

HD APAC to Account for 70% of Global Oil Demand by 2020; John Westwood, Group Chairman of Douglas-Westwood and Dan Eberhart, CEO of Canary USA, reveal insights on the future of oil and gas in the region

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SINGAPORE, Sept. 16, 2014 /PRNewswire/ -- The Asia-Pacific is a huge, growing market for the oil and gas industry -- from 2000 to 2010, accounting for 56% of the increase in global primary oil demand. The Baker Institute estimates that it will account for 70% of global oil demand from 2010 to 2020. The region will also be boosted by the development of both onshore and offshore gas markets, driven by growing regional demand and high gas prices in Japan and South Korea. Countries such as China, Indonesia and Australia are developing shale gas and CBM projects in the long term, while the offshore market will see FLNG projects and drilling projects at shallow water gas well and some deepwater areas. As the region relies heavily on imports, this growth in demand is an opportunity for international companies to tap into the burgeoning Asia Pacific market.

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In light of these trends, [OSEA2014 International Conference's Opening Joint Keynote](#) speakers [John Westwood, Group Chairman of Douglas-Westwood](#) and [Dan K. Eberhart, CEO of Canary](#), one of the largest private oilfield services companies in the U.S. are of the view that there will be promising prospects for business opportunities in the Asia-Pacific region, and together they share their views with [OSEA2014](#) on the current and future of the oil and gas landscape.

Pegging gas to oil prices on industry growth -- impact on Asia

JW: The impact of low US gas prices is already being felt in Europe with evidence of some large energy user industries planning to locate new build projects in the US. At the same time, the cost of building new LNG plant onshore Australia -- a key supplier to Asia -- has soared to the point where it has become economically unviable. The country stands to lose US\$97 billion of potential LNG projects to East Africa and North America unless radical cost reduction is applied. Furthermore, Russia and China's US\$400 billion gas deal could possibly also undermine some of Australia's gas projects. In order to assure its industrial future, the APAC region needs to be taking a very long-term view on energy, not only by increasing supplies and their diversity, but by improving energy efficiency. In this, the need for progressive removal of fuel subsidies in countries such as Indonesia is a vital element.

Asia's foray into foreign energy ventures

JW: China has been investing tens of billions of dollars per annum in foreign energy ventures, effectively forward buying access to oil & gas supplies -- a situation driven by its growing demand. Others meantime are also facing oil production decline -- Australia, Brunei, Indonesia and Malaysia were all down last year. According to BP, in 2013 total regional production fell 1.7% while consumption increased 1.5%. Meantime, regional gas production increased by 1.1%; however, consumption grew by 2.2%. So yes, expect to see a lot more deal-doing.

DE: Asian energy consumption is skyrocketing, and so is their population. There's really no reason to believe that state-owned companies won't continue to make deals with foreign oil and gas suppliers. For example, the biggest deal in 2013 was China National Petroleum Corporation paying US\$60 billion as upfront payment for Rosneft of Russia's crude of 300,000 b/d for the next 25 years. Plus, China Petroleum and Chemical Corporation, an NOC, recently established a strategic alliance with Exxon, with a goal of establishing a refinery complex in Eastern China and "become a major marketer of petrochemicals throughout China." Japan and Singapore have also made diversified acquisitions. Like China, Singapore is working on initiatives with Exxon, including an expansion on a refinery and petrochemical facility that will be the largest integrated manufacturing site in the world.

Opportunities for non-oil producing regions in offshore production

JW: Offshore APAC market will see large gains in shallow water gas production with Shell and Petronas both having FLNG projects planned. High gas prices in Japan and South Korea will further boost regional activity. This could see shallow water drilling grow 29% over 2013-20. Deepwater gas developments will come mainly from China as CNOOC look to boost production from green-field projects in order to meet rapidly growing domestic consumption. We expect increasing numbers of development wells to be drilled offshore Asia-Pacific in 2014, with Thailand heading the league table with some 370, followed by China and India each drilling around 200. In all, we should see annual development well numbers exceed 1,600 by 2020, a growth of over 30% over 2013 numbers.

Amongst the non-oil producers, Singapore and Korea as the world's major offshore vessel builders face growing challenges from the on-going development of the Chinese yards and will need to continually review and develop their strategies, focussing more into high value high technology products such as FLNG, and perhaps growing their non-vessel activity -- an example has been Korea's work on LNG modules.

Singapore is, I think, a special situation, combining a major commercial centre with a can-do attitude from government plus a great workforce has made it the de-facto hub for the Asia-Pacific offshore industry -- which is why my firm has its regional base here.

DE: The biggest hotspots are the South and East China Seas. For NOCs, the biggest challenge in those areas is the territorial disputes between neighbouring countries. The South China Sea, for example, is shared among Vietnam, China, Philippines, Taiwan, and others. Of course, it's not much easier for international oil companies there, which also must navigate the aggressive offshore drilling claims. The growing demand for gas in Myanmar has turned the Bay of Bengal into an offshore hotspot. There are continuous disputes in that area that will require new arbitration and rules. The role of international oil and gas majors may be important here, as are opportunities, but the conflicts between nations on the coast claiming oil and gas assets may retard exploration efforts.

Singapore is a good example, because although it is non-oil producing, the country has attracted multi-billion dollar fixed capital investments by major oil companies for its oil refining industry, which is in the top three in the world. The country's transparent business and mature legal and financial systems have made it very attractive to gas stakeholders. It may be a non-oil producing country, but they've made oil refining central to their economy.

Mergers & acquisitions

JW: As Douglas-Westwood makes much of its income providing commercial due-diligence on deals, I must first declare an interest. That said, M&A is part of the on-going evolution of any business sector. However, it must be done for the right reasons; in our experience of having worked on many billions of dollars' worth of deals, to make M&A work, the result must be that one plus one will equal a lot more than two! On the whole it is beneficial. Many sectors can only compete if they are of sufficient scale, and indeed international oil companies would prefer to sign one contract with a big contractor than individual small ones for each country in which they operate.

DE: Our core philosophy with M&A is not "buy and sell" but "buy and contribute". We purchase companies with solid track records and give them the tools they need to spur healthy expansion -- tools like proven management strategies, marketing capital and a national footprint. We bring new opportunities to these companies and their employees -- but, just as importantly, we preserve and honour the legacy, culture, and teams that have made each company strong.

Our acquisitions strategy is equally about our customers. We integrate new companies with existing services and locations to provide a wider base of national services to existing customers. We now have operations in every major shale play in the U.S., so our customers enjoy a one-stop shop for wellhead services. This strategy has been a win-win for our customers, our existing holdings, new companies under management, and, of course, our overall portfolio growth.

Myanmar -- a rising oil and gas landmark

JW: After the historic political and economic reform in 2011 and the lifted sanctions in 2012, Myanmar has generated serious interest from international oil majors such as Chevron, ExxonMobil, Shell and Statoil amongst others, to participate in its first offshore bidding round of 19 deepwater and 11 shallow water blocks. Although the outlook for Myanmar gas production remains uncertain as there is no capacity indication for those offered blocks, DW expects further developments and an upward trend in the gas sector thanks to operators' confidence based on sound historical performance of Myanmar's large gas fields such as Shwe, Yadana and Yetagun.

DE: I think Myanmar could be the game-changer for this region. Not only does it have abundant natural resource potential, but the opening up of its **oil** and gas sector has generated huge interest internationally. Data from the Myanmar Investment Commission put **oil** and gas foreign investments at USD\$14.372 **billion** last year. The country has awarded both onshore and offshore exploration tenders to international **energy** companies, including major players like ConocoPhillips, Shell, and Total.

Asia's potential for exploration activities

DE: Exploration of shale resources in **China** will require sophisticated multilateral negotiation with **Chinese** NOCs which will likely result in technology trade agreements and assistance first rather than outright drilling/fracking contracts in the **Chinese** mainland. In other words, **China** might take a while. Malaysia might be a better bet: That country has put in substantial efforts to arrest the drop in crude **oil** production and accelerate natural gas output. Supported by its NOC, the country has been very proactive in improving its fiscal regime to attract foreign investments and expertise.

OSEA2014 International Conference: Unlocking the full potential of offshore reserves with innovative solutions

[OSEA2014 International Conference](#), a distinguished Asian platform where **oil** and gas industry thought leaders and experts from around the world come together, will return from 2 to 5 December at the Marina Bay Sands Singapore to unveil a stimulating programme that tackles the needs of Asia's **oil** and gas industry.

Featuring a new theme "Unlocking the Full Potential of Offshore Reserves with Innovative Solutions", the Conference has 10 tracks to address pertinent topics such as the future outlook for **oil** and gas supply and exploration, resource management through oilfield recovery, latest developments and technologies in unconventional and deepwater environments, specialised panel sessions as well as two workshops focusing on best practices in drilling & well design and asset integrity management.

Joint Keynote

The OSEA2014 International Conference will open with a Joint Keynote and Case Study. Titled "The Future of **Oil** & Gas Exploration and Supply", the Joint Keynote will be presented by John Westwood and Dan Eberhart. Together, they will be exploring the future technology and exploration trends and sustainability of long term production and resources.

Held concurrently with the [OSEA2014 exhibition](#), which saw more than 27,000 attendees from at least 75 countries/regions at its previous edition, the Conference provides a prominent and invaluable platform for discussion on the important issues and challenges facing the industry. More than 200 speakers and delegates from 30 countries/regions participated in its previous edition.

For full event highlights and updates, please visit [the official OSEA website](#), [Facebook](#) and [LinkedIn](#).

Events at a Glance:

OSEA2014 International Conference

Date: 2 - 5 December 2014

Venue: Marina Bay Sands, Singapore, Level 3

Admission: Registered delegates only

Website:

<http://osea-asia.com/index.php/conference/>

Delegate registration:

<http://osea-asia.com/index.php/conference/#conf-fee-reg>

OSEA2014 Exhibition

Date: 2 - 5 December 2014

Venue: Marina Bay Sands, Singapore, Basement 2, Level 1 and 3

Opening hours: 10.30am - 6:00pm daily

Admission: Business and trade professionals

Website:

www.osea-asia.com

Visitor registration:

<http://osea-asia.com/index.php/to-visit/visitor-pre-registration>

Singapore Exhibition Services is the organiser of OSEA2014.

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