your wind portfolio, to help bring about the further growth of renewables. For at least the next twenty years, we will be investing in the offshore O&G sector. Major oil and gas projects are still being developed all over the world. Gas in particular will remain a vital transition fuel. We will of course not be dealing with the sort of volume we saw in 2015. I expect to see about a halving of overall volume, with the capex level of the oil companies settling at around 50% of what they invested in 2015. Their investments in renewables, of course, have to be added to that amount. And that is a new market that offers huge opportunities for us all.”

Has the energy transition led to a change in your relationship with NOGEPa?

Sander Vergroesen: “It must be said in all honesty that ten years ago, the Dutch Continental Shelf was very important for IRO members.

The activities developed in the area by the oil companies generated a huge volume of work for our members. With equal honesty, in 2021, we must conclude that there is little if any further activity on the Dutch Continental Shelf. Nonetheless, this development has in no way influenced our relationship. We continue to need each other.”

“Together with EBN, within Nexstep, NOGEPa is focusing heavily on the decommissioning and reuse of platforms and infrastructure on the North Sea. And our members are ideally positioned to assist in both those tasks. As IRO director, I am a sitting member of the supervisory board of Nexstep. Although I only attend in an observer’s role, wherever possible, I do make constructive contributions. In that same capacity, I was closely involved in developing the Masterplan Decommissioning & Reuse, that was presented in November 2016.”

And what about your relationship with NWEA?

Pieter van Oord: “I view the relationship with NWEA as being very similar to the relationship we have always maintained with NOGEPa. NWEA is just another advocate organisation, that represents wind, in all its perspectives. The IRO has a far narrower focus, namely exclusively offshore wind. We may well have a shared agenda in many cases, but IRO only represents the supply chain.”

Sander Vergroesen: “The essential difference between IRO and NWEA is that NWEA also focuses on onshore activities, while we are exclusively offshore based. For the past 50 years, the IRO has of course enjoyed a clear international presence, all over the world. The same cannot be said for NWEA. In essence, it makes little difference under which flag IRO operates, for example when attending international trade fairs. As long as our members are in attendance and able to make the optimum use of the exposure offered by the event! Together with the government, centres of expertise and sector associations NWEA, HHWE and NMT, IRO is also contributing to the joint campaign Wind & Water Works. The aim of the campaign, in a single powerful sentence, is to make it clear that offshore wind energy delivers far greater benefits than you would expect. In other words, that the combination of wind and water works.”

What is the potential role of IRO in establishing a hydrogen economy?

Pieter van Oord: “First of all we must recognise that hydrogen will only become economically attractive in future decades. Until that time, the development of the whole range of hydrogen initiatives will require large-scale government support. In the Netherlands, we have an extremely extensive chemical cluster. IRO has absolute confidence that the players in that cluster will themselves eventually make the huge investments needed to produce green hydrogen. For the time being, however, massive government funding will still be needed. Seriously, it will take at least ten more years before hydrogen can be put to any economic use in the Netherlands. Hence our appeals to The Hague. Huge sums are already being provided to accelerate the development of hydrogen, in Germany. The industry can only be made truly economically attractive if it receives government support. The transition to offshore wind, after all, succeeded thanks to government aid.”

‘It is utterly utopian by politicians to suggest that the energy transition should be achieved more quickly’

Pieter van Oord, IRO chairman

Sander Vergroesen: “And then, of course there is the PosHYdon project in which our board member Rene Peters is closely involved. The aim of the PosHYdon pilot is to gain experience of integrating

working energy systems at sea and the production of hydrogen in an offshore environment. In addition, this project will be testing the efficiency of an electrolyser with a variable power supply from offshore wind while at the same time gaining knowledge and insights into the costs for the offshore installation, and the maintenance costs.”

How would you describe cooperation between the 50 year-old IRO and Young IRO?

Pieter van Oord: “We are huge fans of Young IRO. The initiative ties in seamlessly with the IRO’s goal of encouraging networking. Young IRO has become a network organisation for people already working in this industry and newcomers to the industry. They have developed a medium according to which they can arrange physical meetings. A really positive development. Our sector has a long-term purpose in society, and that can only be achieved if a new generation of people stands up that is willing to dedicate itself to the sector. Over the past few years, many offshore businesses have found it extremely difficult to attract new employees. We are now seeing young university graduates who are keen to work in the renewables world, but at least for the next twenty years, we will also continue to need people who are willing and who have the desire to work in the oil & gas world. IRO members are businesses that are capable of making a huge contribution to the energy transition. From numerous different perspectives. Our job is to communicate that reality, to society. For the next twenty years at least, we will need gas as a fuel to power the transition. But the real growth in the offshore sector will be in renewables!”

What will be the last line in your speech during the 50th anniversary celebrations on Friday 26 November?

“The future is bright!”