**Inside Octopus Episode 8 Transcript: Going global, one country at a time.**

Thanks for downloading Inside Octopus where in this episode we wanted to share how within just five years Octopus energy has become a truly global company.

My name is Russell Goldsmith and I'm delighted to be joined online by these six people who head up Octopus Energy around the world.

Firstly, we’ve got Michael Lee, the CEO of Octopus Energy USA. Then in Spain is Roberto Giner, Giorgio Tomasetti in Italy, Hajime Nakamura in Japan, Ari Sargent in New Zealand and finally Octopus CEO in Germany, Andrew Mack.

The aim of today is to find out how a British success story that has seen us become the fourth largest energy supplier in the UK, is now serving as a blueprint for other countries and how our proprietary technology Kraken is helping to make green energy cheaper for millions of customers around the world.

The release of this episode comes off the back of two recent and rather big announcements that the company has made. Firstly, back in September, we shared the news that Generation management, an investment fund co-founded and chaired by former US Vice President Al Gore had invested over $600 million in the Octopus Energy Group. And now as we record this at the end of 2021, we can also share the news that we have signed a long term strategic partnership with Canadian pension plan investments, one of the world's largest pension funds in a deal with that means they'll be providing an initial 300 million US dollars equity funding to help our global mission.

So let's start by asking each of you why you were so excited to join Octopus Energy, what you love about our mission and culture and your thoughts on launching the brand in your respective markets. Michael, let's come to you first.

Michael: Hey Russell. Thanks for having me on the podcast. Out here in Houston, it is very exciting to be part of the broader Octopus brand. We just launched here in Texas about a year ago, and we've been able to connect as a company.

I think the best part about being fully immersed in the global Octopus energy culture, is that we really do believe that this change is going to come from customers. For far too long we have seen many people who are passionate about renewable energy and decarbonisation but completely forgetting the end user and customer experience.

That's where we get really excited with Octopus about putting customers first and really the best way to have customers enjoy their experience is to ensure that employees are really unlocked and are able to deliver on their fullest potential and love their experience as well.

Russell: Roberto, when did Spain join the group?

Roberto: Octopus Energy acquired us in 2021. We are a small company based in Valencia, on the southwest coast with around 5000 customers across Spain. Like Octopus, we have been providing 100% green energy to our customers from day one. Thankfully, Spain is blessed with a lot of sun and strong winds and can generate some huge amounts of green per year. By joining Octopus, we can now make the most of this renewable energy when it’s abundant. We have this vision for a green energy system, and because of our values of moving the world to a green energy system we are the same. It was incredibly easy to agree to team up and become a strong force and speed up Spain’s transition to smart, renewable energy.

Russell: Giorgio, how about Italy?

Giorgia: Octopus Energy acquired us in November, so on paper we are quite new to the family. To be honest, we feel like we've been part of Octopus for a very long time. It’s because although we are a smaller company we share the same basic values and most importantly, the love for the customer. This makes everything so easy when we need to talk to each other and we need to make decisions. For example, we both believe in making sure that the customer gets a very quick but also very competent answer and we do this by empowering and training the Energy specialist. So trust me, there is a lot of work going on behind the scenes to make sure the conversation with the customer goes as smoothly as possible. Octopus is also investing a lot in developing technology to do that.

Russell: Did you know about Octopus Energy before the acquisition?

Giorgio: Actually, I did. I remember a few years ago I was trying to find a company in the same business that shared the same values as Sato. It was not easy but when I found Octopus I understood that was it. So you can imagine when they came knocking on my door asking if they could acquire Sato, I thought it's an offer I can’t refuse. It was like asking an Italian who likes to race if they want to drive a Ferrari on a Formula 1 track. It was the same for me.

Russell: Hajime, can you give us the background to launching in Japan?

Hajime: We are a joint venture between Octopus Energy and Tokyo Gas, which was established in February this year. So quite a new born company and both parent companies have the same vision to decarbonize a society. The combination of young and energy tech companies and a large well known utility, which is capable of easy access to the local market is the best match to achieve the goal as fast as possible.

So now we have just studied business with the first MVP in October and we are planning to launch our most exciting green tariff in January next year. With this tariff, we would like to let customers know, Octopus Energy is not just a price, digital disrupter, but also a customer oriented, green energy company.

Russell: Ari, how did New Zealand join the group?

Ari: There are a whole host of things in the Octopus energy story that attracted us. Obviously the mission to decarbonize the energy is important for everybody and it's something that motivates us differently in our market. The culture of freedom and responsibility is one that resonates with me, as well treating people as adults and allowing them to bring their full selves to work and to back our mission, but in their own way. They’re the main attractions from a mission point of view, we have great alignment and from a cultural point of view. Definitely something that resonates with me.

Russell: Andrew, let’s bring you in. I know you're not originally from Germany, what took you there?

Andrew: I moved to Germany just over five years ago to start my own energy retailer. I previously worked at OVO in the UK, during their very rapid growth phase but decided it was time to go off and have a go myself. I felt the UK market was too saturated, and I moved here to set up a business called 400. And after a couple of years of running that, I was fundraising for the 4th time and I went to London and met with Greg. At the time, I knew almost nothing about Octopus and I knew none of its history. However, as Greg described those first two hours together it was love at first sight and love between the two businesses. So we had independently created in Octopus and in 400, two very similar companies with very very similar values. And right down to our induction presentations for new joiners were pretty much interchangeable in terms of the language we used, the explanations we gave for why we founded the businesses. So, it was really just the most natural fit for bringing 400 into the Octopus groups. So we sold the business 400 to Octopus in 2019 and then a year later in 2020, we rebranded as Octopus energy Germany.

Russell: Okay, great. Well Andrew, sticking with you, how big is the opportunity for Octopus energy in Germany and also what are your plans for growing the team there?

Andrew: The German market is significantly bigger than the UK market. And there's about 50% more households in Germany. So the absolute opportunity is enormous for us. But unlike the UK, Germany has a history of hundreds of local energy companies so that the market is extremely fragmented and that combined with the way the German energy market works, it's very complex. It's very bureaucratic, which does make it harder to get established. But we've done the hard work now both with 400 and with our last year in the bigger Octopus energy and we're now entering a really fast growth phase. So we have just over 10,000 customers that will start in 2021. We are now at 80,000 coming up to the end of 2021. And our goal is to get to a million by the end of 2024. And frankly I think we can go well beyond a million and we should be able to get into the millions in the years after that. Lots and lots of opportunity, lots of hard work still to be done and a really exciting market to be in.

We've been growing the team rapidly already this year. We had 45 employees back in July. We may end the year with around 85 and keep growing at a similar rate to around 150, by the middle of 2022. We're bringing in lots of people into tech roles but also into our operations roles. And we'd expect to have three to 400 people in the team within the next couple of years.

Russell: Hajime, I am guessing the Japan market is a little larger?

Hajime: You know Japan is one of the largest competitive markets for energy. There are over 50 million households with a population of over 155 million in Japan. Thus we have a huge opportunity but the important thing is to start with a small scale. Get core customers, learn from them, improve our service, and then scale 10 times, 10x and 10x. We want to be the largest electricity supplier in Japan among the new startups within a decade. Right now, our members are less than 50 in order and we are anticipating that we need to make it triple in order to scale our business into the whole of Japan within a year or so.

Russell: And how about in Spain, Roberto?

Roberto: Spain has a market of 28 million electricity and 9 million gas customers. The market has been dominated by 4 big energy companies. But the service and offering has been painful so so we are here to challenge them and disrupt the market.

We will be targeting 1 million customers by 2027. We are currently 20 People at Octopus Spain and we have plans to expand and grow over the summer. We will be starting a brand new Operations department on the Octopus model, and implementing new rules in operation. We are also hiring new staff for marketing and all those things. We are growing a team and taking on board new customers. We are expecting to see a lot of growth over the upcoming months by April 2022. We hope to be of similar growth or increase our customer's numbers by factor 6, similarly to Octopus Germany.

Russell: and Michael?

Michael: You know what we're really excited about is that the US is such a large country. Now the challenge is that it's hyper complex when it comes to Energy. We effectively have not just 50 different states but 50 different energy markets. Within each of those states, a lot of different nuances for how energy is served. But what gets really exciting is that that complexity is such an interesting opportunity for us.

We've already been able to 10x our customers over the past 12 months. We look to 10x that again in the next year or so. Specifically just here in Texas, and we are moving to many different states with employees all over the US including Southern California, New York and with our epicentre here in Texas. But really what we also get excited about is really rethinking the customer experience. We have the opportunity here in the US to potentially even leapfrog some of the UK initiatives, meaning there's products such as intelligent Octopus, and what that product is, is really thinking holistically about how to time when and how electricity is used, and getting maximum financial benefits from that and passing that on to our customer.

So that application here in the US is slightly different than in the UK but honestly, it may actually be easier to deploy. In that we have many customers with connected thermostats who are interested in that, and that drives such a significant part of end user bills. If we can control that thermostat, whether it's in the South for cooling or in the North for heating, we can make such a major impact on decarbonisation, and energy bills in general.

Russell: Ari?

Ari: All right, New Zealand's obviously a small market. So our role for Octopus is really not not about bringing scale so much to the Octopus business. The UK has 3 million customers, and the entire New Zealand market is 2 million so clearly there's, you know, the big scale difference. So we see our role and New Zealand as being more of an innovator, in a way. New Zealand uniquely has a decade old smart meter market, we have had smart meter penetration for a long, long time, which gives us some insights into the technology but more importantly what retail propositions that evolve off the back of smart meters. You know, there's been more opportunity in that space as well. So we see ourselves as being you know, a modest size but with real customers to test on and being able to innovate different consumer propositions.

The ones who are successful, can be taken to those bigger markets like the UK and Japan and US and really just be a bit of an experimentation ground. And that's broader than just retailing, there's other parts of the Octopus business in the UK that we can potentially bring in here and try a few things. You've got Kraken flex, obviously, a lot of work done in the EV space in the UK. So those are things we can adopt over here as well. So I think that's kind of the core role for us is to be a bit of a guinea pig. But on top of that there's been some interesting opportunities evolve. We've gotten to supporting the UK operations teams overnight. The 12 hour timezone differential works really well. It means that we can work in the New Zealand daytime and clear the decks for the UK teams in the morning so they don't have their traditional morning peak or it's a bit smaller in the UK. So that works really well particularly on a Sunday night when we can clear the weekend load for UK teams, which is really beneficial. So we're scaling up the team. We've got about 45 now and we're continuing to grow in that space.

And the other thing we're doing is supporting the Origin energy technology development so we have got about a 1000 software developers in New Zealand working on the Origin project.

Russell: And how about the Italian market, Giorgio?

Giorgio: Our market is actually very similar to the UK in terms of numbers. To think that the UK is about 68 million people and Italy is about 60 million so it is quite similar in terms of numbers and potential. Also Italy is a huge market for renewable energy, and also a huge market ready for disruption. Just consider that about 40% of families have never switched. So there is a lot of work to do. Especially because the market is dominated by huge players, mostly backed by the Italian state and Octopus has ambitious plans. We want to get for example, to one million customers by 2025. But our mission is to become a true force in the market and also help the Italian people de-carbonise. In a practical way, this means investments in jobs and it also means that we will localise Kraken for the Italian market.

Russell: Since our launch episode of this podcast we've been talking about the drive to deliver cheaper, greener energy so I'm keen to understand how important that is in your respective countries. Michael, what do US consumers think of this issue?

Michael: Yeah, the beauty of what we do here at Octopus by driving costs down and being dedicated to 100% renewable energy. This means these value propositions are no longer in conflict with each other. So as we think about different segments of our population, sure there's people that love being part of the energy transition who are excited for their preferred supplier to do that. And then there's other people that really are trying to live day to day and the number one thing that they're focused on is reducing costs. And the fact that we can deliver that as well while also decarbonizing their footprint makes our experience really holistic and that we can offer a product that services every single customer in the US. You know, being part of Houston, which is our headquarters here in the US. It's so important to be here. This is the energy capital of the world. And honestly, if Houston doesn't transition, we don't make that change. Then Houston could potentially get left behind and perhaps be just like how Detroit was left behind as the next generation of industrialization. We don't want that to happen to Houston. We think there's so many talented people here and we'd love to bring them from a dirty industry into a clean modern industry. And really, it makes sense from an economic standpoint, from our product offering in that many people use air conditioning. In fact, it's early December here, and it's already 85 degrees and we're turning on air conditioning. So with 300 days a year that people use their air conditioning, it's the perfect place to think about decarbonisation, and really modernize energy.

Russell: Giorgio?

Giorgio: Imagine Italy as the UK five or six years ago in terms of green energy. We're not there yet. But it's also the role of companies like Octopus to teach people the way of the future.

Russell: Hajime?

Hajime: Last year, former Prime Minister Suga announced in his policy speech that Japan is aiming to achieve a carbon zero society by 2030. That's not easy. There are lots of challenges. We need more renewable generation. We need more transmission capacity, a complex grid operation, and we need a smart supplier to deliver unstable power to customers to meet their demand. So I do like octopus energy in Japan to be one of the leading suppliers to take the initiatives with technology and deep communication to customers. And we can do that. Environmental issues are more and more popular these days in society, so it’s the best timing for us to enter the market with green products.

Russell: Ari?

Ari: New Zealand is an interesting market in that sense as well. You know, New Zealand's got a high penetration of renewable energy anyway. 85% to 90% depending on how much it rains in a given year, which means there's a couple of interesting things. One it’s not really a point of difference, the expectation around us is that energy is mostly renewable. That also means our regulator takes a slightly different view of things. So, our commission doesn’t allow retailers to say they're selling green energy because there is no way to differentiate between a green electron and a brown electron. They're very much subscribed to the laws of physics, not the laws of economics. So we have to find a way to keep faith with the Octopus energy renewable platform but in a way that plays in New Zealand. So, our plan down here is to obviously continue to sell renewable energy but recognizing that we can’t actually say that and it's not a point of difference. But actually think more broadly about our customers, energy usage and help them make cleaner, greener decisions. So help them get into transportation, help them adopt solar PV and battery storage technologies, making those things really easy so that we're focusing on not just the electricity that's going through the meter, but also our consumers wider lifestyle and decisions around that, which will help decarbonize their life, not just in electricity, but in other ways as well.

Russell: And how about in Germany, Andrew?

Andrew: The Octopus Energy objective of delivering cheaper, greener energy is as relevant in Germany as elsewhere, but it's not enough just to be green. Most new energy companies in Germany are 100% renewable when it comes to electricity. So that's a must have for us and we've always sold on 100% green electricity. What really marks us out as different from the vast majority of energy companies in Germany is delivering energy at a consistently lower price and not mistreating customers. And I say not mistreating because the way the German energy market works, it's such a vast majority of energy companies offer extremely cheap prices in the first year and then lock customers into contracts thereafter, at much much higher prices. Typically your customer's price will go up by 30 to 50% after 12 months, but we've seen cases where customers have been given a price increase of 75% or more. And once they're in that second year of a contract, they cannot leave. They have to wait another 12 months. So the ability of energy companies to lock customers into contracts means that pricing behaviour is really detrimental to the vast majority of consumers. So we are very unique in that we don't push through these enormous price rises and crucially that we let customers leave at any point. So customers have the flexibility to come and go as a result that really is very unusual in the German energy market.

Russell: Roberto?

Roberto: Spain has the ambition to switch to 100% renewable energy, as soon as possible. People are definitely aware of how important sustainability is. The country has made great progress over the past few years and we were already a part of that mission in Spain. Now as a part of the Octopus energy we have the tools and can fight to massively accelerate his process and make it happen sooner. For the Spanish Octopus team this mission is incredibly exciting.

Russell: Finally, as we head into 2022 It'll be great to hear what each of your expectations are for the coming 12 to 18 months? Ari, let's come to you first.

Ari: So in the next, you know, 12 months or so we've got obviously plans to launch into the New Zealand market. But the wholesale market conditions here, like many markets around the world, are not really conducive to entering at the moment. The wholesale market prices is still higher than retail prices, so we're just holding back a little bit. So the focus for the first half of next year is building out Kraken and making sure that it's stable and really just scaling the New Zealand market. Obviously continuing to support the other parts of the business that we support; the UK operations and then the origin project. Second half of the year, hopefully we'll we'll launch into New Zealand and start growing and we're also going to keep a wary eye on opportunities in the Asia Pacific region as we're looking for opportunities there as well.

Russell: Giorgio?

Giorgio: I have a huge respect for the people that have safeguarded the Octopus culture so far. Because usually what happens when companies grow, they start to create departments, roles, silos, and the people that work for those companies start to have less and less autonomy, and they start to lose touch with what's going on in the company. While Octopus is still operating like a startup in a sense. And since the numbers don't lie, today, you can say that the Octopus model actually works, even on a large scale. Some people thought that Octopus would either be starting to structure at some point like all the other companies over them, or go mad at some point without any rules or procedures.

While the truth is that the model works and delivers results even at a scale. So I truly, truly believe that the Octopus way of scaling and operating someday should be studied at business schools in the future, because it’s a model that has been proven to work. And the way the model works is that Octopus gives each individual a great deal of autonomy, but also responsibility. And it's very important for us to hire great people, rather than just super experts in some topic. The important thing for Octopus is to have people who are good people inside, who will do the right thing at the right moment, when empowered. And with this model, the company will still deliver great results without getting lost in endless business procedures which is what happens in most companies.

Russell: Hajime?

Hajime: We have just started our business. however, many Octopus members in the UK have not entered Japan yet due to covid restrictions. So firstly, I'm very much expecting to have them in Japan soon and co-working with their members in our office in Tokyo. Secondly, we will hire more tech engineers and energy specialists as we grow. Now we have only less than 50 people, which is not enough to scale up this industry. I want everybody in our team to understand both the Octopus way, Japanese culture and customers behaviour. So I want to run this company under the Octopus way. And our way of business is necessary to be accepted by Japanese customers, business partners and so on. And usually customers' culture matters. It’s a difficult thing, but Octopus energy is unique. At the same time, Japanese culture is somewhat different from the UK and other countries. So I'm very much expecting a culture mixture through person to person communication, and getting to know each other well.

Russell: Andrew?

Andrew:So we're entering a really exciting phase for the business off the back of our very rapid growth in 2021. We have every confidence that 2022 will continue to grow at that pace. We now have an office in Berlin and over the next 12 to 18 months I'd expect us to open more regional offices around Germany. Very exciting as we grow the team we won't just be growing in units, we will be growing in new locations as well. We'll also be branching out and doing new things we'll be installing smart meters into customers homes for the first time and we'll be building out our own generation in partnership with Octopus renewables. We have big ambitions to build our own solar farms and wind farms here in Germany, so that we can start supplying our own customers with our own electricity.

Russell: Any highlights at all from this year?

Andrew: One of the standout moments for me in 2021, was actually in the airport on my way to London to meet with the Octopus Team. And one of the security guards came over because he recognized the Octopus logo that was on my hoodie and came up to talk to me about Electric Vehicles. And that was the first time somebody in a situation that had nothing to do with the Energy industry and approached me, recognized my brand and wanted to talk about Octopus. And that was really exciting to see that our brand is starting to be recognized by ordinary people doing jobs outside of the energy industry, but that see what we're doing. They like what we're doing, and they want to have a conversation about it. So I'm really looking forward to having lots more conversations in the coming months and years.

Russell: Roberto, how about yourself, what are your expectations for the next 12 to 18 months?

Roberto: We want to be there for our customers and help them save money and de-carbonise energy. By the end of 2022, we plan to reach 50,000 customers across the country. By 2023, we want to get to 200,000 customers. This is our ambitious target and it's a very competitive market. But at Octopus Energy Spain we are convinced that we can make this happen by delivering outstanding customer service and innovation to bring Spanish people what they need to make green energy affordable for everyone.

Russell: Michael, you can have the final word.

Michael: We are very excited about our rapid growth. We have a lot of tailwind and our customers love their experience. So it's about doubling down on that and ensuring that our customers get exactly what they want while expanding to new states. You know, I personally moved from California and Silicon Valley to Texas a few months ago and I think we'll be growing this office over the next handful of months. So those who are looking to create a career in renewable energy should definitely look us up. But really, what we are working towards is fundamentally changing the grid. We need to build three times, four times, maybe even five times the amount of renewable energy on the grid, than we need at any given time. That gives us plenty of buffer and ample energy, effectively energy abundance. And at that point that we get to talk about hydrogen, we get to talk about storage and dynamic load management and what all that effectively means is what we like to call inverting the grid. We're moving from a world where supply used to react to when people need energy. And instead with renewable energy, it's just going to come when it's when the sun and the wind are there. We're going to be able to store it as much as we can when it comes to hydrogen and storage. But really what we need to do is dynamically manage when and how appliances are being used when computers are being used and electric vehicles are being charged. And that's where we uniquely sit in this value proposition, is helping customers get to a cheaper, better outcome by managing the dynamics of those different assets. So inverting the grid here in the US is our goal and being the champion of that and really acceleration of doing something fundamentally different. Because the reality is that when we look at the energy industry and more specifically the electricity industry, something Thomas Edison would have recognized 100 years ago. And we now have much more modern tools, we have clean and abundant renewable energy. And these things when paired together should actually give us a very different results than what we had 100 years ago.

Russell: Well thank you all for joining me on this episode. I hope that's also given our listeners some insight into why we believe we are the company that is doing the most to drive the decarbonisation of transport and heat across the globe. We believe the customer obsessed business model that we launched with in the UK is now serving as a blueprint for other countries and our proprietary technology Kraken is helping to make green energy cheaper for millions of customers around the world. Over the coming months I'll be inviting each of our country heads to join me on this episode back onto the podcast with some of the members of their team to take a deeper dive into their businesses and find out how those expansion plans are going.

But in the meantime, if you've got any comments on anything we've discussed today, please do get in touch via the websites at octopus.energy or via the usual social channels. But for now, from me, Russell Goldsmith. Thanks for listening and goodbye.