

## An investment fund for innovation



85

Amount available to Repsol Corporate Venturing for investments between 2016 – 2020, in millions of euros

Accelerating the incorporation of technologies and innovative business models is the aim of the new strategy that Repsol Corporate Venturing (RCV) has implemented. This strategic investment fund has €85 million to invest in start-ups that offer solutions related to advanced mobility, new materials, the circular economy, or digital technology applied to exploration and production, from 2016–2020.

"The new Corporate Venture Capital Model aims to attract technological innovation close to the market launch stage, whose potential can be assessed with agile testing," explains Luis Casado, director of Corporate Venturing at Repsol.

Six priority areas have been identified, along with the business units where we will search for potential opportunities. "We want our investments to be perfectly in line with the needs of the businesses," as part of an open innovation strategy conceived to complement Repsol's internal R&D capabilities.

RCV already holds stakes in nine start-ups from these priority areas, such as the Spanish manufacturer of electric scooters Silence, with its own rechargeable battery technology; or Graphenea, one of the main graphene producers in Europe.

A more recent highlight is the collaboration with the automation company Wattio, from San Sebastian. It creates devices and comprehensive solutions using the Internet of Things, both for large companies and for connected homes.



### Agile technology testing

The priority of this new model is to rapidly incorporate external innovation into the businesses and Repsol's industrial practices. To do so, "quickly carrying out pilot projects and scaling the solutions if they are successful, is key," according to Casado.

The RCV and the businesses work together through a cooperation structure created for this purpose, with representatives from all of the areas involved, roles, and defined work schedules. This structure will be the main communication vehicle between the Company and the start-up ecosystem.

The corporate venture capital fund works internationally, meaning that we intend to build a global network of contacts including incubators, universities, and corporate venture capital from other companies. "We are also launching a project with an international accelerator, which we hope will help us find more opportunities. In addition, we have aligned the terms and conditions of the most recent calls for participation of Fundación Repsol Entrepreneurs Fund with our challenges, and we're already starting to see the results."

With regard to international expansion, it is worth mentioning the company's participation in Ample, an emerging business from San Francisco. It develops electric mobility solutions through an innovative approach using autonomous robotics, allowing vehicles to charge in minutes.

### One hundred investment opportunities analyzed

The six technological areas that will be the focus of the fund are: operational reliability, exploring technologies that allow us to further automate processes; circular economy projects to reuse resources; advanced mobility, with the development of sustainable fuels or electric mobility; technological diversification, searching for initiatives to diversify the energy supply; technology applied to Exploration and Production (E&P) that shortens hydrocarbon production cycles; and new materials and products.

In areas such as operational reliability and innovation in E&P, "digital technology evolves at an astounding rate and there is lots of activity. This is also the case with advanced mobility and new energy services." In areas related to environmental challenges, "it's more difficult to find technology that significantly reduces our CO<sub>2</sub> emissions, or competitive circular economy-related technology," states Casado.

As part of this strategy, Repsol's fund recently acquired a stake in We Smart Park and Drive Smart; mobility companies based on new forms of the shared economy. We are also a partner in the Finnish company Rocsole, which designs sensors that monitor tanks and pipes; and Sorbwater, which develops cutting-edge industrial water treatment technology.

In 2017, the fund invested €7 million, and this figure is set to rise to €10 million in 2018. The RCV team is continuously working to find the most attractive opportunities for the Company. Since January 2018, they have analyzed more than 100 opportunities, which have led to two investment, and several potential investments in the final process.



### Strategic value and financial independence

Repsol's new venture capital model marks a commitment to digital technology. It is supported by a large, cross-company team that is present throughout the cycle, from the search for opportunities to the management of investee companies, and potential divestments.

The fund will follow the usual industry patterns "through minority investments without corporate control, through time into start-ups while minimizing risk" for a period of five years. This is "the time necessary to acquire capital across a good number of companies and, most importantly, to carry out tests and pilot studies; even creating new developments with the start-ups."

Regarding the risks involved in any commitment to innovation, "we know that only one out of every four investments will add a clear strategic value to the business in the future, and this is the fundamental success that we are searching for." Financial success is our second priority, "and our aim is for the fund to be at least financially independent."

### Technological innovation hybrid model

Repsol's new model is an addition to the Company's internal R&D capabilities, as part of a strategy to integrate the old Division of Technology and the Division of Corporate Venturing into the same corporate structure; offering comprehensive solutions to the businesses' technological challenges. "Technology will continue to develop internal technical assistance projects for short- and medium term operational problems, as well as R&D projects when there are no sufficiently mature external options available," commented Casado.

RCV will develop technologies that are close to the market launch stage, but often "we will find hybrid solutions: start-ups that take part in R&D projects led by Repsol as partners, or partnerships between Repsol and the start-up to improve the latter's product, and our own businesses." This mixed technological innovation model has already been applied to projects involving the chemical recycling of plastics, and the development of LPG motors for heavy vehicles, for example.

In this mutually beneficial relationship, "Repsol has direct access to external innovation and can adapt it to the challenges we face, while start-ups are provided with an industrial energy environment where they can test and scale their developments. They are in addition to our knowledge, financing, customers, and the solid image of a company that helps them to open all kinds of doors," concludes Luis Casado

6

Priority areas

10

Investments of 10 million euros planned for 2018

The new Corporate Venturing model complements Repsol's current internal R&D capabilities

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