

Consolidation of oil and gas sector not fast enough

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KUALA LUMPUR: “I feel that consolidation among players within the Malaysian oil and gas (O&G) industry is not happening as quickly as we would like.”

Petroleum Nasional Bhd (Petronas) president and CEO Datuk Wan Zulkiflee Wan Ariffin said that not once but twice during the press conference to announce its third quarter financial quarter results yesterday.

The call for a consolidation came about even during his predecessor’s time when Tan Sri Shamsul Azhar Abbas anticipated the survival of the fittest.

Now, Wan is re-urging its colleagues in the industry to heed on the call to combine forces and become stronger players to “ride out the storm”.

He gave an example of the utilisation of fabrication yards in Malaysia.

There are eight fabrication yards that has a capacity of 120,000 tonnes but there will be a big drop in the volume of work to just 20,000 tonnes next year.

There are 3,700 companies registered with Petronas while in Norway, the number came in less than a-fifth compared to what we have at 700 companies.

“Many (O&G) companies in Malaysia are small in size and the industry is too fragmented and inefficient,” he said, adding that Petronas has had several engagements with some of the players.

But he hoped that the industry would be more efficient after this challenging period of time through consolidation.

Asked of his view on previous reports that its 63%-owned shipping arm MISC Bhd was in talks with Bumi Armada Bhd, he declined to comment.

Both companies clarified that they were not in any discussions on any potential transaction, which could be one of the biggest in recent times.

Among the merger and acquisition deals for listed O&G companies, Dayang Enterprise Holdings Bhd’s takeover offer for Perdana Petroleum Bhd came as one of the notable ones this year.

The hook-up, construction and commissioning player offered to buy the rest of the stake it did not own in its 51%-owned subsidiary, which owns and operates 17 offshore support vessels.

Industry observers noted that consolidation was more likely to happen in the space where the smaller players operate as the big boys have “strong ownership”.

PERDANA PETROLEUM BERHAD (372113-A)

Since the oil price plunge, Petronas had been reviewing and renegotiating its contracts with its contractors.

Reference:

<http://www.thestar.com.my/business/business-news/2015/11/12/consolidation-of-oil-and-gas-sector-not-fast-enough/>