

UNCTAD
GLOBAL COMMODITIES FORUM 2013
Recommitting to commodity sector development
as an engine of economic growth and poverty reduction

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19 March 2013

GasNatural Fenosa

By

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for Gas and Electricity Businesses in Latin America

gasNatural
fenosa



Inclusive Businesses

Xavier Vives

***Latin America Customer Service
Director***

19 March 2013



Main figures



Present in over 25 countries

17,270 employees

Around 20 million customers in the world

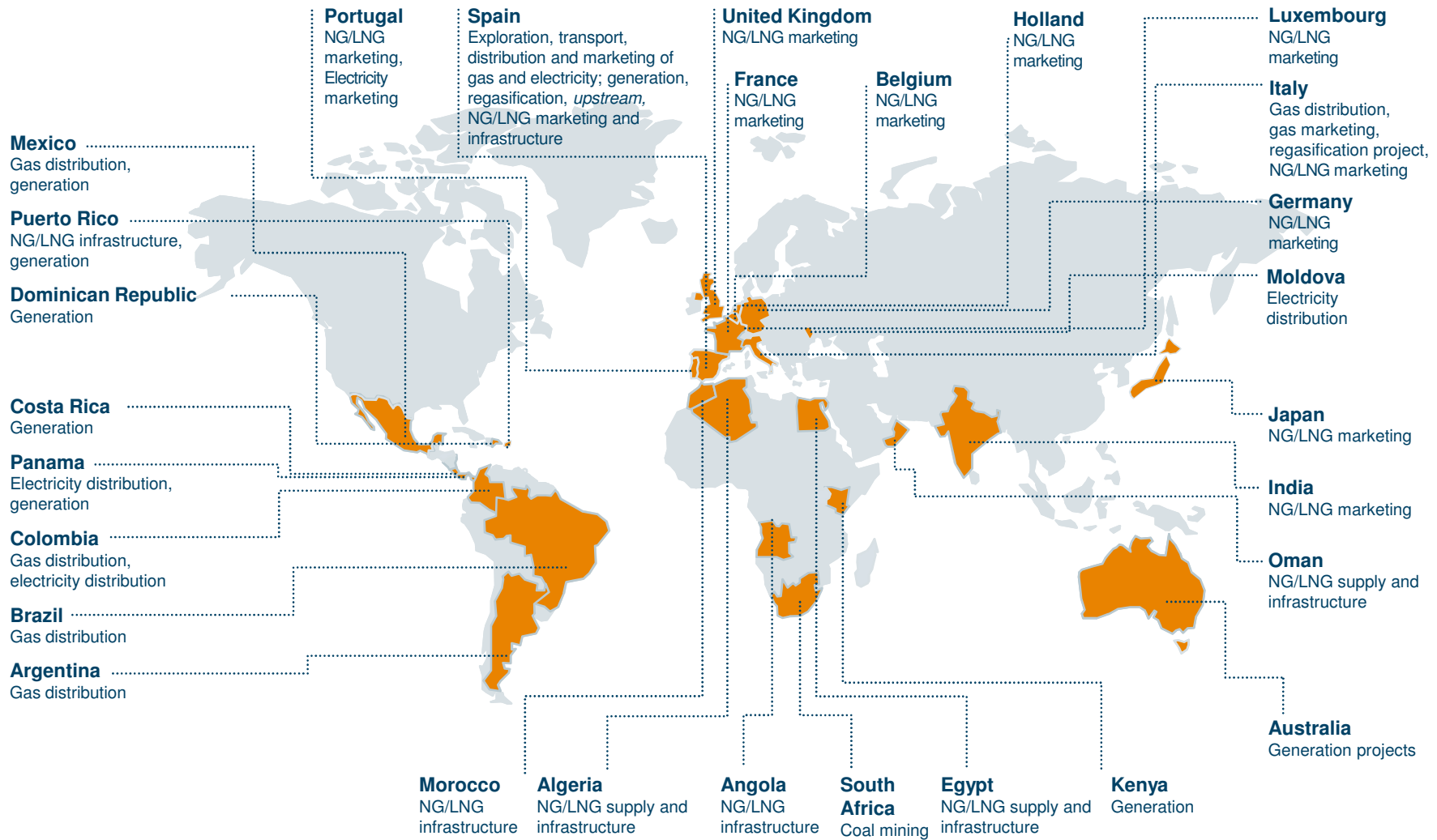
15.5 GW of installed capacity

Profit of over \$1.9 billion (Δ 8.8% vs 2011)

EBITDA \$6.7 billion (Δ 9.4% vs 2011)

**Largest integrated gas and electricity company
in Spain and Latin America**

Gas Natural Fenosa in the world



Social investment in line with the business



Access to energy

*Social Energy
(Colombia)*

*Cuartel V
(Argentina)*

Promote the safe and efficient use of energy

uso responsable de **electricidad**
energía para crecer

uso responsable del **gas**
energía para crecer

Strengthen the value chain

valor para **proveedores**
energía para crecer





Social Energy

Challenge

- An area of the Columbian Caribbean, with over 1600 displaced family settlements.
- Non-standardised electricity infrastructures, incipient networks, electrical chaos and poverty.
- Losses due to illegal connections.
- Low payment level by customers.
- Difficult market to manage using the usual processes.



Solution



2004: Social Energy is born, an electricity marketing company in Colombia that provides services in low-income areas.

It manages over 1600 neighbourhoods inhabited by over 400,000 families

Standardisation of networks

- Management of electricity standardisation projects together with Electricaribe.
- Inclusion of these projects in standardisation programmes financed by the Colombian government.

Increase payment and collection levels

- Collection network: creation of collection SMEs in the community itself, thereby promoting job creation.
- Technical workshops: improvement of LV networks owned by the communities.

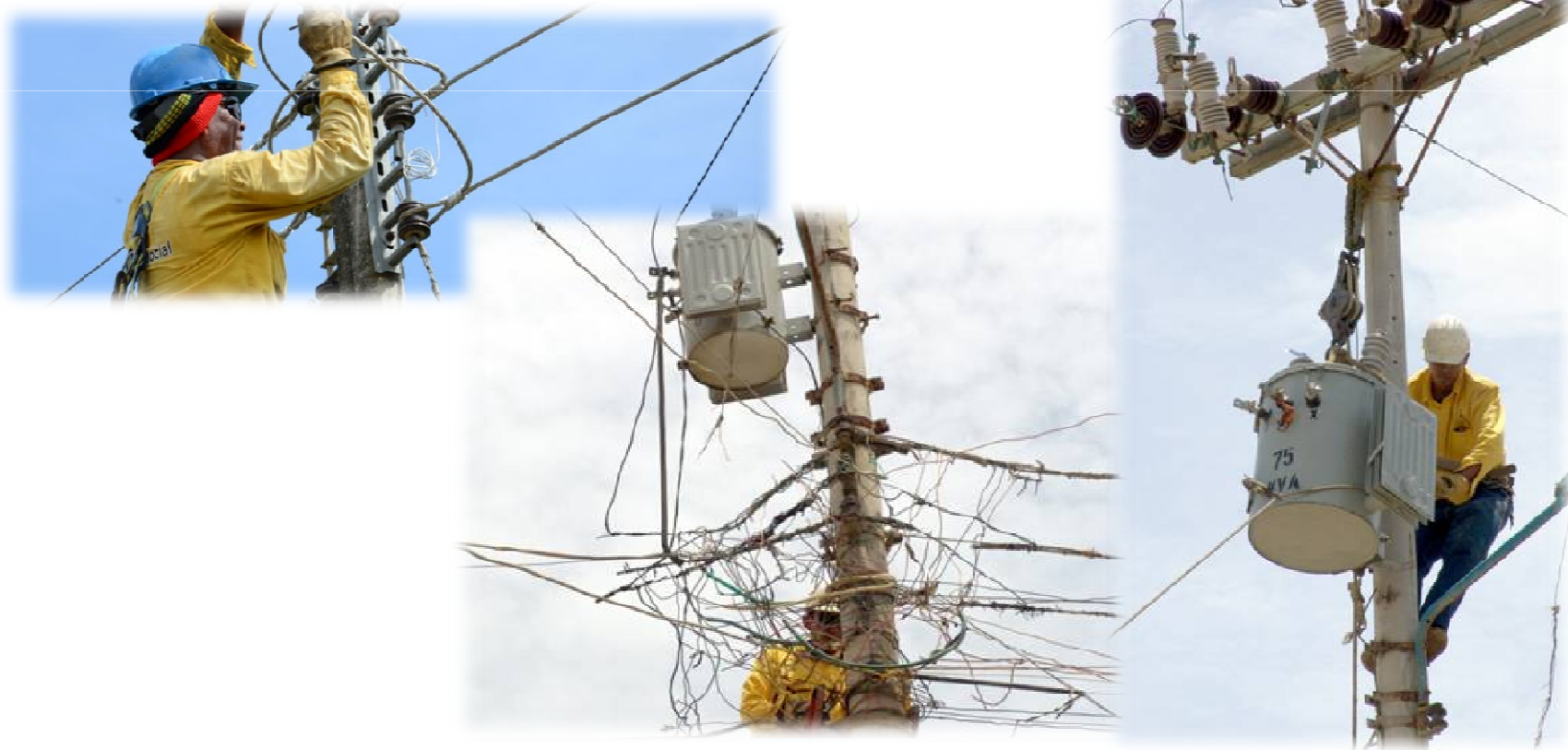
Promote proximity to the community

- Permanent contact with communities through periodic meetings with community leaders and continuous training.
- *Switches* project: installation of circuit breakers in homes.
- Baseball school for children in the neighbourhoods.

Results

Standardisation of networks

- Up to 2011: 198 neighbourhoods standardised, benefiting 70,000 families. Investment of over USD 54 million
- In 2012:
 - 27 projects started, with an investment of USD 25.5 million.
 - 17 projects executed, USD 9 million; benefiting 8000 families.



Results

Increase payment and collection levels

- Collection of 75% of billings
- 27 service and payment points and 7 commercial offices available.
- 884 technical workshops held, which benefited over 70,000 families.

Promote proximity to the community

- Nearly 9000 meetings with communities, with over 145,000 attendees.
- Training workshops for 306 community leaders
- 400 children trained at the baseball school. Junior Champions of the National Tournament.



**AHORRA ENERGÍA
AHORRA DINERO**

CONOCE EL CONSUMO DE TUS ELECTRODOMÉSTICOS

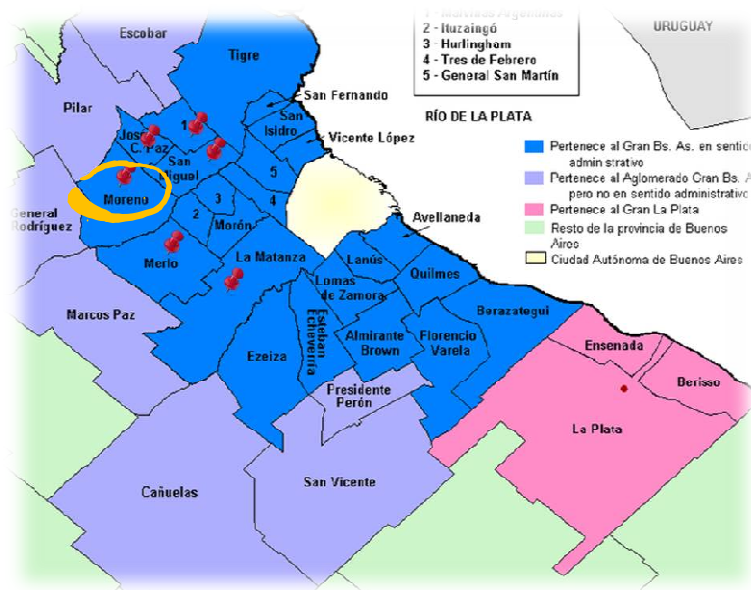
Electrodoméstico	Consumo diario
TV 21 PULGADAS	18 horas diarias de uso
NEVERA 10 - 12 PIES	24 horas diarias de uso
EQUIPO DE SONIDO 300W	3 horas diarias de uso
COMPUTADOR	4 horas diarias de uso



Cuartel V

Challenge

- In 2002, 65% of the population of the Cuartel V neighbourhood lived under the poverty threshold and lacked gas networks or potable water service.
- The traditional marketing model requires external financing. The social and economic conditions of these neighbourhoods hinders access to financing and adhesion by the beneficiaries.
- A new commercial and operating paradigm that involves the community has to be created.



Solution



New commercial model based on:

Cooperation with NGOs that are present in the area and that have extensive knowledge of the social and economic reality

Fundación Pro-vivienda Social, based in the area, due to its social improvement projects.

Financing mechanism

- The project receives public and private financing, which constitutes a trust. The initial investment was \$1.7 million.
- Residents pay for the cost of the infrastructure through the bill. High compliance with making payments guarantees having funds for new improvements in the neighbourhood.

Involvement of neighbouring communities

- Various neighbourhood associations, such as Unión de Vecinos en Acción or Comunidad Organizada, commit to the project.
- The residents themselves perform the commercial task of winning over other residents and getting them to adhere to the project.

Adaptation of the business processes

Gas Natural Fenosa executes the projects and adapts to the specific needs of the group by introducing changes in the billing, a new model of commercial relations, telephone service.

Results



- More than 20,000 people have benefited (over half the population) since the start of the project.
- Nearly 100 km of new network built as of 2012.
- Investment of over USD 8 million since the start of the project. Investment of over USD 500,000 in 2012.
- The budget earmarked for energy in the home has been reduced from 14% of income to 3%.
- Access to cleaner energy.
- Appreciation of home values.
- Development and strengthening of the neighbourhood's civil organisations.





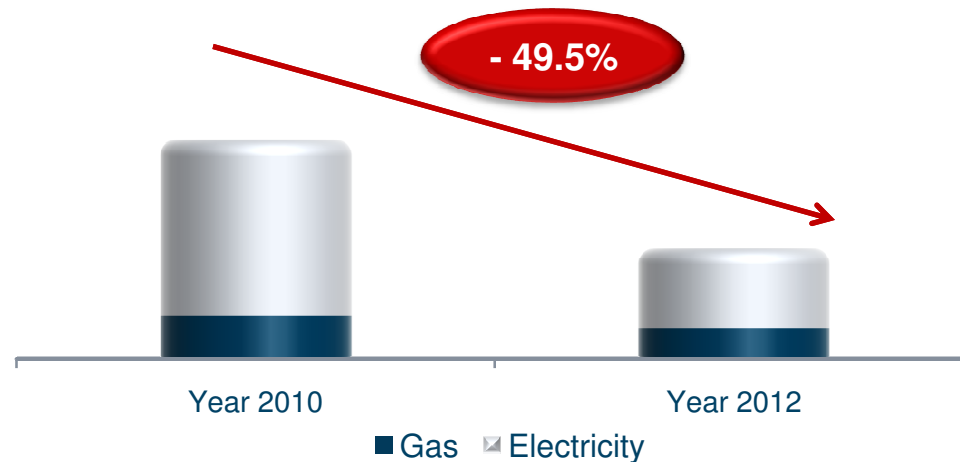
Responsible use of energy

Challenge



- Accident rate due to improper use of the electricity network in disadvantaged areas, especially in Latin America.
- Cases of intoxication from the inhalation of carbon monoxide due to the failure to maintain equipment and facilities.
- Customers with low income: efficient use of energy reduces their bill and increases payments.

Accidents among the general public



Solution



uso responsable de electricidad
energía para crecer

uso responsable del gas
energía para crecer

Communication programmes that promote the safe and efficient use of both gas and electricity among customers and society in general.

It has two versions, for children and adults.

The 'natural family' gives advice on responsible, safe and efficient use of natural gas and electricity through chats and brochures.

uso responsable de electricidad
energía para crecer

gasNatural fenosa

guía de consumo energético ¡siempre es bueno saber, como ahorrar energía!

Por eso en Gas Natural Fenosa te informamos cuanto consumen tus electrodomésticos:

- Refrigeradora:** de 10 pies cúbicos que utilices 24 horas diarias x 30 días = B/ 8,00 mensuales
- Aire Acondicionado:** de 9000 BTU que utilices 10 horas diarias x 30 días = B/ 31,00 mensuales
- Computadora de Escritorio:** que utilices 6 horas al día x 30 días = B/ 3,90 mensuales
- Televisor:** que utilices 10 horas diarias x 30 días = B/ 3,75
- Pantalla Plana:** de 32/42 pulgadas que utilices 6 horas al día x 30 días = B/ 7,50

Familia Smart

Viví sin monóxido
Todos los accidentes por monóxido de carbono son evitables.

Consumí responsablemente el gas natural
Usar el gas racionalmente no es usarlo menos, es usarlo bien.

Campaña Uso Racional del Gas

¿Qué es el gas natural?

Hola! Soy Mario, tu amigo gasista matriculado. Es hora de aprender el origen del gas natural, su distribución y diferentes usos de este recurso renovable.

¿Qué es el gas natural? Consejos para un uso eficiente

Logos: gasNatural fenosa, Presidencia de la Nación, ENARCAS, BPD, ADIGAS, ceads, CAI, Fideicomiso Gas, Ministerio de Energía y Minería.



Familia Natural

Results



Figures of the programme developed in Argentina, Brazil, Colombia, Mexico and Panama in 2012:

- Over 19,000 workshops conducted for both children and adults
- Nearly 300,000 children trained
- Over 200,000 adults trained





Boost for your business

Challenge



- In order to install and market natural gas in the residential market, Gas Natural Fenosa needed the support of cooperating companies with qualified personnel who could offer excellent and sure service.
- In Mexico, these jobs were not well paid, and it took considerable effort to find companies and professionals who were prepared to support Gas Natural Fenosa.
- The company's challenges included training professionals who could provide a sure and efficient service, generating self-employment and improving the participants' quality of life.



SAN LUIS POTOSÍ (MEXICO): Travelling and street sales of plumbing services (domestic installations)



Solution



- The 'Boost for your business' programme was launched in 2008 to give free theoretical and practical training.
- Together with the Fundación Gas Natural Fenosa, in alliance with the Fundación para el Desarrollo Sostenible in Mexico (FUNDES) and the Asociación Mexicana de Gas Natural (AMGN).

- The programme supports the development and professionalisation of qualified installers for the expansion of natural gas in Mexico, and it offers practical training that benefits the health and safety of these installers.
- Three types of courses for handling the company's needs:



Targeted at installers in neighbourhoods where the company is present



Certification of the technical personnel of Collaborator Companies (PCEC) that currently work with the Commercial Area.



Capturing N3 Collaborator Companies for service improvement and alignment with the processes of Gas Natural Fenosa

Results



- Investment of over 7.5 million Mexican pesos (approximately USD600,000) to conduct 54 courses given at 8 entities of the Mexican Republic.
- 959 people participated, 748 of whom were certified.
- According to a report prepared by Fundes, 80% of the participants state that the programme helped them to improve the administration of their businesses, 85% mention that it improved their customer service and 60% state that they their liquidity has improved.
- The project has contributed to developing the social fabric of the communities involved.
- It has contributed to the gasification plan of the Federal District and Bajío.
- It has strengthened relations between the company and the communities where it operates.



Solution



valorpara
proveedores
energía para crecer

- Extension of the model to the remaining countries and adoption as a social investment strategy.
- Technical and business training projects for suppliers and self-employed people or micro-entrepreneurs linked to the electricity and gas industry who could become a part of the value chain.
- Two versions: technical training and business training.



Figures of the programme developed in Argentina, Brazil, Colombia, Mexico and Panama in 2012:

- Over 1600 companies trained
- Over 200 companies advised
- Over 150 workshops conducted

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Lessons Learned

Lessons Learned



Levers of success

Cooperation with governments

Cooperation with NGOs and foundations

Work with communities

Adaptation of the business processes

Barriers

Profitability and sustainability of the business

Cultural change in communities

Flexibility of the business to face new environments

Difficulty at defining a common strategy at the company

Shared value



- ✓ The survival of the business is guaranteed
- ✓ Networks with local communities are strengthened
- ✓ New customers are generated
- ✓ The company's image is improved
- ✓ The development of company personnel is favoured
- ✓ The incorporation of innovative practices in the business is facilitated
- ✓ Good is done



Thank you very much



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