

## Interview: Xavier Delacroix – General Manager, Industrial Battery Group, SAFT – France

The general manager of SAFT's industrial battery group discusses their application in the oil and gas industry, while emphasizing their resilience and battery-life.

**You are the head of the Industrial Battery division, which comprises stationary and transportation, together constituting approximately two thirds of SAFT's turnover. How would you define the importance of oil and gas within your division and how has this sector contributed to your division's outstanding growth levels in 2014 (+13.3 percent) ?**

Actually, both SAFT's divisions – Specialty Battery Group (SBG) and Industrial Battery Group (IBG) – cover oil and gas for different applications. Our IBG division mainly produces nickel cadmium (NiCad) batteries, which are used to back up oil and gas operations. We are developing this activity in China notably. The second application for NiCad batteries is a direct implementation on oil and gas platforms. Certain oil and gas projects use our lithium-ion (Li-ion) batteries for deep-water solutions for example. Some of our applications are quite new or some of them are still in development and not quite operational just yet, but we are confident they will be useful for exploration activities. In regards to other applications, we provide lithium battery cells for oil and gas drilling, and it is important to note that some of our solutions can resist to extreme environments and high temperatures.

Overall, the evolution of the oil and gas sector, in terms of safety, performance and demanding environment, is perfectly aligned with the direction we are undertaking. SAFT is an expert provider of advanced solutions capable of responding to stringent demands. In the IBG division, one of our businesses is called stationary, which uses NiCad batteries for large installations. The main market in this regard is the Middle East. We work with the end customer, EPC and OEM players, and as an equipment provider, we can supply refineries, drilling companies and so on. We usually work with design teams during the early stages of projects, and our role is to illustrate the purpose of our technologies for their applications – although the actual project may only come into force years later. Typically we sell our batteries to OEM's, which in turn integrate our product as part of a comprehensive solution that they deliver to the final client. These processes are common in the Middle East.

Although we often unveil new applications, SAFT has been involved in the oil and gas industry for decades. Some of our current solutions are actually maintenance free while not compromising performance.

**In light of the current market dynamics, has this situation encouraged the development of certain batteries for specific markets at the expense of others – as for example exploration activities are being held back?**

We are consistently improving our NiCad batteries to respond to growing market needs. Our lithium –ion based technologies are more advanced and according to our predictions will be sought in the future. In the drilling industry, drillers need lasting batteries and backup applications because they cannot afford to postpone a drilling process. Today, the current environment of oil and gas has postponed the spread of these new applications related to drilling. Our objective is to help our clients increase efficiency by using less energy and power. At the moment we are handling projects related to pipelines, which are growing at a steady pace, while projects on the exploration and production side are being delayed. Overall we have decided to balance between projects and geographic areas, keeping in mind that the wide scope of our addressable market is sustaining our activities.

**With regards to battery production, what synergies can be built between your different markets of applications and what is exclusively specific to the oil and gas sector that requires an independent effort and resources?**

Our traditional technologies are applied in every sector, and oil & gas is a field that we are heavily investing in. For instance, we are developing a technology that is exclusively designed for drilling. These batteries contain cells that can resist high temperatures. Our lithium-ion batteries are also dedicated for valves that are specific to the oil and gas industry. Oil and gas is however not typically the field that drives technological development, but rather a field where we optimize existing solutions. We are successful in building synergies between every sector. The lithium battery designed for oil drilling is an exception as we are devoting an independent research effort for this specific purpose. The environmental context of drilling is so unique that it requires particular attention and technological research.

**It seems that battery life is a common concern and one of the most raised issues in your industry. Do your batteries hold a competitive advantage in that regard? Is that where you concentrate your R&D efforts?**

An important portion of the market is using lead based batteries today. These batteries are more affordable but their [total](#) cost of ownership is more expansive. In contrast, our NiCad battery can last 20 years without maintenance. This discrepancy between immediate price and [total](#) cost of ownership is essential in understanding our clients' preferences. Clients who use our batteries, as part of a solution they deliver, will seek the most affordable batteries; while the final clients are more concerned with [total](#) cost of ownership. If we only address OEM, they will only focus on offering cheaper services to their clients. This explains why we need to be present across the value chain to explain this dichotomy to consultants, clients, designers and end-customers. Sometimes customers actually signify their preference for our solution at the very start of a project. Our batteries are designed for harsh environments. This actually constitutes our competitive advantage. Not only do our solutions last long, they are resilient and can resist to extreme conditions.

**How would you define the importance of your support services, whether installation, training, maintenance and ever more discussed compliance with HSE?**

We have actually recently decided to reinforce this business line. Although SAFT is a product-based company, we have created an independent commercial entity within the company to provide services and further accompany our clients. Since our products are maintenance free, we are selling inspection, commissioning and installation. We also provide end-of-life services, meaning recycling solutions. We possess a recycling facility in Sweden, which can support some of the recycling.

**Although SAFT is well implemented in Europe and the United States, it has recently publically committed to further expansion in other parts of the world. Since December 2014, you are now equipping CNOOC, which constitutes the culminating point of a long series of efforts dedicated towards Asia. What does this illustrate about your solutions and commitment to this region and how will you capitalize on this success?**

SAFT was indeed originally a western-centric company. We have since allocated significant investments to position ourselves favorably in the Middle East. In Asia, we have reinforced our commercial organization by dispatching new sales and marketing teams to ensure a significant promotion. This has led to important successes, and we hope to continue in this direction. We have inaugurated a new business in India for stationery applications, which are also used in the oil and gas industry. Although it may seem like a challenging venture, we have also deployed a sales organization in [Brazil](#). We were actually present in [Brazil](#) 20 years ago before we withdrew our activity. Our new Brazilians sales and marketing team is very focused on the oil and gas. In Russia, we had a limited presence and have decided two years ago to re-open an office mainly dedicated to the rail side. We also believe that we need to build proximity with clients, share our products, and promote our services even if it does not translate into a project automatically. It is important to be in people's radars. In Russia, we experienced great success in the past in aerospace because our solutions were simply unmatched. We are ready to repeat this experience in the oil and gas industry by providing breakthrough innovations.

**SAFT is dispatching new sales and marketing teams and considering the implementation of a new factory line in China to bolster sales. Which challenges have you identified and obstacles to overcome to fulfill these ambitions?**

Our current strategy in China is to capitalize on the existence of our manufacturing facility in China to build

proximity. The Chinese market is a typical lead market, so we need to progressively introduce our alternative. Again similar to Russia, we must convince our potential Chinese clients that our solutions are undisputedly superior and provide breakthrough technologies.

### **What about Africa?**

In Africa, I must recognize that we can definitely enhance our presence and bolster our activity. We do sell and export products in Africa, but are not as present as we could be ideally. Now we need to find the right approach to succeed a potential integration on the African continent. A company like SAFT has the means to expand internationally but doesn't have the resources to make mistakes. We need to carefully examine the potential of each country and evaluate the potential return on investment.

Overall, I would like to say that one of our main targets is to build advanced solutions for the oil and gas markets. Our solutions are tailored made for the future needs of the industry. We are developing lithium solutions which are more efficient and maintenance free. Our solutions are reducing the **Total** Cost of Operation (TCO) of players in the oil and gas industry.

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