

ener|gate gasmarkt

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THEMA DES MONATS

Interview mit Benjamin Lakatos,
CEO MET Group

TOPIC OF THE MONTH

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1. Topic of the month: Interview with Benjamin Lakatos, CEO of the MET Group

Frankly speaking, I have always been fascinated by the history of the Swiss MET Group. There are several reasons for this:

- The company history itself is exciting: Eon Ruhrgas (then Eon) acquired the gas midstream business of MOL in 2004 and then finally in 2006. MET emerged from the newly founded gas trading division of the formerly state-owned Hungarian oil and gas group MOL. The name stood for MOL Energy Trading. Benjamin Lakatos then spun MET off from MOL as a trading company in 2018 as part of a management buyout, having already relocated its headquarters to the Swiss canton of Zug in 2012.
- The ownership and management structure is exciting: Mr Lakatos still holds a stake of over 70 per cent in MET Group, just under 20 per cent belongs to the management and 10 per cent to Keppel, a stock-listed asset management company from Singapore with a focus on energy infrastructure and sustainable energy supply, among other business interests.
- The corporate strategy is exciting: MET is no longer a pure trading company but is active in 14 European countries and in Singapore. Global LNG trading was added to the trading activities and in the areas of sales, infrastructure and power generation – primarily from renewable energies – are also part of the business portfolio.
- Last but not least, the company has also been active in Germany since the end of 2020 (*ener|gate Gasmarkt* 12/20) and wants to grow here: around 35 employees will be employed in 2024. The focus so far has been on sales to industry, municipal utilities and commercial customers. MET also operates storage facilities in Germany. The Swiss company also acquired the former Gas Union storage portfolio at the end of 2020.

In this interview, Benjamin Lakatos explains the company's development and philosophy. Of course, we also talked about the company's ambitions in Germany. But before we start the interview, here are a few facts and figures. The

group's turnover in 2022 was 41.5 billion euros; MET does not provide information on profits. What Mr Lakatos told me: "We have always been profitable". In the year before last, 109 bcm of gas and 67 billion TWh of electricity were traded. More than 30 LNG cargoes were landed and regasified in five European countries. The company has a generation capacity of almost 770 MW from CCGT plants and 75 MW from CHP plants. It has a storage capacity of 3.7 TWh and a renewable generation capacity of almost 400 MW. The holding company controls four business units: Trading & Wholesale, European Sales, Flexible Assets and Green Assets, each with a number of operating companies. So far, the business is largely focused on Europe, but MET Asia was founded at the beginning of October 2023, initially as an LNG trading company.

ener|gate Gasmarkt: Mr Lakatos, what is MET Group actually, primarily a trading company or an energy supplier?

Mr Lakatos: We keep asking ourselves which basket we actually belong in. But I think we are an integrated energy supplier. Even if we don't employ any engineers and have a comparatively small asset base. But energy supply is more our philosophy. We are no longer a pure trader, even if trading is still very important to us.

ener|gate Gasmarkt: But you started as a trading company?

Mr Lakatos: I was driven by two things at that time: To create a work platform in the energy industry for smart people. An environment in which I would have liked to work as a young professional. That was a very important motivation for me.

ener|gate Gasmarkt: And the second point?

Mr Lakatos: The realisation that the financial value of real options wasn't really recognised by the traditional energy supply companies.

ener|gate Gasmarkt: Why not?

Mr Lakatos: With the EU unbundling rules, a closed national market model controlled by around 200 top executives in Europe became a market model that was open to the financial market and trade. This shift has changed everything,



Benjamin Lakatos, CEO MET Group

but the organisational and decision-making structures of many of the established companies were not prepared for this.

ener|gate Gasmarkt: What do you mean by that?

Mr Lakatos: Most companies were used, and many still are today, to take action only after a decision has been made in lengthy processes. This is the case with investments, for example. But you often can't do that in trading, where you can only review decisions based on their impact retrospectively. Many companies were not mentally prepared for this. Of course, many have now adapted their decision-making processes.

ener|gate Gasmarkt: But you yourself are also investing in assets now. You obviously can't establish a stable business only with quick decisions and ex-post control.

Mr Lakatos: The key question for us is always how we utilise our assets. It is extremely difficult to achieve sustainable success through pure trading. That has never been our approach. We optimise the assets as a real option against price developments, which we believe is much better. The concept of the real option means that we adjust the planned operation of power plants and storage facilities to price developments every day and restructure our hedging accord-

ingly. We need trading for this. Basically, it's like climbing a mountain: we hedge every step of the way.

ener|gate Gasmarkt: Why do you need sales for this concept?

Mr Lakatos: Because I need the positions for trading. With little equity, sales is the most efficient way to build up such positions.

ener|gate Gasmarkt: What role do investments in renewable energies play in this approach?

Mr Lakatos: Renewable energies are a headache for all market participants, partly because of the adaptation and integration of the grids. As a pragmatic European, I agree that renewable energies and decentralised electricity production are the future. But Europe and Germany also need security of supply and competitive energy prices.

ener|gate Gasmarkt: What does that mean for you then, that we need the transformation to renewable energies on the one hand, but security of supply and competitive prices on the other?

Mr Lakatos: I can't give you a direct answer. I come from the gas industry perspective, that's my business. I believe that in the very long term, energy consumption will be based on electricity. Unfortunately, I don't yet know what role hydrogen will play; there are still some issues to be resolved. But gas will remain important as a transitional energy source for at least the next ten to 20 years. The decline in demand will only be gradual. At least that is my current conviction. However, Europe is in a scary situation when it comes to natural gas. Only 8.5 per cent of gas demand is covered by production in the EU.

ener|gate Gasmarkt: But this has been the case in the oil market for years, and Europe lives with it quite well. What's more, the past year has shown how quickly Europe can adapt and how flexibly supply responds to price signals. What additional measures do you suggest?

Mr Lakatos: Basically, Europe has managed the gas crisis surprisingly well. Initially, the necessary infrastructure was lacking. That has changed. Around 30 million tonnes of LNG (39 Bcm) of new regasification capacity has been built or is under construction. That will be

enough. We may still need one or two pipeline connections, especially in Eastern Europe, but that is basically enough.

ener|gate Gasmarkt: Good, so everything is fine?

Mr Lakatos: But you never know whether your own small gas production will become a weakness and then cause problems. My answer is that the fundamental competitiveness is not there. Of course, you can say that Germany has enough money and can pay the prices, but that doesn't work in the long term.

ener|gate Gasmarkt: But again, what is necessary? And what does this mean for your own market position?

Mr Lakatos: I agree with you that a lot has been done in the gas market. In the renewable energy sector, we need clearer rules to incentivise more investment. Above all, we need to do more to achieve competitive prices. I don't have the ideal solution, but we need to dismantle regulations to enable more solutions, especially for small and medium-sized companies.

ener|gate Gasmarkt: What does this mean in concrete terms and what do you do yourself in particular?

Mr Lakatos: One is our gas industry strategy, the other is our activities in the field of renewable energies. I expect to see further consolidation in the gas industry in Germany as well, i.e. a sale of assets or a change in ownership structures. As MET, we want to play a role in the transformation process of the German gas industry. We assume that many large and small companies want to divest their conventional assets and we are willing and able to manage such assets even in the uncertain environment of a phase-out.

ener|gate Gasmarkt: You also want to buy assets in Germany?

Mr Lakatos: Yes, Germany is one of the markets we are focusing on. I trust Germany, I like the culture. Is that specific enough?

ener|gate Gasmarkt: If you take decarbonisation targets seriously, then gas assets will have to leave the market in the next ten to 15 years. Why do you want to invest there?

Mr Lakatos: We believe it will be more like 20 to 25 years, in other words quite a few years. This is because natural gas will play a central role in the energy transition. Regarding serious planning, allowing for delays and uncertainties is essential. Nobody wants to stop progress, but the past few years have impressively demonstrated how vital a resilient strategy is. However, I can see that many companies share your assessment and will sell assets. Not only do we expect a longer time horizon for these assets, but we also believe that our broad positioning will enable us to buffer market changes better.



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ener|gate Gasmarkt: You really want to acquire gas assets in Germany. Storage, grids, or both?

Mr Lakatos: All possible gas midstream assets and assets in the area of electricity generation or the provision of flexibility. Theoretically gas distribution grids, too, but we are not looking at that specifically at the moment.

ener|gate Gasmarkt: So that would mean smaller storage portfolios?

Mr Lakatos: Let's put it this way: Germany is an important market for us, and we are also happy to invest very substantially in assets and portfolios in the energy sector. We are ready if the German government wants to sell its newly acquired holdings and there is a bidding competition.

ener|gate Gasmarkt: That is a strong statement. And how do you finance an acquisition worth billions of euros?

Mr Lakatos: We have the funds, that's not a problem for us. Many investors no longer want gas assets; we are positioned differently here.

ener|gate Gasmarkt: Why do you want to buy assets in Germany in particular?

Mr Lakatos: Because natural gas is seen more as a commercial market in Germany.

ener|gate Gasmarkt: You already have storage facilities in Germany.

Mr Lakatos: We are also very happy with that.

ener|gate Gasmarkt: And with the regasification capacity you booked in Lubmin?

Mr Lakatos: We are proud that our booking helped to make this privately financed terminal possible and thus contributed to security of supply in Europe at a critical time. The terminal could have made a difference.

ener|gate Gasmarkt: But it didn't!

Mr Lakatos: The terminal was an important mosaic piece in this severe crisis. In general, we feel committed to bringing LNG to Germany and Europe.

ener|gate Gasmarkt: And will you book capacity in the expanded terminal in Mukran?

Mr Lakatos: MET will continue to contribute to bringing LNG to Germany and Europe in the future. That's all we can say at the moment.

ener|gate Gasmarkt: You have concluded a long-term LNG procurement contract in the USA.

Mr Lakatos: We have publicly announced a non-binding agreement, which does not mean that we do not have other, binding contracts. And the agreement with Commonwealth LNG is affected by Mr Biden's decision to pause authorisation procedures for LNG terminals for the time being.



If the German government wants to sell its newly acquired holdings, we are ready for a bidding competition.

ener|gate Gasmarkt: Are you worried about Mr Biden's decision?

Mr Lakatos: From a security of supply point of view, I have no concerns. But as a European pragmatist, I want to have as many low-cost procurement options as possible. The more options, the better for Europe. Every cancelled project means less competitive supply and greater volatility.

ener|gate Gasmarkt: But if you take the forecast of the International Energy Agency (IEA) from the latest World Energy Outlook, we will probably have an oversupply and low prices in

2030 if the projects that are already under construction or for which an FID has been decided are realised.

Mr Lakatos: I agree with the analysis in principle. There is a considerable probability that this will happen. But even with a low probability, Europe cannot cope with a scenario of high prices. We saw that in 2022. Europe incurred several hundred billion euros in additional costs due to distortions in the gas market. This could solve the entire energy crisis.

ener|gate Gasmarkt: You have to explain that.

Mr Lakatos: Fundamentally, it was undoubtedly justified that the price rose to 100 €/MWh after the Russian supplies were curtailed. But in my opinion, hedge funds with their speculation were primarily responsible for the rise to 300 €/MWh. The costs for the difference are probably in the order of magnitude I mentioned. We must avoid this in future, otherwise countries will go bankrupt.

ener|gate Gasmarkt: In other words, are you concerned about the future viability of Europe and its industry if the continent does not take a pragmatic approach to its energy issues?

Mr Lakatos: I haven't analysed any figures, but my intuition tells me the risk is high. And when travelling in Asia or America, I keep hearing that Europe currently has nothing to offer. Only European history is exciting, which is why they send their children to school in England.

ener|gate Gasmarkt: You are in 15 markets to implement your business concept, which is basically based on optimising the value of assets through trading and using the best assets for this purpose. How do you pick markets and assets?

Mr Lakatos: To be honest, I'm pleased about the question. Our approach has long been as follows: We are primarily active in Europe because the framework provided by European law makes many things easier. Nevertheless, all national markets in the EU have their own peculiarities. That is why we are not only looking for a business model for each country, but above all for a good CEO who we trust to implement this model. In this respect, the answer to your question is that we only enter a market or take over an asset when we have found the right people for it.

ener|gate Gasmarkt: But people alone are not enough?

Mr Lakatos: To keep the capital requirement low, the team usually starts with sales and trading. Once they are earning money after two or three years and are established in the market, we start looking for assets with the group.

ener|gate Gasmarkt: But this concept can only be realised in this way because you as the owner can react very autonomously, especially when it comes to assessing and selecting the management.

Mr Lakatos: I don't think so. It's more a question of corporate culture.

ener|gate Gasmarkt: Are there any remnants in the corporate culture from your time as the trading department of a Hungarian state-owned mid-stream gas company?

Mr Lakatos: The answer is somewhat complicated. Yes and no. Yes, MET is influenced by the fact that in the beginning it was a small department of MOL. We were born in that culture. There was no trading at MOL, developing this was my own idea. I always questioned MOL's corporate approach. That's why MET was quickly spun off.

ener|gate Gasmarkt: MOL remained involved at the beginning.

Mr Lakatos: I am still grateful to MOL for the initial help. But what we got was the name. MOL has never put a lot of capital into MET. It was only 100,000 euros. The necessary capital was basically generated entirely by the MET team. But the name was very important for doing business with the European gas companies. This gave us a kind of open credit line with many players in the industry.

ener|gate Gasmarkt: That was the "yes" in the answer to my question, and the "no"?

Mr Lakatos: We never had the 'MOL genes' in our corporate philosophy. From the very beginning, we were characterised by a western, American trading culture and have always worked according to the motto, if you can do something, then you should do it and do it very professionally. I have always demanded the same from my team. I have a financial market background, and at MOL I worked in the M & A area. I learnt the gas business primarily from Ruhrgas.

ener|gate Gasmarkt: Why is that?

Mr Lakatos: When MOL sold the midstream gas business, I was part of the team responsible for the sales process. I basically had no idea about the gas business. Ruhrgas was the winner in the sales process. But because the EU Commission intervened, the entire takeover took a very long time. And all of a sudden, I had the task of implementing the business plan that I had developed as the basis for the sale. I learnt and understood many of the approaches in my discussions with Ruhrgas, but I also recognised the opportunities that the market conditions at the time opened up for me with my financial background.

ener|gate Gasmarkt: Monetising real options, as you explained to me at the beginning of the interview!

Mr Lakatos: Exactly!

ener|gate Gasmarkt: What role does Keppel play as a shareholder?

Mr Lakatos: They have a share of 10 per cent...

ener|gate Gasmarkt: ... the share was initially 20 per cent...

Mr Lakatos: ...yes, we have bought back part of it. But I am very happy with Keppel as a partner. I am very impressed by Keppel's willingness to cooperate and their search for win-win situations. In other words, they not only have their own interests in mind, but also always ours.

ener|gate Gasmarkt: Is that not the case with other partners?

Mr Lakatos: With Keppel, this is extremely distinctive and corresponds to my own philosophy. That's why I enjoy working with them so much. For us, this means a special, much faster and better access to the Asian market. Thanks to their support, we were also able to establish MET Asia in Singapore in 2023.

ener|gate Gasmarkt: To extend your LNG trading?

Mr Lakatos: Yes, but we are also thinking about investing in renewable energies, for example. Also in cooperation with Keppel, who may invite us to co-invest. I'm trying to do the same for them in Europe. They invest with us. In our Green As-

sets segment, we are aiming to build two GW of capacity. One GW will be developed by MET alone and one GW in a joint venture with Keppel.

ener|gate Gasmarkt: So why did you reduce the share?

Mr Lakatos: When Keppel joined, it was very good for our reputation. Many market participants didn't believe that we could earn money in trading, essentially with our team as the main asset. That's why Keppel's shareholding was very helpful. For the financial market in particular, it was clear that Keppel only bought the share after very careful due diligence, so our business model was good and robust. It also enabled me to repay the



In our green Assets segment, we are aiming to build two GW of capacity.

loans for the management buyout completely.

ener|gate Gasmarkt: That doesn't sound as if you had to buy back ten per cent?

Mr Lakatos: We have adapted the cooperation model and, as already mentioned, are focussing more on joint investments in renewable energies in Europe. There are two disadvantages compared to established energy companies. We don't have any engineers – we may change that – and the equity capitalisation. That's why Keppel will remain involved, but the shareholding was re-adjusted. Thanks to the small stake, we remain more independent. I value this independence very highly. It is very valuable that the company is essentially owned by the management.

ener|gate Gasmarkt: What does this mean for decision-making and management structures? At the end of the day, it's you who decide?

Mr Lakatos: No, initially we discuss things as a team. But at some point, discussions have to end, and it helps a lot when the decision-makers ultimately decide on their own money. I definitely feel better when I take risks with my own money, especially when things go wrong. The annual meeting of all employees with shares in our company is very important to me. This is where critical questions are asked about the corporate strategy and results. I do this very consciously. The table is turned around for a day. Then it's

not employees but shareholders who are allowed to "shoot". And on the other hand, the entire top management has to provide answers.

ener|gate Gasmarkt: That works?

Mr Lakatos: We have a very strong culture. In the first few years, people were shy, but now it works well. What's more, people from more than 50 countries now work at the company, which also allows for very diverse perspectives and discussions among our shareholders. Integrating this was a huge challenge. I completely underestimated that at the beginning.

ener|gate Gasmarkt: Really?

Mr Lakatos: Here's a little anecdote about that: We once had a team with a Serb, a Turk, a Ukrainian, a Turkman and a Hungarian. They went to the cafeteria to discuss their approach, and each ate an apple because they all liked apples. But they each did it in a different way. One peeled it, one sliced it, and so on. That shows the differences. This cultural integration was hard at the beginning of our journey.

ener|gate Gasmarkt: How many employees are shareholders, and is the group of shareholders expanded?

Mr Lakatos: There are currently 95, and you can be invited to join. The prerequisite is very good performance, but you don't have to be a member of top management.

ener|gate Gasmarkt: An interesting corporate philosophy. But lastly, back to the German market. You have already mentioned that you want to acquire gas assets in Germany and that you are very satisfied with your storage business in Germany. How satisfied are you with the development of your sales business in Germany?

Mr Lakatos: It's far too small!

ener|gate Gasmarkt: Seriously?

Mr Lakatos: We had a good start in critical times. You should remember that we started in the middle of the covid pandemic and after that came the gas crisis at the beginning of 2022. We developed the company from a start-up into a profitable business for MET Group. We had, in particular, a very successful start in the indus-

trial customer segment and are working with a number of municipal utilities. However, we need to increase our presence in the utility sector significantly and offer customised solutions to meet the needs of our partners. Our team has been strengthened and will take the next step this year. I am satisfied for now, but we want to grow strongly in all segments.

ener|gate Gasmarkt: How much gas and electricity do you currently sell in Germany?

Mr Lakatos: It is in the double-digit TWh range for gas and electricity.

ener|gate Gasmarkt: You sell not only gas but also electricity?

Mr Lakatos: Yes, electricity sales have just kicked-off well.



The medium-term goal is for us to become one of the major market players in Germany's electricity and gas sector.

ener|gate Gasmarkt: And what are your ambitions?

Mr Lakatos: We would like at least to triple our business activities in the coming years. The medium-term goal is for us to become one of the major market players in Germany's electricity and gas sector – I envisage a role as the smallest among the really big players, and this is the position we aim for. This can also be achieved through acquisitions.

ener|gate Gasmarkt: What can you offer municipal utilities that other trading companies can't offer?

Mr Lakatos: We recognise the challenges many municipal utilities face in the German market and are one of the companies that can offer flexibility and liquidity. Based on the market knowledge of our team in Germany and our trading expertise here in Baar.

ener|gate Gasmarkt: And you are still optimistic that you will be able to sell LNG to German municipal utilities in the long term.

Mr Lakatos: Yes, we are very interested in it. We are pushing this forward. Europe is dependent on the global LNG market; we shouldn't forget.

ener|gate Gasmarkt: But you haven't sold any volumes yet.

Mr Lakatos: Not yet in terms of long-term volumes. Prices have recently fallen significantly again, so market participants are no longer thinking so much about security of supply. I think that's wrong, especially as LNG trading works globally, unlike pipeline trading. The market will have to adapt to this. Some larger companies are still thinking intensively about diversifying with LNG. We are in dialogue with them.

ener|gate Gasmarkt: But security of supply has also improved, you have greater diversification thanks to the LNG supply and additional infrastructure. And companies such as Shell, BP or MET contribute to security of supply through their long-term procurement contracts as portfolio players.

Mr Lakatos: Our strategy is to increase substantially sales in Germany. These don't have to be long-term contracts. But if customers conclude long-term contracts with us, they participate in an international price indexation, and we share the benefit. We also see an advisory role for ourselves when it comes to LNG, not only with customers, but also with politicians and the authorities.

ener|gate Gasmarkt: But you don't just want to grow organically?

Mr Lakatos: If opportunities arise, we are also prepared to buy companies or enter into partnerships. We see opportunities because the market is being restructured. In addition, not all companies want to build up the necessary expertise to adapt to changing market conditions.

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According to our calculations, hydrogen is not yet economically viable from a purely commercial perspective, and it needs government support to achieve a real ramp-up.

ener|gate Gasmarkt: Did MET want to invest in an electrolyser in Lubmin in Germany as a co-investor with HH2E? You withdrew from the project. Why? Do you still have plans for hydrogen in Germany?

Mr Lakatos: MET is still interested in the German hydrogen market, but before we invest on a large scale, we first want to be able to assess better the market structures and potential and are focussing on this. According to our calculations, hydrogen is not yet economically viable from a purely commercial perspective, and it needs government support to achieve a real ramp-up. The support we see in Germany is now moving in the right direction.

ener|gate Gasmarkt: Mr Lakatos, thank you very much for the interview!