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## Collaboration the way to go for O&G companies — BMCC

BY SANGEETHA AMARTHALINGAM

KUALA LUMPUR: Now's a good time for oil and gas (O&G) exploration and production companies to collaborate amid the depressed oil price environment as any upstream investment requires high capital, says British Malaysian Chamber of Commerce (BMCC) energy committee chairman Mohamad Hanif Hashim.

He noted that rather than remaining fixated on crude oil price movements, O&G players have identified collaboration as a way to weather the downturn in the O&G sector.

"The O&G industry is undergoing restructuring, with everyone doing their best to survive. However, a typical upstream investment is not one that you can recoup easily and achieve your commercial objective over a short period of time," Hanif, who is also Petrofac (Malaysia PM304) Ltd country general manager, told *The Edge Financial*

*Daily* in an interview.

"[As such,] the idea is to let the industry restructure while we focus [on collaborations] so that when the situation improves in the next five, 10 [years] or 15 years, we can reap the benefits from these collaborations," he said.

He said industry players across the O&G value chain such as service companies, operators and the government, are all helping each other to weather the current challenging times.

On its part, BMCC is seeking opportunities for British and Malaysian O&G companies to synergise and compare notes, where a relationship with Petroleum Nasional Bhd (Petronas) is key as O&G players identify new areas of growth.

Despite Petronas' decision to cut capital expenditure by RM50 billion over four years and the protracted crude oil price, Hanif said British O&G companies still consider Malaysia a good investment destination as the economy

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is expected to grow by 4% to 5% this year.

An area of collaboration between British firms and Petronas is the sharing of technical know-how from operating in the UK North Sea, assuming British firms meet the technical and commercial (techno-commercial) criteria.

"If we find the right space and implement the right techno-commercial solution, then yes, Malay-

sia is still a good place to invest. In fact, going by Malaysia's gross domestic product growth of 4% to 5% in 2017, that is the key barometer to estimate how much energy is required on the demand side," he added.

According to BMCC, there are about 35 British upstream operators in Malaysia with some 30,000 British companies operating in the sector globally.

Hanif noted that the future of the O&G sector boils down to the fundamentals where the economy would still be counting on energy supply, adding that although O&G investments have been scarce, demand does not necessarily fall.

"With scarce investment, arguably the supply is going to get lower, and there is also the natural decline of O&G fields but in order to address continued growth and demand, this is where investments are still necessary to address the supply and demand gap, which is the case," he said.

Last year, Petronas' crude oil production stood at 648,000 barrels per day, down 2% from 2015.

BMCC said the Malaysian government is encouraging investment in recovery technology and new field development amid declining output on ageing oil fields.

"Malaysia remains the second-largest oil and natural gas producer in Southeast Asia, the second-largest exporter of liquefied natural gas globally, and is strategically located amid important routes for seaborne energy trade," it added.

Hanif also said BMCC seeks to establish green energy collaborations among its members by inviting Tenaga Nasional Bhd and the energy, green technology and water ministry to become a member.

BMCC's energy committee, which is represented by the UK department of international trade, now has 10 members including Petrofac, Royal Dutch Shell plc and Serba Dinamik Holdings Bhd.