“Solaris”

DRRC Negotiation Teaching Webinar Series

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Webinar „Solaris“

I. Presentation **45 min**

1. Case Overview
2. Case Content
3. Why use „Solaris“?
4. Role Play Set-up
5. Debrief
6. What happend in the real world?

II. Questions & Answers **15 min**

1. Case Overview

Two-party, single issue role play to introduce distributive negotiation. Can be used as the first case in your class.

- **„Suremen AG“ (Germany)** wants to acquire **„Solaris Ltd.“ (Israel).** Both companies manufacture components for Concentrated Solar Power (*CSP*) power plants.
- Case contains accurate **industry information**.
- Based on **real-world case** (Solel Ltd. / Siemens AG), but **BATNAs and RPs are fictitious to create large ZOPA.**
- The only negotiation issue is **price.**
- It takes **100 min** to run and debrief the case.

2. Case Content

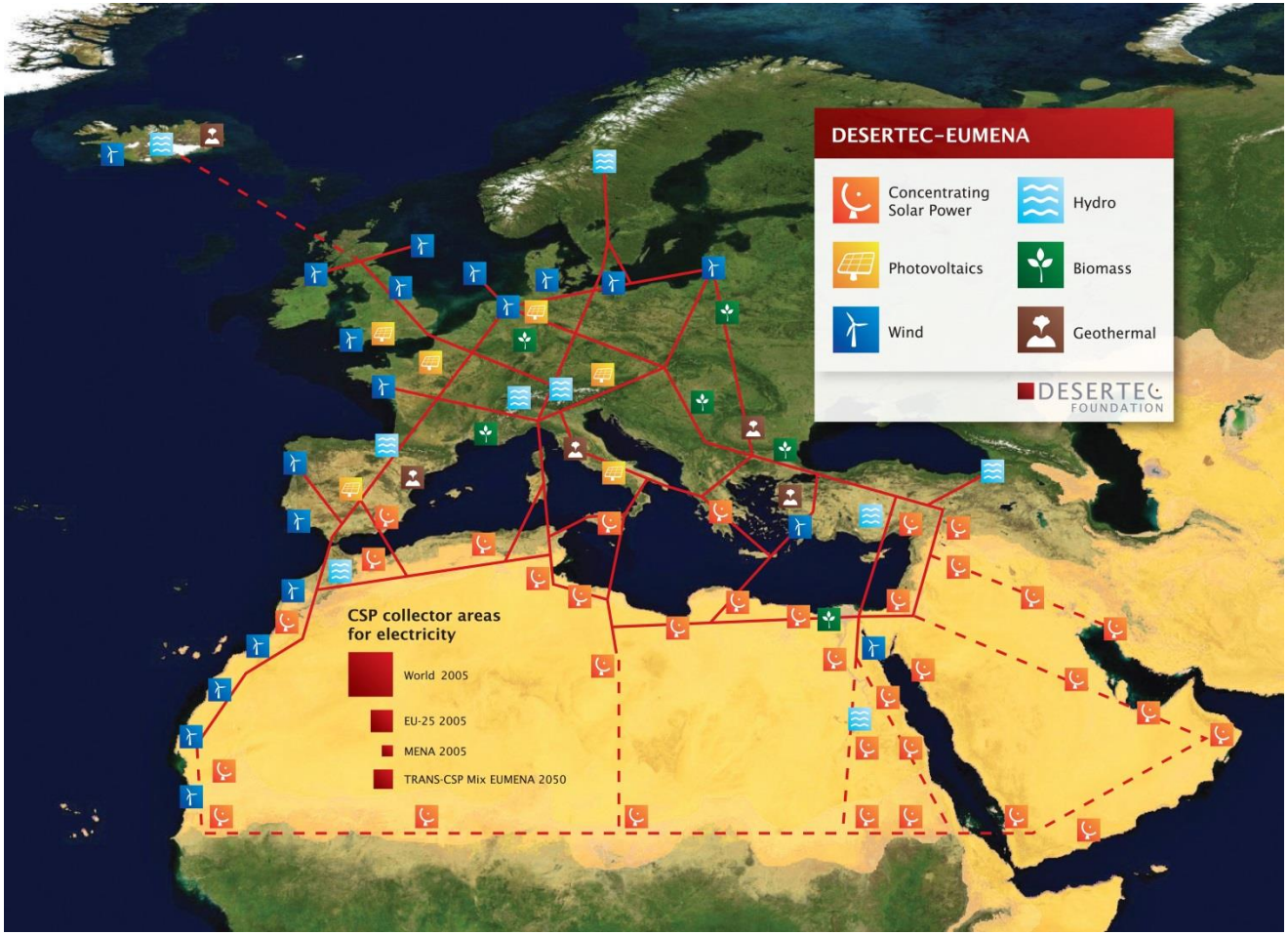
- CEO of Suremen negotiates with Owner-CEO of Solaris about the **price** for acquiring Solaris.
- Suremen manufactures all components for CSP power plants, with the exception of **„receivers“.** Only two companies in the world make receivers, of which only Solaris is for sale.
- Solaris needs **cash** to continue operations. It will accept any price above **$ 120m.**
- Suremen is willing to pay up to **$ 500m**. Acquiring Solaris would give Suremen **turn-key capability**, which would allow it to profit from expected „solar energy revolution“ and to bid in mega projects like Desertec.

Picture of a CSP „receiver“ tube

Picture: DPA

The (€ 400 bn)Desertec Project

http://www.desertec.org/fileadmin/downloads/media/pictures/DESERTEC_EU-MENA_map.jpg



3. Why use „Solaris“?

- **All basic distributive topics covered:**

  BATNA, Reservation Price, ZOPA, Anchoring, Concession Patterns, Objective Standards

- **Easy to Use:** 1 Spreadsheet/ 10 Debrief Questions
- **Real**
- **Exciting context:** Green Energy / M&A
- **Relevant:** Subjective RP vs. „Objective Valuation“
- **Cross-Cultural Component** (optional)

4. Role Play Set-up

No prior reading or preparation necessary. You can assign roles & hand out instructions in class. There are optional planning and results sheets in the teaching notes.

1. Students prepare individually **15 min**

2. Students negotiate **30 min**

3. You enter results into spreadsheet **10 min**

4. Debrief **45 min**

- Ask 10 Debrief Questions
- Supplement Discussion with Definition Slides

Debrief Spreadsheet

Seller	Buyer	1. Offer (Role)	Counteroffer	Final Price
ABRAHAM	MÜLLER	200 (Seller)	150	170
GILARDO	BOUDJEMA	400 (Seller)	250	325
PEREZ	LAAKONEN	250 (Buyer)	350	325
LICHTBLAU	DO	120 (Buyer)	130	130
BAR DROR	GRYGORIEVA	150 (Seller)	80	98
HE	ROGERS	1.000 (Seller)	1.000	1.000
KÖRNER	LECOMTE	…	…	…

5. Debrief Questions

1. “What will Suremen do if they cannot acquire Solel?“
2. “What will Solaris do if they cannot sell to Suremen?“
3. “How can these alternatives be expressed monetarily?“
4. “Within which range is a rational agreement possible?“
5. “How did you (can you) set your target in a negotiation?“
6. “Why is there such a wide spread of results?“
7. “What do you observe in the relationship between first offer, counter offer and final price?„
8. “What strategies allow you to reach your target in a negotiation?“
9. “Should you make the first offer?
10. “When should you not make the first offer?“

6. What happend in the real World?

- „Solaris“ is based on publically available information about the acquisition of Solel Ltd. by Siemens AG in 2009.
- The information about the solar energy industry, solar thermal technology and the DESERTEC project are accurate.
- **However, no information about Siemens BATNA and Reservation Price, and no information about Solel´s Reservation Price is in the public domain; Solel had other offers from potential buyers.**
- Accordingly, BATNAs and Reservation Points have been constructed to create a large ZOPA.

2009: Siemens Buys Solel Solar for $418 Million

Oct 15, 2009 (Reuters) - German industrial conglomerate Siemens agreed to buy Israel's Solel Solar Systems Ltd for about $418 million to expand its business with solar thermal power plants.

"In the future, we'll be able to offer the key components for the construction of parabolic trough power plants from a single source and to further enhance the efficiency of these plants," Siemens' Renewable Energy division head Rene Umlauft said in a statement on Thursday.

Siemens said it expects its acquisition of Solel, which is majority-owned by London-based investment company Ecofin Ltd., to close by the end of 2009. The acquisition marks the latest step by an industrial giant to tap into the growing renewable energy market, which is benefiting from the big push by governments to diversify energy sources and reduce dependency on gas and oil. (…)

BECOMING MARKET LEADER

Through its purchase of Solel, Siemens is targeting the solar thermal sector, which uses a different technology than the much bigger photovoltaic sector. "We aim to be the global market leader in the solar thermal sector," Siemens Chief Executive Peter Loescher said during a conference call.

Unlike photovoltaic solar panels, which use the sunlight to create electricity, solar thermal power plants use the sun's heat to create steam that turns a turbine to generate power.

Siemens is part of the Desertec Industrial Initiative, an ambitious solar project that could theoretically supply up to 15 percent of Europe's energy needs by 2050 by building plants in the Sahara desert region.

Umlauft said that the first Desertec power plants could be built in six to eight years, though it might take longer.

http://www.reuters.com/article/2009/10/15/us-siemens-solel-idUSTRE59E35A20091015

2012: Siemens to Exit Solar Energy

Siemens Press Release, October 22, 2012

Siemens to focus its renewable energy activities on wind and hydro power - Exit from solar business planned

In connection with the previously announced company program 2014, Siemens will modify its business strategy and organizational setup with respect to renewable energy. The company plans to divest its solar business activities and is currently holding talks with potential buyers on this subject. Siemens intends to focus its renewable energy activities on wind and hydro power. As part of this reorganization, the Energy Sector will be slimmed down and the Solar & Hydro Division will be discontinued.

Strengthening the company's focus on core activities is one of the five main points of the new company program 2014, the broad outline of which was recently announced to the public. Due to the changed framework conditions, lower growth and strong price pressure in the solar markets, the company's expectations for its solar energy activities have not been met. "The global market expectations for concentrated solar power have shrunk from four gigawatts to slightly more than one gigawatt today. In this environment, specialized companies will be able to maximize their strengths," said Michael Süß, member of the Managing Board of Siemens AG and CEO of the Energy Sector.

(…) Siemens will continue to offer suitable products for solar thermal and photovoltaic power plants, such as steam turbines, generators, grid technology and control systems, which are produced outside of the Solar & Hydro Division. Siemens will continue to operate the two Business Units Solar Thermal Energy and Photovoltaic until the sale. Thus, existing contractual obligations will currently not be affected. In the company's financial statements, the two Business Units will be presented separately from the Energy Sector, as Discontinued Operations.

http://www.siemens.com/press/pool/de/pressemitteilungen/2012/energy/E201210007e.pdf

2013: DESERTEC Foundation endorses DESERTEC Power for Kingdom of Saudi Arabia

Hamburg 19th February, 2013. *DESERTEC Power* was established to advance the energy supply in the Kingdom of Saudi Arabia. This follows the direction of the Kingdom to significantly increase the sustainable power generation from renewable energy sources with viable, feasible, efficient, and sustainable solutions that address the current and forthcoming needs in the country. It is endorsed by the German *DESERTEC Foundation* and its anticipated merits are welcome by experts at Saudi Arabian *KA-CARE*.

Acting as a regional facilitator *DESERTEC Power* addresses the in-kingdom needs for both renewable energy and desalinated water production. Lead by Supervisory Board Chairman Dr. Ahmed Al-Malik, former Vice Governor of the Saudi Arabian Monetary Agency, its activities will include the planning, realization, ownership, and likely the operation of renewable power plants as well as associated matters of education and employment.

DESERTEC Power is supported by the *DESERTEC Foundation*, which will provide the conceptual framework, thereby collaborating closely with Saudi experts from science, industry, and public sector. Dr. Thiemo Gropp, Director of the *DESERTEC Foundation*: “The Kingdom of Saudi Arabia has the potential to be a championing nation in power generation from renewable energy sources and to advance in global climate friendly development. The *DESERTEC Foundation* highly appreciates the opportunity to encourage the intended development through concrete projects.”

Ever since its founding in 2009, the *DESERTEC Foundation* has been supporting the establishment of the framework conditions for cost-effective and sustainable power generation committed to ecology and social development especially by enabling knowledge transfer, scientific collaboration and fostering business co-operation. Dr. Al-Malik emphasizes that “The DESERTEC Concept is visionary. The knowledge-driven *DESERTEC Foundation*, shareholders, and partners from inside and outside the Kingdom are welcome to join into this effort.”

http://www.desertec.org/press/press-releases/130219-01-desertec-foundation-endorses-desertec-power-for-kingdom-of-saudi-arabia/

2013: Saudi-Arabia supports Desertec, plans to invest $ 109 bn.

February 19, 2013

„Saudi-Arabia establishes the World´s most ambitious solar energy program. The Kingdom plans to invest $ 109 billion into solar energy production until 2032.

Saudi-Arabia plans to construct solar thermal power plants with a capacity of 25.000 Megawatt and photovoltaic power plants with a capacity of 16.000 Megawatt.

The country plans to thus cover 20% its energy needs in twenty years time.“

http://www.welt.de/wirtschaft/article113755126/Saudi-Arabien-unterstuetzt-Umsetzung-von-Desertec.html

Thank you!

Your Questions Please.