

Asia O&G industry still solid and robust

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KUALA LUMPUR: Despite an increasingly challenging environment in the oil and gas (O&G) industry, Petroliam Nasional Bhd's (Petronas) new head Datuk Wan Zulkiflee Wan Ariffin believes that the fundamentals of the industry in Asia remain both solid and robust. Wan Zulkiflee takes over as president and chief executive officer of the national oil company tomorrow.

During the launch of Offshore Technology Conference (OTC) Asia 2016, Wan Zulkiflee noted that by 2030, Asia will be home to some three billion middle-income people, which is 10 times more than North America and five times that of Europe.

"Clearly, the potential for Asia to be the engine of growth in the O&G industry is very encouraging," he said in his speech.

He added that the industry is now operating in a completely different global market environment and that companies have realised that the financial returns that they have been receiving to date will no longer be the norm.

"Pressured with dwindling prices and increasing costs, companies are now reprioritising shareholders' returns over production growth.

"Across the board, we are now seeing reduced budgeted capital expenditure, the lowering of production plans, a more targeted exploration effort and the continued rationalisation of downstream businesses with an overall decrease in spending, which has been aimed mostly on the optimisation of assets," he said.

Wan Zulkiflee believes that one of the issues that the O&G industry needs to focus on in the current environment is cost management.

He hopes that industry players would come up with novel and breakthrough solutions by leveraging on each other's expertise, knowledge and experience in managing new market realities, especially on improving costs and operational efficiencies.

"As such, events like OTC Asia play an important role in providing a platform for continuous conversations, spurring collaborations and partnerships for mutual benefit," he said.

The biennial OTC Asia, organised by Petronas, will be held on March 22 to 25 next year in Kuala Lumpur and will be themed "Excellence in Asia".

Petronas executive vice-president and chief executive officer for upstream Datuk Wee Yaw Hin told reporters after the launch that OTC Asia's inaugural event last year generated over RM3 billion worth of sales for local companies.

The event, which also included an exhibition showcasing the products and services of more than 240 companies, was attended by some 25,100 industry professionals representing 88 countries and 98 nationalities.

OTC Asia, supported by Petronas, is sponsored by organisations that cover all aspects of the offshore energy industry.