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Major event: Wan Zulkiflee having a light moment with International Trade and Industry Minister Darell Leiking at the 4th Malaysia Oil and Gas Services Exhibition and Conference at the KL Convention Centre.

CEO: O&G still subject to volatility

Industry players told to 'tread cautiously'

By **CECILIA KOK**
cecilia_kok@thestar.com.my

PETALING JAYA: Despite the air of optimism sweeping over the oil and gas (O&G) industry amid rising oil prices, national energy company Petrolia Nasional Bhd (Petronas) president and group CEO Tan Sri Wan Zulkiflee Wan Ariffin believes that all players should still "tread cautiously".

Brent crude yesterday breached US\$81 per

barrel, its highest since 2014, due to the tightening of the oil market and the reluctance of the Organisation of the Petroleum Exporting Countries (Opec) leaders to immediately boost production.

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The price of the strategic commodity has been on a steady rise since topping the US\$70 per barrel level in mid-April this year.

Year-to-date, Brent oil prices have averaged at US\$72 per barrel, which represents a significant increase from the average of US\$52 per barrel for the whole of 2017, Wan Zulkiflee noted.

However, he cautioned that the industry

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Robust business models needed to go through O&G price cycles

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remained subject to volatility, and urged all players to adopt a resilient business model to survive the cyclicality of the industry.

"As encouraging as it is, we can still expect volatility to continue, given the prevailing external factors such as trade wars and other geopolitical risks," Wan Zulkiflee said.

"While it is evident that players are now changing gears from survival to growth mode, I urge all players to tread carefully and respond cautiously to the unpredictable landscape as we do in Petronas.

"Indeed, the business models adopted have to be robust to go through price cycles, which are inherent in our industry," he said in his speech at the opening ceremony of the Fourth Malaysia Oil and Gas Services Exhibition and Conference (MOGSEC) 2018.

The three-day annual event, themed Catalysing Regional Growth in Oil and Gas, attracts up to 7,000 trade visitors and business professionals from the O&G and petrochemical industries worldwide.

According to Wan Zulkiflee, the Malaysian O&G sector has been responding positively to the strengthening of global oil prices.

"We can see this in the number of investments which have increased slightly in tandem with the higher oil prices and better prospects," he said.

"For September 2018, 20 rigs are in operation in Malaysian waters, compared with 15 as at the end of last year," he added.

Wan Zulkiflee said Petronas remained committed to strengthening local O&G services and equipment (OGSE) companies through various initiatives so that they could compete outside Malaysia across all categories in terms of cost and quality.

"Petronas is keen to help build the competitive edge of local OGSEs, enabling them to explore overseas markets and build mutually beneficial partnerships that can enhance their stature regionally and globally," he said.

"Beyond our shores, players can seek opportunities through direct participation via local subsidiaries, enlisting services of local companies as well as establishing joint ventures, which will help spur the growth of the region's O&G industry," he added.

Meanwhile, Wan Zulkiflee said, amid multiple disruptive technologies that are changing the business of O&G, companies should rethink their operating model as well as their talent and organisational culture.

"We need more talent among vendors who are skilled and adaptable to navigate through these changes.

"Furthermore, increasing focus on economies of scale and integrated solutions, owning technologies and having export capabilities can propel local OGSE companies to greater success," he said.

Separately, International Trade and Industry Minister Darell Leiking said more investments were needed to boost Malaysia's O&G industry.

Speaking on the sidelines of MOGSEC 2018, Leiking told reporters that investments in the country's O&G sector are expected to come from foreign and local investors.

Earlier in his speech at the event, Leiking said the local O&G and energy (OGE) sector was on track to achieve a 5% annual growth rate until 2020 despite the volatile market conditions.

"Entry point projects such as enhanced oil recovery, regional storage solutions and unlocking of premium gas demand, among others, are targeted to contribute towards the sector's growth for the next few years," he said.

Leiking added that to achieve the projected gross national income of RM131.4bil and create 52,300 additional jobs by 2020, the OGE sector would focus on three key areas – expanding the downstream sector, lifting the domestic production and pushing for renewable energy.