

ON ENERGY REPORT

Issue 8 | September 2016



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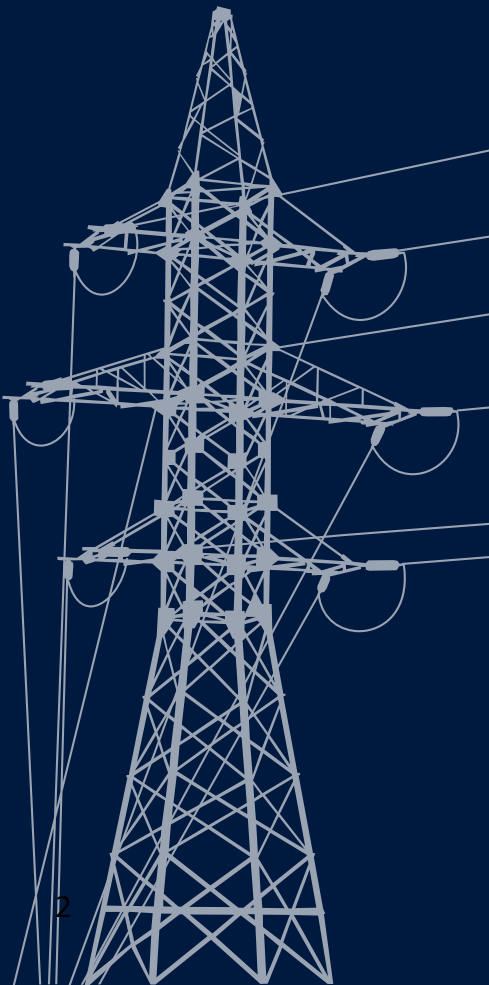
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Welcome to our latest edition of On. The energy world is familiar with change, but even for such a dynamic industry 2016 has already seen some rapid developments. In this issue we have reflected on some of the areas of uncertainty that have characterised the global energy industry so far this year, and discussed where we have seen clients using communications to manage their corporate positioning and prepare accordingly.

In the UK, the vote for Brexit has triggered a raft of uncertainty and possible changes of direction. The new UK Prime Minister, Theresa May, dissolved the Department of Energy & Climate Change and wove it into a new Business, Energy and Industrial Strategy department. Her overhaul also precipitated the postponement of billions of pounds of offshore wind farm subsidy contract auctions and triggered a surprise decision to review the plans for the £18bn Hinkley Point nuclear power in Somerset before the final go-ahead was granted a few weeks later.

In Germany, home of the green power-focused “Energiewende” policy, Parliament announced new legislation in July to introduce competitive auctions for renewables support, shedding the feed-in tariffs that have helped drive the dramatic increase in renewables there since the 1990s.

In Oil and Gas, we have seen some major developments on the global stage too, with Iran returning to exporting oil, US shale producers continuing to weather low oil prices unexpectedly well, and Norway showing that it is possible to be profitable at less than \$25 a barrel in the inclement waters of the North Sea at its huge Johan Sverdrup project.

Such a volatile environment is daunting for those who operate and communicate in the energy industry. To be ready to navigate this landscape takes leadership, preparation, engagement and smart communications.

In this edition of On, we look at how energy companies can establish a position of leadership, going beyond simple brand-building. We also look at how organisations can help ensure they are prepared, both through realistic crisis preparation exercises and by learning how to handle social media adeptly. We examine examples of how a global energy company has broadened and deepened its engagement with audiences in the Netherlands and how firms have cleverly upgraded their media relations, increasing international press coverage and communicating with more impact.

It is an oft repeated truism that reputations take years to build and minutes to ruin. We hope this edition will provide you with some practical insight into how MSLGROUP has helped its clients protect and grow their reputations and how to prepare for the unexpected.

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Finally putting crisis theory into practice

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Energy companies are generally exposed to a broad range of risks. Risks that ‘naturally’ derive from business operations: spanning from upstream production all the way to downstream distribution of energy to a single household. As seen over and over again in the past, it seems almost unavoidable to fully mitigate these types of inherent business risks.

What is more, these risks often have the potential to develop into an existence-threatening crisis for a business, and one with a large environmental and social impact. Consequently, and for good reason, public attention is especially significant when the crisis is energy-related. At first glance, every crisis might appear different. In reality, most of them have something in common: the correlated reputational and financial damage.

As Warren Buffet famously said: “It takes 20 years to build a reputation and five minutes to ruin it”. A survey by international law firm Freshfields Bruckhaus Deringer further underpins the relevance of Buffet’s quote. According to the findings, nearly one third of all crises spread internationally during the first hour. During the first 24 hours, more than two thirds of all crises reach up to 11 countries worldwide. Most importantly though, fewer than half of the companies impacted by crises will have recovered their pre-crisis share price after the first year.

Given this essential business threat, it is not surprising that crisis communications has evolved into an essential element of any crisis response strategy. As online news and social media in particular tend to spread extremely rapidly, corporations need to respond more quickly than

ever before. Their reputation and financial wellbeing depends on it.

Thus, it is essential to be prepared for when the unforeseen happens - at any moment. For this purpose, most energy companies have detailed communications action plans and crisis manuals at hand. However, how can a communications team achieve the immediate shift from theory to practice, when every minute counts?

Without a doubt, the best way to prepare for a communications crisis is to go through one. What is essential, is the experience that goes along with it. This realisation is actually the quintessence of a new wave of crisis simulation programs: experiencing a realistic crisis scenario in real time.

These new types of simulations are first and foremost an opportunity for communications teams to jointly tackle

a crisis relevant to their business, based on real cases but in a fabricated and totally secure data environment. The crisis simulation can bring a nightmare scenario to life, be it a severe production incident, an environmental hazard or a cyber-attack threat retrieving business-sensitive information.

The simulation itself allows each participant to interact with all relevant internal and external stakeholders. Every move they make - from one-on-one media relations to distributing press releases - directly influences how the public perceives the further

development of the crisis. Online coverage and social media channels are realistically presented, allowing full interaction through different channels. In the meantime, experienced communications consultants manage the back-end of the simulation and give in-depth feedback with clear recommendations afterwards.

The experience of the team being confronted by a realistic crisis together is the key. This experience will help them be better prepared, because often the next crisis is just around the corner.



**It takes 20
years to build a
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ruin it**

Warren Buffet



Establishing a position of leadership in the energy industry; why bother?

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When you think energy sector you don't necessarily instantly think consumer brand. When reviewing the UK's internationally recognised Superbrands 2016 list it is instantly apparent that not one energy company or brand features in the Top 20 Consumer Brands list. The list is instead dominated by the likes of Apple, Rolex, Mercedes-Benz and Coca-Cola.

Yet the energy sector is actually home to some of the world's biggest and most instantly recognisable brands. Think ExxonMobil, Vattenfall, and RWE. When reviewing Business Superbrands 2016 rankings, energy, and specially oil and gas outfits, make up 10% of the top 20 in the form of BP and Shell. The remainder of the list is unsurprisingly dominated by so-called 'sexier' sectors, including Technology, Financial Services and Healthcare.

A multitude of organisations have built on their heritage

and invested heavily in brand, especially those that are end-user-facing. Most of these could be identified anywhere in the world, from Austria to Australia, and many benefit from owning and managing customer retail sites and products - Shell being one such example.

But brand, and the ability to be instantly recognisable, also has its drawbacks, as was demonstrated by BP in the Gulf of Mexico following the incident in 2010. Instead, we would argue that demonstrating leadership, especially in today's highly sceptical society, brings far greater levels of positive brand equity.

Yet in a sector that traditionally has low levels of public trust, challenges in attracting and retaining young talent, and is considered by some to be the organisations of yesterday, how do you establish a position of leadership? And further still, is it worth it?

The answer to the second question is easier – yes. As any communications professional will advise, it's better to be known for what you want to be known for, rather than having a brand and perception solely devised by others.

Answering the first question is harder, with every organisation having its own set of unique challenges. Yet from our experiences, we are able to provide the following core principles for success:



1**Agree what you want to be known for**

It sounds simple, yet is by far the hardest challenge. Agreeing consensus as to what you want to be known for in terms of leadership, especially amongst a management team, is by the far the hardest part.

2**Communicate your organisation's purpose**

You no longer have to be a customer to hold an opinion or impact an organisation's reputation, especially in the energy sector. Given the industry is much misunderstood, the necessity to communicate your purpose and role within society beyond providing safe and reliable energy production and distribution is clear.

**BRAND****3****Be human; uncover the strongest stories and story tellers**

Given the nature of the energy industry, and an ever increasing focus on achieving greater energy efficiency, the days of telling an audience to buy more of your products are over. Additionally, for the energy sector the product in question holds little emotional connection or brand loyalty. There is therefore a need to identify the strongest stories, from innovation successes to CSR activities, and your corporate story tellers to ensure these are delivered with a personal tone. There is a need to make it relevant to 'the man on the street'... so talking about infrastructure integrity won't cut it.

4**Operate a channel neutral approach**

A good story has the ability to be deployed through a multitude of channels and be self-promoting. Channel neutrality is a critical element to reach the end target.

5**Measure and refine**

Improvement can only be made with effective measurement. No leadership campaign should be considered successful or unsuccessful until effective measurement has taken place.

The power of foreign correspondents for effective PR

Smart communications comes in many different shapes and sizes. For really effective global PR, one major opportunity is often overlooked - foreign correspondents. This is true for all industries but especially regulated ones such as energy.

Let's take a closer look at two concrete examples of European firms active in Japan.

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Amplifying a partnership announcement in Japan

In December 2014, a major European automation and power technology firm announced the formation of a power grid partnership with Hitachi for a high-voltage, direct current (HVDC) electric power transmission system in Japan. Hitachi organised a major press conference in Tokyo attended by the CEOs of both firms.

The challenge lay in maximising the impact beyond the Japanese media - reaching the French and German language media in the client's home market, and the top-tier international business press. Due to the special character of the announcement with both CEOs in Japan, activities in Europe - beyond a joint press release with Hitachi - were limited. This is where Tokyo-based foreign correspondents came into play.

CNC alerted the key energy journalists from Bloomberg, Reuters, the Financial Times, the Wall Street Journal and others, a day in advance. We asked them to stand by for a major energy-related announcement the following afternoon, without disclosing any details. We then did the same for all business correspondents of German, French and Swiss media in Japan.

As expected, most of them attended the press conference. This despite the late notice - they were only invited to the event with the closing of the Tokyo Stock Exchange, i.e. 90 minutes ahead of the press conference, a standard practice in Japan. Journalists who could not attend were prepped to make time and space to report on the announcement.

The resulting international media coverage was extensive and thoroughly positive. It was mainly driven by the foreign correspondents based in Japan, who had a much higher interest in covering the topic and Japanese focus than their colleagues back home. The approach worked:

it generated significantly wider coverage for a European client than targeting Europe-based national energy and business journalists directly.

Hitting the headlines in Japan

It also works in reverse: European firms can mobilise Japanese correspondents in Europe to achieve prominent coverage in Japan.

The Japanese energy market remains a closed one; few companies have announcements as major as the one above. Hence this also posed a challenge for our client thyssenkrupp, the German multinational. The company is successful in Japan. But it still punches below its weight in the media, as do so many other foreign firms in the difficult Japanese market, due to a lack of Japan-specific announcements.

thyssenkrupp is currently transforming its global image from a steel manufacturer to an engineering powerhouse with substantial energy expertise. In Japan, such business fields include coke plant and biomass technologies.

Communications activities targeting the energy trade press are so standard in Japan as to require no mention. What is of real interest is the role of the German correspondent of The Nikkei, Japan's largest business newspaper. By offering him an interview with thyssenkrupp's business area CEO in Germany, the company managed to take awareness levels of its energy expertise among key Japanese audiences to the next level.

The interview at thyssenkrupp's Essen headquarters and the subsequent article focused on the company overall, its global strategy and strengths. The result was a positive company profile, without focusing on its still small presence in Japan. It presented the firm as an interesting global player to watch in Japan, as a competitor or business partner. This degree of success is not unusual when working in a strategic and professional way with foreign correspondents of the Japanese press in Europe.

The article fulfilled two functions: the prominent coverage in Japan's leading business daily reached and resonated with all important stakeholders in Japan. The article also had the indirect benefit for thyssenkrupp that Japanese trade media took note and subsequently showed a substantially higher interest in thyssenkrupp's news.

Conclusion

The conclusion is simple. Foreign correspondents are there to be served as key 'media clients' for any international firm. They can offer the opportunity for effective coverage in a very controlled way. They therefore present an important component in any global PR strategy.

While energy companies around the world often operate in regulated markets, the topic of energy remains one of the most globally relevant. International comparisons between energy policies and innovations are of special interest in Japan, with European companies often perceived as global pioneers, particularly in the field of renewables. This only underlines the appeal of working with foreign correspondents, both in the home market and abroad.

The best thing is, this doesn't apply just to Japan - it can be replicated around the world.



Engaging stakeholders through inspiration

BP in the Netherlands continually connects with its clients and broader stakeholder base in a variety of ways. In 2015 it decided to significantly expand these efforts. Instead of a yearly relationship-building event, BP wanted to organise a number of themed 'inspiration sessions'. MSLGROUP in the Netherlands developed a blueprint for the programme and organisation of these events and for the communications before, during and after the sessions. MSLGROUP and BP have now successfully carried out four such events.

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The inspiration sessions focus on content and themes that are top of the agenda for BP's clients and partners, such as fraud prevention and urban distribution. BP plays a facilitating role as organiser of these sessions, sharing knowledge, insights and best practice. This role ensures that the sessions flow naturally and remain informative, without becoming sales-orientated.

Often a keynote speaker, for example sustainable energy entrepreneur and innovator Professor Dr Ad van Wijk

– also professor of future energy systems at the Delft University of Technology - introduces the sessions and sheds light on the theme from a macro level perspective. Subsequently, the attendees discuss specific developments, opportunities and challenges within the theme, under the guidance of an experienced moderator. The debates have a constructive character, covering even the most difficult and contentious topics, and sharing knowledge and experiences is considered an enormous benefit by the attendees.

The communications before, during and after the sessions enables sales employees to engage their partners and sales prospects in a compelling and credible way. Each session is also followed up with summary materials, such as factsheets. The inspiration sessions have been deemed such a success that they will be continued in 2016.





Crisis and social media: how to avoid fuelling the flame

The right assessment of the situation, message and messenger is key to managing, and not unduly suffering from, any single social media post during a crisis.

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It is a well-known aphorism that reputation takes years to build and nurture but minutes to destroy. Every day countless corporate crises reconfirm this truism, exploding in both the real world and the virtual world of social networks, a space in which they are free to instantly spread worldwide.

Reputation has never been harder to manage and protect than in the new communications landscape. The fundamental change in communications is the power of the individual. Every person is an influencer because they have the platforms and audiences to express opinion, experiences, facts, knowledge and visions.

Over the past few years, hordes of consultants, agencies and digital gurus have panicked organisations with their crazy case studies of stories with catastrophic outcomes... And they have been right to do so. Their ac-

tions have combined to form an important awareness campaign that is gradually bringing about a new culture of prevention, listening and willingness to engage. A cultural revolution that started with the smartest multinationals, or those most at risk, and is also slowly seeping through the other elements of society: SMEs, institutions and people in the public eye.

However, this sense of anxiety and, at times, panic brought on by criticism or attacks launched on the social networks sometimes risks favouring an excessive reaction. Very often this is not only futile but can actually have a snowball effect, propagating a fire from a match that would have gone out on its own, as harmless as a bit of banter tossed back and forth at a bar.

So, how can we understand what and who can be truly critical and hold the potential to light a fire and fan its flames, so that we can prepare to react with decisiveness and reason? And, how can we do that in just a few minutes? Because minutes are crucial in a game like this.

When preparing for a crisis that may very well damage our reputation, we must have access to tools that allow us to rapidly assess the message and the messenger in line with a series of objective parameters that can quickly be identified.

It is therefore key to divide the possible messengers, distinguishing between normal users and influencers, and to carefully map the latter by further classifying them into top-tier, medium and ordinary influencers, where “ordinary” also refers to users capable of influencing people’s opinion on the internet. This can be performed using a structured series of parameters defined in advance. Some of these can be standard, such as the average number of retweets of a twitter user, rather than the number of followers. Others can be defined based on the specific requirements of the company.

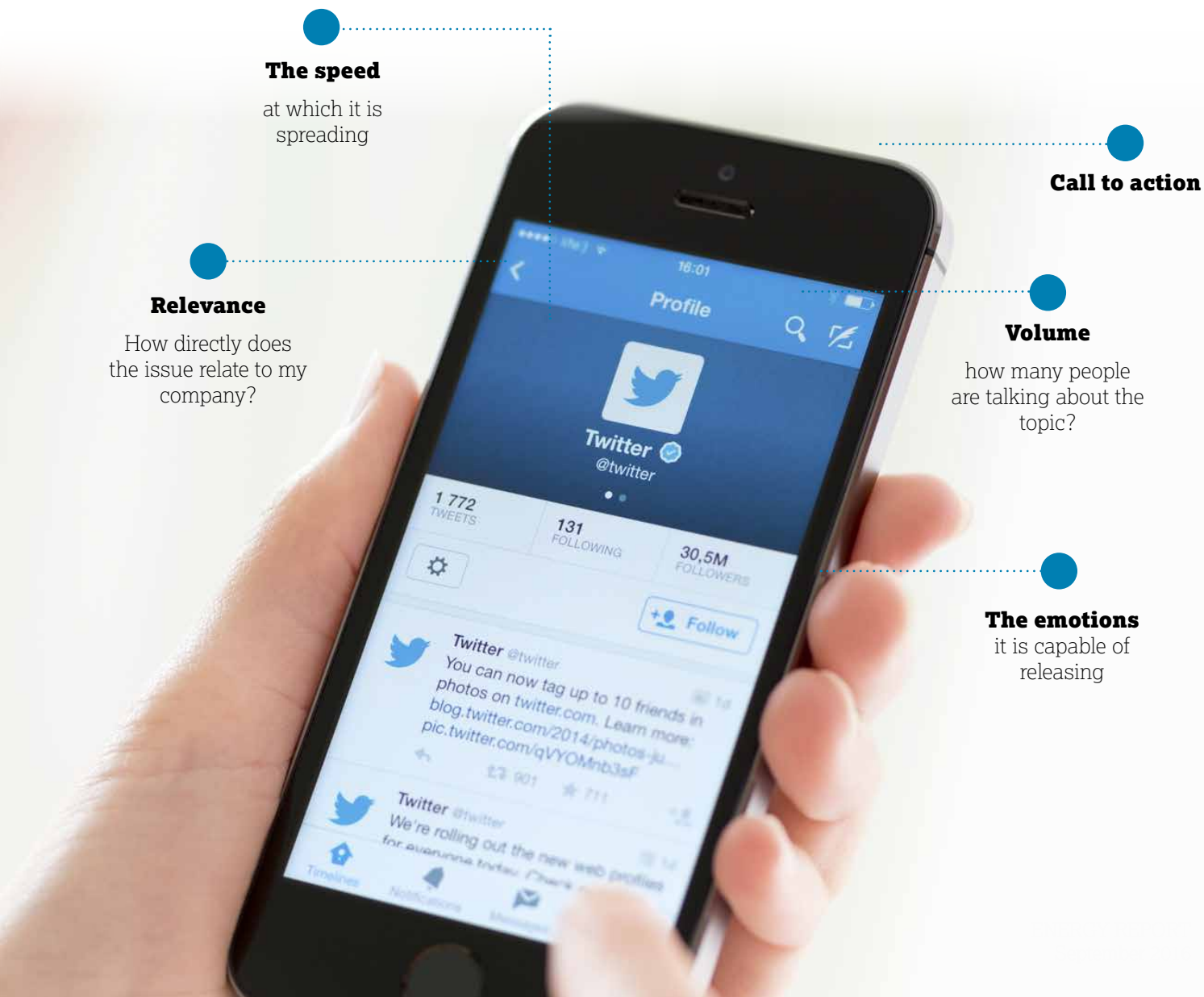
The decision whether to “pick up the gauntlet” must also definitely be made following a considered assessment of the situation and of each individual blow dealt through social media. For this reason, as well as setting up a system for classifying the messengers, it is also important to prepare another similar system, for evaluating the message itself and its negative potential, using a series of parameters that weigh up characteristics, such as its relevance (how directly does the issue relate to my company?), volume (how many people are talking about the

topic?), the emotions it is capable of releasing, the speed at which it is spreading or the call to action.

If we assign a score to each of the parameters we have considered, both for the messenger and the message in question, we will obtain a total value that will rapidly enable us to calculate the level of threat posed, and the relative actions to take.

Given the severe time limitations that social media communication channels impose, this kind of considered assessment can make the difference when protecting brand reputation. It can also help to manage the various priorities that a critical situation imposes as effectively as possible, not only on the social networks.

Today, the “Social media threat assessment tool” is one of the tools included in a modern crisis management module, for all the companies in the energy sector and beyond. Together with the other procedures, it is designed to reduce the sense of inadequacy and loss of control induced by the occurrence of a crisis.



Historic energy agreement provides opening for more wind power investments

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June 10th 2016 may go down as an historic date in domestic Swedish politics. It was then that five of the eight parliamentary parties – including the governing Social Democratic and Green Parties, the market-liberal Moderates, and the strongly anti-nuclear and pro-biofuel Centre Party – reached an agreement on energy policy, bringing to an end a period of over 40 years during which energy policy represented a political trauma that brought down governments and determined possible government coalitions.

The establishment of this broad agreement – unique in that it has the support of both the Social Democrats and the Greens – is a major success for Prime Minister Stefan

Löfven and Energy Minister Ibrahim Baylan. It was previously considered impossible for the Moderates, the major market-liberal party, and the Greens to ever endorse a common energy policy. All parties had to make compromises, of course, but major electricity producers and the industry have reacted more favourably than anticipated to the agreement. In brief, the agreement involves:

- Abolishment of the heavy tax on nuclear reactors (corresponding to approximately 7 Euro/MWh)
- Some easing of the stringent requirements for nuclear power companies' financing solutions for nuclear waste
- Substantial reduction in hydropower tax
- Green certificate support scheme for renewable electricity production, primarily land-based wind power, extended through 2030 and increased 18 TWh
- A non-binding target: Sweden's electricity production to be renewable by 2040



Happy politicians at the press conference after the energy agreement June 10th 2016

Photo: Henrik Montgomery/TT



A few issues remain for further investigation – a reminder that the devil is in the details when it comes to energy policy. The issues postponed by the parties for later decision are: simplified environmental assessment regulations for hydropower, possible introduction of support for offshore wind power, determination of a national energy efficiency target, possible need to change the electricity market's design, and measures to increase demand flexibility on the electricity market.

The energy agreement represents unexpectedly significant financial relief for hydropower owners, as the high property tax rate on hydropower will be lowered to the same rate as on other power plants. The high tax was introduced to counteract windfall profits but has been criticised in the wake of falling electricity prices.

But relaxing the environmental regulations for handling hydro plant environmental permits may prove difficult, as this would require the government (with a Green Party environmental minister) to push through an easing of environmental legislation. Such easing is needed unless hydro production capacity is to be reduced in pace with the renewal of old environmental permits. The future solution to this question is one of the energy agreement's unresolved issues. With the nuclear phase-out currently underway in Sweden, hydro capacity will be needed in

future – particularly as balancing power in an electricity system with an increasing share of wind power.

One positive result of the broad new energy policy agreement is a reduction of political uncertainty about the energy issue – which facilitates investments. The agreement will primarily provide openings for continued investments in land-based wind power thanks to the extension of green certificates. New investments in nuclear will not be of immediate interest, despite the abolishment of the nuclear power tax. Due to low electricity prices and stagnant demand for electricity, recouping investments in nuclear will not be possible. Investments in CHP will also be low due to stagnant demand. Future decisions on simplified environmental assessments will determine whether or not re-investments in older hydro plants will be made.

Politically, the issue is highly significant. The energy agreement – following as it does the previous pension system agreement – demonstrates that Sweden can still deliver broad political solutions that put an end to years of dissension.

Like all political decisions, the agreement has a limited life expectancy. But as long as the agreement's details remain unresolved, both sides will have strong incentives to honour it.

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MSLGROUP can make the difference



MSLGROUP is Publicis Groupe's strategic communications and engagement group, advisors in all aspects of communication strategy: from consumer PR to financial communications, from public affairs to reputation management and from crisis communications to experiential marketing and events. With more than 3,000 people across 100 offices worldwide, MSLGROUP is also the largest PR network in Europe, fast-growing China and India. The group offers strategic planning and counsel, insight-guided thinking and big, compelling ideas – followed by thorough execution.

MSLGROUP's Energy Practice is a leader in advising companies from Europe and around the world on communications issues in the energy sector. Our European network supports clients that range from large publicly listed Fortune 500 organisations, to small, privately held companies.

From attracting the best talent, to communications with investors; from crisis preparedness, to corporate reputation management; and from nuclear to renewables: we understand the key communications issues that keep energy companies awake at night.

With both breadth and depth of energy communications expertise across Europe's key markets, we know that effective, best practice communications can deliver value to stakeholders across the energy value chain.

If you want to find out more about the work we do, or enquire as to how we might be able to help, don't hesitate to contact our team member in your market – or contact Nick Bastin at nick.bastin@cnc-communications.com.



ON ENERGY NEWSLETTER

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