NEW OPPORTUNITIES, NEW IDEAS AND A NEW FUTURE:

HOW THE OIL AND GAS INDUSTRY IS EMBRACING CHANGE IN LATIN AMERICA

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LATIN AMERICA, INCLUDING MEXICO, IS A REGION IN TRANSITION

Natural resources, such as oil and gas, can bring huge wealth to a country or region and be the driving force behind economic development.

In regions such as Latin America, oil and gas has consistently been at the forefront of state economic policy over the last 20 years and it's easy to understand why. With a 20 per cent share of global proven oil reserves and almost five per cent of natural gas reserves, the region is a growing force within the global hydrocarbon industry.

However, change is afoot. Latin America, including Mexico, is a region in transition. Changes in government policy mean that state-owned oil companies such as Pemex are now exposed to increased competition. Fields in the Campos Basin for example, whose marginal, shallow water plays are ripe for redevelopment, have already been sold to a number of small-cap players. Petrobras also announced in the summer of 2019 that it was opening up the Brazilian market by selling $11bn of assets, including $1.5bn of shallow water fields. This market deregulation has been accompanied by divestment by the super-majors, leading to the emergence of a new generation of ambitious, smaller operators who are ready to take advantage of these opportunities.

THE NEW KIDS ON THE BLOCK

The shallow water fields that have been the subject of these sell offs may be smaller, but their contents are no less valuable than fields further offshore. They may also be faster to develop and at a lower cost than comparable deep-water options, making them an ideal choice for new small-cap players.

Smaller operators tend to have a number of benefits that can give them a strategic advantage. Many have nimble decision-making processes, allowing them to act quickly to develop, explore and adapt to changing business and investment conditions. They also typically have a lower overhead burden, allowing fields with smaller levels of recoverable reserves to still be developed in a competitive manner.

This combination of attractive development opportunities and smaller companies eager to succeed means that the region is set for a major expansion in shallow water development activity.

But what will this mean for the supply chain? Smaller companies often have a more limited in-house technical capacity and management bandwidth, so partnering with platform design and riser analysis experts, will be key to ensuring successful project outcomes.

Crucially, these independent companies are often backed by financial institutions or private equity, for whom a fast return on investment is key. In turn this encourages increased appetite for faster, leaner operational and supply chain options. It is to that end, that these smaller operators are looking to forge a new relationship dynamic with the supply chain, one based on true collaboration and cooperation as opposed to supply based on a tick-box procurement exercise.

One area where this is of particular relevance is in the design and procurement of offshore platforms due to local fabrication yard restrictions, logistical considerations and the availability of local skilled workforces.

BLENDED EXPERTISE

We believe we will increasingly see “nice-to-have” options removed from offshore platform design with the focus being on lean plans, value for money and “must-have” requirements right from project inception. This will have a fundamental impact on many project decisions including the platform choice itself. For example, in contrast to large custom designed conventional jackets, smaller, fit for purpose, modular and lower cost alternatives will become the order of the day.

Our Sea Swift conductor supported offshore platform is an example of this innovative low-cost platform that is ideally suited to this new commercial environment. Its modular design means that it can be adapted easily to suit individual requirements. Sea Swift’s ability to be installed by jack-up rig, rather than by expensive crane barge, also has the potential to save project developers tens of millions of dollars in installation costs.

This all leads to reduced capital cost, reduced payback time and increased internal rate of return. Developments which were previously uneconomic become viable and those which were already viable can provide even greater returns.

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MODULAR DESIGN AND BUILD

As well as the cost savings inherent with modular platform design, it also allows for the fabrication of a platform to be split up between a number of smaller yards, or laid out in such a way that it fits into a smaller space that is typically available.

This not only provides project owners with greater choice among fabricators, it can also increase the local content of a project by enabling work to be placed in domestic yards. This can also offer some flexibility in the contracting strategy and enable domestic yards to build up their levels of fabricating expertise. For example, some of the simpler modules such as the subsea structures, can be fabricated locally, in a newly established facility, whilst the topsides that require more complex fabrication facilities can be produced in a more established yard.

What's true in Latin America is that traditional operator organisational models are no longer necessary. We are in a time of great change, with major societal, technological, and political trends reshaping the environment in which oil and gas companies operate. Although economic policies and priorities shift, the industry remains at the heart of this region's core identity. And will remain there thanks to this new breed of operator-supplier relationship.

WANT TO KNOW MORE ABOUT OUR COST-EFFECTIVE, DRY TREE SOLUTION FOR SHALLOW WATER DEVELOPMENTS?

Contact us to learn more

ABOUT AQUATERRA ENERGY

Aquaterra Energy is a provider of equipment and solutions to the global oil and gas industry. The company provides services across the seabed-to-surface value chain, and specialises in riser systems and design analysis, tools and products needed during the first days of a well's operation. In addition they provide components for offshore structures, including the Sea Swift platform, which provides a technologically superior and more cost-effective alternative for subsea wells in shallow waters. Many of Aquaterra Energy's most popular tools and products are available on either a rental or purchase basis.

Find out more: www.aquaterraenergy.com