

5 Reasons Why We Can Only Get Fitter Together

**IT IS A LOT EASIER
DOING THIS WITH FRIENDS!**



Industry upheaval has put everyone in a tough spot. Operators have cut costs and shed operating expenditure along with their headcounts. Service providers have been squeezed lean, as projects vanish from their order books overnight. The situation remains shaky, even in the face of a tentative recovery. The terrain seems to have shifted, leaving an industry stumbling and wondering how to regain their footing on rocky ground.

Unsettling though the changes may be, they are just the beginning, minor tremors heralding the arrival of a much larger tectonic shift. The world is changing, hurtling rapidly towards a future characterised by the rise of digitisation, urbanisation, interconnectivity and big data. Industry 4.0 is coming for the oil and gas industry, and we can either fight it or rise with the tide.

Change comes quickly, but all is not lost. These shifting sands offer an opportunity for the industry to transform itself to be ready for the future. Fortunately, it's not a lonely pursuit. As Hellen Keller once put it, "Alone we can do so little, together we can do so much".

Here are 5 reasons why we can only get fitter together.

#1 We still have a lot we can learn from one another.

Malaysia's upstream sector cost efficiencies have largely been driven by Cost Reduction Alliance (CORAL) 2.0, a programme spearheaded by PETRONAS and implemented with the collaboration of Petroleum Arrangement Contractors (PACs) across the industry.

The pillars underpinning CORAL 2.0 include optimising costs, increasing efficiencies and driving innovation. By lowering the boundaries between companies and being open to sharing, PACs have managed to share the best practices, learn new efficiencies and adopt or replicate these practices from one another.

This method of sharing has proven to be effective. Since its inception in March 2015, CORAL 2.0 has registered nearly USD2.9¹ billion in cost savings and value generation.

#2 A bigger pool of information benefits everyone.

A bigger pool of information gives everyone a better view of the bigger picture. Cost benchmarking, joint sourcing and shared use of surplus materials have significantly reduced costs for the industry by using what was already there. The importance is in knowing who had what and which could be used where.

In mapping uncharted territory in offshore Sabah, Malaysia, Asia's largest 3D Multi-Client Seismic survey has allowed everybody to get more value for their investment, resulting in cost avoidance while providing a more complete picture of frontier ultradeepwater areas and helping operators reduce risks.

By throwing wide open the doors of information, the industry gained the ability to see the bigger picture and tap into resources that were already there, but underutilised. These improvements came about simply through sharing of what was already available.

#3 We need the economies of scale.

We are small fish in a shrinking pond. But that doesn't mean we can't maximise value wherever possible. One way to achieve that is by coming together to consolidate when it comes to providing services in the industry.

Contract benchmarking and renegotiation has helped save the industry a significant amount of costs. With continued pressure on the oil price, contracts are trending towards integrated work scopes and longer contracting tenures.

¹ RM11.5 bil divided by 3.9

The Pengerang Integrated Complex (PIC), poised for start-up in early 2019, will be the fourth largest refinery and steam cracker plant in Southeast Asia. This is good news for customers as well as service providers. Beyond 2020, this is also expected to drive a substantial increase in turnaround activity due to the size of operations. This is also a good opportunity for collaboration between industry players and foreign participation in building local capability.

While demand is there, it needs to be supplied in a way that is efficient, robust and competitive. This is a rallying call that will also strengthen the industry towards global competitiveness.

#4 We can set each other up for success.

As an industry, we want to see each other succeed. A strong, competitive and effective network of oil and gas service and equipment providers makes the Malaysian oil and gas industry run more efficiently, at lower costs and with better results. It also makes these waters more attractive for other players to invest in and render complex projects more feasible by improving the economics. More operators mean a deeper demand pool for service providers.

But in order to get there, the industry needs to be sensitive to the price signals that are being sent and prepare themselves for the needs of the future.

#5 No one should be left behind in the coming digital revolution.

Connectivity, robotics and big data are going to rapidly change the way we work. We are already seeing the changes sweeping through industries, with digital services changing transportation, accommodation booking and media. In a few short years, technologies operating on these same principles may make the industry unrecognisable. Can you imagine a Tinder-like service that matches operators with their required services? Just swipe right!

Accurate decisions can be made faster with a large velocity and volume of information being accessed, exchanged and analysed. The 4-time World Constructors' Champion, Mercedes-AMG PETRONAS Motorsport team is exploring separation of data from the important to the less important – filtering out the norm and allowing them to make decisions based on an even wider range of relevant data. With our minds released from mundane and repetitive tasks, we can turn our attention to analyzing the exceptions in the data.

In upstream, service and equipment providers have always been a source of technology and innovation for the industry. But earlier collaborations have the potential to bring around faster and more innovative results.

While it is not all blue skies ahead, we will be able to better weather the storm if we are able to do it together. This workout will also leave us with a future-focused industry that is robust, resilient and competitive.

Corporate Supporting Organisation



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