

Managing a substantial Joint Venture demerger in Germany's refinery landscape



How did BP separate one of its most complex and highest valued European joint ventures? This is a story about how we supported an oil and gas supermajor with detailed project management, close coordination of cross-functional work streams, and discretionary support of senior management.



"The dissolution of this longstanding and large scale Joint Venture bears challenges in itself, but here further solutions were requested with respect to cultural, statutory and compliance aspects across the entire project management regarding the portfolio separation."
– Wolfgang Langhoff,
Chairman of the Executive Board,
BP Europa SE

About BP Europa SE

BP is a global oil and gas 'supermajor', with integrated businesses consisting of upstream and downstream activities. One of its downstream businesses, BP Europa SE, has consolidated operations in Germany and seven other countries. Within that, the German Ruhr Oel GmbH (ROG) handled a major portion of BP's crude oil refining activities in Germany. ROG was a 50:50 Joint Venture between BP and Rosneft, a majority state-owned Russian oil company. The JV consisted of the refinery in Gelsenkirchen and had shares in refineries in MiRO, PCK and Bayernoil as well as other assets.

The challenge: BP and Rosneft decide to dissolve the ROG JV

Due to changing strategic objectives, BP and Rosneft agreed it was the right time to dissolve its ROG Joint Venture. This also meant assisting the JV partner, Rosneft, in establishing its own refining business within Germany.

The split and restructuring, which BP's leadership foresaw from the outset, would encompass everything from contract management and defining future cooperation terms, to assessing the impacts on business processes and the organization as a whole. However, in the wake of the decision, the sheer magnitude of the undertaking became more apparent. After all, this was a JV with assets priced in the ten figures, whose area of authority straddled multiple countries across a highly diverse refinery landscape.

Perhaps the most critical element was the task of transitioning more than 300 project participants. Employees would now be asked to change their work practices to optimize their workflow and align with the new systems. Moreover, cultural barriers with the cross-country teams added yet another layer of complexity.

During the demerger, the finance department would play a critical role, as the share swap was based on multiple underlying contracts and amendments.

With the dimension of the project so clearly understood, what would be the best way to execute such a big split and chart a way forward for BP and its partners?

The solution: how do you dissolve a ten figure JV?

The Transigo project was launched to conclude the JV dissolution: by implementing a governance process for decision-making, risk and impact assessments, monitoring, as well as the timely progression of the demerger.

That's where BearingPoint came in. Working closely with the Project Leadership and Central Project Management Office, our team would support the various work streams during the negotiation, implementation, and transition phases of the demerger.

To begin with, in the negotiation phase, the team analyzed work stream input to provide recommendations and decision-making support to project leaders. Building on this, an assumption process was set-up to oversee uncertain elements in the project. By organizing and rigorously documenting due diligence, including coordination of Q&A rounds, the team secured a timely signing.

For the implementation phase, working side-by-side with BP, we supported internal work streams and the coordinating teams with the JV partner. Much of the activity focused upon aligning amendments to contracts and term sheets, along with fostering communications internally, externally, and with JV counterparts. To ensure nothing was left to chance, control processes were established, including the transfer of data to the strategic partner. And as our collaborative work progressed, we facilitated Management of Change processes and handover activities. Meanwhile, Rosneft tapped our knowledge of the general project work in its quest to found its own refining business in the German market— a first for the company. By the conclusion of the phase, the teams within BP had successfully split away the company that was responsible for operating the JV.

Having geared up to move to the cutover and early life support phase, post-dissolution, the teams were well-positioned to monitor operational continuity and integrity.

Throughout the demerger, emphasis was placed on transparency by sharing project news with BP, tracking developments via project plans, and implementing clear reporting structures to inform top management and support C-level decision-making.

“Project Transigo has been a massive effort in multiple dimensions. It went extremely well and we saw a number of success factors. The project was truly integrated between IT&S and business, as well as between Rosneft and BP. It had the right focus and leadership and, last but not least, applied some best practice project management techniques, such as integrated cutover plan and end-to-end business process rehearsals” said Michael Terhorst, IT&S Director, Fuels ESA & Downstream PSCM, BP.

The outcome: why did the Transigo JV dissolution go so well?

Despite some delays, the transition teams were able to flex and the JV was dissolved in good time. 20% of the handling of the German refining volume was changed.

“Business as usual after such a short time was never expected”, said Markus Krieger, Head of Project Delivery R&M IT&S FVC Europe & Africa, BP.

With the JV restructure, BP consolidated 100% of the equity of both the Gelsenkirchen refinery and the solvents production facility DHC Solvent Chemie. In exchange, Rosneft became a direct holder and increased its shareholding in the Bayernoil refinery from 12.5% to 25%; the MiRO refinery from 12% to 24%; and the PCK refinery from 35.42% to 54.17%.

The re-structured ROG simplifies BP’s operations in Germany. It streamlines processes and supports implementation of the Downstream strategy.

BearingPoint’s facilitation of the associated document management assisted with the due diligence. Before deal completion, major steps were taken to reorganize BP operations through the implementation of a tailored assumption process. Indeed, good assumption modelling and preparation led to a successful go-decision on Oct 31st, supporting the timely completion of the JV demerger on Dec 31st, 2016. In all, excellent preparation and cross-work stream alignment ensured no disruptions occurred and kept the error rate very low, with reports of only low and medium incidents. An internal audit, embedded at every checkpoint, also reported a smooth process.

Today, BP is on a sound footing for the future.

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Committed consultants with adaptive intelligence

BearingPoint consultants understand that the world of business changes constantly and that the resulting complexities demand intelligent and adaptive solutions. Our clients, whether in commercial or financial industries or in government, experience real results when they work with us. We combine industry, operational and technology skills with relevant proprietary and other assets in order to tailor solutions for each client's individual challenges. This adaptive approach is at the heart of our culture and has led to long-standing relationships with many of the world's leading companies and organizations. Our global consulting network of more than 10,000 people serves clients in over 75 countries and engages with them for measurable results and long-lasting success.

For more information, visit our website www.bearingpoint.com.

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