

CONTRACTING



Expansion: McDermott is currently hiring between 90 and 150 people per week at its Batam yard in Indonesia

Photo: McDERMOTT

Asia Pacific at the centre of McDermott's 'engine room'

Contracting giant sees plenty of opportunities for business across the region, especially after its tie-up with CB&I

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MALAYSIA has been successful in attracting international industry heavyweights to set up their regional headquarters and the recent upturn in upstream activity is proving a boon for many.

One such company, McDermott, is rapidly increasing its workforce in Asia where the US contractor has had operations for more than 50 years, positioning itself to take advantage of the resurgence in global oil, gas and LNG projects on the back of improving crude prices.

"Asia Pacific is the engine room of our business," Ian Prescott, senior vice President, Asia Pacific for McDermott, tells Upstream.

The company early last year had 300 staff in its Kuala Lumpur office, today it has 700 and by the end of the year the number will have increased to "most likely" 1000, says Prescott.

McDermott currently has about 1500 staff working in India and by this time next year "will probably have around 3000".

Meanwhile, at its Batam Island fabrication facility in Indonesia, the existing 3000-plus strong workforce will be beefed up to 5000 by May next year.

"We're employing somewhere between 90 and 150 [new] people a week in Batam," Prescott says.

Asia Pacific today has many sig-

nificant, mostly gas, projects to tempt hungry contractors.

Workscopes range from study work, through front-end engineering and design, construction, installation and lifecycle services but contractors do need patience as schedule delays and protracted tender processes are not uncommon.

The latest protracted oil price slump saw many greenfield projects sidelined, but even now momentum in Southeast Asia is not as dynamic as in some other areas of the world.

"Things do take time in terms of getting [projects] through government approvals, in terms of stakeholder management between the government, the national oil company and international oil companies," says Prescott.

"Our view of the world is that we just need to be patient and let process take its course... and hopefully the projects will get a final investment decision and kick off," he adds.

Key upstream projects include Petronas' Kasawari development off Sarawak, East Malaysia,

Limbayong off Sabah, and Kelidang in Block CA-2 off Brunei, plus Inpex-operated Abadi LNG, Chevron's Indonesia Deepwater Development and Repsol's

Kaliberau Dalam in Indonesia.

There is also Posco Daewoo's Shwe phase three and the now Total-operated Block A-6 development — both off Myanmar.

Also on contractors' radars are ExxonMobil's Ca Voi Xanh (Blue Whale) development off central Vietnam and the Jadestone Energy-operated Nam Du-U Minh gas condensate project off the nation's south-west coast.

India is also offering work with operators Oil & Natural Gas Corporation and Reliance Industries embarking on new field and brownfield projects.

Meanwhile, farther afield there is the Ichthys phase two project off Australia, which entails expansion of the producing field's subsea production systems.

Among other ongoing regional tenders, McDermott is targeting the Ichthys phase two subsea job, having carried out the subsea contract for Reliance's MJ project off India.

McDermott early this year won the FEED contract for the floating production unit for Woodside Energy's Scarborough LNG project — an award that includes a mechanism for conversion to an engineering, procurement, construction and installation contract pending the final investment decision, which is due in the first

quarter of 2020. "Woodside's concept is that if we perform during FEED and we satisfy their requirements, then as long as the project gets a final investment decision then we'll roll straight through into EPC," he says.

Prescott sees this model, sometimes with parallel competitive pre-FEED or FEED contracts, being adopted more in the region in future as it shortens the development schedule given there is no need to keep returning to the market with fresh tenders.

"We're seeing it more and more now, particularly in the LNG space where clients are looking to accelerate their projects," says Prescott.

He adds that Woodside could save more than a year on the Scarborough project schedule by employing such a strategy.

LNG projects are becoming increasingly important to McDermott, even more so since its combination with CB&I.

"We're seeing a very significant spike in LNG activity. We're obviously interested in the LNG downstream facilities but we're really interested in the upstream facilities as well," he adds.

McDermott has its sights on four elements — the liquefaction facilities, subsea pipeline, floating production, storage and offloading

vessel, and Surf — for Abadi LNG, for which the revised plan of development, submitted on 20 June, could be approved within weeks.

The contractor today is employing a new risk management strategy to ensure it is not exposed to the same level of risk as CB&I was before its acquisition by McDermott that led to significant losses on projects such as Cameron LNG in the US.

Commenting on the tie-up between McDermott and CB&I, Prescott says: "The last year has been incredibly interesting for both organisations — McDermott [has been] traditionally offshore focused whereas CB&I was largely absent from Southeast Asia, although it was very big in Australia.

"What we've done since the combination, we've effectively revitalised and re-established a commercial presence in Southeast Asia. We've already got quite a number of pretty significant onshore opportunities in the refining and petrochemical sector in the likes of Indonesia and Malaysia and a huge amount in India.

"Our pipeline in Asia has grown by multiple billions since the combination [with CB&I]."