

## East-West Ties: Next Steps for National Oil Companies?

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The same cliff edge threatens all *national oil companies (NOCs)* in the Middle East, Asia and beyond: ensuring energy security amid tighter budgets, green targets, growing populations, and rising energy demand. In the Middle East alone, BP Outlook expects energy consumption to rise by 54% by 2040. Success will be hard-won, especially in a world of US\$ 60/bl oil. As guardians of their economies, NOCs must reach out for strategic helping hands to stay on their toes.

Price volatility is a key pressure point, from which no NOC is immune. Such volatility has seen oil prices reach US\$ 86/bl in early October from US\$ 67/bl at the beginning of this year, then slide again recently by 30% to \$57/bl. But there is a silver lining to this lingering cloud of guesswork. Dated Brent averaged US\$ 72/bl as of the 7 December this year, versus an average of US\$ 54/bl in 2017 – a 33% annual increase. Of course, there could be more twists and turns ahead, such as the US' renewed sanctions on Iran. This alone could remove between 1 million barrels a day (b/d) to 1.5m b/d of oil from the market. As more 'what ifs'

dominate NOCs' boardroom conversations, partnerships are pivotal to staying afloat in the sea of ambiguity.

## Grab an oar

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As NOCs are all in the same boat of uncertainty, we should all grab an oar and row together towards our united goal: affordable, low-carbon energy security. Working together will enable the expertise of others to plug your weaker spots and vice versa, therefore picking up the pace of the entire boat and getting to terra firma faster.

Collaborative sweet spots abound for NOCs and other energy entities on both sides of the Indian Ocean.

For example, PETRONAS is establishing itself as a thought leader in the rapidly growing *enhanced oil recovery (EOR) market* – coveted expertise to support the Middle East's challenging and aged oil fields. Transparency Market Research expects the valuation of the global EOR market to soar from US\$ 38.1 billion in 2012 to US\$ 516.7 billion by 2023. More east-west collaborations today will lead to profitable wins in the early 2020s.

The same applies to renewables. The *International Energy Agency (IEA)* expects Asia to be home to two of the three countries – China, US, India – that will account for two-thirds of the global renewable expansion up to 2022. Renewables are an integral thread in the energy strategies of most Gulf countries' National Visions. The UAE, long an advocate of solar power, launched the world's largest *Concentrated Solar Power (CSP)* project last year, for example. Regulatory shifts also provide opportunities for NOCs in the Middle East and Asia to unleash their collaborative spirit, such as the *International Maritime Organization's (IMO)* new sulfur ruling. From January 1, 2020, the sulfur bunker limit will be 0.5%, down from today's 3.5%. *Liquefied natural gas (LNG)* is an increasingly popular bunkering option to complement the new fuel mix post-2020, though questions linger over affordable and logistically-viable storage options. As PETRONAS develops its second floating LNG vessel, how can synergies flourish with Arab Gulf partners, especially the UAE's Port of Fujairah, the world's second largest bunkering hub?

## Creating symphonies

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Before NOCs in the Middle East and Asia embark on joint projects, each NOC must strengthen its internal alignment. This means identifying quantifiable goals – both commercial and *corporate social responsibility (CSR)* – and enhancing human and technological resources. A NOC must be able to orchestrate its own corporate symphony, rather than a clash of varying views. Internal confusions bleed into partnerships, delaying projects and spiraling costs. For example, PETRONAS' four key themes are Loyalty, Integrity, Professionalism, and Cohesiveness. We would integrate these values into any partnership to ensure fairness, transparency, and progress. Equally, NOCs must understand the ethos and goals of their potential partners. This is especially pertinent as the global energy transition is diversifying their traditional remit into a rainbow of interests, including renewables and nuclear power.

Threading digitalization into partnerships is crucial; the future is digital. The toolbox under the umbrella of the 4th Industrial Revolution encompasses predictive analytics, artificial intelligence, automation, blockchain and much, much more. Learning this new 21st-century language will sharpen NOCs' competitive edge, both individually and in partnerships. Nearly a quarter (24%) of respondents to a GIQ Industry Survey expect alignment between NOCs and companies from Silicon Valley to emerge as the most popular partnership in the 2020s.

Market pressures are too great and the clock is ticking too loudly for NOCs to operate in silos. Seeking and extending alliances in this era of troubleshooting is not a sign of weakness, but economic maturation. Together, national guardians can stand tall and proud.

Download the full Whitepaper: **[National Oil Companies' Partnerships – How to Prosper in the Digital Age?](#)**

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