

PLANNING FOR A BRIGHT FUTURE

AN INTERVIEW WITH BP SOLAR CEO REYAD FEZZANI



Reyad Fezzani

As chief executive officer of BP Solar, Reyad Fezzani leads the largest, most established renewable energy business of the world's fifth-largest company. Since joining the BP Group 20 years ago, he has held a number of senior operational and commercial roles across the company. Most recently, as CEO of BP Wind & Solar, Fezzani was tasked with establishing the companies as stand-alone entities before going on to run BP Solar.

Under Fezzani's leadership, BP Solar, once the world's second-largest manufacturer of solar panels, has shifted to a low-cost mixed supply chain model, retaining its manufacturing base in low-cost markets and its established distribution customers while focusing on selling and managing large solar development projects. With recent announcements of major projects such as a deal with the Long Island Power Authority, plans for one of the largest solar installations in Germany, and an agreement to provide green energy for Walmart, the company is already seeing some big wins with this approach. Fezzani recently spoke with Spencer Stuart about renewable energy, talent management in a rapidly changing industry, and his vision for the future of BP Solar.

BP SOLAR AT A GLANCE

- > With 35 years of experience and installations in more than 160 countries, BP Solar is one of the world's largest solar companies.
- > A key division of BP's Alternative Energy business, BP Solar has over 2,200 employees around the globe focused on harnessing the sun's energy to produce solar power for electricity. The company designs, manufactures, markets and develops solar electric systems for homeowners, businesses and governments.
- > To date, the company has supplied 10 million solar modules and one out of every 15 watts installed by the industry. These modules will offset more than 14 million tons of CO₂ over their life — the equivalent of planting more than five million acres of trees.

As BP Solar expands its supply chain and moves away from high-cost manufacturing regions to focus on selling and managing large solar development projects, what do you see as the keys to making this transformation successfully?

Fezzani: The market for our products traditionally centered on the residential sector. We've supplied products to BP-trained and certified distributors who sell them to end-users. The commercial markets for solar have grown over the years as companies like Walmart and FedEx have seen the benefits of increasing the green energy content of their consumption and have chosen to buy energy from us on a long-term power purchase agreement basis for 20 to 25 years.

We provide a full-service offering: the panel, engineering and construction, project management, financing, operations and maintenance contracts and performance monitoring all the way to recycling and decommissioning. So our keys to success are having the different skills, capabilities, types of people and cross-functional work necessary for outstanding execution.

Only a handful of companies can do it — and we've been doing it for more than 10 years, primarily in Europe and increasingly in Asia and the U.S. Now we're looking at projects such as our Long Island Power Authority deal for 37 megawatts, and at solar farms of over 100 megawatts.

You were brought in as the former CEO of BP's chemicals business to make the solar division profitable. What parallels do you see between the two businesses?

Fezzani: I was running a global chemicals business with \$11 billion in revenues. It was a full value-chain business with factories all over the world, a significant supply chain and a big

technology development capability — so I've found many, many parallels.

One parallel is how markets evolve and develop. In the chemicals business, the technology was invented and manufactured in Europe and the U.S. Over time, we set up manufacturing operations in Asia to capture the growth of Asian markets and access lower-cost manufacturing. As time went on, our Asian factories started to sell more product to China, which in time then became the world's largest market. In solar, you can see a similar path. Europe is the largest market today, and the U.S. will become a significant market in due course, but China has really taken ownership of the manufacturing game and has the potential to become the world's largest solar market.

What needs to happen, both within your organization and in terms of solar technology and its acceptance, for BP Solar to achieve success as an energy business?

Fezzani: As the industry scales up, the sale of energy (kilowatt hours) will become the norm as opposed to the traditional selling of equipment on a dollars-per-watt basis. Customers want systems that give the lowest lifetime cost of electricity, as reliably as possible. It's all about making sure their needs are best served. If the customer needs special monitoring or a financing arrangement, our job is to develop those offerings and help the customer realize the highest lifetime value from their system.

The technology of solar is changing: it's not just about clever cell technology or manufacturing process and getting the manufacturing cost lower, it's also about installation, balance-of-systems, and value-added services. A lot of our technology development is focused on that downstream area as well as continuously increasing the efficiency of cells and modules.

A lot of those other elements require scale to really get the efficiencies. If you're buying cabling for a 200 kilowatt system, you're not going to get big efficiencies because you're buying cables from a supplier who's providing much bigger volumes to other customers and applications. But when you start building 100 megawatt solar farms, you become a major buyer and can negotiate those economies. We're moving to a scale where we can be taken seriously, and our average size of transaction is mushrooming.

Another major hurdle today to total cost reduction is industry fragmentation. People in their parts of the value chain — be it silicon, wafering, cell production or module assembly — are dictating the pricing and supply dynamics and, at times, taking disproportionate rent out of the chain. We would like to see more integration, and we believe that scale and integration could get us to a grid-competitive solution today for many markets in the world without incremental technology improvement or other change in the way we do business.

What are the unique advantages and challenges of being a renewable energy division in one of the world's largest oil and gas companies?

Fezzani: It's amazing when you look back at how much investment has really gone into what is now BP Solar. We have essentially been funded for 38 years. I don't know anywhere in the venture capital community where a company has been seeded for that long. BP has been a great incubator for the solar business and is one of the companies that has made today's solar industry possible.

There are many advantages to being in a large energy company: access to capital, access to resources, the ability to withstand cycles. All of those things have really added value to the solar business. The challenge is attracting capital when times are very good in the other business. But

what BP has done is committed an amount of money — \$8 billion over 10 years — for renewable energy activities, and it will continue until 2015 and beyond, so there's been a sustained investment.

As you look at the competitive landscape, what do you feel are the notable differentiators of BP Solar's products?

Fezzani: We position our product as having the lowest lifetime cost of electricity and the highest value to customers. We're one of the few companies that can demonstrate a lifetime cost. We've collected data from panels that have been in the field for 20 years and can describe what happens over the life of our products. We've also made huge changes to our product over the years to make it optimized and strongly reliable.

The second differentiator is that behind our 25-year warranty is a company that will be around, a fact that may not be true of some of our younger competitors who lack the backing of a stable, long-standing energy business. The third is that we are known as being very innovative in our industry and have continually invested in technology. You'll see us rolling out some very interesting offerings over the next few years.

In May, BP CEO Tony Hayward stated in the Financial Times that he thinks "solar is probably the most challenged of all of BP's alternative energy interests." What does he mean by that?

Fezzani: The biggest challenge for solar is how and at what pace to scale up. This year has certainly been very challenging, particularly in the first half when the economic downturn drove solar demand significantly lower with a subsequent reduction in prices of 30 to 40 percent. This was unprecedented. But like most growth businesses things can change quickly. The second half has picked up markedly and it looks like BP Solar will be sold out for the rest of this year and well into

2010. That's the excitement of working at the frontier of the energy business — it's a roller coaster.

As your business grows, what do you do to make sure that you've got the right executive talent in the right spots?

Fezzani: You can never tell when you bring people in, how they're going to play out. One thing I pride myself on is that when we bring people in and things don't work out, we act appropriately. A lot of companies hang on to people for longer than they should and, as a consequence, create a bigger and bigger problem. We believe that great people always have a future.

In the past, we sometimes kept people in jobs too long, and they lost interest. So now we do quite a bit of reshuffling to maintain people's passion for what they do. We had a coach working with us the other day, and she said, "This is the most committed group of people I've come across." I think that's what defines BP Solar — we're very committed to what we're doing.

The solar industry has traditionally been somewhat insular. As the industry grows, from which other industries should solar companies draw talent as they build their teams?

Fezzani: BP has trained a lot of the industry — in almost every company I visit there's somebody who earned their stripes at BP or one of the major Japanese solar companies. Finding comparable industries is very challenging because ours is a solid-state product that operates for 25 years. People want to believe it's like consumer electronics, but it's not. It's also different than running a gas plant or refinery or exploring for oil and gas. I think some companies have made grave errors of judgment in trying to force-fit an

electrical industry paradigm to what is actually an energy provision.

We've hired a lot of people from the semiconductor industry for very specific roles, and people from companies like GE. We've also hired a host of people from all sorts of backgrounds unrelated to the business for functional roles, which can cross over much more easily.

In fact, we're now seeing an explosion of diverse people coming into the sector. Some of the best and brightest are coming to us out of college or from commercial enterprises, banks and financial institutions. So the experience set in solar is growing, and we're able to find people to come into BP who would like to work in an older company with a deep understanding of the business and a bright future. We've actually had no problems attracting people to BP Solar.

What do you see as the most important leadership competencies for the future in this dynamic, rapidly evolving industry?

Fezzani: I would start with humility, which I don't see a lot of in the industry. At BP Solar, we had to accept that we were not the best at everything and that we had to give up some things. The industry, as it matures, will eventually become more humble and people will realize what they're really good at and what they'd love to be good at, but really don't have the capability for. Some companies can operate in two or three different parts of the value chain successfully, but it's really hard to carry it off across the whole chain from start to finish.

In terms of leadership characteristics, I think that industry leaders should seek out partnerships and win-win situations. Companies in the industry should learn to support each other more for

everyone's benefit, instead of competing over things we probably shouldn't compete over.

Nobody knows what's going to happen in the future; it's important to be nimble in this business. Historically, as a company we struggled with that because we were stuck in the paradigm of making everything ourselves. We gradually learned that we could build partnerships with others who have greater expertise in specific parts of the value set. We created a win-win instead of another competitor.

About the author

[Mike Lynch](#) leads our Clean Technology practice in the Americas and Asia.

Clean Technology Practice

Spencer Stuart's Clean Technology Practice has helped build the leadership teams and boards of the industry's most respected companies. Our work spans all industry segments, from clean power generation to efficiency infrastructure, renewable power services, energy storage, transportation, materials, recycling and waste, and water conservation and treatment. We have applied our global reach, deep sector knowledge, access to top talent and consultative approach to deliver outstanding results on more than 150 senior-level assignments worldwide over the past three years.

Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 51 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

Amsterdam
Atlanta
Barcelona
Beijing
Bogota
Boston
Brussels
Budapest
Buenos Aires
Calgary
Chicago
Dallas
Dubai
Frankfurt
Geneva
Hong Kong
Houston
Johannesburg
London
Los Angeles
Madrid
Melbourne
Mexico City
Miami
Milan
Minneapolis/St. Paul
Montreal
Mumbai
Munich
New Delhi
New York
Orange County
Paris
Philadelphia
Prague
Rome
San Francisco
Santiago
Sao Paulo
Shanghai
Silicon Valley
Singapore
Stamford
Stockholm
Sydney
Tokyo
Toronto
Vienna
Warsaw
Washington, D.C.
Zurich