

Deloitte: O&G industry likely to consolidate amid low oil prices

KUALA LUMPUR: The oil and gas industry is expected to consolidate amid the pervasive low oil prices which have led to reduced investments and slower production rates, said Deloitte Malaysia.

"The effect has been highlighted by mature oil fields, marginal oil fields and high cost of exploration that runs long term for potential deep water assets, which have a high break-even point.

"Falling oil prices are forcing oil and gas companies to seriously review the economics or defer these capital-intensive projects," its Energy & Resources Leader Nizar Najib said in a statement.

Nizar said although new refining projects in Sabah and Johor will significantly increase Malaysia's refining capabilities as part of the

government's agenda to become a regional oil and gas hub by 2020, falling oil prices, consolidation in the industry and subdued domestic consumption may have a negative impact on the sector, at least in the medium term.

"The cost of doing business is set to increase as most producing fields in Malaysia are moving towards maturity and production levels are projected to decline.

"The increase in minimum wages in Malaysia will also add to the overall cost of operations for oil and gas companies," he said.

A decline in economic and industrial activity in emerging economies, which are major consumers of hydrocarbon, will have an adverse impact on oil and gas exporters. —Bernama