

IN THE TIMES OF PROMISES AND CHALLENGES

An Interview with Paul Dixon, Global Business Development Director and General Manager for ODENA



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Exploring the side of international service companies in the local equation has often unveiled a series of unique experiences. Given the journey the Egyptian hydrocarbon market has embarked on in the last decade, from turbulences to a celebrated upwards trajectory, service companies have continued to ride the tide with stride. Egypt Oil & Gas sat with Paul Dixon, Global Business Development Director and General Manager for ODE North Africa to explore the company's view on the local market and their plans of growth in the times of promises.

How would you define ODE's competitive edge? And how does ODE's technology and services separate you from competition?

ODE is part of a larger group, DORIS Engineering, and as such we have the depth of international experience in both oil and gas as well as renewable energy. This allows us to tap in the expertise that reside in both the UK and Paris offices, as well as other centers around the world should we need to. In terms of what differentiates us, I think brownfield engineering is a core business for us. Our abilities are well recognized in this area. Furthermore, we are unique as a company in size, as we actually operate natural gas production facilities in the Southern Northern Sea in the United Kingdom. The expertise gained from operating these particular assets gives us a greater understanding, I think, with issues relating to asset integrity, production, operations, and maintenance.

We have established a reputation to be known for quality and delivery on schedule, and we get repeat business as a consequence of that. Moreover, we take a flexible approach of how we work with our clients; rather than tell them this is the only way we execute a solution, we look for alternative ways. We try to understand what it is they really need and really want. Our focus is to try and develop a unique, fit for purpose, and cost effective solution. This is quite interesting for us, as it means that the engineers have to think laterally.

What is ODE's growth plan in Egypt for the coming five years?

Our commitment to Egypt is long-term; we have already been here ten years. ODE North Africa was established in April 2008, and this year we are about to celebrate our ten year anniversary.

We have seen some interesting times in those ten years, from changes in how the country runs to the global oil crisis. However, we are now firmly established and thus we have seen a continued year on year growth and expansion.

Within ODE, this office here in Cairo is recognized as a center of excellence for specialist modeling, analytical work, and simulation related work. We are looking now to expand our capabilities as the global oil and gas industry reemerges from its downturn. Separately, we are developing the engineering center we have here to become a hub, and the intent is that this hub serves the wider MENA region. In parallel, we are developing the Cairo office to be what is called "a high value engineering center" to serve international projects for the ODE/DORIS group. I think that is very exciting.

Furthermore, we are working on securing more

offshore development projects, particularly in the Mediterranean area. We recently began providing an asset integrity consultancy service here in Egypt, building on the knowledge and capabilities we have in terms of asset integrity for offshore production facilities. This is in line with a key focus for us in the coming period, which is to grow and expand our capability to serve existing facilities.

Given that you are celebrating your tenth anniversary, if you would choose one main highlight to note, what would that be?

I think that we have been recognized by both the International Oil Companies (IOCs) and Joint Ventures (JVs) as an engineering house that provides a quality engineering service. For me, that is very important. It is about getting the quality right and on-time delivery. It is about long-term relationships.

ODE has an extensive record in Brownfield activity, in your opinion how can Brownfield technology impact crude oil in Egypt? And what is the economic impact of boosting investment in Brownfield technology?

Brownfield means all sorts of things to different people and different businesses. For us, Brownfield revolves around the existing infrastructure, working with and developing that infrastructure to get the best possible return on its investment.

Egypt as a country has made significant investments in its existing oil and gas infrastructure. It has been developed piece by piece, project by project, expanded and built upon; therefore, there needs to be a maximum return on that investment. By return I mean we need to bring as much hydrocarbons through those assets as possible. To achieve that, for us as a company, means maintaining the assets' integrity. The investment has been made, however, you can't just leave it there you have to execute upgrades, modifications, and day to day maintenance to sustain the integrity of each asset. If you maintain the integrity of that asset you see a continuity of production and a better return on investment.

What are the local challenges faced in this regards?

Egypt does have a challenge in introducing technology to improve the way an asset might operate and develop. By introducing technology, quite often there is a trade-off, which is loss of jobs. We can look at items such as minimum facility platforms, automation facilities, and remote diagnostics; however, there is a balance to be made. Egypt needs to have jobs for the population, while at the same time investing in the future. This means that it is not always appropriate to invest in full aspects

of automation in technology; it is just as important to maintain jobs for the population. Furthermore, I think that this is a challenging trade-off that needs to be addressed by the industry going forward in the coming period.

In your opinion, which is macro-economically higher in value, the return from enhanced production resulting from the development of automation or having a sort-of glass ceiling and shifting more attention to developing the human element?

I think they go hand in hand. If you introduce automation and new technology, for it to become appropriate, you need to up-skill your workforce. They need to be able to understand it, maintain it, operate it, and develop it going forward.

Through your experience, what needs to be done both from the side of IOCs and from the government front to enhance the level of usage of Brownfield technology?

I think the IOCs do have a key role within the whole spectrum of Egypt's oil and gas sector. The first thing to address is extending a field's life, and a key way to achieve that is through the reduction of operating costs. In other words, taking costs out of the situation, removing any unnecessary expenses, whether it is from an administrative burden, operations, or even if it is from the actual technology used in that particular asset.

It may be more beneficial to change a piece of equipment for something that requires less maintenance and has a lower operating life-cost. I think that another area to look at in terms of cost-effective solutions is fast tracking projects, if the project drivers are all aligned and there is a real intent to bring projects through on a fast-track basis then you are actually seeing a return for that investment much quicker. The challenge is getting the approvals and all various processes lined up to have a fast-track project. When I look at the Zohr project for example, it followed a very fast-tracked approach, with successful delivery.

If the IOCs and JVs, develop projects in unique and fast-tracked methods, there is an opportunity to show to the global industry these alternative practices, which in turn raises the profile of Egypt as a country as well.

In terms of the government however, I would say straightaway, that we as a company recognize that President Al Sisi, the Ministry of Petroleum, EGPC, and EGAS are promoting major changes across the industry to resolve a whole range of issues. I think, however, that there always has to be stability within a market to promote investment, and brownfield as an investment is exactly the same. This means that

there has to be visible support from state bodies to encourage private companies to continue to invest and develop existing assets; in addition to exploring any and all means possible of increasing productivity from said assets. Whether there are financial incentives to do so, that is not for me say. However, in other regions there are considerations for Brownfields, such as lowering taxation on profitability.

One of ODE's strengths is offering cost-effective solutions, in times of volatile crude prices, how would cost-efficiency practices impact the performance of the sector both on the front of IOCs welfare and in terms of overall market welfare?

Overall, I think it is about looking at cost and how you can reduce cost. The oil and gas industry is generally very conservative in terms of using new approaches or new technologies or even the re-use of equipment as well. We have run a number of projects both here in Egypt and internationally where we have reused facilities that have already done their time in terms of producing at a particular field, and we re-engineered the components to have a new extended life serving another location. I think there should be more consideration given to this approach.

Why do you think the market is conservative towards this approach?

I don't think it is just the market in Egypt, I think it is an issue in the global market in general. Generally, there has been a tendency to develop bespoke solutions for a particular development.

In terms of macroeconomic impact, especially regarding investment influx, how can cost-effectiveness shape the market?

I think you would see more challenging developments being brought to the market far quicker; and given

the speed there would be more natural gas and more crude oil, thus benefiting Egypt's economy. I think it is as simple as that.

Here in Egypt, certainly the cost of producing from onshore assets is relatively low compared to many other regions. This was one of the main reasons why the country continued to see projects going forward despite the global downturn, adding to that the growing local demand and the need to keep up with it.

What about investment influx?

There has been a degree of let's say apparent slowdown in the investment in some project developments, probably due to the problem in payment of receivables, which has been improved quite considerably, and consequently the IOCs that have been impacted are considering their investment positions, and are re-investing in new developments.

In your opinion, what are the main challenges facing service companies in Egypt? And what steps are needed from both the Ministry and IOCs to address these issues?

As I said earlier, we recognize how the Government is pushing forward in terms of changes, and how those changes have impacted the industry. In addition, Egypt encourages companies like ODE to invest into the sector, which I think is very important. What we need now is the stability that we see across the country to continue.

Furthermore, I think there needs to be a greater willingness by some of the JVs to engage with independent contractors, rather than just the reliance on state organizations. State-owned companies are very competent and they have real capabilities, however, there are other independent companies that offer parallel solutions as well.

Another challenge would be the length of time for payment, coupled with the difficulty there has

been in receiving an element of payment in foreign currency as well. That is changing, yet, it has been exceptionally difficult in the last few years.

Additionally, the level of bureaucracy in terms of paperwork, administration, registration, documentation, and resubmission of documentation presents a challenge as well. There has to be a change in the way that we work as an industry to remove unnecessary administrative burden that in turn would help streamline everything and reduce cost as well.

Through your experience, what steps are needed to enhance the efficiency of upstream operations?

Simply, reducing the overall time from the evaluation phase to the realization of the project. A lot of these projects should and could be done a lot quicker. I think a contributing issue here is centralization. The people within the project organization, they have a budget, they have a project but they still have to refer any significant decisions back through senior channels. If those aspects could be streamlined, many projects would be realized a lot faster.

Finally, how does Egypt compare to other markets ODE operates in?

Egypt is what we would call a mature market, yet it is one with an exciting future. It still has large volumes of untapped hydrocarbons; while in other mature regions we are seeing a contraction. The country has got a strong mix of onshore and offshore opportunities. In addition, I think the fact that Egypt remained relatively buoyant during the global downturn has been quite unique.

We see Egypt as a very exciting place going forward.

Pushing the boundaries of energy production through integrated engineering

What's your challenge?

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