

IN CONVERSATION WITH

In Conversation with... Torbjörn Törnqvist
Chairman and CEO, Gunvor Group

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Torbjörn Törnqvist has spent more than 30 years in the oil and gas industry and co-founded Gunvor Group in 2000, building it into one of the world's largest trading houses by turnover. A Swedish citizen, he is also a keen sailor and owner of Artemis Racing, which represented Sweden in the 34th and 35th editions of the America's Cup. Torbjörn is currently navigating Gunvor through something of an inflection point in its evolution, and he sat down with Damian Stewart, Managing Partner at Human Capital, to share his views on the way forward.



I have known Gunvor's billionaire founder, the 66-year-old Swedish businessman Torbjörn Törnqvist

st, for nearly 15 years, during which time his trading house has grown exponentially and rapidly established its position as one of the world's largest. Torbjörn, who launched the business in 2000 after a career that has taken in British Petroleum, Scandinavian Trading Co AB and then Inter maritime Group Petrotrade, has never been

short of ambition. "I'm a person who is continually looking to build things" he says, "it's a personal philosophy. I like any form of design, whether it's a company, a house, or a racing yacht - I like to build."

Today, Gunvor handles about 3.3 million barrels of oil, petroleum products and equivalent LNG per day, with trading office located in Dubai, Geneva, Houston, Nassau, London, Singapore and Stamford. An employer of 1,500 people around the world, the company trades in more than 100 countries.

Energy trading remains at the heart of the business, but Gunvor also has strategic investments in industrial infrastructure - oil refineries, pipelines, storage and terminals.

When we meet in mid-December at Gunvor's office on Rue du Rhône in Geneva, it is apparent that the business has moved into a new phase of development and growth. It is on track to generate one of its highest-ever annual profits, recovering from its first ever loss in 2018, and Torbjörn is particularly bullish on the rebound in the company's fortunes: "First of all, I attribute that to the people that work in the company," he tells me. "Having the right people has always been the most important aspect and, next to that, having the right ideas."

Torbjörn acknowledges that 2018 was a particularly challenging year, and whilst he attributes much of this to difficult market conditions and a series of unfortunate one-off events, he also concedes that the dip in performance exposed some structural challenges. "We needed to change," he says. "We needed to bring in new ideas and new energy, and that comes down to people. So that's what we've done. Don't get me wrong, many of our core businesses were profitable in 2018, but some were not, and they needed a complete overhaul."

Gunvor has clearly benefited from more favourable oil trading conditions in 2019, as have many of its competitors, but it has also benefited from having restructured several trading desks and from its investments in new sources of revenue growth. In particular, the company saw strong performances across its LNG, gasoline and natural gas trading operations, which have become increasingly complementary to the company's historically dominant position in the global crude markets.

Whilst 2019 has been a story of success, I am also keen to understand how Gunvor has responded to the increasingly bright spotlight being shone on the industry over business ethics, and the historic practices being employed by industry players when dealing in geographies that are open to corruption. Gunvor has settled a case with Swiss prosecutors concerning the activities of an ex-employee that took place a decade ago in the Republic of Congo and Ivory Coast.

"These cases go years back in history, and they took a long time to reach a

conclusion,” says Torbjörn. “At that time, the company was expanding rapidly, and we hadn’t yet implemented the full administrative control we would have liked. Frankly, our systems and processes were lagging but we have certainly learned our lessons from that.”

Gunvor has now built what he describes as “the most far-reaching compliance organisation in the industry”, with a team of 16 people working independently to oversee all its business activities. “We cannot, as management, override this structure. It’s simply not possible. It is a model that sooner or later everyone is going to have to follow, and we are constantly working to improve it as the market and risks evolve.”

Gunvor’s operating model remains asset light and opportunistic, with a focus on investing in physical assets that support the trading business. “Are we interested in owning and managing retail assets? No, probably not,” says Torbjörn. “But shipping is something that we have increasingly gone into because we think it’s increasingly important for trading. Refining is also very interesting to us, because we can trade around the refineries and gain a better understanding of what drives the market. We have investments in oil terminals in Europe, and in Panama we have a stake in a pipeline going from the Pacific to the Atlantic, along with some storage. These are the types of investments we are interested in.”

Whilst Torbjörn continues to hold a controlling stake in Gunvor, with the balance of shares held by a number of senior employees, there has been some speculation over the company’s appetite to diversify the shareholding further by bringing in an equity joint-venture partner. “There is certainly today no financial need for a partner,” says Torbjörn. “When it comes to partnerships, we are open to them in assets if we think that it will work better from a commercial point of view.”

2020 heralds the start of a new decade which will see the climate change debate intensify further. I am keen to understand Torbjörn’s view on Gunvor’s role in the energy transition: “It is absolutely clear that fossil fuels are a big contributor to climate change,” he says. “And we have to take that seriously. Personally, I take that seriously. However, I don’t believe that we can simply flick the switch on fossil fuels, because it’s easy to forget that cheap and readily accessible energy has been critical to the alleviation of poverty and broad economic benefit. If you dramatically increase the cost of energy, people will suffer. But clearly there are major side effects to fossil fuels, in particular coal, and those need to be addressed.”

He adds: “As a company, we want to be part of the solution to the climate crisis and not the obstacle. We need to do our part – we don’t produce carbon but we do emit carbon in our processes. For example, we have already stopped trading coal, the dirtiest of fossil fuels. On principle, we will not trade coal again. We are also emphasizing natural gas and biofuels, of which we’re a leading trader. Gunvor is taking

steps to reduce the carbon emissions from operations. There is a lot to do, and we have a plan.”

Technology will also be vital to making the company fit for the future. The digitisation of commodities trading markets is accelerating rapidly and leadership teams across the industry are clearly recognising the implications for future competitive advantage. In particular, trading companies are looking to improve efficiencies through automation, coupling predictive analytics with robotic trade execution.

Gunvor was one of the original consortium members behind VAKT, the blockchain-powered platform that aims to modernise the post-transaction management of physical energy commodities trading. “We see ourselves at the forefront of digitalisation and blockchain in oil trading,” says Torbjörn. “Even though we haven’t yet introduced anything here on a large scale, we are thinking through what needs to be done to prepare for the future. We are going to increase our IT spend significantly, because we feel we need to make those investments in order to continue to be cost efficient for the future.”

Torbjörn struggles to say what has motivated him to achieve all that he’s achieved – “I’m a person that is inspired by a lot of things,” he says, but he admits that in the very beginning his imagination never stretched as far as creating the business that Gunvor has become today.

Now, it is the human side of the company that will keep it fit for the future, and able to cope with the unexpected. “I believe you have to find the balance between giving people the freedom to operate and be creative while also imposing a strict control framework, because obviously trading carries a multitude of risks,” says Torbjörn.

I push him to articulate the culture that he wants to instil in the business: “It’s easy to say what you think in this company without fear of reprehension,” he says. “I can take criticism, and I’m okay with that. Our strength is that we are extremely multicultural, we promote open dialogue, and we respect each other.” He adds, “Trading is a tough and unforgiving business and we need to be tough to make it. But traders also need to understand that what they do carries a responsibility for everybody around them, and managers can only manage by example.”

A generational shift is taking place across the commodities trading sector as many of the veterans of the industry step aside and a new breed of trading leadership takes over. Torbjörn may not be going anywhere, but he recognises the need for new blood, particularly as the industry continues to mature, becoming more accessible and liquid.

“I built this company from nothing, really nothing. But I realised that I have to build something sustainable, and that means I’m looking for the people that can be here for

the long term," he says. "It's about finding the right people with the right motivation. I would be extremely happy to wake up one day realising that there are people in this business that can do my job better than I do. That would be my ultimate success, and I hope and work for that to happen."



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