



Technipfmc Focuses On Integrated Approach & Early Involvement In The Challenging Market



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Introduction: Despite low oil prices slowing the flow of projects across the UAE and its regions, the investor clan has refused to allow this to undermine their spirits. Organizations like TechnipFMC rest their faith in the market. Ashish Gupta, Vice President, Business Development, Abu Dhabi and Uday Kulkarni, AVP, Offshore Business Head, India shares their comments on the overall energy landscape, especially in UAE.

By- Namrata Nikale Tanna, Editorial Manager, Oil Asia Journal

Q. Following the dramatic decline of oil prices, oil and gas producers in the Middle East have readjusted their strategies and priorities to adapt to the new price levels, we request you to share the strategy adopted by your company to sail smoothly in the current intense scenario.

Gupta: Legacy Technip, now TechnipFMC has been present in the UAE for more than 33 years with large establishments in Abu Dhabi and other regions and thus have witnessed numerous highs and lows in the market. TechnipFMC as a group has always focused on long-term goals and strategies and thus we keep ourselves well-prepared to avoid severe blows in such intense situations. Despite the dramatic decline, if one observes the current trend; it is much more stable compared to the situation a year and a half ago. In the past year, many of Operating companies in the region have consolidated, reworked on their strategies and have re-launched major investments. Apart from new developments, much of the investments are related to plateau maintenance of existing fields which was not really affected by the oil price.

Kulkarni: I think major mergers or restructuring in many oil and gas companies is one of the reasons for the slowdown in investments in the Middle East, but we expect consolidation will benefit the industry in the long term.

Gupta: As the question focuses on UAE, I would like to highlight that Abu Dhabi National Oil Company (ADNOC) had announced their 2030 strategy which aims to enhance value and to increase oil, gas, and petrochemical production while boosting efficiency. ADNOC has also undertaken major restructuring and brought together its people, resources, products, and services together under a unified brand so as to achieve this vision. The strong leadership in ADNOC has been a key factor to instill confidence of all stakeholders for achieving and implementing this ambitious strategy.

Kulkarni: Once again, recent and extended oil price downturn has highlighted the urgency for companies to have plans for profitability. This is reflected in the recent merger and acquisitions that we have been seeing in the industry. For the same purpose i.e. driving the change the oil & gas industry needs, Technip and FMC Technologies joined hands to operate as one company TechnipFMC effective from January 2017. By bringing together complementary skills and innovative technologies, the company aims to boost efficiency, lower costs, and accelerate schedules. Our offerings encompass concept to project delivery and beyond.

Gupta: Our long-standing presence in Abu Dhabi, the in-country value, successful track record with ADNOC in several landmark projects and early engagements on several planned field developments are certainly an advantage and makes us better prepared. I would also like to add that TechnipFMC is one of the unique organizations that ensure the end to end solutions for projects from concept – to – commissioning & – decommissioning within all the 3 sectors of upstream, midstream and downstream. The consolidation between legacy Technip and legacy FMC complement each other's portfolio and help strengthen our proficiencies to bring value to our customers.

Q. The United Arab Emirates declared that they will continue to reduce its oil output to meet its commitment to a global oil production cut agreement, what has been the impact?

Gupta: As we read from the press, being prominent members of the OPEC, UAE has remained committed to the OPEC decision on production cuts.

Kulkarni: In present circumstances, for Clients, it is crucial to sustaining the current production levels but simultaneously, they need to invest money in new projects to boost production levels.

In accordance with the rest of the world, there is a pressure on CAPEX in UAE too, which can be seen as an underlying opportunity for organizations. Though the number of projects has reduced, the number of organizations seeking projects remains the same, eventually leading to intense competition in the industry. To face such intense situations, we count on our execution skills. We are confident about our best of the class expertise and Project Management skills. Utilizing our global portfolio and best of our practices, we have been able to provide a value proposition and deliver greater efficiencies across project lifecycles from concept to project delivery and beyond. The tough market conditions or CAPEX pressure is indeed challenging but at TechnipFMC, we are well-prepared to adapt to new market conditions.

Gupta: Despite intense competition, our long and impactful presence in Abu Dhabi, good relationship with ADNOC and consistent effort to remain as the preferred local partner are our strengths to consolidate our market-leading position.

Q. Could you please highlight the current market trends in UAE's oil and gas industry?

Gupta: We are optimistic about the future oil & gas market and believe that 2016/17 has been a year of consolidation and the situation will bounce back with major investments both on upstream as well as downstream sector. Currently, there are prominent projects under execution by ADNOC, which are expected to boost and sustain oil production by 3.5 million BOPD, increase gas production through development of unconventional gas fields and a huge increase in the refinery and petrochemicals production.

The recent ADNOC announcement of approval of an investment of over 100 B\$ in the upstream and downstream sectors will trigger a new era of growth and development and huge opportunities for the services sector. A big part of the investment will be for the unconventional gas field development and enhance production in the downstream sectors.

Kulkarni: The current trend is that due to pressure on CAPEX, clients in Abu Dhabi and all over the world are cautious and selective in undertaking any investments. The organizations are more vigilant to optimize CAPEX investments and are also expecting early returns. This current market trend reflects the internal efforts instilled by clients to evaluate various options for sustainable profitability.

Gupta: Merger of Technip and FMC testifies the effort to combine two market leaders with complementary capabilities and technologies to simplify field architectures and decision-making, thus executing projects for our clients in a cost-effective manner. The trend of mergers is helping organizations to create a more value-centric environment for clients with the respective expertise when integrated will offer solutions for complex projects.

Q. Do you believe that Hydrocarbons will continue to be the bedrock of economic growth for decades to come?

Gupta: Yes, I believe that Hydrocarbons will continue to be the bedrock of economic growth for decades to come, not just in UAE but in the whole of Middle East, as predominantly, most of the economies are dependent on Hydrocarbons and fluctuation in the oil and gas industry does affect growth on the short-term basis. Nevertheless, in the current circumstances, most of the countries including UAE are now moving towards creating less dependency on oil and gas production and are encouraging value-added services.

Q. Can clean energy be a game changer for the UAE market and help in creating a sustainable environment for investors?

Gupta: UAE has undertaken tremendous efforts to encourage solar power plant activities. There are two solar power plants - Shams Solar Power Station located at Madinat Zayed which is operational and recently the Mohammad Bin Rashid Al Maktoum Solar Park in Dubai which has been implemented to support the goals of Dubai Clean Energy Strategy 2050. There are constant and sincere efforts taken by the government for more viable solutions in creating sustainable energy.

The industry is also undertaking numerous innovations for boosting oil production. Recently, the industry is considering an enhanced oil recovery method wherein carbon dioxide (CO₂) is injected into a reservoir to increase production by reducing oil viscosity and providing miscible or partially miscible displacement of the oil.

I definitely think that the UAE leadership is committed to creating clean and sustainable energy for the future.

Kulkarni: Undoubtedly, this is a global issue and whether renewable energy will replace the Hydrocarbons 100% is by and large an unanswered mystery. According to me, I don't believe that renewable energy will replace the Hydrocarbons 100% anytime in the near future. Considering the facts and studies, renewable energy such as wind and solar will grow approximately 8% CAGR year on year constituting not more than 20% to 25% of the overall energy basket by the year 2035. This eventually conveys that we still need to fill the 70% to 75% of the energy basket. The gaps can only be filled by oil, gas, hydropower, Coal etc.

Though, it looks unlikely that renewable energy will completely replace the Hydrocarbons. I will not deny that there is an intense pressure for cleaner energy. In such circumstances, clients consider increasing the proportion of gas in their energy mix rather than oil, since gas is a cleaner source of energy compared to oil. We would see a trend of oil being replaced with gas more and more as compared to renewable energy.

Q. UAE is also moving towards future technology, renewable energy, and sustainable development, can we term it is a bold and visionary move towards growth?

Gupta: Certainly, there is a lot of stress on technological advancements not just on renewable energy but also on overall energy. Innovation or re-innovation is inevitable for any country/industry/organization to adapt to the continuously evolving market. At TechnipFMC, we invest heavily in research and development and over a period of time, we have immensely developed our technological segment and upgraded numerous systems and technologies that have proved beneficial for the execution of the projects.

Kulkarni: TechnipFMC provides value to projects and is a strongly integrated organization compared to our peers in terms of Technologies, Services, and Products. We are one stop solution for our Clients from the concept to the commissioning in order to optimize their investments. TechnipFMC invests immense efforts in creating a profitable as well as a sustainable environment for the clients.

*****The End*****