REVIEW: REGIONAL ENERGY PROFESSIONALS CONVERGE IN ABU DHABI

Oil & Gas MIDDLE EAST

NEWS, DATA AND ANALYSIS FOR T

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INTERVIEW

SKY-HIGH AMBITIONS

AlMansoori's CEO, Nabil Al Alawi, tells *Oil & Gas Middle East* that the low oil price will not dim his ambitions for double digit growth and a recruitment drive in 2016

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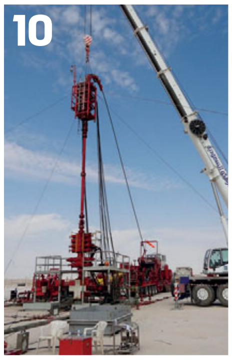

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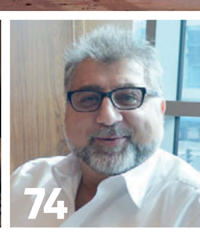

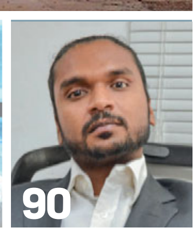

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Trying to find the silver lining

A month of lows was not the opening to 2016 that the industry was hoping for. Here's hoping it's not an omen.

THIS ISSUE: Nabil Al Alawi is our star man on the cover this month, while the possibility of an Aramco IPO is also on the agenda.

Hello and welcome to the February issue of Oil & Gas Middle East; one way or another, it's been quite a month.

Regular readers will know that I usually try to keep positive about the industry, despite the obvious issues that it is tackling. Indeed, in previous letters, I have spoken about how the low oil price can be a driver for long-term improvement, as companies focus on increasing production and efficiency, while investing in new and innovative technology.

But on pondering this month's brief, I must admit I found it hard to find a silver lining to the state the market is currently in. When the oil price is falling to seemingly record lows for days on end and more jobs cuts are announced – I have personal friends who have lost their jobs in the oil and gas industry in recent months – it is difficult to remain upbeat.

I think my mood is darkened by the fact that nobody really has any idea when the market will bounce back. There has been much posturing by OPEC about the possibility of a calling an emergency meeting, but even if the body were to do so, can anybody realistically see Saudi Arabia agreeing to cut its output?

Saudi Arabia has had its fingers burnt in the past, seeing competitors snap up part of its market share after agreeing to cut output. That decision will not be taken again, especially during a period in which it has managed to bring the US shale industry to its knees.

If longer-term predictions are correct, then at some point the oil price either has to start rising or Saudi Arabia cuts production, because otherwise the end-game is all the money running out.

But given the size of its coffers and its ability to raise absolutely colossal funds through an IPO of parts of Aramco, I can't see that scenario playing out any time soon.

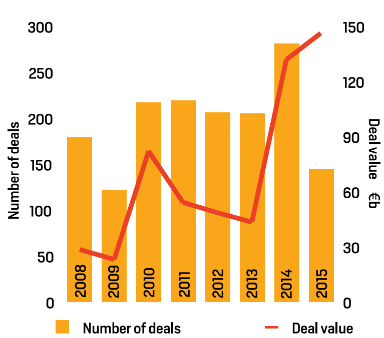
Also consider that Iran has designs on increasing its exports substantially (although I think this will take longer than many expect, given the state of its oil and gas infrastructure, and the cash it will need to raise), and the effect that might have on a market that is already awash with cheap oil.

As I finish this column I note that oil prices have rallied briefly, to $32 after recovering from a 13 year low. Given recent events, I'm going to take that as a positive.

Enjoy the issue.

James Henderson
Oil & Gas Middle East, Editor
james.henderson@itp.com

Oilfield services* M&A, 2008-2015



*the data includes midstream assets

Oil&Gas MIDDLE EAST

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MERGERS

A perfect storm for M&A

The low oil price has left many companies in the industry vulnerable, many of which could be ripe for acquisition. ***James Henderson*** reports


Is the perfect storm for M&A brewing?

They say that for every action, there is a reaction; when the action is the price of oil falling so dramatically, the reaction is one that has been felt not just in the oil and gas world, but across multiple sectors, from construction and hospitality, to the stock market and beyond.

Rewind 18 months and things were very different. Oil prices were floating around the $110-$100 a barrel mark, and perceived wisdom was that the price could settle around the $100 a barrel mark over the long-term (for some context, during the run-up to the independence referendum in 2014 in Scotland, the 'yes' campaign based the value of the country's oil reserves at $113).

With such bold predictions, it is not surprising that many companies have been caught out by the fall, leading to problems with cashflow and payments. And it isn't just the industry's smaller companies that have been affected, with leading International Oil Companies shedding jobs from their upstream and drilling operations in an attempt to shore up their balance sheets.

In such a volatile and unpredictable market, oil consultancy Wood Mackenzie believes that the market could be ripe for a number of mergers and acquisitions – a stark contrast to 2015.

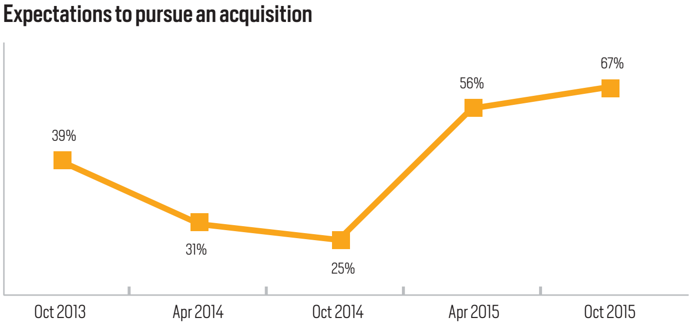
Wood Mackenzie's analysis shows that 2015 was the slowest year for oil and gas M&A in over a decade. Average monthly deal count fell by over a third, compared with the preceding 24 months. Excluding Shell's exceptional $82bn takeover of BG, deal spend collapsed by two thirds; only 14 deals higher than $1bn value were announced, compared with 46 in 2014.

Luke Parker, corporate analysis research director for Wood Mackenzie said: "Uncertainty over oil prices continued to drive a wedge between buyers and sellers, sustaining a slowdown in activity that began in October 2014. With long-term oil prices so fundamental to the success or failure of M&A, and costs still in the process of re-setting, most were reluctant to commit to company-changing deals.

"Whether oil prices move up, down or nowhere at all in 2016, pressure to act will build, on both buyers and sellers. Exactly how

$82BN
The value of Shell's proposed takeover deal of the BG Group

Expectations to pursue an acquisition



Global appetite for acquisitions has been growing

The sentiment toward acquisitions has turned bullish, with more than two-thirds of oil and gas executives surveyed expecting to make an acquisition during the next 12 months, almost three times the number who responded similarly one year ago.

Souce: EY Capital Confidence Barometer

↑ Fracking technology is a highly sought-after commodity .

the M&A market recovers will depend on how oil prices move in 2016, and where people expect they will move to beyond that," Parker added.

Taking a view of the potential for market consolidation in the GCC. Gaurav Sharma, an oil market analyst, said: "The UAE has great potential, especially in terms of its NOC's integrated and R&M outfits (e.g. ENOC) acquiring tangible downstream assets from private sector players. Alongside refining and petrochem plays, ancillary storage assets could emerge as a side story.

"Iran also has immense potential, but it is contingent upon what sort of regulatory regime emerges when sanctions are lifted, how much of foreign direct investment Tehran welcomes (especially in terms of percentage of foreign ownership) and of course the prevailing geopolitical climate of the day. One thing is certain, the Iranian petrochemical sector is in dire need of substantial technological and financial investment. Finally, the Saudi market is getting very interesting, especially if Aramco decides to publicly list part of its equity."

On the flip side, the region's National Oil Companies have both the resources and desire to enter the M&A market, and could make a play for the Asian markets, according to a report by Emirates NBD.

"In the GCC energy sector, identifying opportunities in a period of

Continued on page 12>>

M&A

THREE THINGS YOU NEED TO KNOW...

1 Analysis shows that 2015 was the slowest year for oil and gas M&A in over a decade. Average monthly deal count fell by over a third, compared with the preceding 24 months. Excluding Shell's exceptional $82bn takeover of BG, deal spend collapsed by two thirds

2 But activity is expected to grow over the next 12 months. The region's National Oil Companies have both the resources and desire to enter the M&A market, and could make a play for the Asian markets, according to a report by Emirates NBD.

3 While there is a loose agreement among experts that the low oil price could prove to be the trigger for M&A moves, it is harder to find common ground on where the money will be spent. Downstream assets could prove popular.

The proposed Halliburton / Baker Hughes merger is one of the biggest of its kind in the oil and gas market.

Continued from page 11>> distressed oil prices will be key. In the MENA region and the GCC in particular National Oil Companies (NOCs) and government backed strategic oil companies are investing the reserves they built on the back of years of high oil prices to leverage opportunities afforded by the sales of distressed assets," said the market commentary

"While international oil companies for example are beginning to divest the portfolios of some of their downstream assets to focus on their upstream segment, regional energy players may see opportunities to buy into sectors that fall into to the wider diversification objectives of the region. Furthermore, It is important to note that a strategic dimension is a key part of NOC's investment agenda, and this means some deals will be made for the long term goals of cementing geographic links for example. So we can expect to see a rise in deals between the region and Asia in particular, as the Asian continent is by far the biggest puller of the region's oil and gas resources."

The report continues: "Acquiring stakes from IOC's that fall into the strategic objectives of the regional energy producers is another ongoing development in the region's energy M&A deals scene. Last year the Kuwait Foreign Petroleum Exploration Company a subsidiary of Kuwait Petroleum Corporation purchased Royal Dutch Shell's 8% stake in Australian LNG venture Wheatstone, further adding to its existing 7% stake.

While there is a loose agreement by from experts that the low oil price could prove to be the trigger for M&A moves, is harder to find common ground on where the money will be spent. Dave Ernsberger, global editorial director of Platts, said: "The Middle East is partially insulated from M&A activity because so many companies and assets are state-owned, in whole or in part. But there are many privately-held and listed companies engaged in the supply and distribution of oil, refined products and petrochemicals, and many of these will be catching the eye of potentially cash-heavy suitors in the region and elsewhere.

"Generally speaking, there is a lot of interest in buying companies that are operating downstream, and with logistics assets, so candidates for M&A that have storage, pipeline, shipping or other downstream assets may attract particularly strong attention."

But Sharma is not so sure, telling *Oil & Gas Middle East*: "I do not agree that we will see an M&A splurge in the downstream sector owing to a classic paradox created by the oil price fluctuation. Around the turn of the current decade, when the oil price started recovering from the slump caused by the global financial crisis, high risk / reward permutations returned with a vengeance for upstream oil and gas. Subsequently, downstream assets found less favour among oil majors, especially in Europe, where refining and marketing businesses were losing money, facing tepid margins and were being squeezed by newer, more efficient state-owned refineries in the Middle East.

"Fast forward to the ongoing oil price slump, first signs of which surfaced in July 2014, and we see refining and petrochemical ends of the oil majors' business contributing more meaningfully to corporate profits as the upstream end of their business struggles. Of course, assets would be up for grabs.

"However, I don't expect the bid/ask differential to narrow considerably triggering a wave of asset sales. Sellers would be reluctant to sell at a time when the downstream end of their business is doing relatively well and would value the asset higher. At the same time, given wider challenges in the market, buyers would not like to pay over the odds either."

UPDATE

Coming up:

Shell held a 40% stake in the Bab sour gas project

Shell pulls out of $10bn Bab project as oil prices turn sour

Anglo-Dutch organisation had won 30 year contract in 2013 to develop the field

WHAT WILL THIS MEAN FOR THE BAB SOUR GAS FIELD?

Very little, according to ADNOC. The country's Energy Minister has said that he was not worried" by the news, and that it would give ADNOC the flexibility to develop cheap gas.

Shell has announced that it has pulled out of the $10bn Bab sour gas project in Abu Dhabi.

The Anglo-Dutch international oil company cited 'technical challenges' and the falling price of oil as factors in its decision.

'Following a careful and thorough evaluation of technical challenges and costs, Shell has decided to exit the joint development of the Bab sour gas reservoirs with ADNOC in the emirate of Abu Dhabi, and to stop further joint work on the project', the company said.

'The evaluation concluded that for Shell, the development of the project does not fit with the company's strategy, particularly in the economic climate prevailing in the energy industry', Shell in its statement said.

The UAE's Energy Minister Suhail Mohamed Al Mazrouei said he was 'not worried' by the decision. "The reason most probably will be a commercial reason because now the cost of gas and the price of gas and LNG has dropped by more than 50%," he said at the World Future Energy Summit in Abu Dhabi.

"We are not worried about the supply of gas. We are planning well, if the company is pulling out I'm not worried."

The minister said ADNOC is still committed to producing gas, saying the move by Shell will give the UAE flexibility to get 'the cheapest gas we can get'.

He also said the UAE will continue to import gas for now, while it works on several ideas and projects. He said the expansion of Dolphin will increase gas productivity as well.

Shell won the contract to develop the sour gas field in 2013, with the multi-national holding a 40% stake and ADNOC the remaining 60%. It is located 150km southwest of the Abu Dhabi city and is one of the largest gas fields in the emirate.

On signing in Peter Voser, Shell's then CEO, said: "Shell is honoured to have been selected by ADNOC to develop the Bab sour gas reservoirs. We have over 60 years of experience of successful sour gas field development globally and we will apply this experience to the development of the Bab resource. We value our long and successful partnership with ADNOC, and look forward to continuing to play a role in helping the UAE meet its energy needs."

QUOTE: "WE ARE PLANNING WELL; IF THE COMPANY IS PULLING OUT I'M NOT WORRIED."

Aramco chairman says IPO possible in 'foreign markets'

Khalid al-Falih says IPO would include commercial units and not energy reserves

ARAMCO SHARES An initial public offering of Saudi Aramco, the world's biggest oil company, could be on the local or international markets but would not include Saudi energy reserves, the company's chairman told *Al Arabiya* television.

"The reserves would not be sold, but the company's ability to produce from the reserves is being studied," Khalid Al Falih told the channel in an interview from Davos, Switzerland where the annual World Economic Forum in January.

Falih said there would be legal studies to make sure that what is offered is not the kingdom's crude reserves 'but the company's ability to convert the production of these reserves to a financial value that the owners can benefit from.

Aramco has crude reserves estimated at about 265bn barrels, over 15% of all global oil deposits. It could become the first listed company valued at over $1tn if it went public.


Khalid Al Falih, Saudi Aramco chairman

265BN

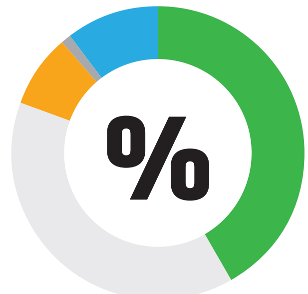
Aramco's estimated crude oil reserves, about 15% of the world's oil

$1TN

Saudi Aramco will become the world's first $1tn+ company, if listed

SPOT POLLS

WHICH MACRO-ECONOMIC TRENDS SHOULD THE MIDDLE EAST'S ENERGY INDUSTRY KEEP THE CLOSEST EYE ON IN 2016?



- Gulf states' rising deficits & constrained budgets – 41%
- China's economic weakness – 38%
- Rising interest rates in the US – 8%
- Europe's zero economic growth – 1%
- BRIC countries weakening economies – 10%

Source: *Gulf Intelligence UAE Energy Forum '16*

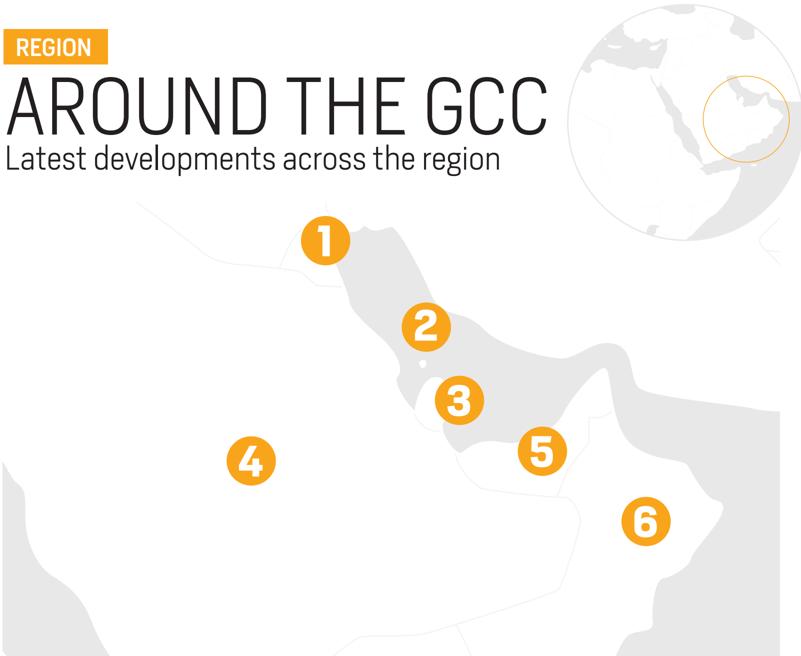
RULERS AND HEADS OF STATES GATHER IN ABU DHABI

HH Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces and HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister of the UAE and Ruler of Dubai attend the World Future Energy Summit 2016 in Abu Dhabi, along with other heads of states.

REGION

AROUND THE GCC

Latest developments across the region



1. KUWAIT

The Kuwait Oil Company (KOC) has awarded a contract to Cisco to update its hardware and network systems. Cisco said it will help KOC implement security, access and compliance policies through a central management point, rather than on individual devices. Also integrated into KOC's network will be the Cisco Identity Services Engine, which helps solve enterprise mobility challenges.

2. BAHRAIN

Bahrain has approved raising domestic gasoline prices, the Cabinet said in a statement carried by state news agency *BNA*, part of the government's efforts to boost revenues hit by slumping oil prices. The cabinet, at its weekly meeting, set the new price for super fuel at 160 Bahraini fils ($0.424) per litre from 100 fils, while the price for regular fuel was raised to 125 fils per litre from 90 fils.

3. QATAR

RasGas has delivered its first cargo of LNG to India's Petronet LNG under the new sales and purchase deal the two countries signed at the end of last year. The cargo was delivered to India's Dahej LNG Terminal on January 13, marking the commencement of the new 1mn tonne per annum deal. The new LNG agreement raises the total volume of LNG shipped to Petronet from 7.5 MTA to 8.5 MTA.

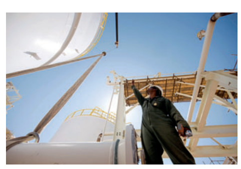
4. SAUDI ARABIA

Saudi Aramco has awarded a contract to a consortium of two contractors to build 791 housing units for employees working in the Dhahran area. The consortium that has won the deal consists of Azmeel Contracting Company and a branch of Sinohydro Corporation Company. The development will be sited just 8km southwest of Saudi Aramco's headquarters in Dhahran, Eastern Province.

5. UAE

Dana Gas, the Sharjah-based natural gas company, said it is working on reducing its overall general and administrative expenditure from last year to this year by 50%. Patrick Allman-Ward, the company's chief executive officer told *Gulf News* that Dana Gas is also looking at cutting 40% of its head office jobs (translating to 20 people). The company axed jobs throughout 2015 and will continue in 2016.

6. OMAN



Oil and gas technology group Plexus Holdings has won a contract in Oman worth about $600,000. Under the deal, the Aberdeen-based firm will supply explorer Masirah Oil with its 'Pos-Grip' wellhead system, designed to prevent the type of blowout behind the 2010 Gulf of Mexico. Work will begin next month, initially for one well, but Plexus said a further two wells could be drilled depending on results.

Iran has huge hyrdrocarbon reserves

Iran needs billions to tap reserves

INVESTMENTS Iran requires billions of dollars to develop its energy reserves, according to a top Iranian official. The country has some of the world's largest untapped hydrocarbon reserves and potential.

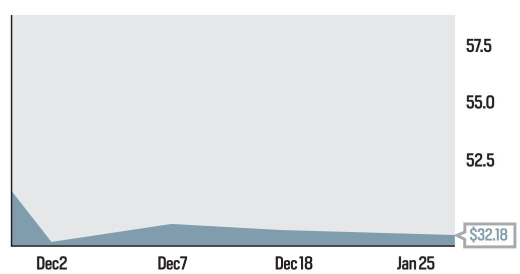
"Currently, in the absence of such an investment, we have to make optimum use of the resources," said Mansour Moazzemi, the head of the Energy Committee of Tehran Chamber of Commerce, Industries, Mines and Agriculture.

He said that in the past, a strategic blunder was made in implementing the Subsidy Reform Plan, adding that the government was supposed to secure the fund for executing the plan through the hike in energy prices

He also said that Iran will face serious problems in its energy sector in the future in case the government and state organisations fail to make prompt and prudent decisions.

DATA SNAPSHOT

BRENT CRUDE OIL PRICE



Turbulent month for the oil market, as prices rebounded above $30 a barrel, after falling under $27.

Source: oil-price.net

UAE not mulling ADNOC shares sale

Speculation was rife that ADNOC may follow Aramco in considering an IPO

DIVESTMENT A sale of shares of the UAE's largest oil and gas producer, the Abu Dhabi National Oil Company is 'not being contemplated', the country's Energy Minister has confirmed.

"I am not the right person to answer that question. It is a matter of the Abu Dhabi Government and ADNOC," Suhail Mohamed Al Mazrouei said at the Gulf Intelligence Forum in Abu Dhabi.

"However, I don't think such an IPO or sale of shares of ADNOC is being contemplated," Mazrouei added, when asked about a market listing of ADNOC.

Speculation was rife that ADNOC could also consider a sale of its shares to raise much needed cash, after Saudi Arabia said it was thinking of floating some of the shares of Saudi Aramco.

"It is fair to assume that every country and its government has the right to do what it wants with its assets," Mazrouei said.


UAE Energy Minister Suhail Mohamed Al Mazrouei

WHAT DID THE MINISTER SAY OF AN ARAMCO IPO?

"It is fair to assume that every country and its government has the right to do what it wants with its assets."

IN BRIEF

- **The Organisation of the Petroleum Exporting Countries** (OPEC) has switched to Argus as its energy price data provider. OPEC will use Argus prices as the external, independent price reference for evaluation, analysis and reporting. The OPEC reference basket price will be based on Argus assessments.

- **Egypt will hold an international tender for 11** oil and natural gas exploration blocks in the Mediterranean sea and Nile Delta during this year. Egypt, which used to be an energy exporter, has turned into a net importer over the past few years. Egypt currently owes about $3bn to IOCs.

IN QUOTES

"To make the big jump, which could take four or five years, a jump that could have a real impact on the global market ... Iran would need to attract $150bn for development."

Claudio Descalzi, CEO, Eni

"I am optimistic about the future, the return of stability to the global oil markets, the improvement of prices and the cooperation among the major producing countries."

Ali Al-Naimi, Saudi Arabia Oil Minister

"Five or 10% [cut in production] is I think is what we need to cut… that's the idea and everybody should do the same."

Mohammad bin Hamad al-Rumhy, Oman Oil Minister

UAE's Dana Gas yet to receive payment from Kurdistan govt

London court has ordered KRG to pay consortium that includes Dana Gas' $1.98bn

TECHNOLOGY Dana Gas' CEO, Patrick Allman-Ward, has revealed that the firm is yet to receive any payment from the Kurdistan Regional Government (KRG).

Discussing operations in Kurdistan, Allman-Ward said the company was yet to receive payments for its investments in the region, after a London court ordered the KRG to pay $1.98bn to a consortium, including Dana.

"We all know what the situation of the KRG is and its abilities to pay. Clearly, they are struggling to pay all contractors not just ourselves, so I think, with all the will in the world, finding $1.98bn is going to be a step too far for them," he said.

"We don't expect them to pay all in one go. Clearly, that's an impossible task but there is an opportunity, for example, to reschedule debt and come to an agreement on how that can be done," he added.

Allman-Ward added that while the Kurdistan region had plenty of geological assets that would encourage expansion, the company needed to first make money out of its first phase of investment before looking at any future investments.

In November 2015, Dana Gas reported a net loss of $9mn in Q3 2015, compared to $38mn in net profits in Q3 2014.

$1.98BN
The KRG is to pay to a consortium, including Dana Gas for its investments

$9MN
The Sharjah-based oil company reported a net loss of $9mn in Q3 2015.

$38MN
In contrast, Dana Gas posted a net profit of $38mn in Q3 2014

PLAY/PAUSE:

Who's moving up in the oil and gas world this month, and who's falling away?

Egypt's outstanding arrears to foreign oil companies rose to $3bn at the end of December 2015 from $2.7bn at the end of October. Egypt earlier said it aimed to reduce the arrears owed to foreign companies.

3M has announced the opening of two new customer experience centres in the UAE and Saudi Arabia. Both facilities, located in Abu Dhabi and Dammam, are dedicated to the oil and gas sector.

The Iran-Pakistan-India gas pipeline might never materialise, as the former Indian envoy to UAE, Oman and Saudi Arabia has said the relations between India and Pakistan can be a hindrance.

The Abu Dhabi National Energy Company, TAQA, has announced its 'first oil' from the new Cladhan field in the UK's North Sea. The field has been developed as a subsea tie-back to the Tern Alpha platform.

Energy consumption in Middle East rises by 47% in a decade

While KSA's consumption rose by 67% in 2004-14, Qatar recorded a 190% increase

HOW MUCH DID THE MIDDLE EAST CONSUME?

Total oil consumption in the Middle East region increased from 5.9mn bpd in 2004 to 8.7mn bpd in 2014.

ENERGY Oil consumption in the Middle East has risen substantially over the past decade. The region, which is the largest producer of oil in the world, increased its consumption of oil by about 47% during 2004-14.

Qatar witnessed the highest growth in the region in percentage terms by registering 190% growth in oil consumption during the period.

Saudi Arabia saw highest growth in terms of absolute amount by registering a growth of 1.3mn bpd or 67% during the same period, according to the BP Statistical Review of World Energy 2015 report.

Iran is the second largest consumer of oil in the region. Its consumption increased from 1.6mn bpd to 2mn bpd in 2014.

The UAE came out as the third largest consumer of oil which saw consumption rising from 484,000 bpd in 2004 to 873,000 bpd in 2014.

Total oil consumption in the Middle East region increased from 5.9mn bpd in 2004 to 8.7mn bpd in 2014.

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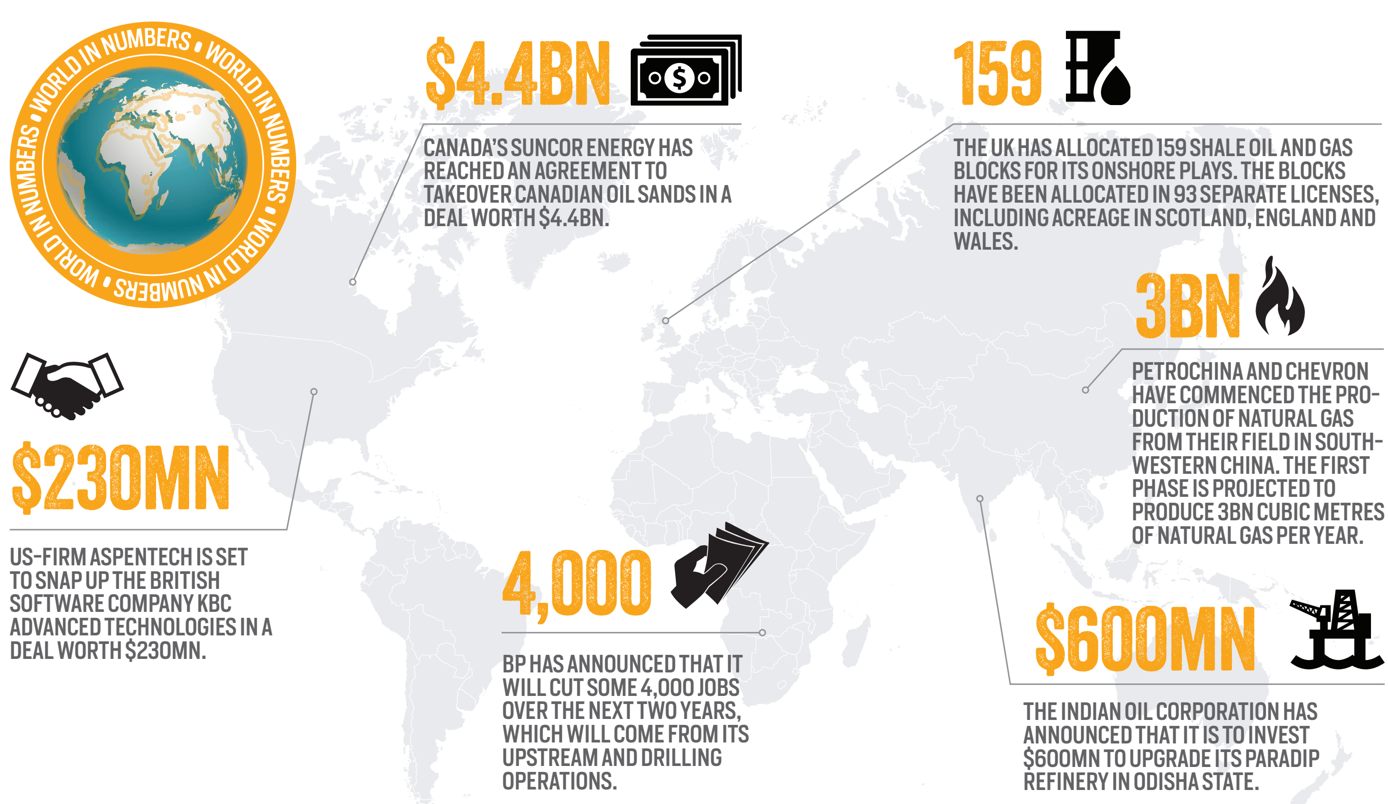


ADNOC to receive $3.3bn in loans

Japan's Bank for International Cooperation to provide bulk of financing at $2.1bn


Japan relies on Abu Dhabi for about a quarter of its total crude imports

FINANCING Japan's Bank for International Cooperation (JBIC) has signed a loan agreement with the Abu Dhabi National Oil Company (ADNOC) for up to $2.1bn to help secure long-term oil supplies.

Seven other Japanese firms, including the Bank of Tokyo-Mitsubishi UFJ, will provide additional financing, taking the total loan amount to $3.3bn, JBIC said in a statement.

HOW WILL JAPAN BENEFIT?
The loans will help Japanese firms in their bid to renew oilfield concessions in Abu Dhabi, of which 60% will expire in 2018.

The loans will in turn help Japanese companies in their efforts to renew oil field concessions in the emirate of Abu Dhabi, of which 60% will expire in 2018, JBIC said. Japan relies on Abu Dhabi for about a quarter of total crude imports.

'Under such circumstances, the objective of this facility is to give indirect support towards the renewal of such offshore oil field concessions', JBIC said in its statement.

JBIC and other Japanese banks have provided three other loan facilities to ADNOC since 2007.

UPCOMING EVENTS
INDUSTRY CALENDAR

- ME-TECH 2016 – 14th February, 2016
  Madinat Jumeirah, Dubai – Conference and an Exhibition
- Egypt Downstream Summit and Exhibit – 15th of February, 2016
  Cairo – Exhibition
- IGTC 2016 – 17th of February, 2016
  Madinat Jumeirah, Dubai – Conference and an Exhibition
- Oman EPC Projects Conference – 22nd February, 2016
  Grand Hyatt Muscat, Muscat – Conference

Have your say:
contact james.henderson@itp.com

Assessing oil & gas' winners and losers

Low oil prices are hurting oil producers, but benefiting consumer countries

About the author:
Colin Chapman is the president of Euro Petroleum Consultants


Oil fell below $30 a barrel in January.

We have all been following developments in oil markets with a mixture of trepidation and puzzlement. The price of crude oil has been trending downwards since mid-2014 dipping below $30 in January 2016. The oil glut amid slack oil demand is changing market dynamics and causing serious concerns amongst oil operators and oil producing nations.

If we take a close look at oil markets trends in recent years, we realise that the conditions leading up to such drastic decline in oil price have been gathering momentum for quite some time. The reasons are very clear and are down to fundamentals of supply and demand economics. Increasing levels of supply and slack demand have been weakening the outlook of global oil markets – the bearish market sentiment became even more evident by the middle of 2014 and there began the crude oil price downward spiral. Saudi Arabia's refusal to cut crude production in the face of excess global supply was a decisive moment; breaking with the tradition of Saudi Arabia acting as the swing producer.

How can we identify the winners and the losers in the global context of low oil prices?

This is not a clear cut task because there are so many different factors and variables impacting current global oil markets. To a certain extent all oil producers are losers when we analyse the potential loss in revenues from declining oil prices. However, some oil producers are more resilient than others taking into account levels of oil production costs and the strength in government finances in the case of National Oil Companies.

Focusing on OPEC countries, the differences in economic wealth and financial strength are quite remarkable amongst member nations. Saudi Arabia, Qatar, Kuwait and UAE are amongst the OPEC countries better equipped to weather the upheaval triggered by low crude oil prices. Saudi Arabia requires crude prices of over $100 in order to balance its budget but the kingdom musters sufficient financial strength and foreign exchange reserves to cope with a long period of low oil prices and low oil revenues. In the United States, shale oil and gas exploration has also been very resilient to low oil prices and the goal posts in terms of break-even points keep shifting to lower levels. The Bakken formation in North Dakota has a break-even average of $40 per barrel but often the break-even point can vary widely even at the same shale formation, for example in the Bakken formation break-even can be as low as $30 and as high as $75 per barrel. However, current low level prices at below $40 are expected to damage considerable number of shale oil enterprises and some decline in the levels of US crude production are expected for 2016.

Russian oil producers are hurting too but are equally resilient – in fact, Russian crude production has increased throughout 2015 and crude exports are at all-time high - chasing dollar revenues. However, the country is suffering from a combination of shrinking oil revenues and economic sanctions – the economy is estimated to have contracted by 4 to 5% in 2015 and government spending had to be curtailed.

Looking at the evidence, we can see that low oil prices have not yet significantly curtailed production levels. In fact market share appears to be the driving concern for the leading oil producers. Russian and Middle East oil producers are trying to secure and expand their market share in the Asia-Pacific region. In recent years, Russia has succeeded in striking a number of very attractive oil and gas supply agreements with China. OPEC is also keen to maintain their oil supply market share in the Asia-Pacific region – 60% of Asia crude oil imports comes from OPEC. Recently Saudi Arabia and Kuwait offered substantial crude oil discounts to Asian buyers to spike interest.

Consumer countries are the winners but oil demand is still weak

Consumer countries are benefitting from the current low oil and gas prices. Low energy prices are boosting economies of Western Europe as well as Asian-Pacific economies. Governments in the Asian-Pacific region took the opportunity to cut energy subsidies easing pressure on public finances. Recent estimates by the IMF indicate that governments in developing countries spent an average of $1.9trn on fossil fuel subsidies.

In developed countries the drop in fuel prices are stimulating domestic economies - boosting business and industry and household budgets. IMF estimates that for every $10 fall in oil price, the global economy is expected to grow by 0.2%. The IMF also estimates that the main winners of low oil price environment are the countries struggling with inflation and large oil subsidy bills such as India and Indonesia. China and Japan are large importers of oil and have reaped significantly benefits from low oil prices. A recent study has indicated that for each drop of $1 in oil price, China saves over $2bn annually.

I would like to reiterate my initial statement that pointing out winners and losers is far from being an easy task. Initial optimism regarding the positive impact of lower oil prices on oil demand has been largely misplaced. In fact, disappointing oil demand growth in both Europe and Asia has given us some pause for thought as we realise more complex political, environmental and economic reasons are also affecting the current oil and gas outlook and prospects for the future.

Colin Chapman is the President of Euro Petroleum Consultants [EPC], a technical oil and gas consultancy with offices in Dubai, London, Moscow, Sofia and Kuala Lumpur. EPC also organises leading conferences and training workshops including the 6th Middle East Technology Forum for Refining & Petrochemicals which takes place in Dubai from 14 - 16 February 2016. For further details please visit www.europetro.com

Dark times: the sun has set on high oil prices.

Have your say:
contact james.henderson@itp.com

Paving a sustainable route for the future

Sustaining capital programmes: Is it time for a new contracting model? Alan McLean has his say.

All at sea: do existing contracting models still make sense?

About the author:
Alan McLean is the executive vice president – Oil & Gas of SNC-Lavalin

In January, oil prices dipped below $30 per barrel for the first time since 2003. And while there are many reasons prices have fallen more than 70% since mid-2014, it doesn't change the fact that we are where we are. The question we have today is: Now what? We know oil and gas operators are adjusting to the new economic realities and rethinking spending plans amid shrinking revenues.

Expectations in the market remain that capital spending programs will be radically curtailed over the coming year, particularly when it comes to any new projects. According to some experts reducing capital expenditure is a natural response to low oil prices, as demonstrated by the oil and gas industry deferring or canceling $200bn worth of planned investments over the past two years. Another $1.5tn of future spending may be uneconomic at current oil prices.

So how do oil and gas operators, and service companies, continue to meet financial targets and shareholder expectations in 2016 and beyond?

One way is for operators and service companies to work collaboratively to squeeze the most out of product margins by reducing costs, increasing production and improving efficiency of existing operations through structured sustaining capital programs. Whether you call it sustaining capital, brownfield work or a maintain potential programme, these typically multi-year agreements to provide engineering and constructions services for plant optimization, debottlenecking, turnaround support and general maintenance engineering support are a key strategy to add capacity and increase efficiency.

So why then, if efficiency and cost savings are the goals, do we continue to have separate contractors for PMC, engineering, and construction services for sustaining capital programs? In a time when margins are so tight, an operator cannot afford the inefficiencies of multiple interfaces, procurement wastage, downtime, or the lost opportunity to utilize contractors that can self-perform the building of the asset as well as the design and procurement stages. When you link the contracts and award to a single contractor, operators can realise many benefits, including:

Costs savings through more streamlined procurement

When the same company that has designed the modification for the facility is also going to be responsible for construction and startup, they will be looking for every opportunity to ensure the right equipment and materials are ordered at the right time. They will also be able to realise savings through standardization of material use across the projects as well as bulk pricing.

Increased revenue through faster time to startup / reduced downtime

Strong project management is just important on several smaller projects as it is on a mega-project but often is neglected. The single contractor has a vested interest from beginning to end when it comes to schedule and cost control and provides consistent leadership throughout the program and reduces the amount of interface required by the operator. The contractor will also be able to identify materials that have long lead times early enough in the schedule so that delivery does not become an issue.

Opportunity to further advance nationalisation efforts

A single contractor approach provides an opportunity to train local engineers in what it takes to build what they have designed and, conversely, educate construction personnel on the various design considerations. Contractors who can self-perform the construction element will be able to cross-train local talent across the full scope of the program, which expands skill sets and makes local hires even more valuable assets on future projects.

Linking overall performance to overall results

A single contractor approach for sustaining capital programs gives operators the opportunity to link the overall operator goal, e.g. time for rig removal to product flow, directly to the contractor's overall performance. What more incentive does a contractor need?

So isn't it time we change the way we contract sustaining capital programs so that operators and service companies alike can take advantage of the benefits described here. This contracting approach will not only help operators navigate the low oil price environment, it will set a standard of efficiency for projects and programs when times are good again to realise better delivery and ultimately, more revenue. And who doesn't want the best service and the best returns?

Fujairah's position in a volatile oil market

In addition to the world-class infrastructure, Fujairah has other characteristics conducive to the development of an oil hub, says Bori Bariman

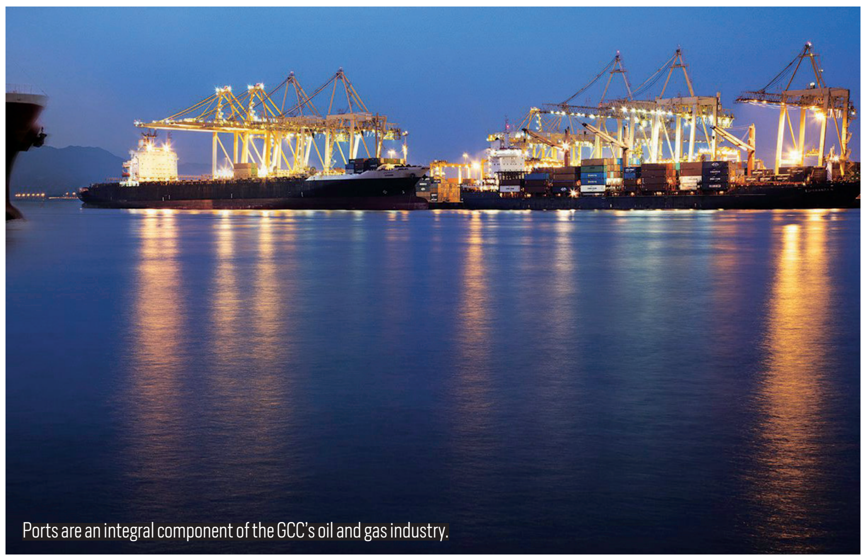
About the author:
Bora Bariman is Head of Energy & Marine - Corporate & Institutional Banking Group at National Bank of Fujairah

Fujairah has raised its profile as one of the world's leading oil trading and bunkering hubs by building world-class terminal and port facilities. Though high oil prices over the past decade were an important factor supporting investment in new energy-related infrastructure, Fujairah has multiple competitive advantages that allow its oil-related industries to operate successfully through cycles of oil prices. Fujairah's unique niche is based on services related to trading and moving of oil.

Its advantages can be classified into 'hardware', such as location and infrastructure, and 'software', such as the regulatory environment and the sophistication of the legal and financial sectors of the UAE to meet the requirements of the shipping and oil trading sectors.

Even though oil price is low, more barrels of oil are being produced in the Arabian Gulf region - which is the target market of Fujairah's storage and logistics terminals.

Fujairah's position on the eastern coast of the Arabian Peninsula, adjacent to the Strait of Hormuz, is an advantage. The Port of Fujairah sits on a critical tanker and trade route linking Europe, Africa and Asia to the Arabian Gulf. The port city is also the landing point for the 380 km Habshan-Fujairah crude oil pipeline, which provides Abu Dhabi with an export outlet on the Arabian Sea coast, cutting down travel time for tankers that would otherwise have to sail through the narrow and busy Strait of Hormuz to load their cargo.



Ports are an integral component of the GCC's oil and gas industry.

The wider Arabian Gulf holds the reserves of large national oil companies, which manage the world's most attractive hydrocarbon reserves.

The Emirate of Fujairah benefits from utilisation of its infrastructure – comprising an oil tanker jetty and 8.8mn cubic metres of storage capacity to date and expected to climb to 14mn cubic metres by 2018. In this respect, it must compete with other world-class oil hubs for its customers, who are oil owners whose products are handled in Fujairah. These include 14,000 vessels which anchor in Fujairah waters and the major national oil companies including ADNOC, ENOC, SOCAR, Sinopec that move physical oil in the region.

It is also working with its oil terminal partners to construct a VLCC jetty that could accommodate the world's largest tankers.

Future projects planned for Fujairah include the construction of additional refining, petrochemicals, and LNG import terminals that can complement the existing energy-related infrastructure.

In addition to the world-class infrastructure, Fujairah has other characteristics conducive to the development of an oil hub, such as a strong marine services market which attracts fleet operators to bunker in Fujairah waters.

As part of the UAE, Fujairah is a respected safe haven that affords international oil traders confidence that their vessels, cargoes, and contracts will be protected within a stable legal and regulatory framework.

UAE's sophisticated financial services sector is capable of meeting the large-scale working capital requirements of the shipping and oil trading sectors.

As oil prices have come down, global oil inventories have risen close to 3bn barrels. A 'contango' market that anticipates higher future prices is also part of this growing oil stock.

To navigate such oil price volatility going forward, the key for the owners of these oil stockpiles, which are also customers of Fujairah's infrastructure, is risk management discipline. Build-up of inventories would be a speculative exposure. Therefore, traders will have to protect themselves by balancing their physical positions with contracts to hedge price risk and lock-in acceptable margins with creditworthy counterparties.


The demand for oil storage is increasing due to low prices.

Banks which lend to the energy industry must also understand the dynamics of their customer's business and help clients actively manage risks through the market cycles. For example, National Bank of Fujairah's treasury desk is active in helping its energy sector clients protect against price swing risks and structure inventories into hedged assets.

Oil price dynamics are difficult to predict, and investment decisions in the industry are examined very closely. Fujairah's investment outlook is built on strong fundamentals. The world continues to consume more oil; and the Arabian Gulf region also continues to produce more oil. With its location, excellent oil infrastructure and sophisticated financial services sector, Fujairah will continue to raise its profile as one of the world's leading oil trading hubs.

Nabil Al Alawi, CEO of AlMansoori, says that the company will achieve double digit growth and employ an extra 400 staff in 2016, despite a 'crisis' in the market

LOFTY AMBITIONS

WORDS: JAMES HENDERSON

Just as I sit down with Nabil Al Alawi, the almost four decade veteran of the oil and gas industry and CEO of AlMansoori Specialized Engineering, one of his trusted managers – 14 serve under him across the business – politely interrupts, informing the boss that a customer has just paid a not insignificant sum for a contract that has recently been completed.

"Now we need to think about the next step," muses Alawi. His employee agrees – "Yes, step by step," he concurs, before making his exit.

Without prompting, Alawi says: "Trying to get money from clients can be like pulling teeth. The oil industry is going through a crisis, we're seeing ups and downs. I've been in the oil industry since 1965, and I've seen the ups and downs, but this particular one is different. Nobody seems to know why [it is happening], and nobody knows how long it is going to last.

"That means there is insecurity, and when that happens there is a tendency to become very conservative, to keep as much as they can because nobody knows what is going to happen. Clients around the world are having cashflow problems, so trying to get payment after a job is done takes

Nabil Al Alawi is passionate about the idea of meeting and going beyond his customers' expectations.

Ibrahim Al Alawi (right), deputy CEO, AlMansoori, receiving the Oil & Gas 2015 HSE Initiative of the Year award

An oilfield equipment manufactured by AlMansoori

a lot of effort and energy. We spend a lot of our time being money collector instead of focussing our energy into making progress and concentrating on becoming better."

It is confirmation of what everybody in the industry already knows – times are tough, particularly for service companies that have seen margins squeezed. And, Alawi tells me, it is not just payment that has become more difficult to collect, so have contracts.

"Everybody is looking at the bottom line, and when that happens it can be easy for companies to forget about what they actually require, which should be the best service possible."

'Service' is a word that comes up time and again throughout the hour long conversation, and it is clear that Alawi is passionate about the idea of meeting and going beyond his customers' expectations. And a one-size-fits-all approach is not going to cut the mustard in such a fiercely competitive market, he says.

"Delivering what a client wants is not just about meeting your contractual obligation," he states. "It's about understanding what is in the head of a client. You have to realise that an Indian client, for example, is going to have different expectations than an American client, in the same way there will be differences between a British client and an Arabic client."

400

THE CEO OF ALMANSOORI SAYS HE PLANS TO HIRE ABOUT 400 PEOPLE IN 2016, AT A TIME WHEN THE GLOBAL OIL AND GAS SECTOR IS REDUCING ITS WORKFORCE.

Alawi says that he impresses this approach on all of his employees, as he believes it will form unbreakable bonds with clients.

"Happy clients do not want to leave you. When a customer like this puts out a tender for work, they will get in touch and ask us what they should be including in the documents, so that there is no barrier for us to be awarded the work."

Such relationships could be the difference between service companies that are competitive and those that fall by the wayside in these turbulent times. But while Alawi concedes that the industry is going through a 'crisis', he has perhaps surprisingly ambitious plans for 2016.

"We are proud to say that when an employee joins us, I want them to join for life. So when there is a downturn, most of the companies terminate the contracts of some of their employees. I have seen that in every downturn I have lived through, but I personally have never terminated an employee because of a downturn in the market. It costs me a lot of money to train staff, and I see my people as my assets, so that's the last thing I want to do," he comments.

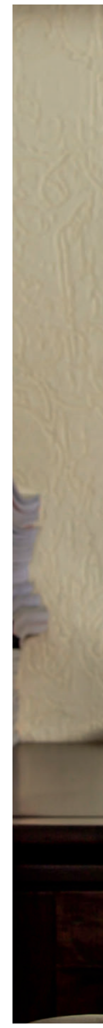
"The downturn for me is a chance to reflect on how I am running my business, and how I can learn to become even more efficient and to be better - it is an opportunity. We're going to hire 400 people in 2016, not cut staff, and we're going to achieve double digit growth – I've already done my budget.

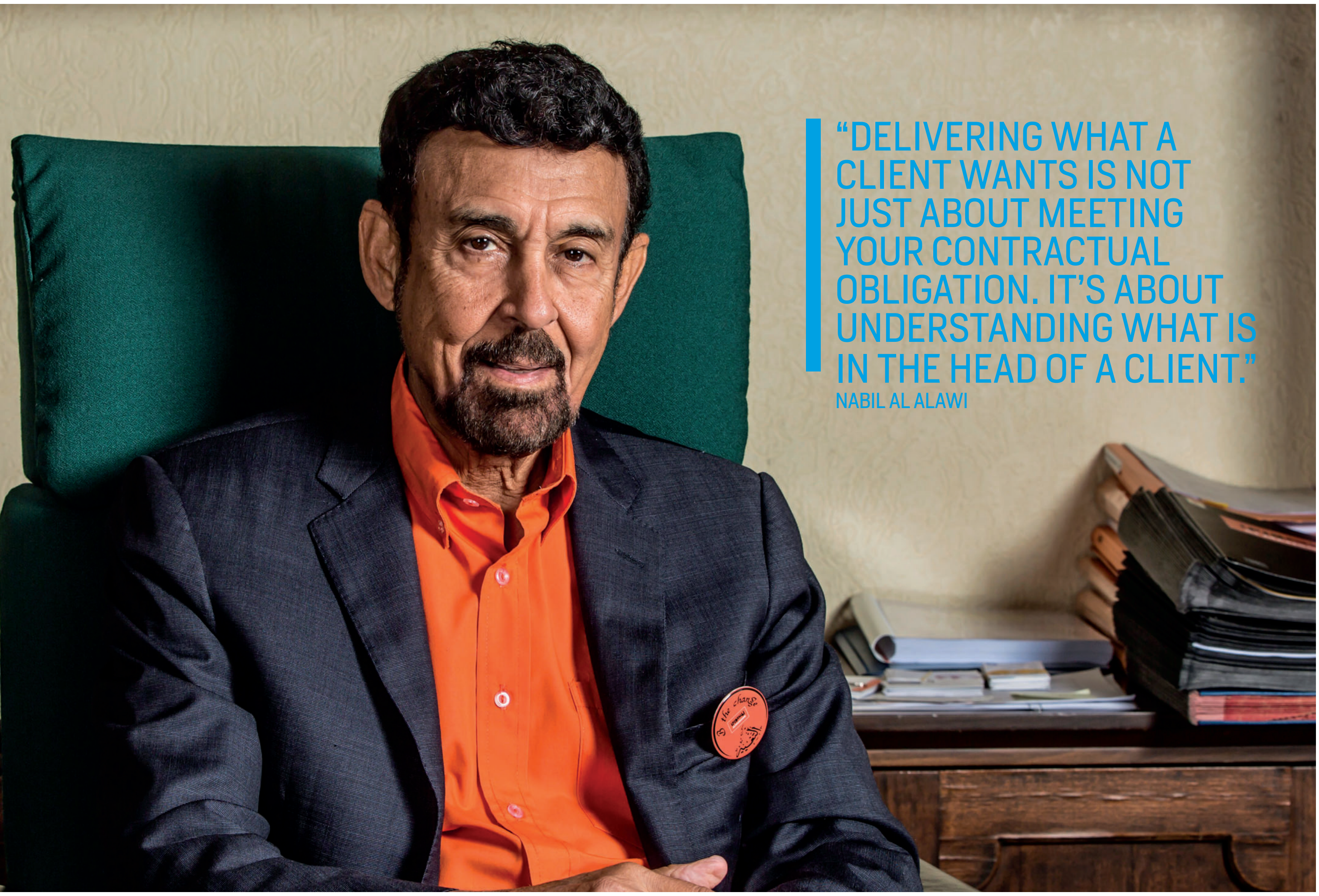
So what is the secret? "That's actually very easy to answer. I have my market; whatever I have I will never lose it. I know I can be ferociously competitive with my market share, and keep that market. Then the opportunity is the market that my competitors have – that's what I'm targeting."

Alawi says the company will concentrate on improving market share in the GCC – mainly in Saudi Arabia, Kuwait, Oman and, of course, the United Arab Emirates.

"These four countries have huge growth potential because they are producing more oil than they have previously," he says. "Every time they produce more oil, they need more service. The clients are going to be giving this work at low, low rates, and those that can compete at those low rates and going to prosper."

Alawi says AlMansoori is very much in that bracket of companies that can live within those tight margins.





> "DELIVERING WHAT A CLIENT WANTS IS NOT JUST ABOUT MEETING YOUR CONTRACTUAL OBLIGATION. IT'S ABOUT UNDERSTANDING WHAT IS IN THE HEAD OF A CLIENT."
> NABIL AL ALAWI

"We are very fortunate that the core of our business is in the GCC countries, so we don't really see a downturn as far as our business growth goes. The major part of our work is in an area where more oil is being produced, so the business is growing, albeit in a market where customers are asking for rates to be discounted. That's why I'm hiring another 400 people; my business is growing, although if you look at the bottom line it is smaller, while the turnover is bigger.

"Being able to grow while customers are asking for discounts is a difficult thing to do, but we are in a fortunate position, because we have high-quality existing assets so we don't have to buy new equipment. That means we are able to turn a profit and that is a big advantage over some of my competitors who are new to the market."

AlMansoori is adding to that existing set of assets with two production testing and stimulation vessels, both of which it has already agreed contracts for. The vessels offer onboard testing equipment and have been designed to conduct

PEOPLE PERSON

When Alawi says he sees his staff as his assets, he clearly means it. Keen to communicate the importance of service to clients, he says that he originally arranged for an external company to come in and train his staff.

"I found the whole thing far too dry," he says, "so I decided that I would start to train the staff myself. I created four service training programmes, each of which is four hours, and they cover a range of areas, including values, attitudes, how to dress, how to shake somebody's hand, etiquette, and how to speak with customers. People can take that type of thing for granted, but it is so important, and we have spared no effort in making sure our approach and philosophy to service is represented by our staff."

The physical and mental health of staff is also close to the heart of the CEO.

"In our company, we have two full-time doctors, and they believe that lifestyle and how people live is very important. When I take employees at 20 years old, I'm obligated as an employer to teach them about their body and their health. If I can teach somebody at 20 about knowing their body, about how to live well, about how to cook healthily, how to go to the super market, then I can have that same person at 40 still at the company, and they'll be management material with the same waistline they had at 20. We have a strong health monitoring system (which was awarded the HSE Initiative of the Year at the Oil & Gas Awards 2015).

"I want to create a feeling of peace, relaxation and no stress, which is very important. At the industrial facility, all of the staff do tai-chi in the morning before work, and the main reason for that is to create health consciousness."

production testing on oil and gas wells with high H2S and CO2 levels. The oil production/testing capability of the vessels can accommodate up to 15,000 bpd with re-injection using oil re-injection pumps and can test single or multi-well developments and to allow full-scale production tests to be performed at remote offshore locations with the minimum of down time.

"The focus in the Gulf is to produce more gas, and to do that you have to go very deep," explains Alawi about the thinking behind the investment.

"To do that, you are working with tight formations that need stimulating. What is needed for that is to frack so that the oil and gas can flow. The deeper the formation, the harder that is. Offshore work needs a vessel and clients are tired of having to work with vessels that are not purposely designed. So when the price of oil was $110 we decided to invest in two new vessels, and now the market is low. But we're fortunate that it's a niche market and although the price is low, it still represents an extremely healthy return on our investment. It was the right decision and there is huge demand for this type of vessel.

"This boat is going to last 20 years, so it enhances our position and puts us in a better position to offer the client services and there are very few service companies who have this kind of vessel in their service offering. Both of them have contracts from the day they will arrive, the first with ZADCO and the second is for ADMA-OPCO."

The deals strengthen the company's 35-year working relationship with ADNOC: "We are on first name terms with a lot of people at ADNOC, and they are comfortable awarding us long-term contracts because they know the level and quality of service they can expect."

Alawi also speaks proudly about the company's relationship with Saudi Aramco, stating that the organisation's 'performance-driven' aligns perfectly with AlMansoori.

"Aramco is really performance-driven, if you work well, they'll be more. I would say it is the only client that we know of that is completely performance driven. Aramco will give you a contract, but never guarantee you any work. The understanding is that if you perform, work can be sustained, if not then you're out. We are a performance driven company as well, so that is something I am very comfortable about – no problem."

SAUDI THINKS THE UNTHINKABLE

The global market, and the energy industry in particular, has been rife with speculation since Saudi Arabia announced it is considering floating shares of Aramco, the world's largest company worth trillions of dollars. It would be a move that is unprecedented in the world's financial history.

WORDS: INDRAJIT SEN

WOULD KSA STILL HAVE CONTROL OVER ARAMCO?

Yes. Even in the event of an IPO, Saudi Arabia would still have a controlling stake in the organisation, with complete authority over its operations.

The world was taken by storm when the Kingdom of Saudi Arabia suggested, just days into the New Year, that it was considering selling a portion of its stake in the most valuable organisation in the world – Saudi Aramco.

"Personally I'm enthusiastic about this step," Prince Mohammad Bin Salman Bin Abdulaziz, Deputy Crown Prince, Second Deputy Premier and Minister of Defence of Saudi Arabia, told *The Economist* magazine in an interview. "I believe it is in the interest of the Saudi market, and it is in the interest of Aramco."

Saudi Aramco - which can be safely estimated to be worth upwards of $2trn dollars – is a symbol of power and influence. With crude oil reserves of about 265bn barrels - more than 15% of all global oil deposits – and about 290tn standard cubic feet of natural gas, Aramco is undisputedly the world's largest oil producing company. Just an IPO (initial public offering) of the enterprise itself would exceed the GDP of most nations on earth in terms of value, analysts say.

The Kingdom is in no hurry to go to market with its most prized possession, with Prince Mohammad telling *The Economist* that just the decision on whether to float shares of Saudi Aramco will be reached within the 'next few months'.

Saudi Aramco Chairman Khalid al-Falih also echoed Prince Mohammad's words, telling The

> **"I THINK SAUDI ARABIA IS DESPERATE FOR CASH. FOR THEM NOW IT IS DIFFICULT TO SURVIVE THE LOW OIL PRICES. SAUDI ARAMCO IS ONE HELL OF AN ASSET AND THAT WILL FETCH THEM HUGE AMOUNTS OF MONEY."**
> CHRIS FAULKNER, CEO OF US-BASED BREITLING ENERGY

Wall Street Journal in an interview that there was no specific timeline yet for the listing, adding it 'cannot be done overnight'. "There is no plan that is concrete at this stage to do the listing. There are studies ongoing. Serious consideration," Falih said.

'Unthinkable' or 'inevitable'?

Just the very word that shares of the world's biggest company can be up for grabs in the future, has stirred the global economy. While some have offered exalted opinions of Saudi's move, terming it 'the unthinkable' and 'the biggest sale known in the human financial system', many others believe the move was 'inevitable'.

The energy heavyweight has been heavily burdened by the impact of declining crude oil prices, ever since it led the cartel to decide (late in 2014) on pumping hard to sideline the US, Russia and other non-OPEC oil producers from the world's energy marketplace. The horizon appears gloomy for oil prices - occasionally trading under $30 a barrel currently – as the US lifting its 40-year-old ban on oil exports and Iran vowing to drill 500,000 barrels each day in its post-sanctions era, are only set to worsen the global supply glut (not to mention the diplomatic standoff between Saudi and Iran, which has the potential to deal more blows to oil prices).

Saudi Arabia posted a record $98bn budget deficit in 2015, due to the free fall of oil prices, the highest budget deficit in the history of the Kingdom. Revenues were estimated at $162bn, well below projections and 2014 income, while spending came in at $260bn, the Finance Ministry announced in December. Saudi's oil revenues, which have nosedived in the past few months, leads the country to project $87bn in fiscal deficit for the year ahead.

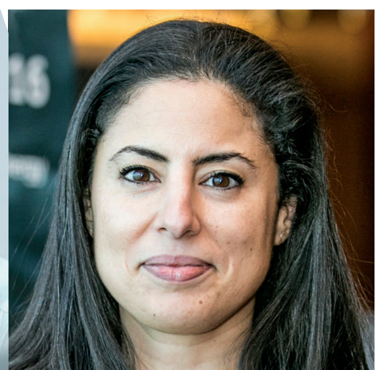
The monetary crunch forced the Saudi government to discontinue its decades-old lavish fuel subsidies, and hiked prices for fuels, water and electricity as well as gas feedstock used by industry, to save much-needed cash. Most believe Saudi contemplating going to market with Aramco shares is part of that same ardent drive to raise liquidity.

"I think Saudi Arabia is desperate for cash. For them now it is difficult to survive the low oil prices. Saudi Aramco is one hell of an asset and that will fetch them huge amounts of money. It is the world's biggest company and it will be the world's biggest IPO," Chris Faulkner, CEO of US-based Breitling Energy, told *Oil & Gas Middle East*.

"They could raise capital by selling some shares and make money. But I think, in the long run. they do need a lot of money to cover their deficits, to survive the oil price shocks. The way in which Saudi Arabia has been involved in this game of chicken with Russia, Iran and the United States, means it needs significant amounts of money to pay for survival," he stated.

However, there are other experts who seem to think that even if the Saudi government does float Aramco shares on a stock exchange, it would only be a normal thing. "I think Saudi Arabia's sole motivation for the move reflects governments' intention to list their assets from time to time to just raise some cash, and bring in some international expertise," Dave Ernsberger, an oil expert at Platts, told *Oil & Gas Middle East*.

There are still others who think Saudi Arabia's announcement in January was an effort to assure the world that it has enough wealth to weather



↑ Sirine Tajer, managing director, MENA Energy Aspects.

↖ Saudi Aramco Chairman, Khalid al-Falih.

← Chris Faulkner, CEO of US-based Breitling Energy.

the low oil prices-driven cash crunch. A quarter of respondents (24%) to a survey of 250 energy professionals operating in the Middle East, conducted during the 7th Gulf Intelligence UAE Energy Forum in Abu Dhabi in January, said a possible Aramco listing is a message from the Kingdom to the world that it has enough valuable energy assets to easily navigate the current era of falling oil prices.

"Saudi Aramco can navigate lower oil prices without even resorting to these sort of assets (Aramco shares)," Marios Maratheftis, global chief economist at Standard Chartered bank told the Forum. "The foreign exchange reserves in Saudi Arabia are 1.5x the money they have in circulation domestically on the ground," Maratheftis added.

Low oil prices have hit KSA hard, as the country relies on oil revenues to fund infrastructure projects. ↓

What and where can the offer be?

Since the value of an Aramco IPO, should a public listing ever become a reality, is unprecedented, answers to crucial questions surrounding it remain unanswered. What share will Aramco offer, for instance?

24 PERCENT

A QUARTER OF INDUSTRY PROFESSIONALS SAID A POSSIBLE IPO IS A MESSAGE FROM KSA THAT IT HAS ENERGY ASSETS TO NAVIGATE FALLING OIL PRICES

Soon after Prince Mohammad's disclosure, Aramco itself issued a brief statement saying it was considering options including the stock market listing 'of an appropriate percentage of the company's shares and/or the listing of a bundle (of) its downstream subsidiaries'.

"We are considering a listing at the top. So a listing of the main company, and obviously the main company will include upstream," Falih said in his interview to *The Wall Street Journal*. "Many of these assets are also with other joint-venture partners so we have to go through the process of reviewing the legal agreements between us and our partners," he said. "It will take time."

Aramco's chief executive officer, while asserting that the Saudi government will firmly remain in control of the state oil giant even if it were to float shares, did confirm that the enterprise's refining assets were considered for sale. "A range of options are being considered, including the listing in the capital markets of an appropriate percentage of Saudi Aramco shares with the government retaining a controlling interest, as well as the option to list a bundle of downstream businesses and interests," Amin Nasser wrote in a letter published in Aramco's weekly magazine *The Arabian Sun*.

"Saudi Aramco is targeting economic efficiency, so they might just leverage some of its downstream assets to the international market, like some of the IOCs," Sirine Tajer, managing director, MENA Energy Aspects, told *Oil & Gas Middle East*. "But I think there is lower likelihood that they will ever touch their upstream operations, as those are their strategic assets; they might never proceed to that."

According to 33% of the respondents to a relevant survey question during the UAE Energy Forum, Saudi Arabia's announcement suggests that Aramco is following the global trend of divesting downstream refining assets.

Saudi Arabia has been known to passionately guard state secret. Given the fact that publicly listing Aramco would not just reveal the operations of the unbelievably large company, but also lay bare the inner workings of the Saudi ruling establish-

↑ Aramco has spent millions of dollars to develop fields in remote locations.

→ Amin H. Nasser is the President and CEO of Saudi Arabian Oil Company Saudi Aramco. He was acting president and chief executive until September 2015, when he assumed the positions permanently.

ment, analysts predict that the government will most likely list Aramco on a stock market within its influence.

"I don't think they (Aramco) will list in the United States. I don't think they would want to come under the scrutiny of the SEC (Securities and Exchange Commission). I think they will go for a stock market that is more under their control," Faulkner says.

Ernsberger sang in chorus saying, "Listing Aramco on the Nasdaq or the London Stock Exchange will not be Saudi Arabia's priority." He even goes on to suggest that "Saudi's decision has also equally to do with developing Riyadh's stock market, as it has to do with Saudi Aramco."

Falih himself told *The Wall Street Journal* that any listing of Aramco would be primarily on the domestic stock exchange but he did not rule out international listings. "I would not exclude at this stage international listings given the potential size," he said.

Beginning of a trend?

The GCC's economic and diplomatic policies have mostly been alligned and led by Saudi, as multiple instances in the past and present day prove. The majority of the Gulf countries have taken the unprecedented move to reduce fuel subsidies in a bid to offset growing budget deficits. The United Arab Emirates removed subsides on domestic fuel in August, while Saudi Arabia did in Decem-

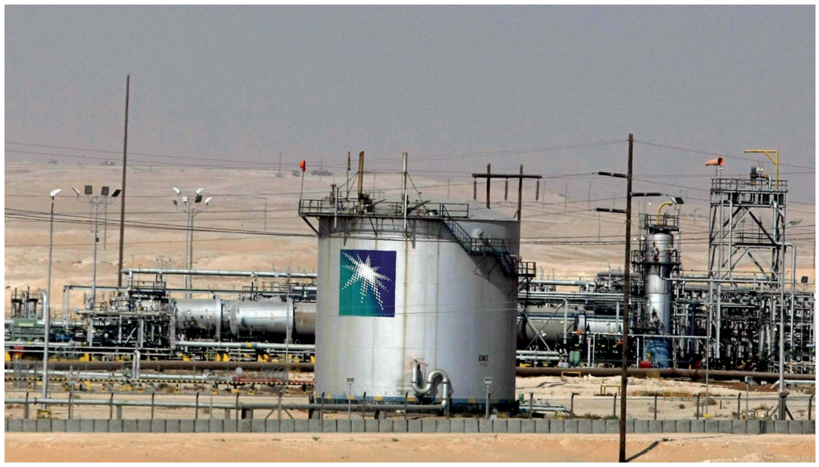
I THINK THERE IS LOWER LIKELIHOOD THAT THEY WILL EVER TOUCH THEIR UPSTREAM OPERATIONS, AS THOSE ARE THEIR STRATEGIC ASSETS."

SIRINE TAJER, MD, MENA ENERGY ASPECTS.

Any IPO would likely be for a minority stake in Aramco's down-stream operations and assets.

ber. Oman and Bahrain have followed suit in January, while Kuwait is expected to take a similar stance on fuel subsidies in the coming months.

Saudi Arabia's under-consideration floating of shares of Aramco is being interpreted by some in the industry as the beginning of a new era of privatisation in not just the Kingdom, but across the bloc.



Another survey during the Gulf Intelligence Forum also reported that 15% of respondents saying that they believe Saudi Aramco's move may trigger other state-owned energy companies, including those in the Gulf, to consider IPOs as a way to counter the negative impact of lower oil prices.

"Saudi Aramco's announcement of a possible IPO could be the thin edge of a wedge of countries and companies across the region that are looking at assets and thinking, 'How can we free up some capital to navigate this period of lower oil prices?" Trevor Sikorski, head of natural gas, coal and carbon at London-based research consultancy Energy Aspects, said.

Prince Mohammed himself appeared to indicate in his interview with *The Economist* that Saudi Arabia's thought of an Aramco IPO, as part of a privatisation drive to raise money in an era of low oil prices. Aramco CEO Nasser, who is chairing a steering committee overseeing the process, also reiterated in his article that the government's privatisation initiative and broader economic reforms as the two key drivers behind the move to disburse a fraction of Saudi Aramco.

[THE] ANNOUNCEMENT OF A POSSIBLE IPO COULD BE THE THIN EDGE OF A WEDGE OF COUNTRIES AND COMPANIES ACROSS THE REGION THAT ARE LOOKING AT ASSETS AND THINKING, 'HOW CAN WE FREE UP SOME CAPITAL'".
TREVOR SIKORSKI, ENERGY ASPECTS

All the analysis and opinions aside, global stakeholders are reportedly vying to claim a share of Saudi Aramco stock. JP Morgan Chase and HSBC are likely to win a role in the preparation and listing of an IPO of Saudi Aramco. According to *Bloomberg*, both banks boast a 'presence' in the country that goes back decades. JP Morgan and HSBC helped arrange a $10bn loan for Aramco last year. Deutsche Bank, which advised Aramco on a $3bn joint venture with Lanxess in September, may also play a role in the system.

Bloomberg reported that Aramco will also likely appoint some of its key local lenders from the Kingdom for the IPO; however, 'no mandates have been awarded yet and Aramco hasn't sent out requests seeking advisory roles', the report added.

With regards to the question of whether international energy or financial institutions, American companies in particular, will show interest or not, Faulkner said, "It depends on what Aramco offers and intend to make public."

Ernsberger, however, said: "Should Saudi Arabia float shares of Aramco, US energy companies would invest 'at the drop of a hat."

Ali & Sons

OIL & GAS

AUTOMATIC FOR THE PEOPLE

Once a peripheral subject in the oil and gas world, process automation has become an integral part of the industry drive for increased efficiency and productivity

WORDS: SLAVKA ATANASOVA & JAMES HENDERSON

Derek Middlemas, managing director, Digital Assets Projects, Aveva, still remembers the time when the oil and gas industry was miles away from realising the importance of process automation. It was the start of the millennium, the oil price averaged at just over $30 a barrel - not too different from today - and boosting profit, while lowering cost was a lot higher on boardroom agendas.

"The engineering to them was some sort of nasty stuff that went on in some back office," he recalls.

"But then the Texas City incident happened and all of a sudden operators were saying that they don't want their people on the plant any more than they need to be to do a job."

Middlemas refers to a massive explosion that took place at a BP refinery in 2005 which took the lives of 15 people and left many more injured. In the aftermath of the incident, companies and government bodies around the world took steps towards introducing new and much stricter health and safety rules.

"People were killed on the plant just because they happened to be on it," Middlemas points out.

But this no longer needs to be the case. Thanks to modern engineering and product innovation, the physical presence of people on the plant is no longer required as much as before.

We now live in an era when remote control and instrumentation are becoming more and more mainstream, which in turn significantly reduces the need for human intervention.

"In a safety situation that can be quite critical. You can't really put a dollar or a Return on Investment (RoI) on that but it's more like an insurance policy where you are actually insuring that there is less chance of something going wrong," Middlemas explains.

"You know what they say: 'Mistakes don't happen because operators do the wrong thing, mistakes happen because operators do the right thing with the wrong information.'"

To maintain your plant's optimal performance, you need accurate, up to date data, which surprisingly enough can prove hard to source. Contrary to popular belief, one of the main challenges facing operators today is not the amount of data that machines store and collect, but the quality of this data and the way it's being managed.

Oilfields can be monitored and sometimes controlled from hundreds of miles away.

> **"YOU KNOW WHAT THEY SAY: 'MISTAKES DON'T HAPPEN BECAUSE OPERATORS DO THE WRONG THING, MISTAKES HAPPEN BECAUSE OPERATORS DO THE RIGHT THING WITH THE WRONG INFORMATION."**
> DEREK MIDDLEMAS, MANAGING DIRECTOR, DIGITAL ASSETS PROJECTS.

"If you are an operator and you are going to make a decision, you have to know that the data that you are making that decision on is accurate. If you look at a lot of cases where wrong decisions are made, it is because the available data is either incorrect or inconsistent," says Middlemas.

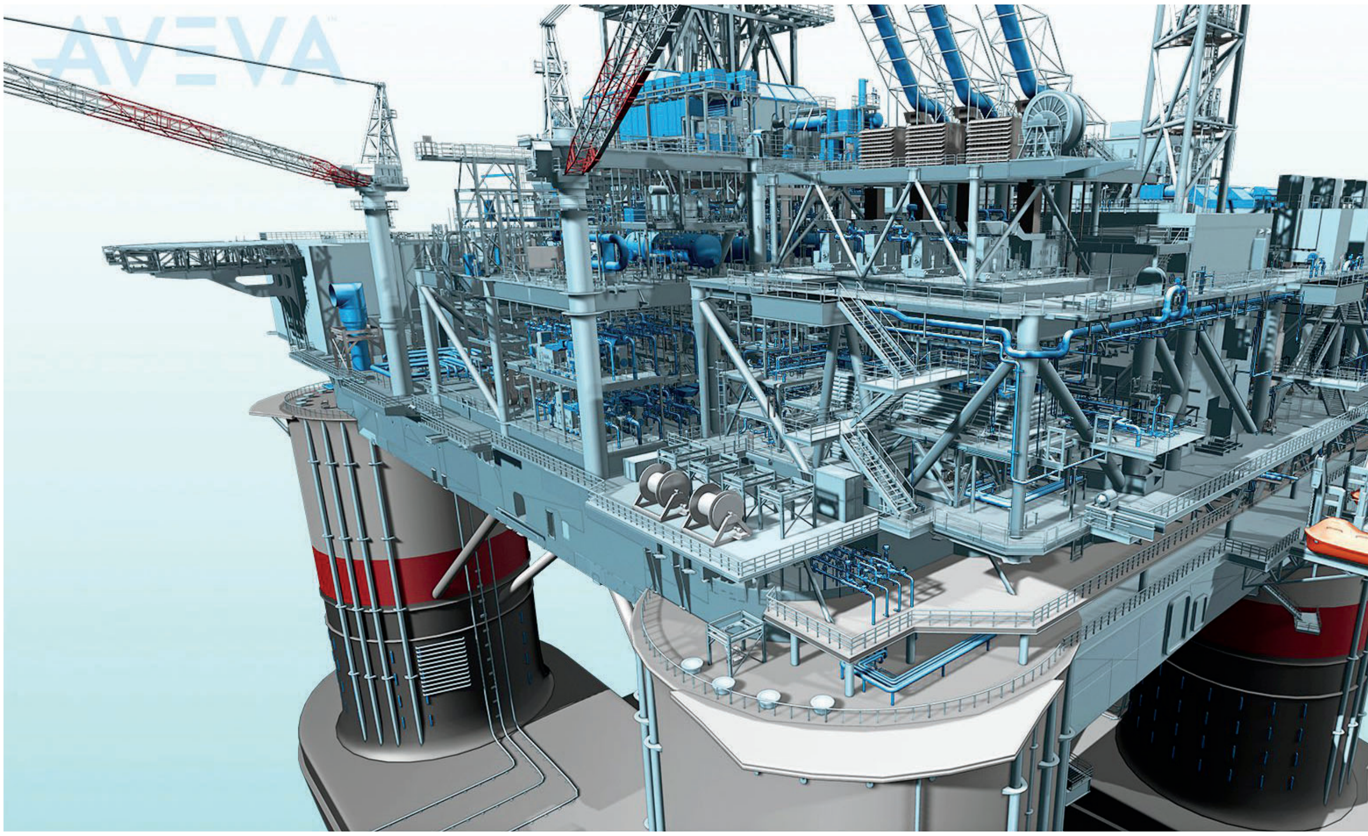
Data accuracy and precision is without doubt of vital importance to ensuring smooth and optimum performance of the plant and the entire operations.

With automation in oil and gas expected to more than double over the next five years, engineering experts and producers alike spend billions of dollars every year on improving the quality of information generated from their assets.

As one of the largest information technology providers in the world, Aveva boasts an extensive portfolio of data-driven software, two of which – Aveva Engage and Digital Asset could revolutionise the industry's approach to plant management and planning, as Middlemas explains.

"It is all about effectively transforming the decision-making process that goes on in a plant: from various small singular things to larger aspects of planning plant shutdowns and executing them properly, to improving the ability of operators to act and make the right decisions with regard to any abnormal alarms in the plant."

Another significant benefit of the technology is



Derek Middlemas, managing director, Digital Assets Projects

improving workers productivity by providing the right information in a speedy and timely manner, while reducing task execution time as well.

"When you are doing a major modification to a plant you have to do that and do some engineering work and then you have to move that engineering data into the operating systems.

"We have a customer in Canada that was actually saying that they can turn something that normally takes them five hours to get the data across for particular tank projects, for one hour, so they save four hours on you can have 20-30,000 tanks to move across and through the data you can soon see how they are improving that particular ROI."

Improved planning during costly and time consuming plant shutdowns is another undeniable advantage that operators nowadays cannot afford to ignore.

"If you are planning a shutdown of the plant and a turnaround and provided that you've got all that engineering data if you can actually visualise the plant, then you can make better decisions, you can shorten the turnaround time.

"That's not just about providing all the engineering data and technical information but doing it in a way that allows people to make the right decisions."

$47BN

ANALYSTS PREDICT THAT THE PROCESS AUTOMATION, BIG DATA AND ANALYTICS MARKET COULD BE WORTH IN EXCESS OF $47 BILLION BY 2017.

Brownfield projects are a major focus for Aveva at the moment due to the lack of readily available, up to date data information on older plants, Middlemas explains.

"Many of the new projects have a really good data. Whereas if you've got a refinery that's been there for 20 years and you haven't looked after its data, then you have a major problem. You have to reverse engineer the engineering data about the plant. So, that's where very often you have to come in with a laser scan – you have to laser scan the whole plant in 3D and you have to rework the lines and P&IDs, etc.

"That's a big challenge for people in brownfield projects. There are very few plants in the world that can put their hand on their heart and say they've got up to date critical data on their plant."

"So we aim (with our technology) to filter out, or

"MANY NEW PROJECTS HAVE A REALLY GOOD DATA. WHEREAS IF YOU'VE GOT A REFINERY THAT'S BEEN THERE FOR 20 YEARS AND YOU HAVEN'T LOOKED AFTER ITS DATA, THEN YOU HAVE A PROBLEM."

to provide our customers with the ability to filter out, all [the data] and only bring together what they need to support specific decision making process; and make sure the information is easy and accessible for all departments," says Derek.

In process automation, big data and data analytics will remain major trends in 2016. According to Wikibon, the total Big Data market reached $11.59 billion in 2012, ahead of their 2011 forecast. It reached $18.1 billion in 2013, an annual growth of 61%, which puts it on pace to exceed $47 billion by 2017.

"The latest trends that we see have to do with big data, and how we transform data into mean-

↑ Plants can be monitored in real time from remote locations

ingful information. Remote collaboration is a big trend which we see people apply, i.e. making sure they can operate their assets remotely," said Yiannis Bessiris, regional business leader for advanced solutions at Honeywell Process Solutions.

"Another trend that's definitely coming very strong to the oil and gas market is the Internet of Things (IoT).

According to Bessiris the focus will be on understanding how different assets "communicate" with each other and how to get more information from existing assets in order to enhance their performance.

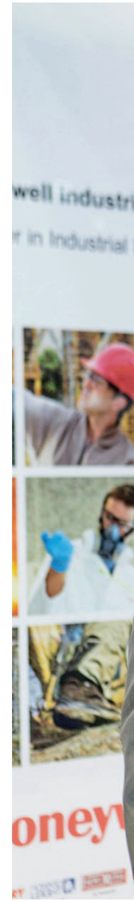
"Nowadays it is very easy to get hundreds of gigabytes of data sitting somewhere in a hard disk but how do you make sense of that data?

"We have a very strong technology offering which definitely makes the collection of data much easier. When you couple this with our OTC capability, you can connect with any kind of application or solution in an industrial arena.

On top of this, we have a specific department that addresses the challenge of providing functionalities and solutions to customers to make sense of the data. For asset management, we give you all the tools and analytics that would try to predict and tell you what's happening in the plant.

As you go higher in the application, we have key performance indicators, KPI solutions, where you consolidate your data into KPIs which are very easy to monitor all the way to the senior level.

"With all the automation that's happening in the market, it is impossible to operate a plant without a DCS. [Automation can help] minimise the need to have people in the field. You can do a lot more things remotely nowadays. And though I don't think we can completely remove people from the field, we can equip them better to keep them safe," Bessiris added.



Q&A - GHASSAN BARGHOUTH, VP OIL & GAS AND INDUSTRIAL SEGMENTS, MENA, SCHNEIDER ELECTRIC

How has the low oil price had an effect on the process automation market?
While the pricing dynamics have had an impact in driving operators to revisit their operating costs, the primary effect on the Process Automation Market has been that of prioritising OPEX (operational improvement/lifecycle management) over CAPEX (major projects/expansions).

What benefits does process automation techniques and technologies offer operators?
The safe and secure platform of process automation technologies provides oil and gas operators far more control over their ability to produce and process fuel, as well as optimises production.

Process automation allows operators to ensure the safety of their workers by removing them from potentially life-threatening situations. Automated plants allow workers to carry out a host of operations from the safety of a control room, rather than sending them out into hazardous environments.

How much of a driver is safety and security in the process automation market?
Safety and security have always been a top concern for the industry, particularly in terms of ensuring the safety of plant, equipment and people, as well as meeting environmental standards. Now, with new threats on the rise, such as cyber-attacks, there is a greater focus placed on improving the measures that are taken to protect and secure people, property, communities and the environment.

How are providers ensuring their auto-

"YOU CAN DO A LOT MORE THINGS REMOTELY NOWADAYS. AND THOUGH I DON'T THINK WE CAN COMPLETELY REMOVE PEOPLE FROM THE FIELD, WE CAN EQUIP THEM BETTER TO KEEP THEM SAFE."
YIANNIS BESSIRIS, HONEYWELL PROCESS SOLUTIONS.

Having said this, it is important to recognise the complexity of big data in industrial operations. As Jeff Immelt, chairman and CEO, GE, recently pointed out: "industrial data is not only big, it's the most critical and complex type of big data.

"Our greatest challenge and opportunity is to manage and analyse this data in a highly secure way to deliver better outcomes for customers and society. We are developing more predictive solutions and equipping our products with sensors that constantly measure performance so our customers see major productivity gains and minimise no unplanned downtime.

"Observing, predicting and changing this performance is how the Industrial Internet will help airlines, railroads and power plants operate at peak efficiency."

← Yiannis Bessiris, regional business leader for advanced solutions at Honeywell Process Solutions.

mation products and technologies are secure?
The benefits from real-time enterprising provides an impetus to stay connected. The Automation industry is now adopting significant IT-based tools, procedures and processes right from the design stage. This ensures that each critical component that is connected on a network is either secured with a process or procedure-oriented security protocol, or has been embedded with proprietary arbitration of commands being received, to allow for isolation from other factors.

How beneficial can automation be to operators working in remote or unsecure locations?
With telecommunication networking at such an advanced stage of saturation on existing platforms, process automation system implemented with safety and security provides immense benefits for operators to not only monitor their operations in real-time, but also perform all necessary controls on remote and unsecure locations from a central hub. Process automation and remote operations management additionally delivers greater infrastructure resilience from cybersecurity dangers, as wells as enables information transparency, which helps to improve accountability at every level of intervention.

The oil and gas market can be quite conservative. How quickly has the market taken to process automation?
While this might have been the situation earlier, over the last decade, the oil and gas market has begun to embrace the latest developments in technology. This is not simply due to the availability of technologies, but also because of the increased capabilities of solution providers to proof test the new technologies more quickly and with improved reliability.

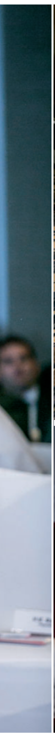
The increase in cyber-attacks over the last 5 years has also fuelled technology adoption even further. Nearly every successful Process Automation Provider in the market today offers products that are fully compliant to latest regulations.

What trends do you expect to see with process automation?
We expect the graph to stay positive, although with relatively lower scale of economies. While global market indicators are sobering, we expect spending by the oil and gas industry to remain consistent in order to sustain expected production levels with the readiness to respond to economic and political changes. The process automation market will continue to help operators sustain and improve their levels of agility.

WORDS: INDRAJIT SEN

INDUSTRY PLAYERS GENERATE ENERGY

Despite worrying signs about the global oil market's oversupply situation and the subsequent decline in crude prices, over 250 industry professionals gathered at the Gulf Intelligence UAE Energy Forum in Abu Dhabi last month. They were unified in their opinion that the oil and gas sector is highly resilient and is well placed to ride out the current troubles.

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The Gulf Intelligence
UAE Energy Forum 2016

Delegates gathered at the January event.

Falling oil prices are never far from the top of the agenda, especially at an event attended by Oil Ministers from around the GCC, company owners and senior energy executives. In total, the 7th Gulf Intelligence UAE Energy Forum brought together over 250 energy stakeholders to Abu Dhabi to deliberate on crucial issues and events impacting the oil and gas industry in the Middle East.

Held under the patronage of HE Suhail Mohamed Faraj Al Mazrouei, UAE Minister of Energy, the event was also attended by Dr. Emmanuel Ibe Kachikwu, Nigerian Minister of State for Petroleum Resources and OPEC President, to name two of the high-profile dignitaries who made some vital comments about the state of affairs in the energy industry. Making an inaugural address to the event on behalf of Mazrouei (who came in later in the day), Dr. Matar Al Neyadi, Undersecretary in the UAE Ministry of Energy said, “2016 will be in an interesting year for the UAE. The nation has strong economic fundamentals.”

In his speech, Neyadi reiterated the fact that the UAE became the first country in the GCC last year to do away with fuel subsidies, a major economic reform policy. The UAE in August last year decided to lift subsidies on fuel prices, by making them ‘market-linked’. Chaired by Neyadi, the Fuel Price Committee – which includes members including the Undersecretary of the Ministry of Finance, CEO of ADNOC Distribution, and CEO of Emirates National Oil Company (ENOC), has been announcing fuel prices on the 28th of each month (for the following month).

As the forum proceeded, various other energy industry heavyweights took to the stage to address the gathering or to participate in panel discussions, which were moderated by senior partners from Gulf Intelligence, as well as celebrity CNN anchor John Defterios. Intermittently, to keep the audience engaged, multiple poll questions on various industry trends and events were posed, with voters given 10 seconds to choose their answers.

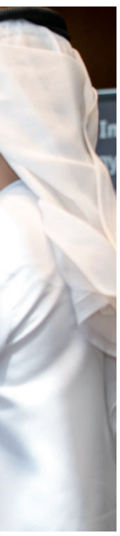
51 PERCENT

51% OF RESPONDENTS VOTED THAT OIL PRICES ARE UNLIKELY TO RISE ABOVE AN AVERAGE OF $40 PER BARREL THIS YEAR.

Snap polls mirror public opinion

The first major question, quite aptly, that was posed to the audience was the way ahead for global crude oil prices. A majority - 51% - of respondents voted that oil prices are unlikely to rise above an average of $40 per barrel this year, putting additional pressure on governments and energy companies to cut their capital costs further. While 28% voted saying prices would remain around $30 a barrel, another 13% said prices could settle at $50 a barrel. The remaining 3% turned out to be an optimistic lot as they felt oil prices could recover to above $60 a barrel.

In retrospect, 41% of respondents expected oil prices to average $60/barrel in 2015 during the same GI Industry Survey in January last year. Contrastingly enough, oil prices continue to fall to new lows – presently trading at below $30 a barrel, as OPEC’s policy to maintain market share – a



A speaker makes his point to the audience.

move that has contributed to falling oil prices – has not weakened output from non-OPEC producers, including US shale oil producers. The oversupply is set to continue in 2016, it is wide believed.

Lower oil prices have taken a hefty toll on governments whose budgets are heavily supported by energy revenues, including OPEC members. Oil and gas companies are also slashing expenditure and increasing staff redundancies in the GCC and beyond. Nearly 45% of respondents to another poll question on the topic said that the restrained budgets in the Gulf will be the top macroeconomic factor affecting the oil and gas sector in 2016, followed closely by China's economic weakness (38%). The weakening economies in the majority of BRIC countries (Brazil, Russia, India and China) and the US' decision to increase interest rates will not have as much of an impact, with only 10% and 8%, respectively.

To another burning question on climate change and global warming, a strong majority (71%) said that oil producers and companies will revise down their reported recoverable reserves of fossil fuels following an agreement at the COP 21 climate change meeting in Paris last December to limit global warming to below 2°C and strive to keep temperatures at 1.5°C above pre-industrial levels.

> "IT TOOK EIGHT YEARS FOR THE UAE TO INCREASE THE CAPACITY AND COST $75BN. IT TAKES LOT OF TIME TO CONDUCT A PROJECT AND COME UP WITH A MECHANISM. THAT'S OUR EXPERIENCE. GOOD LUCK IF ANYONE CAN DO IT IN SIX MONTHS."
>
> HE SUHAIL MOHAMED FARAJ AL MAZROUEI

OPEC emergency meeting

Member states of the Organisation of Petroleum Exporting Countries (OPEC) may decide to gather for an emergency meeting in March, if oil prices do not improve, the cartel's president has said. "The oil prices are moving lower faster than the oil barrels can come off the market," Kachikwu told Defterios during an interview at the forum.

"We (OPEC) may hold an emergency meeting towards the end of the first quarter (end of February or March) if prices remain at current levels," Kachikwu added. He revealed that 'a couple' of member states had requested for such a meeting, ahead of the group's scheduled meeting on June 2, "to discuss and reconsider strategy", without naming the two countries.

Kachikwu told the audience that Saudi Arabia has never held the position that it does not want to talk. "In fact, it was very supportive of a meeting before June, at the time when we held the December meeting, if a consensus calls for it." OPEC decided to keep the output level unchanged at their meeting on December 4 in Vienna. Oil prices tumbled by more than 60% since 2014 due to overproduction and weak demand; from a peak of $115 per barrel in June 2014, prices have currently tumbled below $30 per barrel.

Later during the forum when Defterios invited both the UAE and Nigerian oil ministers for a candid interview session, Mazrouei seemed hesitant to nod to such a proposal of an OPEC emergency meeting. "There is a mechanism to call for an Opec

500,000

THE UNITED STATES IS PRODUCING AROUND HALF A MILLION BARRELS OF OIL PER DAY, ALTHOUGH THIS IS PREDICTED TO INCREASE.

↑ Speakers gear up for another session at the energy forum.

↘ Delegates take a refreshment break at the event.

meeting. Anyone can ask the Secretary General putting the reasons to have the meeting. What are we going to agree is that we need to be convinced. I am not convinced that Opec solely, unilaterally can change the strategy just because we have seen the low in the market," he said.

He reiterated that OPEC was not 'solely responsible' for the global oversupply of oil, adding that the UAE has no plans to increase production this year. He said that the OPEC strategy to defend market share is working. "We have seen reduction in the yearly gradual increase in production from non-OPEC nations. It's working for the customers, with the customers allowing the market to balance itself. The strategy of OPEC is to allow the market share...fair market share. Let the people compete and price be the judge."

Mazrouei said that there is going to be a correction before the end of 2016 in oil prices: "We are going to see a correction. The market fundamental tells us this. The increase in demand at the end of 2015 was higher. The market will solve it. That is the only fair assessment of the current situation. The first six months going to be tough. It will be gradual. We will get out of the mess. We tried in OPEC to help as much as we can."

Mazrouei further said that no projects will be cancelled due to drop in oil prices, although there is a concerted effort to reduce costs. "This is the trend all producers are doing. We are seeing good results. We are reducing the costs but not cancelling projects," he said.

On Iranian oil entering the market, he said all OPEC members including Iran have the right to increase their production. "We are not going to restrict anyone from producing. There is no such mechanism. It took eight years for the UAE to increase the capacity and cost $75bn. It takes lot of time to conduct a project and come up with a mechanism. That's our experience. Good luck if anyone can do it in six months."

The South Asian equation

The ambitious India-Iran-Pakistan gas pipeline may not materialise due to differences between India and Pakistan, former Indian ambassador to the UAE, Oman and Saudi Arabia, said at the forum.

"We made tremendous progress. The problem was the state of our relations with Pakistan. The problem is not with Iran. We reached up to the price stage. But then the problems began due to the collapse of Musharraf regime (former Pakistani president Pervez Musharraf). I do not believe the pipeline will happen," Talmiz Ahmad commented.

He said India does not have potential oil reserves and 80% of import is from the Gulf region. "The import dependency will be 90% in the medium

Attendees listen intently to one of the event's speakers.

A delegate takes notes at the energy forum.

term to long term. There might be a shift towards renewables and nuclear energy, but it is uncertain as of now. India will continue to be a fossil fuel based economy."

India is now negotiating with Iran to build $4.5bn under-sea gas pipeline bypassing Pakistan, according to media reports. The planned pipeline from the Iranian coast via the Gulf of Oman and Indian Ocean to India's Gujarat state is proposed to carry 31.5mn standard cubic metres of gas per day and is expected to be built in two years.

Meanwhile, a top energy official from Pakistan seated at the same panel discussion said the country is building its own pipeline from Gwadar port to mid-country for LNG supply, which will have additional capacity for any import of gas coming from Iran. "Once we get the right signals from the international community and from the government to go ahead, we are all set to go and build the interconnectivity pipeline with Iran," Zahid Muzaffar, chairman of Oil & Gas Development Co Ltd (OGDCL), Pakistan's national oil and gas company, told the forum.

The American perspective

The deal unveiled by US Congressional leaders to lift longstanding restrictions on US crude exports comes as a big surprise to world oil markets. It also poses important new questions for the rest of the world - where the US could, intriguingly, be jostling with Iran for market share.

"The OPEC has a history of underestimating US shale oil production," Dave Ernsberger,oil expert at Platts, told journalists gathered at a special media roundtable post the forum. "The US is currently producing around 500,000 barrels per day (bpd). We might see that figure rising to 1mn bpd by the end of this year," he said.

Ernsberger also revealed that US shale oil producers have taken a hit due to the low oil prices and the pressure exerted by the OPEC producers in the global crude oil market, as a result of which many rigs are going offline. "There are about 650 rigs operating in the US right now, one-third of what was at the peak," he told *Oil & Gas Middle East*.

He further said that the US is likely to export a few thousand more barrels by the end of 2016. "It seems more likely that refiners in Europe and Asia will be weighing up offers to buy crude from Iran and Iraq long before they turn their attention to what it would cost to get their hands on big volumes of Eagle Ford Shale, or any other US crude or condensate," Ernsberger said.

"This deal (lifting of the US export ban) is a once-in-a-generation shift in the world oil markets. The lifting of crude export will long be remembered as an exclamation mark, powerfully punctuating the end of the US' remarkable mental journey from oil importer to oil exporter, and serving as a call to the rest of the world to be ready for a new US mindset, when prices do eventually recover."

> "THE OIL PRICES ARE MOVING LOWER FASTER THAN THE OIL BARRELS CAN COME OFF THE MARKET. WE MAY HOLD AN EMERGENCY MEETING TOWARDS THE END OF THE FIRST QUARTER IF PRICES REMAIN AT CURRENT LEVELS."
> DR. EMMANUEL IBE KACHIKWU, NIGERIAN OIL MINISTER & OPEC PRESIDENT

WELLHEADS FROM DUBAI: MADE IN UAE

UK-based Weir Oil & Gas is now producing advanced wellheads from its new 250,000 sqft plant in Dubai, the UAE's first such facility. Vikas Handa, managing director, opens up to *Oil & Gas Middle East* about the $20mn factory, the company's operations and its resistance to low oil prices

INTERVIEW: INDRAJIT SEN

WHAT DOES THIS MEAN FOR WEIR?
The facility will allow the company to serve their customers more speedily, while also saving on shipping.

O&G: Could you kindly give me a brief overview of the company's background. How long has Weir Oil & Gas been in existence and how long has it been in the Middle East?

Vikas Handa: Weir Group is a 150 year old company. It is one of the UK's largest engineering group. It is structured in three divisions - oil and gas, power and industrial and mining. In mining, we manufacture the complete mill circuit - pumps, valves, crushers, etc. In oil and gas, we have got four verticals. We are the world's largest vacuum pump manufacturer for the shale market, in the form of our subsidiary known as SPM, based out of Fort Worth, Texas. In Houston we manufacture valves, in the brand name of Seaboard. From Gabbioneta, Italy we manufacture equipment for process pumps. We also offer full integrated service management for oil companies. So that includes complete maintenance and management pumps, compressors, valves of any make, a one-stop shop for all maintenance and repairs. So these are largely four divisions.

We have restructured the group's growth in three divisions. We formed our oil and gas division in the early 2000s. I have been with Weir since 1999, so I have been with the company in Dubai

The writing's on the wall: Weir makes its business philosophy clear. ↘

Vikas Handa, managing director of Weir Oil & Gas. ↓

for 16 years now. We established the company in Dubai in the early 80s. We were the first ones to move to the Jebel Ali Freezone, when it was being set up near the sea side. We are retaining that facility in the North, and from that we are going to service rotating equipment, pumps, valves, compressors and turbines, and manufacture the spare parts.

In the region we generate over a billion dirhams, annually. Globally, at the peak (when the oil and gas market was bullish) Weir Oil and Gas was estimated to be worth a billion dollar business.

With this plant here in Dubai, which is actually the first in the UAE to manufacture wellhead and valves, it will strengthen our position to offer solutions to our customers in the shortest time possible, as they are being made locally.

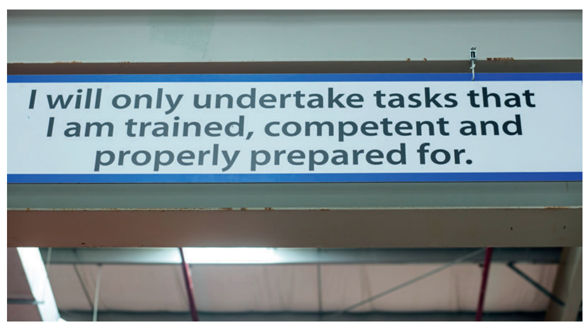
> “WE DEAL WITH EVERY MAJOR OIL AND GAS PRODUCER IN THE REGION. IF YOU TALK ABOUT SAUDI, WE WORK WITH SAUDI ARAMCO, IN OMAN WITH PDO, IN ABU DHABI WITH ALL THE ADNOC GROUP OF COMPANIES.”
> VIKAS HANDA

O&G: What specific products and services do you produce for both the upstream and downstream sector? How do you service the upstream sector, for example?

VH: In the upstream sector, we cater to the drilling industry. Then we have the OCTG business; we have the premium trading licenses. We manufacture the crossover pump joints that goes into the wellhead. This plant we manufacture the valves locally in Dubai, so its being made in the UAE for the first time ever.

In upstream, especially out of Dubai, we manufacture the entire top side of the rigs which get built in the region. All the drilling contractors are our customers. We manufacture valves and all the API (American Petroleum Institute) accessories that are needed in the drilling rigs.

Besides valves and wellhead, we have complete maintenance management. Like in Iraq, we run the full maintenance management for Lukoil. That



1,500

WEIR OIL & GAS IS HOME TO AROUND 1,500 EMPLOYEES, WITH SERVICE CENTRES IN IRAQ, SAUDI ARABIA, AZERBAIJAN, OMAN, ABU DHABI AND DUBAI.

includes maintenance of the valves and wellheads to the entire CPF (pumps, compressors, turbines), pipeline. We have workshops where we prepare overhaul pumps, compressors of any make, and manufacture and supply spare parts as well.

With this we can actually offer one stop maintenance management service, completely integrated. We specialise in using customer maintenance.

In downstream we manufacture pumps and valves, we manufacture all types of valves mostly out of Gabbioneta, namely pressure control, pressure relief, control valves, and we service them as well. Production and service

O&G: What was the rationale behind opening this new $20mn facility?

VH: The rationale is very clear. We always strive on customer service, and our customers wanted us to respond quicker than we could, by having the manufacturing in the UAE. Our top motive is to get closer to the customer, get closer to the market. Our major customers, which are in the Middle East, can visit us anytime, talk to us, and our engineers can go and visit them; that's why we brought the technology locally.

In terms of cost, we are saving on the shipping costs, as making something out of Houston and getting it shipped to Dubai is expensive. You have companies even air freighting their products, so we are saving costs on that as well. Then you have people visiting back and forth, then comes the engineering and design stages; time wastage becomes an issue. So there are lots of advantages of producing locally.

Dubai happens to be the only production facility for Weir Oil & Gas in the region, and also the UAE's first. Our centre in Abu Dhabi is more of a servicing facility. There we actually repair high tension electric motors, gas turbines, valves, pumps, OCTG. Our centres in Saudi Arabia, Oman and elsewhere in the Middle East are mostly maintenance and sales units, although we do manufacture small OCTG goods and accessories, pumps, valves, crossover pump joints, spare part

Weir's facilities in the JAFZA (South), Dubai which the company has invested millions of dollars in.

for pumps and valves.

The reason we set up this plant in Dubai was to primarily move closer to our customers, save the response time, because these are equipment that are highly technical, and so that our engineers can work closely with the customers and come up with solutions. That was the motivation to build this plant in Dubai.

O&G: Who are your major clients in the region? Any new clients or markets that you will be targeting?

VH: We deal with every major oil and gas producer in the region. If you talk about Saudi we work with Saudi Aramco, in Oman with PDO, in Abu Dhabi with all the ADNOC group of companies. In Iraq, we deal with BP, Shell, Exxon, PMI and SOC. In Qatar, Qatar Petroleum is one of our major clients. So most of the oil and gas drilling companies are our clients.

North Africa is our next focus, as we see that market growing quite significantly in future. We are looking at Egypt, Libya – when the security situation improves, and Algeria. We want to develop our base there. In the Middle East, we are one of the largest integrated service providers. We have over 1,500 people working with us, and we have huge service centres in Iraq, Saudi Arabia, Azerbaijan, Oman, Abu Dhabi and Dubai.

O&G: Weir Oil & Gas has recently acquired a company called Mathena. Why did Weir decide to acquire it?

VH: The acquisition of Mathena happened a few years back. Mathena is actually a specific business for mud engine systems and separators. We definitely wanted to enter the rental market, which was the reason behind this acquisition. Mathena is a really successful business.

O&G: It is well-known that crude oil prices have been declining for over a year now. How has Weir been impacted by the oil price drop?

VH: Everybody has been affected by the oil prices. However, we are taking a long-term view. It (oil) is a cyclic commodity, it (prices) will come up. We have the capacity to grow, as you can see from the inauguration of our new plant, in the lowest of the low market situation. If you are sure about the long-term future and have a long-term strategy, which I think everyone (business) should have, then you will be ready when the market bounces back.

And I have a great team. We are trying to transform this low oil price situation into an opportunity. Apart from our main business of production and servicing of equipment, we also help our customers in reducing their maintenance budgets. When the oil prices are around $100 a barrel, nobody bothers. But this is the time when people want efficiency, they want to take out the bad actors, and we are helping them to do that. So our maintenance side of the business is actually growing now, so is our manufacturing of spare parts for equipment of any make. There we are cutting down on costs for our clients by offering them solutions that they want.

Yes, there is pressure from our customers to offer them discounts (in service charges). But we will see this year (2015) okay.

O&G: Did you participate at ADIPEC? If yes, could you talk about your participation and how business was for you during the event?
VH: Yes we did. I think it was a great event. The sentiment was a little low due to the low oil prices. We did display our wellhead equipment, especially the 'Made in UAE' ones. It was more of networking and awareness about the products that we are making here in the UAE.

O&G: What is your opinion of the oil and gas industry's future? Any predictions?
VH: Predicting oil prices is anybody's game at the moment. We do believe in a long-term perspective. I don't think it can stay low for a long time. Oil is not an infinite commodity, it is a limited resource. We are hopeful that by the end of 2016, we will see prices rise to a range of $60-70 a barrel, because from what I hear is both producer and user nations are fine with that kind of a pricing level.

I think the Middle East is holding up the rig count, which is in line with Saudi Arabia's policy of addressing a future oil shortage. That is significant, I think, for Middle Eastern producers to keep the rig count up.

The man in charge, Vikas Handa.

At $20mn, Weir has invested heavily in the Middle East.

O&G: Since you have opened a whole new facility, I am sure you must be having loads of plans and lots of exciting things happening. So what other news would you like to share with our readers?
VH: We are operating in times when the market is down and low oil prices are affecting us all. But I think it is important to take a step back now and look at your long-term objectives. And that is why we continue to invest and be different from others (competitors) when the market comes up.

We definitely want to take the market share, when it comes to wellhead and valves production and maintenance. We are the fourth largest wellhead manufacturer in North America. We have just started manufacturing in the Middle East, so I am pretty excited with the prospect of growth. And our customers are loving our growth, from the feedback that we are getting.

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WORDS: INDRAJIT SEN

THE BURNING ISSUE

Despite the ongoing crisis, the oil and gas industry, particularly in this part of the world, continues to have deep appreciation for fire safety measures, which in turn opens new business opportunities for manufacturers and service providers of Fire Protection Systems

Industry players believe that despite slashing operational expenses, NOCs and IOCs will never cut down on FPS budgets.

Times are tough for the Middle East's oil and gas industry as crude oil prices, which at the time of writing were trading at below $30 a barrel, continue to plummet with no imminent signs of recovery.

Saudi Aramco, the world's biggest oil producing company, has reportedly been asking its numerous contractors and suppliers for discounts to reduce operating expenses in this lean period. In a renewed attempt to lower cost, the UAE's national oil company, ADNOC, has resorted to similar measures itself.

As the region's major oil producers strive to 'do more with less', it would hardly come as a surprise if the NOCs or even the IOCs operating in the region decide to slash spending on Fire Protection Systems (FPS) and other safety aspects of their operations. However, that's anything but the case, insist industry experts.

"I totally disagree with this. [We have] been working in this discipline of fire safety and suppression for a while now [and] we see the amount of awareness in the projects that are coming up with these (oil and gas) companies," Rajendran Ekambaram, senior operations manager, fire engineering, NAFFCO tells *Oil & Gas Middle East*.

"Oil and gas companies in the region never compromise on fire safety, because it is directly related to their operations and their insurance policies," said Ekambaram, who's heading the company's one-year-old oil, gas & power division based in Dubai.

"The oil and gas and fire protection industries go hand-in-hand. In terms of production and exploration, [oil and gas producers] might cut down on costs, but when a decision has been made to build a facility, they have to have fire protection," says Chris Gill, product manager water for Europe, Middle East and Africa at Viking, provider of FPS.

"So we certainly don't see much of a downturn in that industry or our business. I would say less projects are being financed but those projects do need fire protection. So we haven't seen a big impact. 2015 was a fantastic year for us, especially in the Middle East. We did better than we ever did before in terms of sales of valves, nozzles, etc.," he reveals.

"To use the old saying, "If you think that safety is expensive, try having an accident!" Ramanujan

> **“WE ARE SEEING OPERATORS DO ALL THEY CAN TO REDUCE COSTS. BUT, ‘ALL THEY CAN’ HAS NOT MEANT REDUCING THEIR FOCUS ON ENSURING THE SAFETY OF THEIR PERSONNEL**
>
> RAMANUJAN SURESH, SALES DIRECTOR, EMERSON

Suresh, sales director, analytical & detection for Rosemount Middle East & Africa, Emerson Process Management, quips.

“The cost of major industrial incidents is usually measured millions of dollars, and the consequent business interruptions are around four times more expensive again, not counting litigation, investigation, and regulatory penalties. Regulatory audits and inspections usually increase following these incidents. Process manufacturing plants need to achieve top quartile safety performance, or be in the top 25% safety performers in the industry.”

Ramanujan elaborates: “We are seeing operators do all they can to reduce costs. But, ‘all they can’ has not meant reducing their focus on ensuring the safety of their personnel.

“We have heard NOC personnel explicitly tell us that the budgets of safety projects are ring-fenced and will not be reduced. Operators understand that they must ensure that cost-cutting does not compromise safety. Statistics from Solomon Associates, amongst others, have shown that best-in-class Operators have significantly reduced their maintenance budgets and improved their process safety by improving reliability.”

The FPS industry experts are unanimous in stating that the GCC oil and gas sector is well-equipped to deal with fire accidents and have the latest fire safety mechanisms in place.

“I would say it (regional oil and gas industry) is extremely equipped. Considering the industries that we deal with, the oil and gas industry is extremely well-prepared. Their specifications are quite detailed. The industry engineers and consultants we talk to are very well educated,” Gill says.

“There is definitely room for improvement, although I wouldn’t say that the industry is not equipped. The latest technology on earth is available in the Middle East,” Ekambaram says.

“You see the standards being followed and very ethically in the Middle East’s energy industry, unlike the commercial sector where there is room for dilution. You see real engineering happening in the oil and gas industry, both in terms of safety and security as well as from the management side. There is general awareness among companies here. The IOCs anyway follow global standards wherever they invest,” he adds.

Ever since the fire accident at the Kuwait National Petroleum Company’s (KNPC) Shuaiba refinery in mid-August last year, no major incidents have been reported in regional oil and gas organisations. Although the GCC oil and gas industry “is fully cog-

Rajendran Ekambaram, senior operations manager, fire engineering, NAFFCO →

One of NAFFCO’s products on display at the Intersec exhibition in Dubai in January↓

nizant of" the risks in its operation, as Suresh puts it, there is always room for improvement.

Suresh explains: "Flame and gas detection systems should be carefully designed with the right combination of measurement instrumentation, data acquisition, and analytical technologies to provide an accurate picture of what is happening in a facility. One of the challenges is properly placing an adequate number of sensors to detect hazards effectively. Inadequate detector coverage due to improper or insufficient sensor placement brings a facility to an unmitigated hazardous state.

"The regional oil and gas industry continues to find new ways to make flame and gas detection full-proof. Many producers are now adopting a comprehensive line of defence including point detectors, xenon flash lamp-based detection, and multi-sensor acoustic gas leak detectors designed for the harsh conditions of the region."

"But more than using advanced technologies, what's important is for the industry to build a strong process safety culture where everyone understands hazards, helps to manage risk, and observes safe working practices," he states.

Seethi Padiyath, general manager, operations, Safety Services Group, says: "Our suggestion would be to increase the level of safety awareness by providing HSE training (theory and practical tests) by competitive/ multilingual persons for the entire oil and gas workforce."

"In the oil and gas industry, you can't prevent every fire accident. These will happen," Gill admits. "However, the industry is well equipped; it understands the typical risks and the need for fire protection. So I don't think we can preach any more. We can help them do it (fire protection) better and faster and with less water and things like that. Also, more dialogue with the end-user (NOCs that are Viking's clients) and the guys (workers) who are on the site, using and maintaining the system, can be helpful and improve standards," he suggests.

Innovative products and services, coupled with the latest technological advancements, play a major role in efficiently detecting and preventing fire incidents. For instance, it is now possible to detect deadly gas leaks at the speed of sound without being affected by inclement weather, wind or leak direction, or any potential gas dilution.

Unlike traditional gas detection equipment, today's gas leak detection technologies do not have to wait until a gas concentration has accumulated, and the detection response is instantaneous for all gas types. The adoption of such innovations in the field of safety is gaining momentum in the GCC, experts opine.

One of Viking's FPS products on display at Intersec.

4% CAGR

THE GLOBAL FPS MARKET IN THE OIL AND GAS SECTOR WILL GROW AT A COMPOUNDED ANNUAL GROWTH RATE (CAGR) OF CLOSE TO 4% DURING 2016-20

One such system is Emerson's ultrasonic gas detector. Suresh explains: "[It's] a meter that 'listens' to sound at frequencies above human hearing, specifically the sound generated by a pressurised gas phase or gas leak. The gas does not have to reach the detector's sensor to be detected."

The so called, GDU Incus, goes a long way in improving gas detection system effectiveness, Suresh adds. "This innovation utilises ultra-sensitive acoustic sensors to constantly monitor for the release of pressurised gas. It is designed to

Ramanujan Suresh, sales director, Emerson.

Chris Gill, product manager – Water, EMEA, Viking.

Seethi Padiyath, general manager – operations, Safety Services Group.

provide reliable, wide-area gas detection for toxic and/or combustible coverage in any hazardous-area application where pressurized gas is present, regardless of the environmental conditions. It does not require calibration and its sensors never expire for the life of the instrument."

"Many oil and gas producers in the GCC have worked with Emerson to install the GDU Incus in their facilities," he adds.

Simple protective gear also plays a crucial role in ensuring staff's safety in hazardous conditions.

"Since oil and gas companies are willing to reduce their cost without compromising their standards, they are now looking at a safe glove not being necessarily an impact protection glove. Most of them have now decided to use impact protection gloves only on the rigs and are now using general cut resistant gloves for their other applications. While using our MaxiCut Ultra, our ultra-thin palm thickness cut level 5 glove, they noticed a much better dexterity and better comfort for a lower cost," Sofian Hamila, country manager for the Middle East and India, ATG Lanka, said.

Industry players perceive the fire protection industry to be a conservative one in general, in terms of product development and innovation.

"In most cases you won't see massive leaps forward, because in such cases you need to prove that, which takes long," Gill believes.

"Having said that, yes there are new things coming up," he adds, referring to a special technology Viking has launched in the market.

"For example there is this water mist equipment. This is a relatively new technology. It is still water-based; water still really is the best firefighting equipment. Two main benefits there: It helps users cut down on their water usage. You need to store less water, or if you have less, like here in the Middle East, it is a great benefit."

Tech Navio, a London-based research firm predicts the global FPS market in the oil and gas industry to grow steadily at a Compounded Annual Growth Rate (CAGR) of close to 4% during the 2016-20 period. One of the primary drivers for the growth of this market is the stringent regulatory framework set up by the government, the report suggests. These regulatory frameworks and standards state that every direct oil and gas operators should allocate a certain share of their overall investments in fire safety. As per these standards, the establishment of a health and safety department in every oil and gas facility is mandatory to analyse and prevent fires during onshore and offshore activities, according to Tech Navio.

"The prediction is fairly consistent. The fire protection industry always grows quite steadily," Gill said, commenting on the report's findings.

"We still see a lot of potential to grow in the region. We have strong sales in the GCC countries and ensure we have new products coming out."

Suresh concluded: "With the current oil price situation, the oil and gas industry in general will slowdown and this will impact the FPS market as well. In the near term, growth could be in the range of 2 to 3% and can pick up towards the end of 2016 as infrastructure investments in Iran open up."

Simple protective gear also plays a crucial role in ensuring staff's safety in hazardous conditions.

Canon showcased its range of cameras

Sony's 4K camera system on display at Intersec.

The crucial role of camera systems

We live in a world where Information and Communication Technology (ICT) is an inseparable component of every aspect of our lives and work. And so is the growing role of IT in the oil and gas industry, particularly when it comes to fire safety. Responding to evolving market needs for visual security technology, the FPS segment catering to the oil and gas industry in the region is rapidly adapting camera systems for improved fire management.

"In the GCC region, all major oil and gas majors are our clients - existing and potential. We supply camera systems to them," said Aydin Tolan, business head of visual presentation solutions at Sony Professional Solutions MEA.

"However, we are not trying to limit our relationship with them to just that. Obviously, what I can consider as an opportunity for companies like us is creating more awareness of technologies and development and then to implement them. [Implementation] is where I believe the opportunity lies," Tolan adds.

Global camera manufacturer Canon has just begun exploring the regional oil and gas industry, and sees ample potential for its products, a senior representative said.

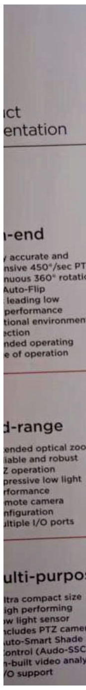
"All this while, were looking at SMEs to provide camera solutions. But now we are looking to reach out to the oil and gas industry, where we are looking closely at how we can pitch our products, not just in terms of camera products but overall solutions," Sam Oommen, product manager, network visual solution and projector imaging products group at Canon Middle East, says.

Sam Oommen, product manager, Canon Middle East

Aydin Tolan, head of visual presentation & security solutions, Sony

Speaking of Sony's camera equipment for the oil and gas industry, Tolan says: "This year, we are concentrating on 4K camera systems. 4K is not just high-resolution; it is better detail, better capture, better analytics. If you are able to manage 4K on an optimum level then that is an advancement that could be increasing the fire security aspect of the oil and gas industry. We started investing in the 4K systems and all its aspects, such as capture and detailing, from around 7-8 years back. We have a long legacy for 4K."

"We believe that in the oil and gas industry it has a certain place for use," Tolan continues. "In the oil and gas industry, the area of coverage is wide, which require detailed capture. We have our Xi camera systems that offer such detailed capture and wide and panoramic area of coverage, long zoom range capacity, of up to 15km for detection and identification. Such products do have relevance



for installations like oil rigs. The Xi range is part of our full-HD offerings."

Oommen says Canon has improved the heat resistance of its outdoor camera systems, which can now function in temperatures of up to 55°C.

"[Heat resistance] becomes very critical in outdoor installations. This is something new that we have launched with the VB-R11 series, which can take up to 55°C. For operating in weather conditions like those in Saudi and Qatar, clients are asking for systems that can work in temperatures above 50°C. This is clearly targeting the oil and gas segment," he says.

Another one of Canon's products, the VB-R 11VE, offers equally impressive capabilities, according to Oommen.

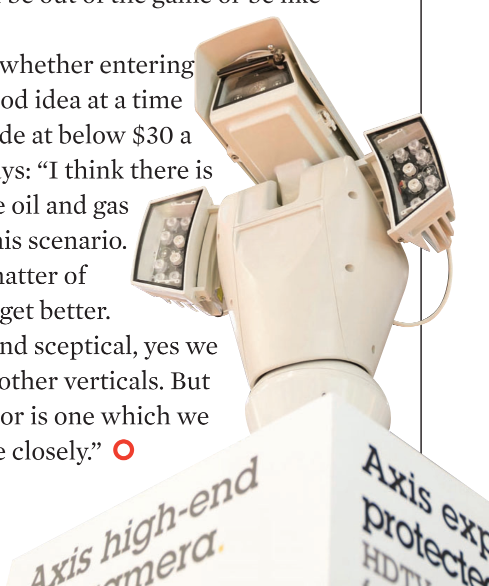
"In times as these when companies are looking at cost reduction and trying to install cameras at a single point that will offers 360d views, this product works. We also have an IR (infrared) model which also becomes critical in oil and gas installations. It can go up to 0.002 lux, which is useful to monitor such facilities at night when it is dark."

Commenting on the current downturn in the oil and gas industry, and whether it will impact FPS providers like Sony, Tolan comments: "The oil and gas industry is not immune from any financial cycles. So there will be ups and downs depending upon the demand-supply situation, geopolitical changes, etc. From that perspective, we will always be a part of this significant industry which in the foreseeable future be dominant with regards to energy requirements.

"For Sony, it is important to recognise how to be engaged with the key players of this industry," he adds. "We shouldn't be perceived only as a camera manufacturer, but as a solutions provider. We understand that we need to realise the needs of this industry or we will be out of the game or be like any other player."

On the question whether entering the sector was a good idea at a time when oil prices trade at below $30 a barrel, Oommen says: "I think there is a lot of scope in the oil and gas industry, even in this scenario. I think it is just a matter of time before things get better. I don't want to sound sceptical, yes we are also looking at other verticals. But the oil and gas sector is one which we are looking at more closely."

> "I THINK IT IS JUST A MATTER OF TIME BEFORE THINGS GET BETTER. WE ARE ALSO LOOKING AT OTHER VERTICALS BUT THE OIL AND GAS SECTOR IS ONE WHICH WE ARE LOOKING AT MORE CLOSELY."
> SAM OOMMEN, PRODUCT MANAGER, CANON MIDDLE EAST.



WILL IRAN INCREASE ITS OIL OUTPUT?
Iran has signalled that it intends to increase its production and exports. An extra 500,000 barrels a day on the global market could send the oil price further south.

COUNTRY FOCUS

Plotting the plan for Iran

With the economic sanctions crippling Iran's beleaguered economy now lifted, the nation is arduously charting a course to raise its oil and gas production in a bid to recapture lost export markets, as well as welcoming global players to invest in its energy sector.

WORDS: INDRAJIT SEN

'#ImplementationDay - I thank God for this blessing & bow to the greatness of the patient nation of Iran. Congrats on this glorious victory!' Iran's President Hassan Rouhani tweeted in celebration late on January 16, as soon as word from Vienna was out that the six world powers — the US, Britain, France, Russia, China and Germany – who had imposed crippling economic sanctions on the Islamic Republic over its controversial nuclear programme, had decided to end it. The nation broke into an emotional jubilation soon after.

Iran's economy, in particular the oil and gas sector - the breadwinner for the nation - has been the subject of serious restrictions for more than three years, under the international sanctions. Even Iran's allied nations were coerced by the Western powers to either stop or seriously reduce buying oil and natural gas from it. As a result, the Islamic Republic's energy revenues plummeted by 36%; from $55.4bn in the last fiscal year to $35.3bn this current fiscal year (Iran's fiscal year starts on March 21), according to the International Monetary Fund.

A surplus of a million doallrs of oil is being produced each day, something that is widely regarded as the prime cause for the free fall of crude oil prices. A day after the sanctions were lifted, Iran set to work to realise its ambitious plan of raising daily output by 500,000 barrels. The country's Oil Ministry has already activated this plan, issuing an order to its state-owned companies to increase production and placing the National Iranian Oil Terminals Company on standby.

If achieved, this volume would take Iranian output to around 3.4mn bpd and exports to well over 1.5mn bpd; figures that could further wreak further havoc on the already oversupplied oil market.

"I think we are very concerned about Iran," Chris Faulkner, chief executive officer of Dallas-based Breitling Energy, said from an American perspective. "The timing of the sanctions being removed is critical. We are hoping that Iran comes back into the market slowly. Iran has pledged to add 500,000 bpd, something that will crush the oil market to their own detriment. We hope they realise that and come into the market slowly," he told *Oil & Gas Middle East*.

The lifting of sanctions has removed the constraints that have curbed Iran's crude oil exports at just over 1mn barrels per day (bpd) over the past four years, and give the country access to billions of dollars frozen in foreign banks – a portion of the money that it desperately needs to develop its below par oil and gas facilities.

However, Iran needs far more than that to repair and boost its ageing and crumbling oil and gas fields and its associated infrastructure, with a recent media report saying the country needs an estimated $150bn in total. For instance, the managing director of Iranian Offshore Oil Co. (IOOC), recently pointed out that the current production rate of its oilfields is about 450,000 bpd and that the company required investment of at least $20bn to implement development projects.

It was optimism injected by the authorities that kept the Iran economy running in its sanctions period, and it is that same optimism that officials are now trying to generate to attract foreign money. A senior Iranian official has estimated that the Islamic Republic will attract $11bn of new investments for its central oilfields, rejecting the notion of low oil prices halting finances in the energy industry.

"In order to achieve the target of increased production during the post-sanctions era, implementation of development projects like increasing recovery factor via EOR and IOR have also been put on the agenda," Salbali Karimi, managing director of Iran's Central Oil Fields Company (ICOFC), told the official Mehr News Agency.

$150 BILLION

REPORTS SUGGEST IRAN COULD NEED UP TO $150BN IN FUNDS TO DEVELOP ITS ENERGY INFRASTRUCTURE.

↑ Dave Ernsberger, oil expert at Platts.

↖ Ehsan-Ul-Haq, senior oil market consultant at London-based KBC Energy Economics.

← Chris Faulkner, CEO and president at Breitling Energy.

Ramping up oil and gas production

Iran's Petroleum Minister Bijan Zanganeh had further said last year that Iran's oil output could increase by above 1mn bpd within a month after all the sanctions are lifted. "Some of the most effective sanctions with regards to the oil industry were those that targeted aspects such as sales, volumes, shipment, insurance and the transfer of money," he said. "If those issues are resolved, Iran will regain the market share that it has lost which amounts to above a million barrels per day."

One of the main reasons why Iran has been able

> **“SOME OF THE MOST EFFECTIVE SANCTIONS WITH REGARDS TO THE OIL INDUSTRY WERE THOSE THAT TARGETED ASPECTS SUCH AS SALES, VOLUMES, SHIPMENT, INSURANCE AND THE TRANSFER OF MONEY.”**
> IRAN’S PETROLEUM MINISTER BIJAN ZANGANEH

↑ Iranians celebrate in the country’s capital after it was announced sanctions would be lifted.

to sustain a healthy oil output level, even during the peak of the sanctions phase, is its low cost of production per barrel. Ali Asghar Mounesan, managing director of the Kish Free Zone Organisation says Iran has been producing oil at a cost of $10 per barrel, neutralising the impact of the oil price decline. “The Iranian oil production cost is in single-digit figures,” Dave Ernsberger, oil expert at Platts, said during a recent media roundtable in Abu Dhabi, adding that with one of the lowest per barrel costs in the world, the country could get an impetus to achieve its half a million bpd target soon.

“Iran is producing around 2.9mn bpd at present,” Ehsan-Ul-Haq, senior oil market consultant at London-based KBC Energy Economics, told Oil & Gas Middle East. “It is reportedly developing North Azadegan and Yadavaran oilfields at present. CNPC from China is working on the North Azadegan oilfield while Sinopec is helping Iran with the Yadavaran oilfield. At present, both oilfields are producing around 100,000 bpd in total, but output could reach 300,000 bpd by the end of 2016,” he said.

Recoverable crude oil reserves in Iran’s central regions amount to 10bn barrels and an average of 100,000 bpd is currently being produced in the central oilfields. “Moreover, a sum of 7tn cubic metres of recoverable natural gas reserves are deemed to be found in the area,” Karimi said. He pointed to signs of increasing natural gas reserves in the country’s central oilfields, given the discovery of new hydrocarbon fields and formations, adding however that ‘due to the need for management of financial resources and costs, the number of active drilling rigs will decrease from 22 to 12 in the current year’.

There are currently 18 companies with 120 onshore drilling rigs active in different oil and gas regions in Iran. Utilising the 75 onshore and offshore drilling rigs in its possession, the National

↑ Iran's energy infrastructure is in need of investment.

Iranian Drilling Co. (NIDC) said it has succeeded in drilling 136 oil and gas exploration wells, including a heavy drilling rig that has been placed in the Sohrab oilfield in the operation zone of Arvandan Oil & Gas Production Co.

Speaking of other Iranian oil production facilities, Karimi claimed that phase I of the production and desalting complex in the West Karoun region has got on stream with a capacity of 55,000 bpd. The managing director of Karoun Oil & Gas Production Co. (KOGPC), announced that the oil production capacity of this company is 1.4mn bpd, adding that the output would be raised by 66,000bpd.

The National Iranian South Oil Co. (NISOC), also said that its target to achieve 100.7% of crude oil production had been realised in the first seven months of the current Iranian year. Oil production capacity at Iran's Masjed Soleyman field is also rising, if state media reports are to be believed.

> "IRAN IS LIKELY TO FACE FIERCE COMPETITION NOT ONLY FROM SAUDI ARABIA BUT ALSO IRAQ, WITH THE LATTER INTENT ON BOOSTING ITS PRODUCTION...."
> EHSAN-UL-HAQ, SENIOR OIL MARKET CONSULTANT AT LONDON-BASED KBC

Among the few offshore fields the Islamic Republic is banking upon is the Doroud oilfield, located on Kharg Island in the northwest of the Arabian Gulf. The operator, IOOC, invited foreign investors for a second time at the Tehran Conference in December, to further boost the oilfield's output.

Iran, as the world's 4th biggest producer of natural gas, produced 588mn cubic metres per day last year (mcm/d), estimates suggest. The South Pars gas field, the smaller half of the world's largest gas reserve, which Iran shares with Qatar (where it is known as the North Dome) contributes to 35% of the country's gas output.

The South Pars is believed to have 24 phases in total and the country is stepping up efforts to develop it fully by 2017. On January 11, President

Rouhani inaugurated phases 15 and 16. Once fully operational, the two will produce daily 56.6mcm of natural gas, 75,000 barrels of condensates, and 1.05mn tonnes of LPG and 1mn tonne of ethane annually, according to the Sana news agency.

Oil minister Zanganeh said other phases were also nearing production. "Development of phases 18 and 17 is near completion. The phases have even started gas production. They are expected to become operational in March or April 2016," he was cited as saying by Sana.

Completing all phases of the South Pars gas field will bring an annual revenue of $100bn for Iran, Zanganeh stated. By putting all phases of the field into operation, the country's gas output will reach nearly 700 mcm/d, the minister added. Rokneddin Javadi, the managing director of the National Iranian Oil Company (NIOC), further revealed that the cost of developing phases 15 and 16 could be put at around $5.5bn, but would earn Iran somewhere in the region of $20mn a day.

36.8%

IRAN'S OIL REVENUE FORMED 36.8% OF ITS BUDGET FOR THIS FISCAL YEAR, ALTHOUGH THIS COULD DECLINE.

With regards to the other gas fields, the NIOC has decided to press ahead with the Phase I development of its Kish gas project, as it had already invested $700mn in the project. Iran also claimed that production of LPG at its gas refineries exceeded over 2mn tonnes within the first nine months of current (Iranian) year, a 47% increase compared to the same period last year.

Karimi of ICOFC has also said that Iran is presently producing around 1.1mcm/d of gas from the Gonbadli gas field it shares with Turkmenistan; an output figure it would like to maintain.

Exports growing steadily

Iran's oil revenue formed 36.8% of its budget for this fiscal year, and this share will decline to 25% next year, reports suggest, prompting the nation to work towards winning back its export markets to earn crucial income energy income. "Iran would like to boost its market share but it is not going to be an easy task. However, it can offer better terms to win its old customer base back. Iran is likely to face fierce competition not only from Saudi Arabia but also Iraq, with the latter intent on boosting its production significantly," Haq said.

Iran has found in India a great ally, which supported the former during the sanctions period by continuing to buy oil, albeit in lower amounts. The Islamic Republic supplied 6.5mn tonnes of crude oil to India in H1 2015, numbers which the Asian giant has promised to raise this year. "Iran offers 90-day credit and free shipping, which makes Iranian crude attractive for Indian refiners," *Hellenic Shipping News* quoted an official at the India-Iran Joint Commission as saying..

Iran says it has exported 1.25bn litres of gasoline in the first nine months of the Iranian year to its neighbouring nations like Afghanistan, Armenia, Iraq and Pakistan, while the rest was shipped to Southeast Asian markets. Iran's gasoline export to Afghanistan hit 133mn litres. Afghanistan has also expressed willingness to import 1mn metric tonnes per annum of gasoline from Iran, Zanganeh said. Iran is currently exporting 200,000 metric tonnes of gasoline to Afghanistan, which is also seeking 200,000 metric tonnes of LPG for which the price has to be settled, he has said.

Looking for partners

Iran is hoping that fresh investments and technology can reinvigorate its oil and gas sector that has struggled thus far during the sanctions years, as IOCs pulled out of key development projects. The Islamic Republic is welcoming every nation with which it shares diplomatic ties, from Asian giants like China, India and Japan to European states, as well as traditional ally Russia.

Iran may hold a new tender for the development of its Farzad-B gas field, having recoverable reserves of 12.8tn cubic feet of gas, if it fails to finalise a previously signed deal with India, according to the NIOC's Javadi. India has however initiated a diplomatic push to ensure its hold in Farzad-B to avoid retendering for its Gulf asset.

"Although Iran has sought Chinese and Russian help to boost it oil and gas production, it needs western know-how. Therefore, it has to attract investment from France, Italy, the UK and other key western countries to boost its oil production," Haq said.

The European Union members, too, have shown keen interest to enter Iran. Representatives of IOCs and EPC contractors, and trade delegations from Germany, Italy, Denmark, Slovenia, and the UK have visited Tehran in recent months, including participating in local trade fairs. Iran's Oil Ministry said its investor event in Tehran in November attracted 137 foreign companies from large European and Asian IOCs to engineering contractors.

"I expect the French, Italian, Chinese, Japanese companies to be the early birds," Ernsberger told *Oil & Gas Middle East* at the Platts roundtable in Abu Dhabi. "I think Total can be one of the first ones to enter Iran. They have a long history

137 FIRMS

137 COMPANIES ATTENDED IRAN'S OIL MINISTRY'S INVESTOR EVENT, WHICH TOOK PLACE IN TEHRAN IN NOVEMBER

of working there before the sanctions," he said, although Total CEO Patrick Pouyanne has so far appeared to be pessimistic about the idea. Experts at the Platts roundtable, including Ernsberger however said that at the last investor conference in Tehran, things didn't too well for interested Western companies, as they were given contracts with no figures and clarity. Iran is now looking up to the London conference late in February to make another attempt to attract other major investments, they said.

"I think US companies will be the very last to get into Iran," Ernsberger further said.

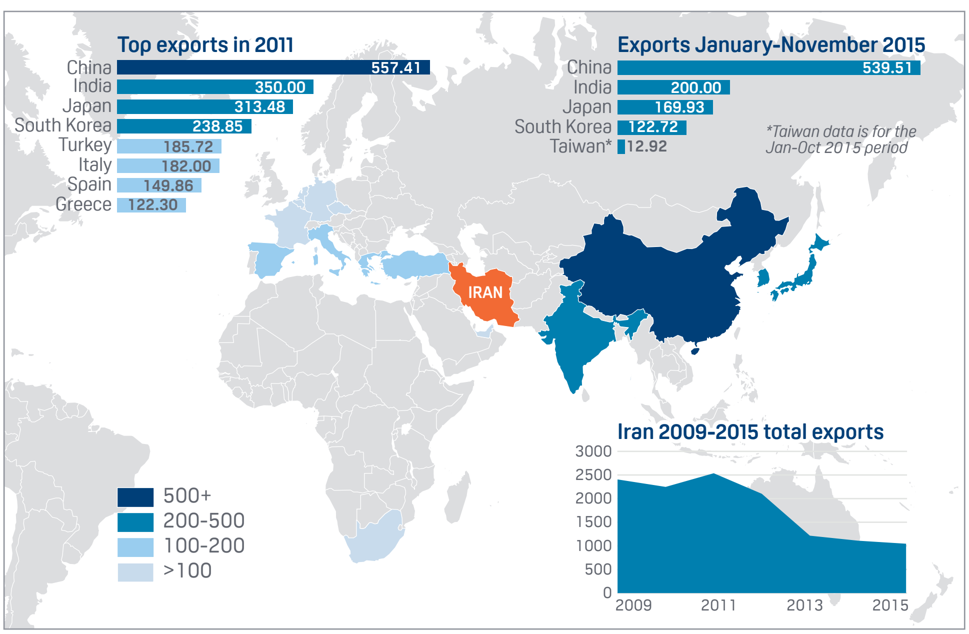
Faulkner agreed saying, "I have noticed that Iran hasn't been welcoming American companies to come and invest in its post-sanctions era. However they cannot do without companies like Oxy and Chevron, can they? I don't really think they can do without us (US technologies and companies)."

"I think there can be some back-door discussions between them and US firms," he believes.

Common sentiment from energy analysts is that the ongoing sectarian and diplomatic tension between OPEC partners Saudi Arabia and Iran is waning and thus will have no significant impact on oil prices, although the fierce competition between the two oil producers to produce more crude than the other and capture and control markets will continue in the foreseeable future.

"I don't think further escalation of the Saudi-Iran tension is possible. But I think it goes further to the fact that there is absolutely no chance that Saudi Arabia will assess a reduction in its output, as that will essentially mean helping Iran," Faulkner said. "Half a million barrels coming into the market (from Iran) is not really such a good thing, especially in a market that is already oversupplied by a million barrels each day."

Can Iran join the world's top exporters?



CONSTRUCTION WEEK

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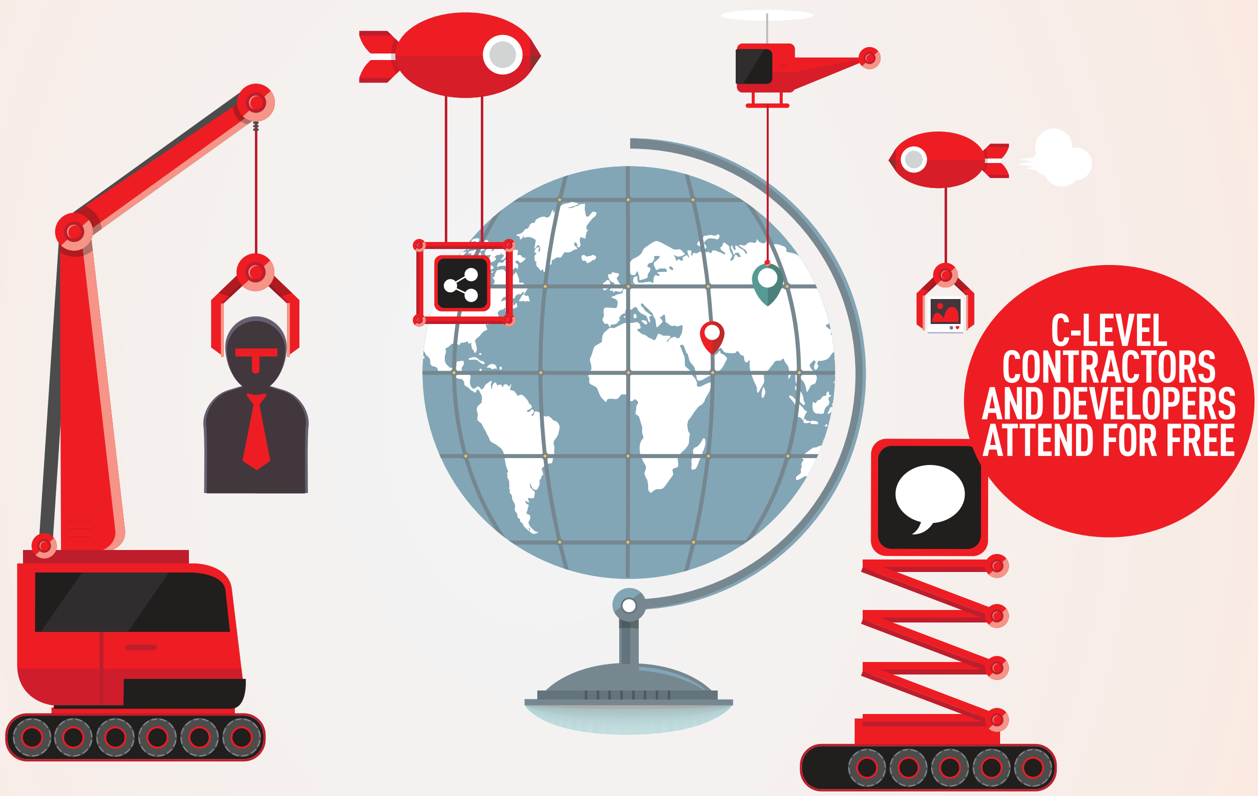
WEDNESDAY 28th SEPTEMBER 2016
DUBAI, UAE



MORE THAN 150 SENIOR CONSTRUCTION PROFESSIONALS WILL GATHER TO TAKE PART IN A HIGH LEVEL STRATEGIC DEBATE ON THE STATE OF THE INDUSTRY, AND WHERE THE AREAS OF GROWTH LIE

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WORDS: KIM KEMP

BROAD HORIZONS

QCON's managing director, Mazen Abu Naba'a, says the company wants to maintain its presence in Qatar, while growing in Saudi Arabia and the UAE

←
Mazen Abu Naba'a, managing director of Qcon.

Trophies and accolades sit proudly in the Qcon offices.
↓

Qatar is home to a growing number of contracting companies, some established to take advantage of the pre-2022 World Cup construction boom, while others have been here for decades.

One such company that is firmly rooted in Qatar, is Qcon. Established in 1975, initially as a maintenance company, the firm diversified over the years, moving to fabrication related off-shore structures, evolving into construction and, eventually offering a full spectrum of engineering, procurement and construction (EPC) services.

Mazen Abu Naba'a, Qcon's managing director, has held his position since 2006 and has been in the country for 49 years, with origins in Palestine. He explains the company's core focus, which covers diverse areas: "Today we have three core businesses under one umbrella. The principal competency of Qcon started with maintenance and we have expanded regionally into maintenance shutdown and normal maintenance, manpower supply and modification works – that is a major part of the company.

"The second part is cyclic, such as building off-shore marine platforms and, the third part is project management in terms of construction projects and engineering procurement and construction (EPC)," he explains.

The projects that Qcon has worked on are mainly oil and gas. In terms of maintenance this includes RasGas and on the construction side, the Dolphin Gas project, ($220mn), Qatargas Jetty Boil-Off Gas (JBOG) Project, and also work on Barzan among others, too numerous to list.

> "QUALITY AND SAFETY ARE THE BASIS FOR A GOOD REPUTATION – COMPANIES THAT DO NOT HAVE THESE ELEMENTS AS A BASIS WILL NOT HAVE A REPEAT BUSINESS"

While the ongoing uncertainty in the region around the fluctuating oil price has the market hesitant around investment and there is a definite 'wait and see' attitude, Abu Naba'a assures that the drop in oil price has not been detrimental to his business.

He elaborates: "The price drop is not hitting us directly – where it is hitting us is more from a client attitude, in terms of asking to renegotiate the prices on existing contracts. These contracts were won on a competitive basis but nevertheless, expectation is that somehow there is a reason for reduction," he says.

"Construction in Qatar did not change and actually it has gone up – creating a dilemma to manage it [the perception]. We are talking about eroded margins more than eroded business," he adds.

"The oil price crunch is forcing everyone to be price sensitive, with some companies reducing profit in an effort to maintain their workforce to get through this phase, to weather this period. To mitigate that, we look regionally for compensa-

The Oxy facilties platform is one of a number of projects Qcon has worked on.

tion for work volume," he explains and continues: "On the oil and gas construction side there is shrinkage, as most of the plants are already mature and operating, leaving a few projects that everyone is fighting over.

"This is leading to lower margins, with contract terms and conditions becoming one-sided in favour of the client, creating additional intrinsic commercial risk to contractors."

He adds that this results in trying to create a balance between an "appetite in terms of workload and realistic pricing and risk".

Abu Naba'a shares that the company, while already established in Abu Dhabi, is in the process of starting up operations in Saudi Arabia, "as these are the approved growth scenarios for us in terms of region expansion".

> "OUR QUALITY WORK EXECUTION AND SAFETY COMPLIANCE RECORDS ARE USED AS BENCHMARK BY THE INDUSTRY WHEN IT COMES TO PRODUCT AND SERVICE DELIEVERY"

He continues: "Already, one third of our income comes from Abu Dhabi. We are in the middle of legal formalities for the Saudi market, although Qcon has already been invited by clients from that market, to bid for projects there. We believe

Naba'a says there can be no compromise with HSSE.

2017 will be the year for Saudi Arabia," he adds keenly.

With the diverse offering the company brings to the market, it is maintenance, manpower and contracts that constitute the stable revenue stream as, Abu Naba'a explains, "plants need these services to run. The projects are cyclic and thus the margins are cyclic". He stresses that the company's focus is to retain its maintenance market share in Qatar and to grow it in Abu Dhabi and Saudi Arabia.

"As part of our growth strategy, even regionally, we would like to start with maintenance because it has less impact in terms of risk" he explains, commenting, "and the company has the financial strength to stand a hit from a poor decision in this sector."

The contractor has a noteworthy resume of energy projects in Qatar

"For one client, on the Barzan Project, competing amongst many contractors, we took the award for 'Contractor of the Month' – 13 times, in terms of quality, safety deliverables and client relations.

"And, we are talking about competing against internationals," he adds with obvious pride.

"We believe our attention to quality and safety – especially when it is time-related, a production or a safety issue – is a key factor why clients come back to us with repeat business – this is a differentiator."

Abu Naba'a elaborates that in oil and gas safety is more structured, heavily regulated and better defined "as you are dealing with internationals that already follow and set standards across the world. So they help you to grow with them as well.

"The challenge is when safety becomes a bottleneck in doing the job, because the job of the safety team is to do the job safely, not to just stop the job [if an issue occurs]. We have to find solutions and continue with the work at hand."

He says that the safety protocol gap between oil and gas and infrastructure is significant. "While infrastructure is implementing procedures, they are still behind oil and gas industry. The government is working with infrastructure contractors to upgrade the safety standard across this industry, but it will take some time before it reaches the same level as the oil and gas sector." He believes that Qatar is no different to any other country in the region in this regard and

QCON PROJECT HIGHLIGHTS

Project: Jetty Boil Off Recovery
Client: Qatargas
Period: 2011 – 2014
Scope: Construction of central compressor area and off plot areas: scope of works includes – earth and civil works, structural fabrication and erection, equipment installations, piping fabrication, painting, installation, insulation, testing and cleaning works.

Project: Laffan Refinery Diesel Hydro Treater Project
Client: Samsung/ Qatargas
Period: 2012 – 2014
Scope: Construction work included mechanical, piping, structure, insulation, painting, E&I works

Project: QAPCO EP3 – Furnaces & Ethylene Tank
Client: CTCI/QAPCO
Period: 2012 – 2014
Scope: Construction works for six furnaces and ethylene tank – scope includes civil and building, mechanical, electrical and instrumentation works.

points out that the Emir's aim is to upgrade the labour status, to develop and improve, to grow with international trends and standards.

"The challenge that we face is always to be cost-effective and have meaningful project pricing, with reasonable client expectation.

"Presently however, the expectation is high, with insufficient time to deliver, and a one-sided contract in the client's favour.

"While there are clauses for variation and scoping etc they are not implemented properly or, the people are not empowered on the client's side to do it in the right manner," he adds with mild annoyance.

Looking ahead, Abu Naba'a says pragmatically:

The Dolphin tank farm expansion project.

"THE OIL CRUNCH IS FORCING EVERYONE TO BE PRICE SENSITIVE, WITH SOME COMPANIES REDUCING PROFIT IN AN EFFORT TO MAINTAIN THEIR WORKFORCE TO GET THROUGH THE PHASE, TO WEATHER THIS PERIOD."

"We plan for the worst and we hope for the best.

"We know that it [the oil price drop] is not going to disappear over the next couple of years and therefore we have protected ourselves by having long-term contracts. This is a double-edged sword however, as with long term projects the prices are current, locked in at the lowest possible prices with little room for escalation.

"In Qatar particularly, as we get closer to 2022, things are going to escalate and what is a profit today may be a loss tomorrow.

"Thus, anything awarded today and locked in for five years will be a loss in 2022," he says a little disconsolately but ends on a more optimistic note: "Hopefully, as we reach the end of the contract, we will have more contracts with better margins that will off-set the loss."

The Qatargas jetty boil-off gas project.

INDUSTRY INNOVATIONS

Solar chemical injections

SOLAR POWER Netherlands-based oil and gas industry service provider Frames in partnership with aQuaintance successfully completed the design and manufacturing of four solar powered chemical injection systems for the Kuwait Oil Company's Early Production Facility-50. This project is part of the first phase of the Jurassic gas field. The chemical injection systems are designed to prevent hydrate formation during the winter. In June 2015, Frames and aQuaintance were awarded the design and supply of the systems.

NEW LAUNCHES

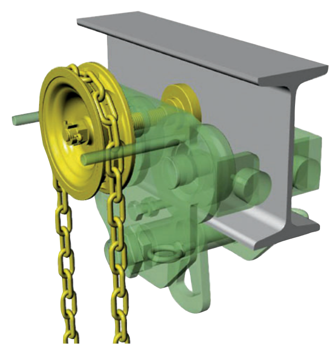
A round-up of some of the best releases this month

VALVE CHAINWHEELS

By acquiring Roto Hammer, Rotork has added a range of valve chainwheels to the range of valve mounting kit and associated services provided by Rotork Valvekits. The Roto Hammer range of chainwheel products enables hard to reach and stubborn manually operated valves to be safely operated without risk of injury. The company's range of products include valve extensions, floor stands, gear operators and customised offerings. Rotork Valvekits supplies a valve and actuator related products, including mounting kits, extension stems, locking devices, worm gears, bevel gears, accessory mounting brackets, linkages and panels for the fitting of filter regulators, positioners and solenoids.

OXYGEN SENSORS

Oldham has launched a new long life Oxygen sensor for the OLCT 100. The OLCT 100 is a 4-20 mA analog gas transmitter designed for industrial applications in hazardous locations. The new design is lead free and has an operational life of five years. The range is 0 to 30% oxygen volume and the sensor operates from -40ºC to 50ºC continuously allowing new opportunities in low temperature applications. This new Oxygen sensor completes the range of Oldham's two year life oxygen sensors and offers a four year warranty. Designed for the detection of explosive and toxic gases or oxygen, this detector comes with a Wheatstone bridge output (OLC 100).



OFFSHORE LIFTING EQUIPMENT

Verlinde's offshore lifting equipment range is designed to be used in maritime areas, on oil rigs, cargo vessels or wind farms. The range includes all types of lifting equipment together with their components: jib cranes, electric chain or wire rope hoists, winches, overhead crane components, etc. As the unique source of hoisting resource supplies, Verlinde is able to ensure total coherency and compatibility of equipment you choose to operate. Most models are also available as EX ATEX compliant. The very tough but light materials, combined with the facility of running the equipment, simplifies maintenance of the offshore range and also reduces the number of operators required for servicing.

Siemens to work on Egypt substations

The projects will add 16.4GW of electricity to Egypt's national grid

ELECTRICITY A consortium comprising Siemens and El Sewedy Electric T&D has signed a contract with the Egyptian Electricity Transmission Company for the construction of six substations. Located at El Minia, El Beheira, Qalubia, Assiut and Kafr El Zayat governorates, the 500/220kV substations will transmit power generated by the Siemens-built power plants in Beni Suef and Burullus into Egypt's power grid. The contract will see Siemens design, engineer, supply, install and commission the new substations, which will include gas-insulated switchgear, transformers and control and protection equipment. Each power plant will be powered by eight Siemens H-Class gas turbines, which have been selected for their high-output and efficiency. Siemens will also build up to 12 wind farms in Egypt, comprising approximately 600 wind turbines. In total, the Siemens power projects will add 16.4GW of electricity to the national grid.

THREE REASONS TO BUY

US-based Bradley Corporation's SpinTec shower design helps wash contaminants

1 FULL PROOF WASH

The SpinTec showerhead for emergency drench showers delivers a more even distribution of water in less time than other models. The SpinTec shower pattern rinses more effectively at a higher velocity, helping in faster removal of hazardous contaminants from the affected user.

2 TESTED AND APPROVED

SpinTec meets all ANSI and EU standards for emergency drench equipment. The compact showerhead also uses 75% less material, which is another 'green' benefit of this new technology. Stainless steel SpinTec showerheads are available for highly corrosive environments.

3 WATER-EFFICIENT

A built-in flow control makes Bradley's SpinTec as water-efficient as it is effective. Compared to most units with no flow control, SpinTec uses 66% less water. This conserves 150 gallons of water during a 15-minute flush – a significant savings that quickly adds up.

SELLING POWER

Andrew George, chairman of Marsh's Global Energy & Power Practice on 'Marsh Blast'

KINDLY TALK ABOUT 'MARSH BLAST'?

Marsh will launch 'Marsh Blast', a cutting edge tool to model the financial impact of explosions in the energy sector, at its biennial NOC)Conference in Dubai on March 22-24. Developed with Baker Engineering and Risk Consultants Inc., Marsh Blast is powered by BakerRisk's MaxLoss technology, and for the first time in the insurance industry, employs the advanced Baker-Strehlow-Tang (BST) explosion model.

WHY THE NEED FOR SUCH A PRODUCT?

Nine out of the ten largest property damage losses incurred in the global hydrocarbon extraction, transport and processing industry since 1974 were attributed to explosions. Marsh estimates that these losses are in excess of $8.5bn. When explosions occur, their impact can be catastrophic in terms of business interruption and financial loss.

HOW WILL 'MARSH BLAST' HELP?

Energy companies will use Marsh Blast to calculate the maximum property damage across their global assets, as they undertake insurance risk assessment surveys.

Wireless, telescopic cameras

Major infrastructure project orders BlokCam Pro crane camera system

CAMERA SYSTEM The first wireless and telescopic BlokCam Pro camera system to be installed anywhere in the world will be fitted to a 200 tonnes capacity telescopic boom mobile crane and is set to transform working practices at a major infrastructure project. BlokCam, which delivers live video from the hook block to the crane operator's cabin, offers three models, the entry-level system in addition to Plus and Pro, enhanced versions. The new Pro is compatible with luffing jib, saddle jib, flattop, lattice boom and self-erecting cranes but is best suited to telescopic booms. The wireless telescopic BlokCam Pro camera system also boasts audio and recording functions. Additional features of the BlokCam Pro include quick installation (it can be fitted to a crane in one hour); durability in all weathers (it is manufactured to IP67 rating); and an auto-focus lens that always gives clear views of the load and surrounding area below-the-hook.

REASONS TO HAVE:

- BlockCam Pro's camera system offers telescopic booms from a height.
- Camera system comes in three models, the entry-level system in addition to Plus and Pro versions.
- The Pro version is compatible with luffing jib, saddle jib, flattop, lattice boom and self-erecting cranes but is best suited to telescopic booms.
- The wireless telescopic BlokCam Pro camera system also boasts audio and recording functions.
- BlokCam Pro camera system can be installed quickly; it can be fitted to a crane in one hour.
- Durability in all weathers; it is manufactured to IP67 rating.
- Has a 20-hour battery life.

PRODUCT FOCUS

AnTech Ltd has launched three new products within its Wellhead Outlet (WHO) range

AnTech has launched three outlets further to its Type-C Wellhead Outlet, namely Types CB, CC and CD.

Each adaptation has been designed to suit various working environments including pressure, ranging from 5,000 - 15,000psi, temperatures from -60°C to +160°C, and various voltages.

Wellhead Outlets Type CB and CC are focussed on lower cost applications where a high level of specification is required. Both units comply with standards and are tested.

The Type-CD wellhead outlet has been designed accredited with the Type 1, Division 1 certification allowing it to safely operate in some of the world's most stringent well-site environments.

WHERE CAN I BUY IT?

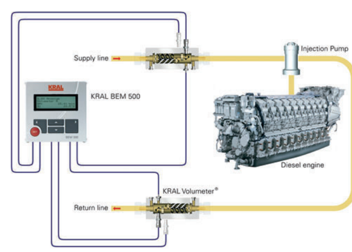
For more information visit: www.antech.co.uk.

ALSO IN STOCK

STRAIGHTPOINT'S WIRELESS MONITORING PRODUCTS

Straightpoint increases range of wireless products to 700 metres

Safety and productivity when monitoring loads during heavy, critical and multi-point lifting applications will be greatly enhanced as Straightpoint extends the range of its wireless products to 700m. The force measurement, load monitoring and suspended weighing load cell manufacturer launched the enhanced technology as standard at the turn of the year, covering all wireless products . The wireless range has a 1,200-hour battery life.



KRAL FLOWMETERS

Retrofit kit launched for diesel engines using Kral flowmeters

Caterpillar now offers a retrofit kit for Fuel Consumption Monitoring for all diesel engines that include Kral flowmeters. Kral flowmeters allow for accurate tracking of fuel consumption in real time and managing asset utilisation. The data can be displayed remotely. Two flowmeters are necessary, one in the supply line of the engine and the other in the return line. Kral Volumeter can measure with a high accuracy of +/- 0.1% regardless of fuel quality and temperature.

Bibby achieves subsea success

Bibby Offshore helps UK's Premier Oil obtain oil from the UK North Sea

WHAT WAS THE PROJECT?

Bibby Offshore was awarded a contract by Premier Oil to provide subsea support for installing its Solan field project.

WHAT WAS BIBBY'S SCOPE OF WORK?

Bibby Offshore was brought in to perform installation of the subsea infrastructure.

WHAT WAS THE APPROACH?

Bibby Offshore completed detailed weather analysis prior to mobilisation. It also took a flexible multi vessel approach.

OFFSHORE PROJECT In February 2013, Bibby Offshore was awarded a contract by Premier Oil to provide subsea support during the installation phase of its Solan field development project, in Block 205/26a of the UK Continental Shelf, in 135m water depth. The facility at the Solan field has been designed to produce a flow rate of 28,000 b/d, peaking at up to 35,000 b/d across a 20-year lifeline. Bibby Offshore was brought in to perform installation of the subsea infrastructure and, recognising the challenging environment, came up with a plan to minimise downtime caused by short weather windows. To mitigate the impact of this, Bibby Offshore completed detailed weather analysis prior to mobilisation. Bibby Offshore was also able to take a flexible multi vessel approach to the project, making use of several of the vessels in its fleet. This multi vessel approach helped Bibby Offshore tailor the various vessel capabilities to the technical challenges presented by the development and the flexible timeline required to complete the task in line with the clients programme. Crucially, it also helped to prevent any schedule slippages in order to maintain progress towards achieving first oil.

SEATRONICS COLLABORATES WITH INUKTUN

Seatronics to work on technology for hazardous environments

Seatronics, an Acteon company, has announced a collaboration with Canadian-based manufacturer, Inuktun Services Ltd. Inuktun has extensive expertise in remote controlled robotic transport and delivery of multi-mission, modular technology used in hazardous environments and confined spaces. Seatronics is working with Inuktun to supply the Inuktun ROV Manipulator as a standardised option for the Seatronics Predator ROV Elite System. The Elite System was established and manufactured by Seatronics as a Bomb Squad Capable Improvised Explosive Device (IED) ROV specifically designed to operate within the Military and Defence industry. The Inuktun ROV Manipulator is a compact and powerful addition to the Predator Elite System with flexible interchangeable jaw sets and pressure compensated housing.

Honeywell's new wireless portable gas monitor

Six-gas, Benzene-specific monitor promises new level of safety protection for confined space and hazardous site workers

GAS MONITOR Honeywell has launched MultiRAE Benzene, the first wireless portable six-gas monitor with a benzene-specific, snapshot measurement designed to protect worker safety in hazardous conditions. The new MultiRAE Benzene includes an innovative six-tube cartridge — called RAE SepTubeTM Cartridge — that operates in conjunction with the unit's photoionization (PID) sensor. The MultiRAE Benzene measures benzene in the 0.1 to 200 ppm range while the RAE SepTubeTM Cartridge filters out other volatile organic compounds (VOCs) and gases, eliminating cross-interference, a long-time problem in benzene-specific detection.

The benzene detection capability is one element of a one-to-five-sensor module with interchangeable electrochemical, combustible and PID sensors to protect users from a broad range of toxic and combustible gases and VOCs. Multi-RAE Benzene provides real-time, wireless access to instrument readings and alarm conditions, including a man-down scenario. The MultiRAE Benzene has been certified for intrinsic safety.

Aquatic achieves one million working hours

Aquatic earlier in December 2014 achieved 1000 days without a single Lost Time Incident (LTI)

HSE Aquatic Engineering & Construction Ltd, an Acteon company, has marked 1mn working hours without a single Lost Time Incident (LTI). In December 2014, Aquatic achieved 1000 days without a single LTI. The improvement level in FPAL scoring since 2013 and successful accreditation to BizSafe3 in Singapore demonstrate that Aquatic is continually improving standards. "This achievement is due to the commitment of the Aquatic team to maintain the culture of safety promoted globally by Acteon," David Tibbetts, vice president technology, Aquatic, said.

PRODUCT FOCUS

Latest Honeywell gas control systems deliver increased flexibility and efficiency, as well as optimising cost

Touchpoint Pro's flexible architecture enables the exact system to be built to customer requirements – optimising operations and cost.

The unique architecture of Touchpoint Pro can significantly reduce cabling costs and installation time and is easily expanded or integrated into an emergency gas shutdown system.

Touchpoint Plus which is a highly configurable, easy-to-use, wall-mounted controller that supports up to eight channels of gas detection for industrial and light industrial sectors.

The multilingual interface simplifies operation, reducing training requirements and costs.

WHERE CAN I BUY IT?

For more information visit www.honeywellanalytics.com

SELL IT TO ME

Pipeline company orders Blackline's lone worker safety monitoring technology

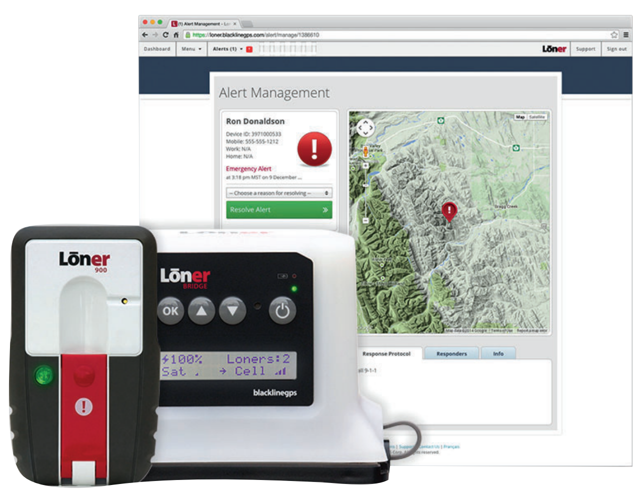
THE DEAL: Employees are vital to the success of every organisation and their ongoing well-being is a top priority for all organisations. Blackline Safety Corp. recently announced that a prominent Calgary, Canada-based pipeline company purchased over $440,000 in Loner Bridge Systems and services to monitor their lone workers.

CEO SPEAKS: "Ensuring the ongoing safety of personnel through a region as large as Western Canada requires a universal approach—we designed our Loner Bridge System for precisely this purpose," says Cody Slater, Blackline's CEO and Chairman. "This solution is the only true, last-mile option available for businesses to monitor their personnel everywhere – within hazardous environments, across large fields of operation and throughout complex facilities."

EFFECTIVE TECHNOLOGY: Blackline's broad Loner safety monitoring portfolio empowers organisations in all industries and geographic locations with real-time safety incident awareness, delivering help within minutes instead of hours or potentially days later. Targeting every industry, employee role and location, the Loner range is promoted through Blackline's offices in Calgary and the United Kingdom and sold through a growing network of international distributors. Loner products alert monitoring personnel of a safety incident, locate the employee and empower the most efficient emergency response – alert, locate.

COST EFFECTIVE: "Our customers have found they can improve employee safety and save money with Loner equipment compared to manual check-in processes or older technology," says Sean Stinson, Blackline's VP Sales & Product Management. He adds, "Making it even easier for companies in this economic climate, our new Loner Complete program delivers everything required to deploy a best-in-class safety monitoring programme – without an upfront capital purchase."

HOW IS BUSINESS FOR BLACKLINE? Blackline's lone worker monitoring solutions bring value to a diverse base of industries including utilities, research labs, manufacturing, transportation and service companies. Although energy sector commodities have softened over the last year, Blackline has received several orders from top-tier upstream and mid-stream organisations in fourth quarter.



ACWA Power wins DEWA projects

ACWA Power to work on solar park and clean coal power projects in Dubai

POWER GENERATION ACWA Power has announced it has signed two contracts in the UAE in 2015 with the Dubai Water & Electricity Authority (DEWA); a solar and a clean coal project.

ACWA Power, in collaboration with TSK, will develop and operate the second phase of the Mohammed bin Rashid Al Maktoum Solar Park, to produce 200MW of photovoltaic (PV) solar power.

The project, one of the largest strategic new Independent Power Producer (IPP) projects in the renewable-energy market worldwide, occupies 4.5sqkm and will avoid 400,000 tonnes of CO2 emissions annually.

The second project, the Hassyan Clean Coal Power Plant, will be developed and operated by a consortium of Harbin Electrical International and ACWA Power.

The project utilises ultra-supercritical (USC) technology which requires less coal per megawatt-hour than conventional coal fired power stations due to higher performance efficiency, leading to lower Green House Gas emissions.

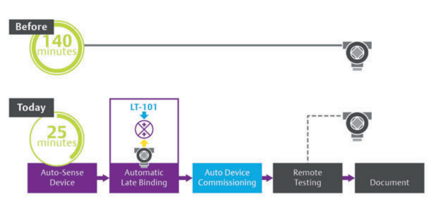
WHAT ARE THE TWO CONTRACTS ALL ABOUT?

- ACWA Power, in collaboration with TSK, will develop and operate the second phase of the Mohammed bin Rashid Al Maktoum Solar Park, to produce 200MW of photovoltaic (PV) solar power.
- The second project, the Hassyan Clean Coal Power Plant, will be developed and operated by a consortium of Harbin Electrical International and ACWA Power.
- Both projects are in line with the 'green economy' initiative for sustainable development championed by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

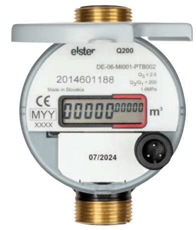
EMERSON'S SMART COMMISSIONING

New concept helps reduce automation commissioning time

Emerson Process Management's newly launched Smart Commissioning helps automation projects meet strict and shifting deadlines by reducing trips to the field, eliminating tasks, and accommodating late project changes. Smart Automation Commissioning builds on advances made possible by the combination of the DeltaV distributed control system (DCS) Electronic Marshalling with CHARMs and AMS Device Manager software to remove automation from the critical path of projects. With the release of version 13 software



for the DeltaV DCS and AMS Suite, Smart Commissioning brings ease to automation project implementation. From the initial device connections to final system testing, users save money as they shave weeks off the project schedule by reducing time spent on automation commissioning activities.



Honeywell fully acquires Elster business

The acquisition, which Honeywell announced on July 28, 2015, closed earlier than anticipated

Honeywell recently announced that it has completed its acquisition of the Elster Division of Melrose Industries plc. Elster is a provider of thermal gas solutions for commercial, industrial, and residential heating systems and gas, water, and electricity meters, including smart meters and software and data analytics solutions. The acquisition, which Honeywell announced on July 28, 2015, closed earlier than anticipated following approval by Melrose shareholders and required regulatory approvals, including those in the US, European Union and China. "The acquisition of Elster adds outstanding technologies, strong well-recognised brands, energy efficiency know-how and a global presence to the Honeywell portfolio," Honeywell chairman and CEO Dave Cote said. Elster's gas heating and gas, water, and electricity metering businesses will be integrated with Honeywell's Environmental & Energy Solutions business (E&ES), part of Honeywell Automation and Control Solutions. Elster's upstream and midstream gas applications businesses will be integrated with Honeywell Process Solutions. There is no change to the company's 2016 financial guidance provided on December 16 as a result of the announcement.

ON THE MOVE

Parag Jain
Chief Executive Officer
Gulf Navigation

Gulf Navigation Holding, the Dubai-based shipping company, has confirmed the appointment of Parag Jain as the company's new chief executive officer (CEO). Jain has been serving in the capacity of acting CEO since May 2015. Jain joined Gulf Navigation Holding in January 2010, originally serving as the company's general manager for the Agencies and Marine Products unit.

Chris Hearne
Chief Financial Officer
Dana Gas

The UAE's Dana Gas has announced that Chris Hearne had joined the energy firm as chief financial officer in January, according to *Reuters*. The statement to Abu Dhabi's bourse did not disclose further details. Dana Gas is part of a consortium of companies locked in a dispute with the Kurdistan Regional Government about late payments for work on the Khor Mor and Chemchamal gas fields.

John E. O'Malley
Chief Executive Officer
OpenLink

Trading and risk management solutions firm OpenLink recently announced John O'Malley's appointment as CEO. O'Malley has led several technology and private equity backed portfolio companies from start-up to maturity in growth markets. Most recently, he was an operating partner for Thoma Bravo after being hired as CEO of Digital Insight, a portfolio company. O'Malley is a programmer by training.

Senior executives
GAC Group

GAC Group has reshuffled its senior management team. Peter Österman moves to Sweden to take on the new role of commercial manager – Shipping for Denmark, Finland and Sweden combined. He is replaced as managing director of GAC Global Hub Services by Ronald Lichtenecker who relocates to Dubai for his new role. Lichtenecker was previously managing director of GAC Singapore. Henrik Althen takes over his former role in Singapore, after serving as managing director of GAC Kuwait. He is replaced by Filip Björklund, previously group business controller.

Saudi Aramco
appoints senior vice presidents

Appointment of the Month

The Board of Directors of Saudi Aramco has named three senior vice presidents for various operations, effective from January 1, 2016. Mohammed Y. Al Qahtani, has been appointed as senior vice president, Upstream; Ahmad A. Al Sa'adi, senior vice president, Technical Services; and, Muhammad M. Al Saggaf, senior vice president, Operations & Business Services. Al Qahtani was appointed in October 2015 as acting business line head of Upstream, with responsibilities that include exploration, petroleum engineering, oil and gas production and processing activities. Al Sa'adi was appointed in March 2015 as acting service line head of Technical Services, managing engineering, project management, information technology, materials supply and community, infrastructure and public projects. Al Saggaf was appointed in 2014 as acting service line head of Operations and Business Services, with a portfolio spanning all the company's activities in community, industrial services, training, safety, industrial security, and medical services.

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JOBS

NOTICE BOARD

The latest jobs available in the oil and gas industry

MOTT MACDONALD, UAE
Construction Engineer - Civil
Mott MacDonald is looking for a senior civil construction engineer to be based out of Abu Dhabi. The ideal candidate will have 10-12 years' experience in the oil and gas sector. Previous construction experience in live plants.

ADNOC DISTRIBUTION, UAE
Commissioning Engineer
The role is to plan, organise and supervise the inspection, testing, pre-commissioning and commissioning and construction activities of the Gas Distribution Networks of ADNOC, including all its associated facilities.

QATARGAS, DOHA, QATAR
Senior Commercial Analyst
The candidate will maintain project economic models in order to evaluate the financial impact of proposed changes to the sales portfolio and other key changes in parameters; for example fiscals or yields for the State.

Dubai's Enoc Group makes two senior appointments

CAREER NEWS

KEY APPOINTMENTS The Dubai Government-owned Emirates National Oil Company (ENOC) has announced the appointment of two senior executives. Dr. Eng. Waddah Shihab Ghanem has been appointed as executive director of EHSSQ & Corporate Affairs. Eng. Hesham Ali Mustafa is now executive director - Group Strategy and New Business Development. ENOC in a statement says that both the executives are 'veterans', having been part of the Group for more than 16 years. In his new capacity, Ghanem will oversee the development and implementation of best practices and standards for EHS, business excellence & quality, sustainability, security and risk management as well as wellness and social affairs. Mustafa will be responsible for developing and implementing ENOC Group's strategy in alignment with the Government of Dubai's strategic goals. He will also be overseeing ENOC's global upstream, midstream and downstream activities.

ENOC GROUP IN A STATEMENT SAYS THAT BOTH THE EXECUTIVES ARE 'VETERANS', HAVING BEEN PART OF THE GROUP FOR MORE THAN 16 YEARS

ExxonMobil appoints new president; chairman retained

PROMOTION Darren W. Woods has been elected president of Exxon Mobil Corporation and a member of the board of directors. With the addition of Woods, the ExxonMobil board is comprised of 13 directors. Rex W. Tillerson (63) continues his position of chairman of the board and chief executive officer of the corporation. Woods (50) was elected to his current position of senior vice president and a member of the management committee of the corporation on June 1, 2014. Woods joined Exxon Company International in 1992 as a planning analyst. He has undertaken a number of domestic and international assignments for ExxonMobil.

Kuwait Petroleum Corp names new board; no policy change due

RESHUFFLE Kuwait's national oil company, Kuwait Petroleum Corp (KPC), has recently named a new board, three weeks after the oil minister was replaced. The identities of the new board members were not immediately known. Nizar al-Adsani will remain chief executive. The reshuffle is not expected to mean any change to the oil policy of the OPEC member; Kuwait's oil policy is set by the country's Supreme Petroleum Council. An official circular announcing the board reshuffle is expected to be issued after approval by the cabinet. The new board will seek to achieve stability in the oil sector and push ahead with projects.

OPINION

Innovation a must to remain resilient

The need for innovation is more relevant in the GCC energy industry than possibly anywhere else in the world, says Walid Fayad

"AS EMERGING MARKETS DRAMATICALLY INCREASE THEIR DEMAND FOR ENERGY AND ENERGY INFRASTRUCTURE, THE FLOW OF NEW OPPORTUNITIES AND OVERALL INNOVATION WILL SHIFT FROM THE WEST TO THE EAST."

About the author
Dr. Walid Fayad is an executive vice president at Booz Allen Hamilton, leading the firm's activities in the energy, chemicals and utilities sectors and part of the leadership team of the MENA region. He has over 15 years of experience in electricity, water, oil & gas, chemicals, ICT and environment in the Middle East and globally.

It's set to be a diverging year for the energy industry. On one hand, new forms of cleaner and renewable energies are gathering pace – driven along by a spirit of new enterprise and a renewed sense of environmental and social stewardship. Conversely, for the hydrocarbon industry 2016 looks set to be another year of uncertainty, with record low oil prices precipitated by tapering demand and inflated supply. But amidst the gloom there is hope. Innovation – both of technology and process – is long overdue in the oil and power industries, and its application this year will separate winners from losers in the new energy economy.

The need for innovation is more relevant in the GCC than possibly anywhere else in the world. This region accounts for nearly 40% of the world's oil production and while economies such as the United Arab Emirates are working rapidly to insulate themselves from oil dependency, the transition will not be overnight. The UAE has announced that it will invest over $82bn in a new plan to build the country's knowledge economy, with a post-oil vision but it is the short term oil revenues that will fund this diversification programme. It is important that the oil money continues to flow.

It will be one of the greatest challenges the industry has faced in recent times, as the reality 'new normal' begins to bed in. And the worst is not over yet – additional US and Iranian supply this year is predicted to push oil down further to between $20 and $30 according to the International Monetary Fund. It also predicts that the market downturn will result in a $287bn loss in oil exports or around 21% of the combined GDP for GCC suppliers, in 2015.

The challenge is how to retain viability? Amid this gloom, where are the margins? And, as profits are squeezed, is enough investment being made into energy infrastructure, the security of intellectual property and the capacity of utilities?

According to our analysis, 2016 will be about five key trends for the energy industry. Those trends are:

Compliance not enough to thwart cyber threats

Cybersecurity is predicted to be one of the biggest trends in the energy industry in the coming years and now instead of merely reacting to threats, technology has advanced far enough to identify and mitigate issues and crises well before any significant impact. This will drive a shift towards predictive technologies to protect assets and infrastructure, and not just to meet compliance standards. While the fight for greater efficiencies and workable margins is a significant one, mitigating malicious cyber criminality will be critical.

Opportunity, innovation will move from the West to the East

As emerging markets dramatically increase their demand for energy and energy infrastructure, the flow of new opportunities (i.e., business expansion, new jobs) and overall innovation will shift from the West to the East. The International Energy Agency reports that emerging economies will account for more than 90% of net energy demand growth by 2035. As a result, domestic players in Western economies will face more competition for talent in key areas, and will fall behind their multinational counterparts unless there is policy focus in those countries on infrastructure renewal and innovation.

Digital transformation, changing customer expectations will leave some utilities behind

The IDC Energy Insights finds that by 2018, 70% of utilities will have launched major digital transformation initiatives (including everything from outage notification and bill payment to helping customers buy energy products and services, and make energy part of their connected homes). These changes come as customer expectations rise in connection with access to energy information, services and control. Seizing on digital transformation will separate those utilities that thrive by converting historical customer intimacy into business advantage and those that struggle just to keep what they have. In particular, utilities that learn how mobile and digital strategies can go beyond operational cost savings to create customer value (often in the context of new business models) will make the leap.


Dr. Walid Fayad

Low prices accelerate use of advanced analytics

As oil prices linger at relatively low levels, companies operating within the hydrocarbon field will make moves to further reduce the extraction, or lifting cost for their source product. At the same time, they will continue to identify ways to reduce overhead costs through the use of analytics, the cloud and leveraging their Big Data to become more data-driven organisations. Innovation will be the driver, both operationally and at the enterprise level, to thrive in this market environment.

The 'great crew change' signals skills gap

In a challenging price environment, companies are offering incentives to accelerate staff retirements and are struggling to discover how to do more with less. New technologies are part of the answer in oil and gas, as companies are working to automate manual processes and do so in a way that reduces effort, streamlines functions, and improves results. For utilities, the demographic shift in the workforce comes with a skills gap—the demand for next generation IT skills is rising faster than the talent pool in most companies, forcing new 'build' (via training) or 'buy' (via acquisition, aggressive recruiting).

ABOUT THE INTERVIEWEE:
As the Chief Operating Officer of Servtech, Shyam Soman is responsible for leading the development and execution of the company's long-term strategies, including expanding in new territories.

Shyam Soman, Chief Operating Officer, Servtech

FIVE MINUTES WITH...

Oil & Gas Middle East delves below the corporate strategy to understand what really makes the industry's leaders tick

0.00

Could you please talk about your main products and services, and the markets you are trading in?
Servtech offers a range of services for the oil and gas, power, petrochemical, water, marine and process industries. We have two main divisions; the valves division caters to service, repair and testing of all kinds of valves. Servtech is among the early service providers to be certified by The National Board of Boilers and Pressure Vessels in the region. The metrology division caters to calibration and service of flow meters and instruments.

1.05

Highlight your company's achievements in 2015 in terms of contract wins?
Servtech did pretty well in 2015, winning major contracts across the Middle East. Major contracts included Prover Calibration for SEC (Saudi Aramco), valve service and testing for YTL (Lebanon), valve service and repair contract spanning two years for EMAL (Abu Dhabi), valve service and repair contract for RAK GAS (Ras Al Khaimah), prover calibration and service for ADCO (part of ADNOC Group of companies, Abu Dhabi), and metering system calibration for Gazprom (Iraq) to name a few.

> "THE PREVAILING MARKET CONDITIONS ALSO HELPED US ENTER CERTAIN MARKETS THAT WERE HARD TO ENTER PREVIOUSLY WITH PENETRATION PRICING STRATEGIES."

2.55

How was your company's business/revenue affected last year, due to the declining oil prices?
The decline in the oil price did affect the company's revenue as many projects were put on hold, even after the contracts were won by us. Prices were brought down dramatically which brought down margins. However, the prevailing market conditions also helped us enter certain markets that were hard to enter previously with penetration pricing strategies.

3.35

Who are your major clients? What are the projects you are currently working on?
Our major clients include most of the ADNOC Group of companies namely ADMA, Takreer, Al Hosn Gas, EMAL (Abu Dhabi), Dubai Aluminium, Dubai Petroleum, Dubai Natural Gas, Ras Al Khamiah Gas, VTTI Refinery (Fujairah), Socar Aurora (Fujairah), Horizon Energy (Fujairah), Fujairah Asia Power Company, Saudi Electric Company, CTSS (Nigeria), YTL (Lebanon), and Gazprom (Iraq) The major projects that we are currently working on include prover calibration for ADCO, online valve testing and repair in RAK Gas, and valve refurbishment in EMAL.

4.10

What are your corporate plans for 2016? How do intend to expand?
We are trying to focus more on the Abu Dhabi and Saudi markets for 2016 and we hope to win more contracts this year. We have also expanded our service range to a new division from 2016 which includes witnessing and safety consultancy and certification. Heavy focus is being put into this division at the moment and we target to get a market share of 9% in the UAE by the end of 2016.


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