
ENERGY PURCHASING FROM A MANUFACTURERS PERSPECTIVE

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Ciba Specialty Chemicals, Coating Effects UK

CIBA SPECIALTY CHEMICALS - WHO ARE WE ?

Paisley Site

- 600 Employees
- Classical Pigments for Inks, Paints, Plastics, Paper Colouration
- Manufacturing, R & D, Technical Specialists, Supply Chain, Support Services



We create effects to improve the quality of life.

Ciba Paisley Utility Consumptions

STEAM:

- 70MW Capacity gas / gasoil fired Boilers.
- Gas = 10,000 therm/day , 140 GWh/yr

POWER

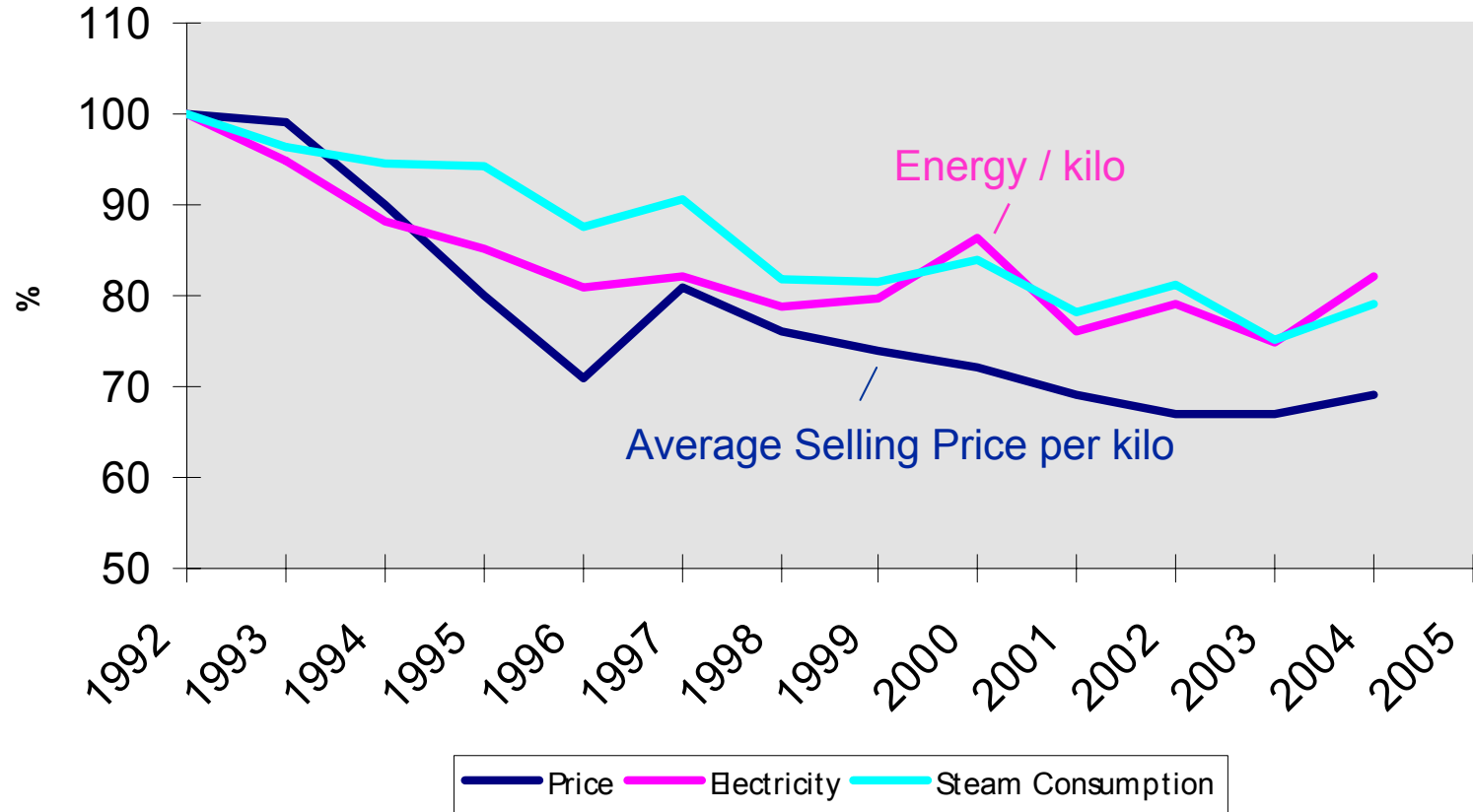
- 7.5MW pk 41 GWh/yr

Water & effluent

- 2.1Mm3

Totals Utilities 2006 ≈£6.5m 2007 >£0.8m

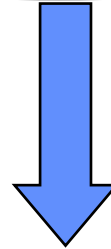
CIBA SPECIALTY CHEMICALS



CIBA SPECIALTY CHEMICALS

Biggest threat

- SUBSTANTIAL REDUNDANCIES
- SEVERAL HUNDRED EMPLOYEES ON NEW SHIFT PATTERN



>Gas £
>Power£
>Water £

Savings made are under threat

Competitiveness

Gas Purchase strategy

- **UK (Bradford, Grimsby, Clayton Paisley) Flexible contract with interruptible supply since 2003.**
- **BOM, DA, Fix and Float.**
- **Risk Management support across UK group.**
- **Basic principle DA in summer Fix to protect winter.**
- **Winter 2005 turned philosophy upside down.**

Gas Purchase 2005 >

- Paying high prices (liquidity £)
- Market changes results in more focus.
- Invest time in understanding the fundamentals of the market.
- Investigate strategy with Risk Management Support, work alongside and ask the right questions.
- Ascertain leadership team aspirations.
- Improve fuel switching reliability,
- Change IPC authorisation to allow fuel switching for price interruption.

Ciba Gas Experience

- **Q4 2006 refloat with partial repurchase.**
- **Winters fixed out until q4 2008 giving budget forecast reduction and possible refloat opportunities.**
- **Taken Balance of Month to protect budget.**
- **Successful fuel switch for 7days from 13/3/06 (Balance Alert).**
- **Monitor live market prices before going to supplier.**
- **Take control of Bid offer situation.**
- **Check your Day ahead agreement before fuel switching.**

Gas Monitoring Strategy

- **Monitor the market daily. Use Tools.**
- **Record decisions against agreed philosophy.**
- **BEP spreadsheets.**
- **Budget Spreadsheets to 2009.**
- **Monthly Risk Management meeting.**

Power Flexible Contract

- BOM, DA, Fix & Float (x1).
- Bring experience and learning from Gas.
- Fix Nov, Dec, Q1 07.
- Float Summer (A/c Units.. Maintenance).. Gains???
- Buying Winters out to 2009.
- Monitor Δ winter 06/07/08.
- No alternative supply.
- Daily monitor tools, Alarms and orders with supplier.

Summary

- Energy cost is critical.
- Energy efficiency is first priority.
- Top down management support .. Agree aspirations.
- Invest time and money in Risk management.
- Develop monitoring tools.
- Maximise logistical position (fuel switching, IPPC).
- Have a long term view in the market.