

12/06/1997

Oil and gas sector needs to share knowhow, alliances

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AT the Asia Oil and Gas Conference which ended on Tuesday, industry leaders drove home the point that the industry's future does not lie in the size of reserves but in shared technology and alliances.

This raised not a few eyebrows, but on closer inspection, the message could not be closer to the truth. The oil and gas industry has indeed always been characterised by multi-cooperation and interdependence of suppliers, buyers and governments. This is going to be more so in the next millennium.

In fact, at the first conference last year, Prime Minister Datuk Seri Dr Mahathir Mohamad had urged the national oil companies (NOCs) to cooperate with each other to share the huge capital outlay needed in the industry as well as to reduce risks of the uncertainty of the business.

He had reminded NOCs they will not get the kind of protection they enjoy at home once they are abroad. They have to spread the risks by teaming up with others, especially the major ones, emphasising the importance of alliances between players in the industry.

In his paper at this week's conference, Petronas president and chief executive officer Tan Sri Hassan Marican expressed optimism that the NOCs, based on their already strong ties and common background, will be able to develop a "friendly competition" concept into a cooperative competition.

While the host governments' role in providing a conducive environment for the development of oil and gas industry is important, the order of the day seems to be alliances and cooperation between oil companies in maintaining global energy security.

The oil companies will need to work with one another - share and learn from each other's experience - in ensuring that the world's energy demand are met.

This is especially so for Asia. The recent years have focussed its attention on Asian region as more than 70 per cent of the world's oil demand comes from the region, with half of the world's population and home to the greatest concentration of high-growth economies in the world.

It is estimated that by the turn of the century, Asia-Pacific will be the largest oil-consuming region in the world, overtaking North America. In 2010, Asia is expected to consume 40 per cent of the global supplies, compared with only 21 per cent in 1990.

The fact that Asia is now a significant oil refining centre supplying an increasing volumes to meet local demand, cannot be denied. More companies are attracted to invest in the oil and gas industry in Asia as almost all the governments in the region practise an open market and deregulation.

One of the new players in the industry, Conoco Inc, sees Asia as the "must" area of the world. The PSR-2 refinery project in Malacca, which will come on stream late this year, is one of the joint-venture projects between Conoco and Petronas, as well as Norway-based Statoil.

With the combined technologies of the US, Norway and Malaysia, this integrated refinery complex is said to be the most sophisticated, efficient and the cleanest refinery in the region.

Asia's national oil companies now possess the cutting edge technologies derived from the locally-developed technologies and the foreign technology transferred through their joint-ventures with multinational oil companies.

Acting Prime Minister Datuk Seri Anwar Ibrahim said Asian oil companies, based on the tremendous progress they made in developing the local energy

resources, are now equipped with the technology and skilled manpower needed for effective contribution to any partnership.

In his opening speech at the conference, Anwar called for alliances between oil companies in West Asia and Asia-Pacific to expand the downstream activities in the international energy arena, including the West and Central Asian region.

Although Asia is endowed with considerable oil and gas reserves, the supply cannot satisfy the escalating demand.

As the domestically-produced crude oil and gas falls far short of demand in Asia, a massive quantity needs to be imported. Naturally, the region will turn to the oil and gas-rich West and Central Asia for supply to fuel the industrialisation of the Asian economies.

This is where the alliances between the oil companies in West Asia and Asia-Pacific will make the most impact.

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