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FOCUS

Jim Ratcliffe is building a fleet of ships to carry shale gas and secure his Scottish refinery's future, writes Danny Fortson from Shanghai

Maria Alessia Maresca, clad in a red couture dress and towering heels, held aloft a pair of oversized gold scissors and smiled for the cameras.

Hundreds of Chinese dignitaries and western businessmen looked on, sweating in their suits in the sticky midday heat at Qidong shipyard, two hours north of Shanghai. "One, two, three, go," she cried, before cutting a rope to send a champagne bottle crashing over the bow of the Ineos Insight.

The ship's horn sounded, fireworks exploded overhead and a paper dragon held aloft by half-a-dozen dancers shimmied across the red carpet.

It was a big moment for Maresca's partner, Jim Ratcliffe, the 62-year-old billionaire behind chemicals giant Ineos.

The Insight and the Ineos Ingenuity, also named at last Tuesday's ceremony, are the first of a \$1bn (£640m) fleet of eight gas tankers that Ratcliffe says will "give new life" to the company's European business. That includes the petrochemicals complex at Grangemouth, on the Firth of Forth, which employs a third of Ineos's 4,000 British workers.

"Without these ships, Grangemouth would have to shut," Ratcliffe said. "We'd be shutting it down now."

Grangemouth's challenges are not unique. Ineos's network of

plants, which turn crude oil and natural gas into everything from petrol to PVC, are slowly being strangled by falling North Sea output and high fuel prices.

The key to Ratcliffe's solution is fracking, the drilling technique that has unleashed supplies of super-cheap shale gas in America.

Ineos has signed a 15-year contract to import the fuel from a port near Philadelphia, where it sells for between a half and one-third of the price in Britain.

Ratcliffe said: "There is quite a negative attitude toward shale gas in Europe, which I don't fully understand because it has had such a remarkable impact on the US economy."

To drive home the point, the Mancunian tycoon, who revels in sticking up two fingers to opponents, is using each ship as a floating protest banner. The hulls will be emblazoned with different slogans on the same, unequivocal theme.

The Insight proclaims "Shale Gas for Manufacturing" in letters running half the length of the 570ft ship. Others will declare "Shale Gas for Jobs" and "Shale Gas for Europe".

Given the fervent, and up to now successful, opposition to fracking in Britain, they might as well read: Eat this, Greenpeace.

"It's to stir things up a bit, really," said Ratcliffe, a grin curling the corner of his lip. "It's a big canvas, so we might as well use it. It'll be quite a sight when



Jim Ratcliffe is investing £640m in his fleet of giant gas carriers

SHALE GAS IS THE REASON FOR AMERICA'S INDUSTRIAL RENAISSANCE

you see one of these coming in to the Firth of Forth."

The Ineos chairman added: "People don't seem to understand what has happened in America. Shale gas is the reason for its industrial renaissance."

Last month Lancashire county council rejected two applications by Cuadrilla Resources to conduct the first fracking in Britain for four years. Greenpeace hailed it as the industry's Waterloo.

Ratcliffe's bet on American shale gas means that, for now, it does not matter much whether fracking takes off in this country.

He is going to do his best, however, to make it happen. Ineos has applied for several fracking licences in Britain.

THE idea of tapping into America was first broached five years ago, when Ratcliffe had only just pulled Ineos out of purgatory. The financial crisis had sent the price of oil from \$147 a barrel to \$38. Ineos's earnings collapsed, and it breached its loan terms.

Its rival Lyondell Basell had already gone under. Ineos, laden with billions of dollars of debt, looked likely to follow. The company's banks tried to take control and break it up.

Ratcliffe, an engineer who started Ineos 17 years ago and still owns about 70%, fought them off. He restructured the loans and a year later, in 2010, moved the company to Rolle, a sleepy Swiss town, to slash £100m from its annual tax bill.

Ineos's future still looked shaky. Ratcliffe had created the business by buying plants cast off by oil majors and chemicals giants. In Europe, these were heavily reliant on the North Sea, which for 50 years had provided plentiful domestic supplies. Pro-

duction had already begun to plummet. Britain pumped 1.4m barrels a day last year — a third of the 1999 peak.

On the other side of the Atlantic, a revolution was under way because of hydraulic fracturing, or fracking. The technique frees gas from previously untappable rocks by blowing them apart with millions of gallons of water, chemicals and sand under high pressure.

Fracking wiped out America's decades-old energy deficit and sent prices tumbling with astonishing speed. Ratcliffe said: "In 2008, the US gas price hit \$12 per million BTUs [British thermal units]. I just got an email this morning: it's down to \$2.77."

The difference between struggling Europe and booming America was stark. Ratcliffe said: "It was in 2010 that we started to appreciate what this meant. The profits at our assets in America started soaring inexorably."

He pushed the button on the import plan the following year. Initially, the ships were meant solely to feed Ineos's gas "cracker" at Rafnes in Norway. Grangemouth was making losses and lumbered with labour problems.

Both plants run on ethane, a largely unwanted by-product of shale production. Ineos struck a series of deals. Range Resources built a plant to separate the ethane from its wells in Pennsylvania. Sunoco built a 300-mile pipeline to the coast, where a third company, MarkWest Liberty, erected a plant to cool the gas to liquid form.

In 2013, Ineos ordered four Dragon-class ships to be built at Qidong. Months later, staff at Grangemouth, Scotland's only oil refinery, went on strike. Ratcliffe wanted pension cuts and a salary freeze. The quid pro quo was a £300m shale-gas import facility.

After a bitter stand-off — Ratcliffe actually gave the order to close down half the refinery — the unions accepted his demands. Grangemouth was saved. Ineos ordered four more ships; the first cargo will arrive next year.

In the shipyard last week, Ratcliffe was in celebratory

mood, taking selfies with his newest assets. He said: "Aside from buying BP's chemicals business, this is our largest ever undertaking."

It was certainly a ballsy move. Ineos's swashbuckling culture starts with Ratcliffe, a thrill-seeking fitness fanatic who has motorcycled around Africa, twice, and trekked to both poles with his adult sons from his first marriage. (He and Maresca have a seven-year-old daughter.)

He organises gruelling team cycle rides in the Alps and extreme runs in the mountains of Spain and Scotland. The excursions are not mandatory for staff, but when asked if being ultra fit is a requirement to work at Ineos, several senior executives give the same answer: "No, but it helps."

INEOS would probably be ranked in the top 10 of the FTSE 100 if it were to go public. It earns nearly \$4bn on \$54bn of annual turnover and employs 17,000 staff in 16 countries. Ratcliffe, however, appears to rather enjoy keeping it private — and running the empire his way.

He will need to rely on his ability to endure pain if he is to pull off his next trick: bringing the shale revolution to Britain.

Five years on from his move to Switzerland, Ratcliffe has opened a new British headquarters in Knightsbridge, London. It will house a number of operations, including, he hopes, shale. Ineos has bid for rights to several parcels of land that it hopes to frack. The government is expected to unveil the winners next month.

Ratcliffe hopes his offer to hand out 6% of the revenues from the sites to the local communities will assuage worries about pollution and industrialisation of the countryside.

"I have no doubt that there is a lot of gas there," he said. "But there will be a limit to our tenacity."

His limits extend further than most.

ST DIGITAL

Insight and Ingenuity: two tankers ready for launch

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Blackout Britain

Last week National Grid warned that, this winter, Britain's shrinking fleet of power plants will be capable of producing just 1.2% more power than peak demand.

This razor-thin buffer is an all-time low. In 2011 the "spare capacity" margin stood at 17%. It has since fallen every year as coal plants forced to close by pollution penalties have not

been replaced by new, cleaner-burning options.

That is worrying for manufacturers, not least Jim Ratcliffe — his company is one of Britain's top electricity users.

National Grid has come up with a sticking plaster solution: paying steel mills and factories to shut down when things get really tight.

Hopefully new energy secretary Amber Rudd won't see this as a long-term fix.

Peter Atherton, an analyst at Jefferies, said he expects the margin to shrink further next year as more power stations are shut down.

The Energy Act, introduced two years ago to spur new investments with subsidies, isn't working. And National Grid's warning last week seemed to barely register.

Perhaps a blackout is what's required to focus minds in Whitehall.



Amber Rudd: power test