

Newspaper	MALAYSIAN RESERVE
Date	12 JULY 2017

# Favourable time for O&G players to diversify

*Malaysian Reserve 12/7/2017 pg. 3*

*Time to diversify into related product or service offerings and add new market segments, says DPM*

by NG MIN SHEN

THE current "survival of the fittest" environment within the oil and gas (O&G) sector makes it the best time for industry players to diversify into new revenue streams as the opportunities for exploration are aplenty.

"This is the best time for players to diversify into related product or service offerings and add new market segments, including exploring new areas in the downstream sector," Deputy Prime Minister (DPM) Datuk Seri Dr Ahmad Zahid Hamidi said in his opening speech at the 16th Asian Oil, Gas & Petrochemical Engineering Exhibition (OGA 2017) in Kuala Lumpur yesterday.

He said there had been a shift in mindset among O&G players who are leaning towards shorter-cycle projects to lower their risks.

Meanwhile, many companies have already taken the opportunity to refurbish or upgrade their facilities, skills and expertise to better position their companies once the industry regains its footing.

"It is survival of the fittest, and we have already seen and will continue to see an industry shake-up as weaker and less prepared firms exit the industry," Ahmad Zahid said.

He encouraged local and regional players to further explore various opportunities to tide them through the current market volatility, as effective strategising would help them emerge stronger and more



Ahmad Zahid (right) with former Prime Minister Tun Abdullah Ahmad Badawi (second from right) during the opening ceremony of OGA 2017 in Kuala Lumpur yesterday. The DPM encourages local and regional players to further explore various opportunities to tide them through the current market volatility

resilient once oil prices recover in the foreseeable future.

"If 2016 was the year of tough decisions for the sector, 2017 could be the road to recovery," Ahmad Zahid stated, observing that a recent report from the OPEC projected global oil demand to exceed current production this year.

A Reuters survey also said Brent crude oil prices could average at US\$58.20 (RM250.26) per barrel in 2017 and US\$65.20 in 2018, while

JPMorgan Chase & Co said Brent and West Texas Intermediate crude oil prices will average at US\$56.75 per barrel this year.

Ahmad Zahid added that more multinational O&G companies are looking to move or set up their regional base in Malaysia, due to the country's relatively stable political and business environment as well as cost-competitiveness.

Malaysia's educated and highly-skilled workforce, well-developed

infrastructure, advanced technology and supportive business environment at significantly lower cost compared to certain neighbouring countries have made it highly attractive, he said.

In order to encourage more global petroleum trading companies to establish their presence in Malaysia, the government had launched the Global Incentives for Trading programme.

He said the government will continue to improve the competitiveness

of the local landscape through rationalising subsidies, reducing taxes for companies involved in marginal field development and opening up access to liquefied natural gas imports.

Efforts to rejuvenate bilateral trade between Malaysia and Qatar have also begun, with the latter affected by the plunge of O&G commodities prices in recent times.

"We hope to open up more possibilities for Malaysian companies to take part in Qatar's rapid development, especially as it prepares to host the 2022 Federation Internationale de Football Association World Cup tournament," Ahmad Zahid said.

The government has issued various policies and incentives to boost the growth of the sector as a key driver for the country's economic expansion.

Entry Point Projects such as enhanced oil recovery, regional storage solutions and unlocking of premium gas demand, among others, are targeted to contribute RM131 billion in incremental gross national income and generate about 52,000 jobs by 2020.

Meanwhile, the country's oil, gas and energy industry, which has been contributing about one-fifth to the national gross domestic product in the past decade, is targeting to achieve 5% annual growth until 2020.

Ahmad Zahid also added that renewable energy currently makes up about 1% of the country's energy mix, although it holds tremendous opportunity for the industry.

"We hope this figure will expand in the coming years. Moving away from traditional fuel sources and moving towards green economy initiatives will prove to be the next big driver of our country's economic growth and transformation," he said.