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Business Life

## Trader who won a green gamble



Andrew Owens: 'It was close to a zero-cost start-up'

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### Enterprising Britain

Andrew Owens lacked the funds to set up a low-emission diesel company, but somehow persuaded people to help out for free, writes Jonathan Guthrie

**T**he last time there was a recession, Andrew Owens set up an energy company. He succeeded, which makes his story inspirational rather than cautionary. Greenergy has 13 per cent of the UK's road fuel market. If you tank up at Tesco, it is likely to be with Greenergy fuel. The business has grown at an astonishing rate with sales rising from £60m in 1999 to £1.2bn last year.

Had the Welsh oil trader failed, you might write him off as a flamboyant risk taker, possibly a bit of a nut. An energy business is capital intensive. It is an unusual choice for a bedroom start-up and Mr Owens is disarmingly frank about the gamble he took as he talks in Greenergy's offices in High Holborn, London.

It was 1992. As well as a recession, there was a war in

the Gulf and many businesses were going bust. So Mr Owens, aged 29, chucked in his well-paid job as an oil trader to sell a low-emission diesel he had developed to the Swedish government. He could not afford to buy the six tanker loads of fuel he needed to set the ball rolling so he approached energy suppliers he knew and through sheer charisma persuaded them to ship \$7m of fuel on credit.

Then he approached a Swedish storage company because he needed somewhere to store the fuel. For free. After some humming and hawing the storage company executives agreed. Mr Owens recalls: "They said 'Hm, OK, we'll do that, because one day we might want to set up a business ourselves and we'd need someone to help us too'."

"People were supplying services without us having

any capacity to pay," Mr Owens says. Former colleagues joined him on starting salaries of nothing. Even the computers were borrowed. "It was close to a zero-cost start-up," he remembers. The business struggled in its first year. It only survived because Mr Owens forgot to hedge currency risks on which Greenergy then made a profit.

How did he sleep at nights? Like a baby, apparently. "When we came to set up the business, my wife, a European lobbyist for Visa, said: 'What have we got to lose?' and I said: 'Everything,' and she said: 'Oh well, that's all right then.' We didn't have any children, so it didn't really matter."

There is something a tad messianic about Mr Owens. His degree is in chemical engineering, a discipline not noted for nurturing people skills. He is not a sales smoothie. But he is

persuasive. His gamble worked because people had faith in him.

When the Swedish operation was better established, Mr Owens talked London Transport into running its buses on his low-emission CityDiesel. Greenergy also landed a big contract with J Sainsbury. The UK business was growing rapidly. Mr Owens sold the Swedish arm of Greenergy for a seven-figure sum in 1996 so he could concentrate on the British market.

Mr Owens talked a lot to New Labour back then about the importance of low-carbon fuel in improving the environment. A curious result of his eloquence, and of other green lobbyists, was damage to Greenergy's core business. In 2000 the government introduced tax incentives for cleaner petrol, bringing rival energy businesses into the market.

"Before, it was relatively straightforward to market 'clean versus dirty', but there was no marketing benefit in 'cleanest versus clean'," Mr Owens says. "So we refocused the business, moving away

from particulates and pollution and towards lower carbon."

Greenergy switched from being a niche, premium-priced energy company to a mainstream commodity-priced business that blended biofuels into its petrol and diesel. It developed a close relationship with Tesco, which eventually took a 22 per cent stake.

Mr Owens says Greenergy is able to operate at significantly narrower margins than bigger energy companies, because it has no legacy systems or culture. Greenergy is number four in the UK market with 70 staff instead of the 1,000 employees he claims a large oil company would employ in its UK division. Pre-tax profits were £22m in the year to March on turnover of about £1.8bn before duty.

Yet Mr Owens is not happy. The business, he believes, is in good shape for the downturn. It hedges its exposure to oil prices and has a bias towards low-cost public transport and supermarket fuel sales. The real problem is that ambition still niggles at him. It cannot help that he is retiring from

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dangerous sports - such as motor rallying - which give a man a calming perspective on business life: "I keep hurting myself and it is taking longer to recover all the time".

He talks in guarded terms of selling a controlling stake in Greenergy to a big industrial partner, not so he can sit back and count his millions but to finance an expansion upstream. This could involve refining sugar in Brazil rather than crude oil in Texas.

Mr Owens' other beef concerns the government. In the early days "dealing with government was quite simple . . . people took decisions and had authority. Today it is just one mindless, circuitous

working group". He is piqued, it seems, at a loss of influence. The government has signalled it may slow the rate at which it raises the proportion of biofuel required in petrol and diesel.

That reflects public criticism of energy-intensive biofuel crops that replace food cultivation. Mr Owens says low-energy, sustainable biofuels should not be tarred with the same brush. Greenergy has spent £50m on bioethanol production and storage, and supplies the UK with one-third of its biofuel. He is puzzled, as scientifically minded people often are, by the predisposition of politicians to ignore evidence when it suits them politically.

Mr Owens does not look kindly on those that disappoint him. He describes his alma mater Whitchurch High School in Cardiff as having been "one of the worst schools in Britain" which "never motivated anybody to do 1 per cent more than they needed to". Wales, Mr Owens says with a Cardiff burr, "sadly sets a low hurdle rate for itself".

The flipside is that he is generous in praise of those who have helped him. His father, a caretaker, and mother, a cook, "achieved a miracle in getting three kids educated in an environment where, even today, education is not a high priority". He credits them with helping him win a scholarship to Imperial College, London.

Mr Owens also eulogises Greenergy's banks, Barclays and BNP Paribas - this at a time of witch hunts against bankers and a ban on short selling. But Mr Owens, one senses, does not want to be popular. It matters more to him to be right.

## Recession rules: how to start up when others are slowing down

Andrew Owens set up Greenergy, a fast-growing energy company, during the early recession of the early 1990s. His advice for start-ups braving difficult markets:

- **Do not underestimate the commitment needed.** "I had this incredibly naive idea that I could give it a go for six months, and if it didn't work I could stop and get a [salaried] job. But you can't. After six months you have all sorts of obligations, legal or more likely moral, to staff and maybe the bank."

- **Costs can catch you out.** "The challenge with a growing business is that you never get your cost base or your systems right. Either you are trying to catch up with where your sales are, or you set your systems up for where you expect to be in two or three years, and they are a millstone round your neck." He prefers systems big enough to grow into, and if he had not invested in systems three years ago, "I don't know how we would have managed this year with such incredible price

volatility in the markets".

- **Decide what kind of business you want.** "One of the [metrics] we try to stick to is 1 per cent market share for every six staff. . . . If you look at an oil major, it might have 1 per cent market share for 100 staff. If a sector is staff intensive, we don't go for it."
- **Buy the best services.** "It might cost you more, but people will have a lot more confidence in your accounts. The best people cost more per hour, but you use a lot less hours."