INTERVIEW WITH MR. ION ANDRONACHE, THE GENERAL MANAGER OF SYSCOM 18

GENERAL PERSPECTIVE OF THE LPG & CNG EASTERN EUROPEAN MARKET FROM THE POINT OF VIEW OF A COMPANY ACTIVATING AS PROCESS CONTROL AND METERING SYSTEMS PROVIDER.

Today the LPG makes a meaningful contribution on the European energy market. As an automotive fuel, LPG is the largest alternative fuel in Europe. The strong prospects for long term growth are giving it a genuine role in the global European energy mix.

Its growth also positively influences the segment of industrial equipment and metering systems used all the way long from extraction of the LPG to its final use. For the providers of such systems, the market offers opportunities, but also some challenges.

We are going to talk about these aspects with Mr. Ion Andronache, the General Manager of Syscom 18, Romanian system integrator providing complete solutions and complex installations for the oil and gas industry, including LPG. The Company is activating for more than 21 years on the international market of process control and metering systems.

How do you find the European LPG Supply and Demand from the point of view of a metering systems provider?

If we consider the supply and demand patterns, we have to point out that there are some differences from region to region across Europe. For example, in Northern Europe the UK and Ireland comprise the largest consumer of LPG and currently account for more than 5 million tonnes per year. In southern Europe, growth patterns for LPG have been quite different than in the north because most of these markets are very mature and the petrochemical sector does not make up a large component of demand. This is why the region is not expected to show a significant growth for the next two years. Nearly half of the LPG demand in southern Europe is residential-commercial, while the same end-use sector consumes less than a quarter of the LPG demand in northern Europe. As for CIS countries (Commonwealth of Independent States: Russia and the republics of the former Soviet Union), the LPG demand has grown at rates exceeding 10% year since 2000.

However we can outline a general overview of the European LPG industry: it consists of companies ranging from Pan-European Distributors to small and medium enterprises operating across the continent. The industry directly or indirectly employs hundreds of thousands of people, with many of them living in rural areas. Over 30 million tonnes of LPG are used by citizens in Europe each year. There are seven million cars in Europe running on Autogas serviced by more than 30,000 filling stations. Six million homes in Europe rely on LPG for their central heating and water heating.

According to AEGPL (European LPG Association, the sole representative of the LPG industry at European level), the European energy consumption is growing at around 8% year on year and is set to accelerate after 2030. LPG's share of total European energy consumption is expected to double by 2030. The ascendant trend of the market reflects on the European providers of equipment for the LPG industry.

Briefly, the figures show that the base demand for LPG in the combined Europe-CIS region was about 40 million tonnes in the last year. Residential-commercial demand comprises about 39% of the regional total but varies by subregion.

From the point of view of a metering systems provider, the rise in LPG demand is a good sign because this growth is generally led by the chemical and engine-fuel markets and that also means growth in demand for industrial services and equipment. For a system integrator as we are, providing complete solutions and complex installations for the oil and gas industry, including LPG, the requests for equipment such as LPG flow meters or other measuring systems are rising with the market. For example, in Romania, when ButanGas Company completed its newest LPG terminal in Contesti, there was provided a complete process control system. Following an investment of more than 15 million Euros, the terminal became the most modern in South-Eastern Europe. As equipment provider we've delivered important components for controlling the operations of the entire tank farm: field instrumentation (servo level transmitters for product tanks, pressure and temperature transmitters, Coriollis flow meters), uninterruptible power supply for whole tank farm control system and video surveillance system for both security and fiscal purposes. It's just an example of how the growth of the LPG supply and demand could positively affect the providers on the regional market.

What about LPG Markets in Eastern Europe and specifically in your country, Romania?

LPG demand has increased rapidly in some countries of Eastern Europe. From 1995 to 2005, the demand in many countries of Eastern Europe increased at more than 7% per year, during a strong overall economic growth. Although this demand growth is indeed strong in percentage terms, the absolute increases in LPG volumes were less impressive, mainly because these countries were starting from fairly low consumption bases.

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In Romania the LPG consumption in the region has shown steady growth over the last 5 years, equivalent to a total increase of 115% or an equivalent annual growth rate of nearly 12%. Thereby, the Romanian providers of turnkey automation services for the LPG market could expand their services to meet the demands on the market, including upgrade and full modernization solutions to improve the performance, extend the life and minimize the obsolescence risk of the existing assets. For example, for some major oil refineries or liquefied petroleum gas distributors in Romania, such as Petrom, Petrom LPG, Rafo Onesti or Butan Gas, we supplied over time all the necessary equipment for fully automated loading operations from fiscal mass metering skids and LPG loading arms to complete process control solutions.

As we know, LPG is most commonly used as auto gas for vehicles. Do you think it will continue to be a competitive option for the next years?

If we think that almost 23 million auto gas vehicles will be operating on roads worldwide by 2020, as the international forecasts show, LPG appears as a segment of significant growth.

Stringent carbon dioxide emission limits, government regulations and ecological standards will be the key drivers for the growth of LPG auto gas vehicles in developed countries, particularly in the European Union. I think LPG auto gas vehicles will indeed continue to be a competitive option due to EU incentives. Cost savings of an average of 50 per cent compared to petrol and diesel vehicles will further drive growth in the global LPG auto gas vehicle market.

It is known that LPG is relatively clean burning, easy to store and even to transport and now it is widely available in many countries

But this growth is also coming with some challenges and the players on the market have to deal with it: for the moment, the LPG auto gas service stations infrastructure is insufficient and in some countries there is a poor refueling station network. Another challenge is the increasing interest in natural gas as a vehicle fuel and that is likely to constrain the future growth in the auto gas market.

Because of its heterogeneous structure, the European market remains fragmented and characterized by a high degree of un-exploited potential. Overall however LPG will play a larger role in the European road transport fuel mix, as it is already Europe's most widely used alternative.

What is the impact of the latest EU policy developments on the market?

Fuel companies as well as equipment producers and distributors will be the key participants in the LPG market value chain and their response to reducing emissions will be important. International government bodies, original equipment manufacturers, suppliers in the market and fuel companies should work together to develop the refueling infrastructure, facilitating LPG auto gas vehicle sales.

The EU policy regarding the environment encourages the use of fuels as less harmful as possible to the environment. From this point of view, LPG has some considerable advantages. Compared to diesel, there are 70% less oxides of Nitrogen, and the fine particle emissions that are also part of these fuels are virtually eliminated with LPG. LPG is particularly cleaner for cold starts and short journeys, which account for about 60% of all vehicle traffic and the majority of urban emissions. Briefly, LPG is one of the cleanest conventional fuels available.

Within the energy policy of the European Union the security of supply occupies a central place in its strategy. As the LPG supply chain is flexible, this fuel also having a plurality of origins, it contributes to improving the energy efficiency through an adaptable transit and distribution model. The EU has demonstrated its increasing willingness to promote LPG's role in helping meet Europe's energy, environment, strategic and economic objectives. The energy issue will remain to the top of the European policy agenda for the next years.

Source: syscom.ro