

KEN ETETE Local Content Act Has Helped Oil Servicing Industry in Capacity Building



Ken Etete is Group Chief Executive Officer of Century Group, which describes itself as “one of Nigeria’s foremost indigenous industrial groups operating in the energy and non-energy sectors through seven main subsidiaries.” In this interview with Kunle Aderinokun, Etete provides a historical background, highlighting the Century’s industry bonafides, gains from the Local Content Act, role in Lagos state’s emergence as an oil producing state as well as the company’s capacity building to play in the same space as the big oil servicing firms. Excerpts

Can you take us on a short excursion around the Century Group from its beginning with a summary of its operations?

Century Group is a passion that reflects the environment of today. A group of young people saw that there were a lot of gaps in supporting oil & gas projects; especially skillset gaps and we also identified the struggles international companies face in executing projects and how they were finding it difficult to execute projects due to lack of local skillset.

My journey in Century began after supporting the company more like an investor. Quite early into the 2000s, I had gained experience in executing and selling projects for field development with FPSO Concept while working for Bluewater. It became obvious that for policy reasons, Bluewater was not too keen on taking on some of the risky projects as it were, and this triggered my creative ability. I realised that, like today, there were numerous opportunities, but a number of struggling entrepreneurs who needed support.

With my knowledge gained from trying to sell to the major companies, I found a reason to look for a platform and could not think of any other than Century. In the past, I had provided them with professional advice pro bono and also supported them with a bit of investment. I took up the role of CEO by the end of 2007, and this gave me the ability to take on the risky projects often avoided by international service providers.

For a Nigerian company involved in the oil & gas industry, Century seems to have joined the premier league. What three factors would you say are responsible for the group's success?

The environment is mature and rich with unlimited skills, opportunities, and emulation of international best practices. We are an indigenous company with an outstanding business model which is our cost-effective advantage and ability to take on unusual risks. We have also been fortunate to have some of the best international partnerships and complimentary support.

The local content laws have also supported, and we have taken full advantage of their policies as well. Best believe, we are supported by well-trained and highly skilled pool of oil & gas manpower.

As a corollary to the above, Century supports both IOCs and NOCs. How did Century manage to gain the confidence of both big and small players?

The international companies have arbitrage opportunities and huge investment capabilities to support their project. It is less risky to work for the IOCs due to various advantages rather than NOCs, and we have no problem with that. For

Century Group, we believe that to put our skills in check in areas of financial capability and ability to execute projects, we must work strategically without much hand-holding from international companies. Working for local companies is more than earning money from them, but building a partnership and strengthening our skill set. Delivering effective service to local companies means you are qualified to work in rough terrains. Local companies are the diamonds in the rough and international companies are the already refined diamonds. So, for us it is easy to work for international companies and give them the value they want while working for local companies as well. It is tougher to work for local companies because the risk profile is higher, and we might not get a lot. We are configured and rigged up for both.

Century seems synonymous with the Yinka Folawiyo Petroleum's Aje field and the success it has achieved by putting Lagos on the oil producing states table. Can you speak to the relationship?

The Yinka Folawiyo project is one of those very exciting projects in the sense that it is a frontier. Lagos is now an oil producer because of this project, and we have known Yinka Folawiyo Petroleum for an extended period. We have also seen that because it is a frontier area, when oil prices are not in the right region, not many investors are willing to take risks in that sense. However, we have continued to follow through, and our focus has been that whenever Yinka Folawiyo decides to make the final investment decision to go, we will like to provide the infrastructure needed to produce the oil; and this is what we have done. So, it is not a relationship that started yesterday, but a relationship of almost 15 years. We have also seen more than two to three sets of investors on that project come and go, but of course, the operator of Yinka Folawiyo Petroleum has remained, and we have continued to maintain our relationship with all the other investors. We have enjoyed that, and so the moment the final decisions were made (FPSO decision), it was a sweet spot for us. As the head hits deep and with all the challenges that came with Coronavirus and the drop in oil price, we realised that the whole business was more than spending money. We also have an obligation to work with Yinka Folawiyo Petroleum to keep our operating cost below oil selling price such that they can overcome the head winds that currently face the oil industry; and if you're in a frontier area in the sense of a stand-alone project where you have minimal aggregation of services so you cannot share too many services, you have to rely on creativity. This is the beauty of the project. We like the Yinka Folawiyo project because it strengthens us much more and it has given us a lot of advantage

over lots of companies because we have to be very precise with our costing. The margins are thin, yet we cannot compromise on safety and all the technical areas.

We will rather take a loss and build capacity, gain technical knowledge, or build experience, than to make profit and get into HSE and technical crises.

Your operating model with regard to YFP is a master class in corporate collaboration and risk taking. We understand you operate on a “risk service” basis, meaning you do not get paid until oil is exported. This is a bespoke arrangement. Can you explain why you are taking such a risk and what are the upsides to the arrangement?

Like I said earlier on, we have a long-standing relationship with Yinka Folawiyo Petroleum, with the family in general, and the fantastic people doing a great job. The project itself is in a frontier area where we have been privileged to be a pioneer on the field and in that area. Lagos is by all standards the biggest brand in the African continent; we cannot take that away. Hence, to be associating with a project that puts Lagos on the map is much more than the revenue for us. Looking at the nature of the field in its current state means that we must become a little more than just a typical contractor to our client, but a major risk-taker.

We have taken that risk and we have not regretted it because it gives us a refreshing profile as a company. It uniquely positions us as a company that works closely with producers and field operators to share the risk incurred. Our existence is evident that service providers can also share a lot of risk incurred on the above mentioned.

The upside to taking on this risk leads to increase in our technical skill and knowledge in managing this kind of project. No other company has this sort of model currently, especially when you are not the owner of the field.

This gives us a unique advantage and identity as a company that takes risks even if we are not shareholders in that field. Another upside is the success that follows the completion of the project, which results in victory for all parties involved.

From one FPSO to two and with what we now know of Century, another may be coming. What drives Century’s appetite for such big-ticket endeavours?

We pride ourselves in knowledge and having knowledge is having power. We know this business; we have done this business and we know we can effectively run FPSOs much lower than our international competitors. It is also about

capacity because as long as you do not have capacity you will always be on the menu and not the table.

Having capacity gives us negotiating power to acquire more and build our skillset. We know that there is a huge opportunity in acquiring oil infrastructure, and to demonstrate that to our lenders, shareholders, stakeholders, and our clients, is to show that we can own and operate FPSOs. Indeed, we will like to be the number one in terms of capacity, ownership – in terms of FPSOs across the African continent and beyond.

Deep water offshore productions are tricky and capital intensive, yet Century makes it look easy with almost zero Lost Time Injury. How do you keep your operations, safe, profitable and efficient?

As I have said before, when you are talking business, FPSOs, offshore operations, etcetera, the first thing on that scale is always HSE. And as you can see, we are promoting HSE big time. We want HSE to become a lifestyle for our industry and much more as part of a corporate social responsibility to see that more and more sectors around the world and the country understand its importance. By the very nature of that, we are able to push our HSE culture very deeply into our operations. Rather than have an HSE challenge, we would prefer a profit challenge – that is fundamental. We can see clearly that goodwill earned is building up on our balance sheet; the fact that we are able to operate in a safe manner. So, we are not necessarily performing any magic, it is all about discipline, following through processes, compliance, etc., and we do not compromise our profit and HSE requirement. HSE first, then other things follow.

If it is not safe, then we do not do it. We would rather not be on a project, than be on a project where the executions have red flags.

Century seems to have its fingers in many pies from training to servicing, drilling to storage. Where do you find the manpower and how do you manage to juggle all these balls at the same time?

Nigeria is a mature oil-producing region and what we have also found out is that over the years, we have seen a huge build-up of skill sets. And we have also seen a generation of oil and gas workforce that it is easy to say that we are on the fourth generation of oil and gas technical manpower in Nigeria. Be that as it may, we already have two generations that are actively providing some kind of training/coaching services to a younger generation. As a philosophy and a policy,

we put manning/providing job opportunities first. And to do that, we have to go back to the diamond in the rough. For us, this means that while members of those local communities where oil is found may not have the skills, we make deliberate effort to train them. We have the capacity today that can man up to five projects simultaneously because of our history and all the work we have done before – we have this in our database. So, within a period of a month, we can easily run up more than four projects the same size of projects we are doing. As far as drilling and all that, they are all much related projects and we are able to support; it helps that we have an integrated operation from the shore base all the way to offloading the barrel.

The most important thing is the quality of the manpower we have. The skill set quality and compensation skill we have to keep people motivated without compromising the HSE process. From our structure, there are asset managers who are directly responsible. It makes it easy that there is a responsible party. Every business has its independent CEO, who has the power to undertake executive decisions. It makes the responsibility on ground more effective. I do not necessarily have to be present on a daily basis to tell them what to do on ongoing projects.

How did an accountant end up leading one of Nigeria's biggest oil servicing companies and a bonafide local content champion?

Like everything, leadership is partly innate, partly determination and vision. I have been involved in oil and gas activities straight from university and over time, I have been involved with the commercial side of the oil and gas play. Of course, with a decent understanding of the technicalities involved. It is a passion, and I am also fortunate I got early exposure to this. I have had several tutors who taught me, and I have made myself available to be taught.

It is an on-going process and my education was really to prepare me to understand how to make decisions and how to analyse things.

I had the opportunity to work straight from school with WILLBROS on some major projects and I had bosses whose roles cannot be under estimated in my life. Those people mentored, supervised, and took me under their wings. They saw my passionate energy and picked me up and corrected me every time I made a mistake. Some of them are Paul Nova and Charles Oseizua, the first corporate chairman of the company I worked for, who gave me absolute free hand. Of

course, my American boss, who is today, also my friend. These men actually moulded me.

First we had the Cabotage Act then the Local Content Act and now the PIB is heating up. What does it portend for O&G players like Century?

Basically, this just means that the industry is becoming more private and efficient. So for oil and gas players, it goes back to capacity and efficiency; less government involvement and more opportunities will be out for privately owned businesses. It is a win-win situation for the tax-man and the citizens because they both get more money.

Let's project into the future; next marginal field round, will we be seeing the emergence of Century Petroleum Development Company or is Century content just playing in the service end of things?

Not at all. Already, we have Century Exploration and Production Limited (CEPL), which is actively involved in marginal field development and we are not just a service provider; we have equity stakes in that.

That is, financial and technical services on that. So, our goal is to see that we can provide support for more marginal fields and indigenous players, really. It is as simple as that.

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