



Interview with Terpel: “We need to fully liberalize Colombia’s fuelling market”

Tony Quintero, Vice President of Retail at Terpel, the leading fuel retailer in Colombia, speaks to PetrolPlaza about the acquisition of ExxonMobil Colombia, market developments and how further liberalization of the market would benefit the consumer.

In March 2018, Terpel completed the acquisition of the downstream assets of ExxonMobil in Colombia, Peru and Ecuador. Six months after the transaction, how has the integration process between both companies been?

After a complex process that we carried out with the highest ethical, professional and technical standards, Terpel took full control of the assets related to the lubricants business of ExxonMobil Colombia S.A.

With this operation, Terpel hopes to achieve a position of leadership in the lubricants market in Colombia, Peru and Ecuador increasing its value proposition for markets and consumers in the three countries.

As a result of this operation, Mobil will be added to the existing portfolio of lubricant products at Terpel and it will be available in different retailing points in Colombia. Currently, we continue with the consolidation of the teams, strengthening the operation and developing memorable initiatives for our clients.

Focusing on the fuel retailing market, how did this operation affect the assets of both companies?

The authorization for the integration of Terpel and ExxonMobil Colombia was subject to certain structural conditions. One of them stated that Terpel, once the deal had been completed, had to proceed to the resale of the fuelling business to a transitory buyer in the least amount of time.

That way Terpel would not be interfering in any way in the fuelling operations or in the service stations of ExxonMobil in Colombia.

From the first moment Terpel said that goal of the business integration with ExxonMobil in Colombia was the lubricants business. In that sense, the sale of those assets related to the fuels business to a third party was a condition given by the own companies, Terpel and ExxonMobil.

In terms of regulations that have an impact on the distribution and sale of fuels, which are the major challenges facing the Colombian market?

I believe Colombia is ready to embark on the liberalization of this market in all the parts of the chain, therefore generating more competition, better quality, trust of product and more consumer benefit. Competition is a free market condition that drives you to a better, more attractive and bigger offer of goods and services for the consumer.

In a free market economy like the Colombian, the consumer must be the reason for economic and business decision to be made. In that sense, the State and other agents clearly believe that competition guaranties economic and social benefits for the consumer.

A liberalization scheme would incentivise competition; guarantee the supply of fuel to the whole country; improve the service in benefit of the consumer; promote new agents to enter the market; guarantee free choice for consumers; avoid economic asymmetries; stimulate consumer offer.

Colombia has quite a low percentage (around 4%) of gas stations equipped with convenience stores. Is this a segment where you hope to see a significant increase in the future? What are Terpel's plans for this segment?

In 2013, under the premise that we attend people and not cars, we launched our convenience store format 'altoque,' a place where consumers could take a break from their trip and find the best typical food from each region. altoque also offers exclusive spaces for transporters and toilets for the whole family.

Currently, we have the biggest network of convenience stores in the country. We have 37 altoque stores, we are present in 15 cities and we hope to finish the year with 44 locations. Our goal is to continue to consolidate in this market and offer Colombians memorable experiences each time they encounter our brand.

What type of results are you getting from your payment app PagoClick? Is it already available all over the country?

We continue to improve the experience of our clients in relation to digital payments. PagoClick currently has more than 10,000 users. We are developing a project to expand the reach of this application to the whole Terpel Network. Today there are 497 service stations that allow this form of payment.

Different parts of the world have started to invest in alternative fuels, both in terms of vehicles and infrastructure. What is Terpel's current offer and what is your vision of this market?

According to the Colombian Association of Automotive Vehicles (Andemos), last year there were 196 registered vehicles – 32% hybrid and 68% electric. Andemos believes one of the reasons why there is such a low penetration of electric and hybrid vehicles in Colombia is because the total cost of a

vehicle is not competitive against a conventional combustion-engine car.

In this sense, the challenge remains to be to promote an energy transition towards sustainable systems that are viable and cost-effective. This transition passes by the reduction of energy consumption and replacing conventional sources of energy for cleaner ones. In Colombia's case, the country has sufficient natural gas reserves. It is a fuel that is available to us, it is friendly with the environment and it intercedes favourably in public health. Natural gas for vehicles can be considered a transitional fuel while we advance towards electric mobility.

On the other hand, it would be wise to point out that the conventional industry in the transport segment has evolved: it no longer excludes but it integrates and invests in ways of maximizing opportunities for energy efficiency. Technological advancements allow for vehicles that consume fossil energy to pollute less. On the face of criticism for polluting the air, the fuelling industry has responded from the perspective of ecoefficiency. That is why the proposal is to provide a transition that does not leave out traditional agents.

Finally, in general terms, how would you rate the current state of the fuel retailing market in Colombia?

This is a dynamic market. Ten years ago there were only 5 wholesalers and 2,500 service stations in the whole national territory; today there are more than 5,000 sites and 18 wholesaler brands that look to conquer the Colombian consumer. Additionally, it is a market where there is little differentiation of product. The most important variable in the consumer's decision-making process is the location of the site. Consumers choose first based on the location, after on the price and finally based on the service. This way, the challenge of the sector is not only to guarantee a competitive price but in providing an innovative service and to add value to the consumer.