



# EMERALD

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### Neste – a state oil company without oil

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## Neste – a state oil company without oil

Finland, a small Nordic country, has never had any crude oil or gas resources. Yet, in 1971 Neste, a 23-year-old state-owned oil company, became the largest industrial enterprise in the country (by turnover).<sup>1</sup> In the early 2020s, Neste is still, or rather again, one of the largest and most successful companies in the country – but not because it refines oil. In fact, it may halt such activities altogether by the mid-2030s.<sup>2</sup>

Neste was set up in 1948 by the Finnish government. It was a state-owned company in a country where most companies were in private hands. Neste can also be called a national oil company precisely because there are many government-owned oil companies throughout the world. Yet, the best-known and largest of them, such as Saudi Arabia's Aramco or Norway's Equinor (formerly Statoil), control domestic oil and gas assets in countries that possess large amounts of those resources.

### Liquid in the caves

Does the history of Neste really begin in January 1948, when it was officially registered? December 1939 is another option. Many Finnish officials and experts involved in the setting up of Neste in the 1940s remembered quite well the story of a foreign oil tanker that was transporting oil to Helsinki in 1939, in the early stages of the Second World War. Just before it arrived in the harbour, the ship, which could already be seen from the city, turned around. No reason was given, but the Finns ashore guessed what had probably happened. The captain or the owners of the ship had just heard that the Soviets had attacked Finland. The Winter War (1939–1940) between the two countries has just started, and most foreign observers believed that Finland had no chance of survival.<sup>3</sup>

Lieutenant colonel Väinö Vartiainen, a military officer and a business executive with experience working in the car and tyre sectors, was one of those who witnessed the event. He had recently been ordered by the government to assume management of the Finnish military headquarters' fuel supply department. Now, he could literally see part of the vital fuel sailing away. Markku Kuisma, author of the best-known and most detailed book on Neste's history, wrote that for contemporaries the image of 'the ship

disappearing behind the horizon spoke more than a thousand, or ten thousand, words on how small Finland had been left alone in its battle for survival against the tyrant Stalin's attacking Red Army'.<sup>4</sup>

As Kuisma discovered, many of the details of the story are fuzzy: it is not quite certain who owned the ship (probably Royal Dutch/Shell) or what exactly it was carrying. The story, which was told and retold over the next decades, was nevertheless powerful because it had a clear message: in an industrial era, Finland needed to secure its own sources of oil and not just rely on foreigners. The ability to secure a reliable supply of oil was Finland's Achilles' heel, Uolevi Raade, the managing director of the company, explained later.<sup>5</sup> For that reason, the government set up Neste, with the name meaning simply 'liquid'.

The first installations that Neste built were oil storage facilities in Naantali, western Finland. They were located as far as possible from the Soviet Union and built inside a rock formation called Tupavuori. All this would make it difficult for Soviet planes to destroy the reserves. A deep waterway ran to the site, it could be connected to road and railway networks, and an oil refinery, the first in the country, could be built in the area. The excavation of oil storage facilities began in August 1944, during the Continuation War (1941–1944), when the Finns were fighting with Germans again against the Soviet Union.<sup>6</sup>

## Refined Finland

While the end of the war did not put a stop to the Naantali project, it did significantly delay it. It took years before the country had the available resources to start building the refinery. People like Vartiainen and Uolevi Raade, who at the time was the head of the industrial section of the Finnish Ministry of Trade and Industry, were still eager to strengthen the supply security and economic resources of the country. Raade was a man who in the following decades had a bigger impact on the company than any other.

Neither independence nor prosperity were self-evident characteristics of Finland for a person of Raade's generation, but rather advantages that should be valued, defended and protected at all times. Raade was born in 1912 in the Grand Duchy of Finland, which was a part of the Russian Empire. Nicholas II, the Czar of Russia, was also the Grand Duke of Finland and his troops could be seen in the streets of Finnish cities.

By 1912, the relations between the Finns and the Russians had soured. It had not always been the case. The country had enjoyed considerable autonomy since 1809, when the Russians had acquired the area from Sweden during the Napoleonic Wars. The Finns had responded to the benign rule of the Romanov

family with loyalty. Yet, since 1890 the Russian government had tried to unify the administrative and political structures of the Empire and had piece-by-piece eroded Finnish rights and autonomy. Most Finns resented this change in status and the czar became far less popular.<sup>7</sup> When the Russian Empire collapsed as a result of the First World War, Finland declared, on 6 December 1917, itself independent.

In late January of 1918, less than two months later, the Finnish socialists ('Reds') rebelled against the non-socialist government ('Whites'). Lenin's Bolsheviks supported the Reds, while Imperial Germany supported the Whites. The Whites won the four-month war, but it also increased German influence in the newly independent country, and for the next half year it looked like Finland was going to become a vassal of Germany. A German prince was even elected King of Finland. He never arrived in the country, though, because in November 1918 the German Empire collapsed and it lost the First World War. Finland changed course and became a Western-style democracy.

In the interwar years, Finland gradually became a more stable and prosperous society. When the Soviets attacked Finland at the end of November 1939, the country, including most former 'Reds' resisted fiercely; Finland managed to maintain its independence but lost part of its territory, including Viipuri, the second largest city. After the peace treaty of March 1940, the Finns felt sandwiched between Nazi Germany and the Soviet Union and, because of the Winter War, concluded that Germany was lesser of the two evils. From June 1941 onwards, Finland fought with Germany as a co-belligerent against the Soviet Union. In the summer of 1944, the Soviets again tried to occupy the country. They failed but did manage to force the Finns to accept harsh peace terms, including large war reparations paid in goods, such as ships and machinery, between 1944 and 1952.<sup>8</sup>

The Soviets liked what they got, and started to buy similar goods from Finland after the reparations had been fully paid. The expansion of trade fit the goal of postwar Finnish foreign policy quite well, as it was based on preserving good relations with the Soviet Union while at the same time maintaining Finland's Western-style democratic system and market economy. The trade was also compatible with Finnish commercial interests: the Finnish engineering and shipbuilding industries were vital employers, but not yet competitive in world markets. The Soviet Union was therefore the only possible market. The downside was that Finland became economically dependent on the communist superpower, which a couple of times (1950, 1958) did employ economic sanctions against its small neighbour.<sup>9</sup>

But what could the Finns buy from the Soviet Union? Finnish industry preferred to buy Western, not Soviet, machinery and technology. Finnish consumers were not keen on Soviet consumer goods either. It was obvious that the quality of Western products was usually higher. The Finnish army bought some armaments from the Soviet Union, but there was limits to how many weapons a small country needed or could afford. Besides, the final peace treaty between Finland and the Allies, signed in Paris in 1947, included clauses limiting the size and weaponry of the Finnish defence forces.

What was left for Finland to focus on was raw materials and energy, above all oil. The Soviets had large amounts of oil, while Finland had none. Furthermore, even though the majority of Finnish exports went to non-communist countries, Finland had a constant balance of payments problems and not enough hard foreign currency, like British pounds or US dollars. The pound and dollar were the currencies most commonly used in the international oil trade, which was still dominated by giant Western oil companies like Standard Oil of New Jersey (later known as Exxon) and Royal Dutch/Shell.

Soviet-Finnish trade was a barter trade system where no hard currencies were needed. When Finns imported oil from its eastern neighbour, the country could pay for it by exporting machines, ships and later also foodstuffs and consumer goods to the Soviet Union. The governments and central banks of the two countries ensured that the mutual trade was in balance. Each year, high-ranking politicians, civil servants and businessmen would meet, sign large trade deals and raise toasts to profitable commercial relations and ‘eternal friendship’ between the two countries.<sup>10</sup>

During the 1950s and 1960s, Finland gradually liberalised its foreign trade and removed most of the restrictions imposed during the Second World War and reconstruction period. This policy did not apply to Finland’s ‘Eastern trade’ with the Soviet Union, though, which accounted for between 15 and 25 per cent of all Finnish foreign trade, nor to imports of oil from any direction. Interested parties still needed a government-issued license to import oil to Finland, and the authorities decided that it was wise to buy most of it from the Soviet Union. Otherwise, the Western oil companies, whose subsidiaries dominated Finnish oil markets and owned most petrol stations, would import oil from their own sources in South America and the Middle East. As a representative of Oy Esso Ab, the Finnish subsidiary of Standard Oil of New Jersey, explained to Finnish authorities, the whole purpose of the subsidiary was to distribute its owners’ products.<sup>11</sup>

In this regulated context, Neste became a vital tool of government policy. But Vartiainen, Raade and some others wanted to give Neste an even bigger role. They drafted an initiative based on which Neste, with government support, decided in 1954 to build the long-planned oil refinery. Instead of refined oil products, Finland could in the future import crude oil. Raade had even bigger ambitions: as many products were oil-based, a refinery could form a foundation upon which Finland could build a large chemical industry. As a civil servant, Raade was one of the main proponents of the refinery project. In 1955, he became, despite the displeasure expressed by Vartiainen, now chairman of Neste, the managing director of the company.<sup>12</sup>

Raade valued technological expertise. His company was not just going to refine oil but do so as skilfully and profitably as possible. Therefore, he politely but firmly rejected Soviet offers of technology and hired instead US engineering consulting companies to help design and build the first refinery. The Americans had the best technology and that was what Raade wanted.<sup>13</sup> It was not self-evident that the US government would approve the sale of technology to a country so exposed to Soviet pressure. Furthermore, US and British oil companies were bitterly opposed to Neste's plans to build the refinery because it harmed their chances of selling refined products to Finland. Both the British and US governments offered some diplomatic support to their oil companies, but they also recognised that Neste's refinery might actually be beneficial from a Western standpoint. When refined Soviet oil products would be replaced with crude oil imports the value of Soviet-Finnish trade might even decline. Western technology and equipment sales would tie Finland more closely to the West. Therefore, Neste gained the approval of the US government to import technology.<sup>14</sup> Most of the actual machinery was built in France and West Germany, and the French bank Paribas offered loans guaranteed by the French government. The Naantali project, the largest and most expensive industrial plant to date in Finland, was successfully completed in 1957. Raade also co-operated with many of the same Western consultants, banks and suppliers in later expansion projects.<sup>15</sup>

### Nationalist dictator

Up until his retirement in 1979, Raade was the leader of a state-owned company with a key role in Finnish energy policy. He recognised that energy imports were linked to foreign policy and, above all, to Finnish efforts to maintain cordial relations with the Soviet Union. Between 1956 and 1981, those efforts were led by the strong-willed President of the Republic, Urho Kekkonen, who saw the promotion of trade with the Soviet Union as part of his job description and compatible with national interests. It was

Kekkonen who had the final word in all major decisions about Finnish relations with the Soviet Union, and Raade adapted to this situation. He successfully maintained good relations with the president and briefed him on new developments. Kekkonen was an eager outdoorsman, and Neste bought a boat for him and organised fishing trips.<sup>16</sup>

Yet, it would be too simplistic to see Raade simply as a tool or representative of the government. Markku Kuisma has called him a ‘political entrepreneur’: a character full of ideas, ambitions and energy.<sup>17</sup> Raade did not own the company he was leading, nor did he receive huge financial compensations from the owner, the Finnish government, or line his own pockets with Neste’s profits. He was nevertheless determined to build a large and successful company and was ready to work hard for that purpose. At the same time, he was a political actor. Raade was a nationalist. Not a xenophobic sort: he did not want to break relations with foreign countries or their people, but rather learn from them everything that was useful for his country and his company. Raade wanted to safeguard Finnish independence and build a prosperous country. ‘Raade was a patriot, an important national figure’, a former colleague remembered.<sup>18</sup>

‘For me personally, Neste is symbol of our independence’, Raade told President Kekkonen in 1974. It was not just a symbol but a tool as well; a way to satisfy the country’s energy needs, strengthen its resilience and develop and diversify the economy. One of Raade’s role models was Italy’s Enrico Mattei, a nationalistic industrial manager who led the state-owned oil and chemical giant Ente Nazionale Idrocarburi, ENI. Mattei challenged the dominant position of major Western oil companies, ‘the Seven Sisters’, in many ways, including by buying Soviet oil,<sup>19</sup> before he was killed in a mysterious plane crash in 1962.

Both Finland and Neste prospered during the 1950s and 1960s. Neste’s turnover grew at a remarkable rate. The prosperity of the Western economies was to a substantial degree built on cheap oil, and Finland was no exception. Its oil imports came from the Soviet Union, but the price was tied to world market prices, and hence remained low. The country was full of people who wanted to use that cheap oil. The number of motor vehicles on Finnish roads increased rapidly, and from a very low starting point, while companies introduced new plastic goods and other oil-based sales items and burned oil for energy. Neste responded by importing more oil and expanding its refining capacity both in Naantali and in a new site in Porvoo so that no opening was left for anyone else to enter the market. Neste also bought oil tankers to transport the oil, so many in fact that it became the largest shipowner in the country, and it built or acquired petrol stations to serve customers. Pekema, a joint enterprise set up with other Finnish industrial

companies, began to manufacture many of the petrochemical products, which Raade had been dreaming about for a long time. From 1976 onwards, he supervised all operations from a new building in Keilaniemi, near Helsinki. People began to call the building ‘Raade’s tooth’ because its form resembled an incisor tooth at the front of a human mouth.<sup>20</sup> Neste made so much money that it could pay for many of its subsequent investments with the profits. Not all, though: Neste also borrowed heavily, but not (yet) enough to jeopardise the survival of the company.<sup>21</sup>

Neste became larger than any of the pulp, paper and timber companies, the traditional backbone of the Finnish economy. They were all involved in processing wood, the ‘green gold of Finland’, the most important raw materials that Finland possessed. Since the 1940s, the production and turnover of the pulp and paper companies grew quickly as well, but by the early 1970s Neste nonetheless had them beat. Raade was no doubt pleased about the success of the company. He felt that the forest industrialists were an arrogant bunch, who valued neither his enterprise nor him as a person. Nor were they, Raade felt, ambitious enough. He called forest industrialists ‘chip cookers’ (tikunkeitäjät), who were content to produce (cook) wood pulp and turn it into paper, as they had done since the late 19th century merely chemically.<sup>22</sup> Neste, in turn, had more ambitious aims. It refined crude oil to create ever more sophisticated products and satisfy increasing consumption needs based on fossil fuels and plastics.

To be fair, the forest industrialists were not keen on Raade or his company either. Neste was a state-owned company, while most of the timber, pulp and paper companies were privately owned. Private industrialists were concerned about the expansion of the state’s role in the economy.<sup>23</sup> Nor did they like the fact that they could not freely import fuel oil, a popular energy source in the hydrocarbon era. When the price of oil skyrocketed as a result of the first oil crisis in 1973, major industrial consumers of heavy fuel oil launched a political campaign against the mighty Neste. The campaigners published a booklet entitled *Öljy – kallis neste* (Oil, an expensive liquid), with the very title and contents suggesting that the high prices that consumers were paying had partly to do with the secretive and highly regulated Finnish oil policy and the preference given to Neste.

The campaign failed. The industrialists would have been satisfied with a quite moderate amount of liberalisation, but Raade rejected even this suggestion. Major consumers adapted to the new higher prices by reducing their consumption of heavy fuel oil. Meanwhile, trade with the Soviet Union helped Finland overcome some of the difficulties created by the international oil crisis. It could pay for the higher oil bill by sending more goods to the Soviet Union. This opened up even more export opportunities for Finnish



companies, including some of those companies that complained about Neste's grip on the Finnish oil markets and imports.<sup>24</sup>

Raade led, or rather ruled, his company with an iron fist until his retirement in 1979. Even the Soviets complained about his 'dictatorial' behaviour. Raade demanded a great deal from himself but also from his subordinates, his former secretary recalled. The micro-managing director sent harsh letters to his staff about minor issues. When Raade's retirement approached, he concluded that none of Neste's executives was qualified to assume the top job. This assessment was probably not fair to his subordinates, many of whom had played key roles in making Neste such a large company.<sup>25</sup>

Not surprisingly, it was hard to find a successor. K. H. Pentti, the strongest successor candidate within the company, felt that Raade started to behave harshly towards him, and so he left the company.<sup>26</sup> Sakari T. Lehto, head of the private industrial conglomerate Partek, had much support among politicians and industrialists, but he did not want the job. He liked his current one, but he was also concerned about a number of things, including the 'patriarchal' management culture within Neste and its state ownership model. When a government minister offered Lehto the top job in Neste, Lehto asked him whether Neste was a business that its managing director could develop or an extension of the Ministry of Trade and Industry. He did not get a clear answer, and so, despite repeated requests, refused to move to Neste.<sup>27</sup>

Before he retired, Raade saw, although might not have fully understood, the first signs of a change that would have a major impact on his company and the industry in the coming decades: people began to care about the environment. In the early 1970s, Neste wanted to build a new refinery in Tvärminne, on the beautiful peninsula of Hankoniemi, at the southernmost tip of Finland. The University of Helsinki, which had a research station there, and the emerging environmental movement objected to the plan and managed to kill the project.<sup>28</sup> Raade was not just disappointed but angry. Environmentalists were spreading 'pollution porn' (saasteporno) and false images of the industry, thereby jeopardising its ability to function and trade with the Soviet Union.<sup>29</sup>

Jim Thornton, CEO of the US engineering consulting company Lummus, a trusted co-operative partner for Raade, had already suggested a more constructive attitude: Neste should draft an environmental strategy, which would satisfy some of the environmentalists' demands. The company gradually took environmental issues more seriously, and it began, for example, to develop cleaner fuels, in particular after regulators started to favour or even demand them. The change in habits, however, only developed

slowly. In the mid-1970s, Neste tried to sink 690 barrels of waste containing poisonous arsenic to the bottom of the southern Atlantic. A Finnish journalist got wind of the plan and wrote a story about it, which led to an international outcry. Again, Neste had to back down.<sup>30</sup>

### Big and bloated

Raade's eventual successor as CEO of Neste was Jaakko Ihamuotila, a rising young star in the Finnish industry who before Neste had led the state-owned engineering company Valmet. Ihamuotila had a good education and better social skills than his predecessor. Ihamuotila also had one added advantage: he was the son of Veikko Ihamuotila, a former chairman of the powerful national farmers' association. The association had close ties with President Kekkonen's Centre Party (Keskustapuolue), formerly called the Agrarian League (Maalaisliitto), but the older Ihamuotila had been a critic of Neste. In the selection process, this fact spoke in favour of the candidate: in the future, Neste would probably have one less influential critic.<sup>31</sup>

Under Ihamuotila's leadership, Neste continued to grow. Oil prices remained at a higher level than before the 1970s, and hence, it made sense to process oil even further. Neste did so and expanded its petrochemical production, but it also bought petrol stations, invested in other countries, traded in oil on international markets, bought shares in foreign oil fields and even tried to find undiscovered oil sources on several continents and oceans. Neste, like many other major Finnish companies in the 1980s, wanted to become an international player.<sup>32</sup>

In some sectors, Neste was ahead of its time. The company recognised that batteries might in the future be a new source of power for road transport, and hence, it began to build them. In co-operation with Imatran Voima (IVO), a state-owned Finnish electricity company, Neste even introduced an electric car called Elcat. Neste bought battery producers in other countries before concluding that it could not succeed in the market, which became tougher in the mid-1980s, when oil prices declined and competition increased. Neste sold the business, and Elcat became just a footnote in the history of Finnish industry. The same applied to Neste's more limited involvement in solar and wind power.<sup>33</sup>

The decline and collapse of the Soviet Union put an end to the traditional bilateral Finnish-Soviet clearing trade. The post-communist and chaotic new Russia was neither able nor willing to buy Finnish goods to the extent that the Soviet Union had done. This was one of the main reasons – the others being the

overheating of the Finnish economy in the late 1980s, the banking crisis and the downturn in Western markets – which led to a severe economic depression in Finland.

Neste was in bad waters as well. The company still bought crude oil from Russia, but Finnish oil imports were liberalised and therefore the company lost its previous privileged position in this trade – and in Finnish foreign trade in general. Neste had also accumulated much debt and acquired bad habits. The state-owned company had been able to borrow money almost as easily as the Finnish state, and therefore people in the company had believed that ‘capital was an infinite resource’, as Eero Aitola, a corporate controller and new recruit to the company, noted. The company’s chemical industry was in trouble and the profit margins in oil refining diminished when the Kuwait War of 1991 turned out to be a short one.<sup>34</sup>

The company had to restructure and reform itself to survive in the new and more open economy. Neste merged its plastics and petrochemical businesses with similar assets owned by the Norwegian state oil company Statoil to form a joint company called Borealis. A few years later, Neste sold its share in Borealis to an Austrian company.<sup>35</sup> In November 1995, the company was for the first time listed on the Helsinki stock exchange.

Neste’s management realised that they could also buy themselves out of trouble. Neste thus considered acquiring, or merging with, another state-owned energy company, IVO. It was a major electricity producer, and the growth prospects of that sector were more promising than in fossil fuels. While Minister of Trade and Industry Antti Kalliomäki was not opposed to the merger, he resented Neste’s active role in the process. The Ministry took charge of the project and pushed it through. The new energy giant was born in 1998 and named Fortum. It employed 16,000 people. The Ministry’s Secretary General (the highest civil servant), Matti Vuoria, was appointed as full-time chairman of the board.<sup>36</sup>

IVO’s management was never quite convinced that it made sense to put different energy businesses under the same roof, and many others had doubts as well. In September 2003, Fortum decided to spin off its oil business and list it on the stock exchange. The process took a couple of years, but in April of 2005 Neste was again a separate company.<sup>37</sup>

### **‘Goodbye, Black Gold’**

Fortum had sold off Neste’s shares in oil fields and many other assets. Hence, the new Neste was a streamlined oil company, which had refineries, oil tankers and petrol stations, but not much else. To reflect this change, it was renamed Neste Oil Oyj.<sup>38</sup> The word ‘oil’ had not been included in the pre-1998

company name. But was oil business a good area to focus on? Not necessarily, in particular not for a company like Neste, which lacked crude resources of its own. The reborn company made its money mainly by buying Russian crude, refining it and selling products to customers in Finland and abroad. Neste had, over the decades, become highly skilled at processing Russian crude. Yet, this business was not particularly lucrative and Neste's profit margins were low.

Neste decided to go green. Major international oil companies had not been keen on fighting climate change, but Neste had less to lose than others if the era of fossil fuels were to come to an end. It had no oil fields, and its oil trade was only mildly profitable. In contrast, it did have some relevant expertise in the renewables sector. In the 1990s, the company's scientists had worked on new biofuels, and the results of this research were taken out of the labs and put into action. In 2007, Neste was able to introduce a new generation biofuel, NExBTL, to markets. It was clearly better than previous renewable diesels and as easy to use as traditional diesels, but also more costly. Luckily, the European Union (EU) were pushing consumers to use more renewable fuels, and this policy opened up a market for a skilled producer like Neste. The company declared that it was going to become the leading global producer of biodiesel fuel.<sup>39</sup> The strategy required substantial investments, and the company had to wait until 2013 before its renewables business first made a profit.<sup>40</sup> In 2015, Neste dropped the word 'oil' from its name.

Was Neste's new strategy really sustainable or 'green'? Neste's main raw material was palm oil. Greenpeace and other environmentalists pointed out the problem that producers of palm oil were cutting down rain forests in the tropics to acquire more land for farming. Neste replied that it was working hard to ensure that it was not buying palm oil from those cleared areas and that the company would in the future use only palm oil from certified sources. This explanation did not satisfy critics, who pointed out that when the total demand for palm oil increased, farmers had an incentive to cut down rain forests. This new land might not be used to supply Neste with palm oil, but Neste's actions would nevertheless indirectly promote climate change. Furthermore, palm oil was also used in food production. Hence, Neste might be taking food from people's mouths and harming the climate.<sup>41</sup> Not a good image or business model in an environmentally conscious world!

In the end, Neste found a solution: use only materials that cannot be eaten, such as used cooking oils from restaurant kitchens and animal fats from slaughterhouses. In short, it would use waste and residues. Yet, the company had to solve several problems first. New research and development work was needed to discover which materials could indeed be used to produce biofuels on a commercial scale. Collecting

waste from thousands of kitchens and other places was no simple task either. Neste had to build sourcing systems and buy collection companies from abroad. One acquired US company, Mahoney Environmental, collected cooking oils from 50,000 restaurants. Neste’s rivals could do the same – when they learned how. Neste was a frontrunner and also more focused on transition.<sup>42</sup>

The use of palm dropped dramatically, and the public image of the company improved. In 2021, World Benchmarking Alliance analysed the efforts being made by 100 of the top global oil and gas companies in the transition to a low-carbon economy, and it put Neste at number 1.<sup>43</sup> ESG (environment, social and governance) investors loved it. Also, or even more so, they liked that was being done while ensuring profitability, with most of those profits now coming from renewables. Neste had a competitive edge in a growing market favoured by regulators in the US and EU. Between early January 2014 and early January 2021, Neste’s share price rose twelve-fold. It declined after that, though, when investors became worried about increased competition and changes in regulatory frameworks and wondered whether they were being too optimistic, but the price remained far above levels from the early 2010s.<sup>44</sup>

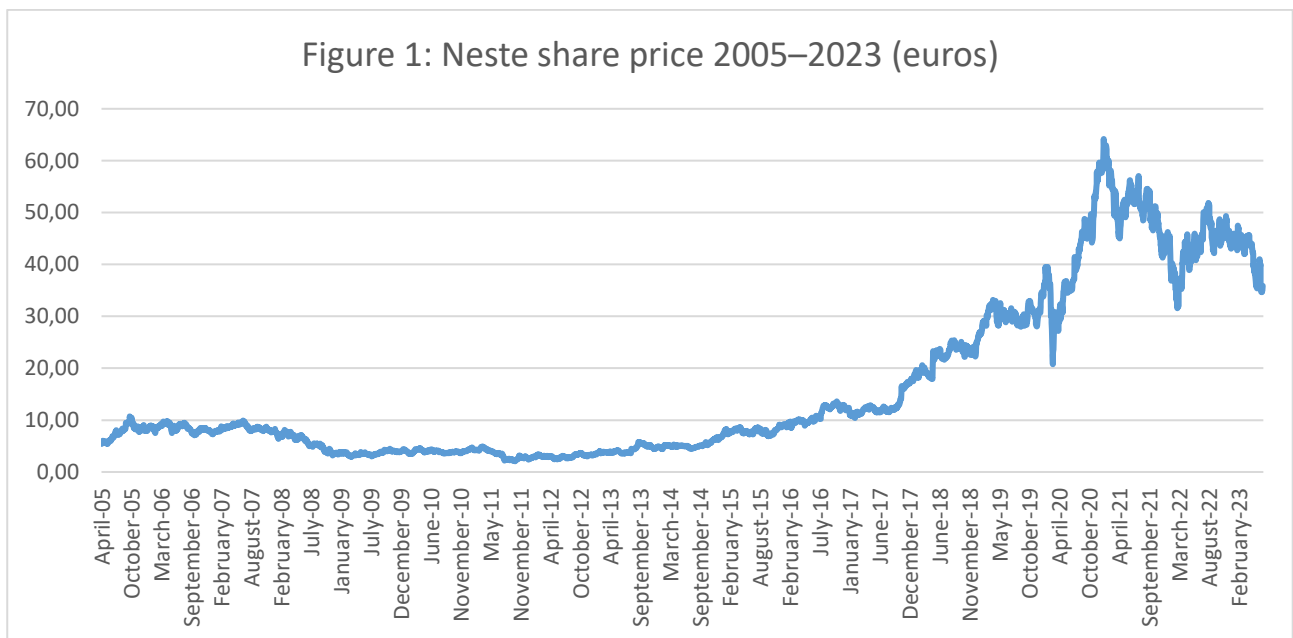


Figure 1: Sources: Data from <https://www.neste.com/investor/share/share-monitor#9a34384e> (accessed July 2023). In April 2019, the share was split and each owner of a share got two additional shares. Hence, previous prices have been divided by three.

Shareholders had a reason to be happy, and the biggest owner and benefactor was the Finnish state. Yet, Neste was no longer operating as a national oil company in the same way as in Raade’s time. It was a

global company that built major production plants in Singapore and Rotterdam, and it had even shut down the oil refinery in Naantali, where the company's operations had started in the late 1940s.<sup>45</sup>

The major Russian invasion of Ukraine in 2022 and the subsequent halt of energy flows from Russia led to increased oil prices and made refining oil more profitable than before. This could be seen in Neste's financial reports as well, but the company decided not to change its strategy of focusing on renewables and gradually moving out of the traditional oil business.<sup>46</sup>

For Fortum, the war in Ukraine was an almost fatal shock. It had invested heavily in power plants in Russia and acquired a majority ownership in a German company importing gas from Russia. Now the political risks involved in trading with and operating in an authoritarian country like Russia materialized and almost destroyed the company. This event created great political and media turmoil in Finland. Neste had been buying crude oil from Russia, but it was less exposed. Neither investors nor the company were particularly worried. The company simply stopped buying Russian oil.

In March 2023, *Arvopaperi*, a Finnish magazine directed at investors, put Matti Lehmus, the current CEO of Neste, on its cover and added a prediction about where things were heading: 'Hyvästi musta kulta' (Goodbye, Black Gold).

## References

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- <sup>2</sup> 'Kohti hirmukasvua', *Talouselämä* 36/2022, 24.
- <sup>3</sup> Kuisma, *Kylmä sota, kuuma öljy*, 111.
- <sup>4</sup> '[L]aivan häviäminen taivaanrantaan kertoi kouriintuntuvammin kuin tuhat, tai kymmentuhatta, sanaa, kuinka pieni Suomi oli jätetty yksin henkiinjäämistaiselussaan hirmuvaltiias Stalinin päällevoityvää puna-armeijaa vastaan' (Ibid., 111).
- <sup>5</sup> Kuisma, 'Child of the Cold War', 138.
- <sup>6</sup> Kuisma, *Kylmä sota, kuuma öljy*, 112–113.
- <sup>7</sup> Hänninen, *Kapinaa ja kiusantekeoa*.
- <sup>8</sup> In English, see, e.g. Polvinen, *Between East and West*.
- <sup>9</sup> Jensen-Eriksen, 'Market, Competitor or Battlefield?', 33–41.
- <sup>10</sup> In English, see, e.g. Sutela, *Finnish trade with the USSR*; Matala, *A History*.
- <sup>11</sup> Suomen Elinkeinoelämän Keskusarkisto, Mikkeli. G. A. Serlachius, pääkonttori. File 4351. R. W. Biström, oy Esso ab, to Finnish Foreign Minister Johannes Virolainen, 31 January 1955.
- <sup>12</sup> Kuisma, *Kylmä sota, kuuma öljy*, 180–182.
- <sup>13</sup> Ibid., 189–192.
- <sup>14</sup> Jensen-Eriksen, 'The First Wave'.
- <sup>15</sup> Larsio, *Nesteen tie*, 41; Kuisma, 'Child of the Cold War', 139.
- <sup>16</sup> Saastamoinen, *Brezhnev*, 81–85.
- <sup>17</sup> Kuisma, *Kylmä sota, kuuma öljy*, 178–179.
- <sup>18</sup> Veli-Pekka Leppänen, 'Energiaihminen, läpikotaisin', *Helsingin Sanomat*, 25 November 2022.
- <sup>19</sup> Kuisma, 'Child of the Cold War', 137, 139.
- <sup>20</sup> This expansion is described in detail in Kuisma, *Kylmä sota, kuuma öljy*.
- <sup>21</sup> Ibid., 523–525.
- <sup>22</sup> Ibid., 177.
- <sup>23</sup> Kuisma, 'Child of the Cold War', 140.
- <sup>24</sup> Jensen-Eriksen, *Metsäteollisuus, markkinat ja valtio*, 34–43, 49.
- <sup>25</sup> Saastamoinen, *Brezhnev*, 33–35, 112; Kuisma, *Kylmä sota, kuuma öljy*, 528–529.
- <sup>26</sup> Tuuri, *Kaarle Henrik Pentti*, 129–130, 136–138.
- <sup>27</sup> Lehto, *Muistikuvia ja merkintöjä*, 191–194.
- <sup>28</sup> Saastamoinen, *Brezhnev*, 101–103.
- <sup>29</sup> Kuisma, *Kylmä sota, kuuma öljy*, 469.
- <sup>30</sup> Saastamoinen, *Brezhnev*, 105–111.
- <sup>31</sup> Kuisma, *Kylmä sota, kuuma öljy*, 538–540; Vesikansa 2004/2008.
- <sup>32</sup> Saastamoinen, *Brezhnev*, 145, 163–164, 184, 196–201, 216–217.
- <sup>33</sup> Ibid., 145, 172–175; Matti Jansson, 'Kaupunkiauto kooltaan ja suorituskyvyltään', *Helsingin Sanomat*, 27 October 1990.
- <sup>34</sup> Saastamoinen, *Brezhnev*, 228–230.
- <sup>35</sup> Heikki Arola, 'Neste tyytyväinen kauppahintaan', *Helsingin Sanomat*, 16 September 1997.
- <sup>36</sup> Veijo Sahiluoma, 'Neste yritti ostaa Imatran Voiman', *Kauppalehti*, 10 January 2008; Saastamoinen, *Brezhnev*, 11–15, 237–243.
- <sup>37</sup> Saastamoinen, *Brezhnev*, 13, 242, 246, 248.
- <sup>38</sup> 'Oyj' means a publicly quoted limited liability company.
- <sup>39</sup> 'Neste panostaa rajusti biodieseliin', *Helsingin Sanomat*, 28 September 2006.
- <sup>40</sup> 'Neste Oil sai vihdoin selvää voittoa biopolttoaineista', 24 April 2013, <https://www.is.fi/taloussanomat/porssiuutiset/art-2000001794111.html> (accessed 7 July 2023).
- <sup>41</sup> Juhana Rossi, 'Neste Oil uskoo sertifioinnin poistavan palmuöljyn ongelmat', *Helsingin Sanomat*, 10 December 2007; Juhana Rossi, 'Singaporen talouskehitysyhtiö: Neste Oililla on vastuu palmuöljystä', *Helsingin Sanomat*, 16 January 2008; Juhana Rossi, 'EU:ssa viriää vastustus biopolttoaineiden käytön lisäämiseen', *Helsingin Sanomat*, 25 April 2008; Simo Heinonen 'Neste valvoo öljytuotantoa', Neste Oil, a letter to the editor, *Helsingin Sanomat*, 2 January 2011; Antti Bläfield, 'Neste Oilin rohkea strategia', *Helsingin Sanomat*, 14 March 2011.
- <sup>42</sup> 'Kohti hirmukasvua', *Talouselämä* 36/2022, 22–27; Henri Koponen, 'Öljyä vai ei?', *Arvopaperi*, March 2023, 19.



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<sup>43</sup> <https://www.worldbenchmarkingalliance.org/publication/oil-and-gas/2021/rankings/> (accessed 4 July 2023).

<sup>44</sup> <https://www.neste.fi/konserni/sijoittajat/osake/osakemonitori> (accessed 4 July 2023).

<sup>45</sup> Jarno Hartikainen, 'Nesteen miljardit menevät maailmalle', *Helsingin Sanomat*, 29 June 2022; 'Nesteeltä vahvistus: Naantalin jalostamo lakkautetaan, 370 saa lähteä – ministerit lupaavat kriisiapua', *Ilta-Sanomat*, 30 November 2020, <https://www.is.fi/taloussanomat/art-2000007651058.html> (accessed 6 July 2012).

<sup>46</sup> Henri Koponen, 'Öljyä vai ei?', *Arvopaperi*, March 2023, 19.



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