mprc
malaysia petroleum resources corporation

MATRADE

DOING BUSINESS IN SOUTHEAST ASIA 2016-2017

Guide for Malaysian Oil & Gas Services and Equipment (OGSE) Companies

INDONESIA • MYANMAR • THAILAND • VIETNAM

Prepared by

Wan Muhamad Nazhif Wan Yusoff
Faharuddin Ibrahim
Eric Chua
Amirah Mazlan
James Chan

Editorial committee

Ahmad Azwan Ahmad Shukor
Ir. Dr. Shahreen Madros
Datuk Shahrol Halmi

Making **Malaysia** the **number one Oil & Gas services** and **equipment hub** in the **Asia Pacific Region.**

Investment & Finance

We assist you in your search for business partners, facilitate and provide practical advice on your investment interests in Malaysia.

Promotion & Business Opportunities

We promote Malaysia's OGSE industry and facilitate your regional expansion into the Asia Pacific region from Malaysia.

How we can help you?

Human Capital & Technology Development

We support the development of quality talents and technology for the Oil & Gas industry.

Industry & Market Enabler

We support the OGSE industry's growth by providing market intelligence to support a competitive market environment.

PREFACE:

Malaysia Petroleum Resources Corporation (MPRC) is the government agency mandated to position Malaysia to be the number one oil and gas hub in the Asia Pacific region.

From providing insights into the growth of the Malaysian OGSE industry through our MPRC 100, to documenting the breadth and capabilities of our OGSE industry through our MPRC OGSE Catalogue; MPRC strives to promote, catalyse and transform Malaysia's OGSE capabilities to become stronger entities in the industry at the regional and global levels.

Doing Business in Southeast Asia: Guide for Malaysian OGSE Companies, in collaboration with MATRADE, is aimed at assisting aspiring Malaysian OGSE companies interested in expanding their business to Indonesia, Myanmar, Vietnam and Thailand. In addition to outlining the oil and gas landscape and market entry strategies for these countries, this publication also features on-the-ground insights from Malaysian OGSE players, key contacts, as well as information on MATRADE's export assistance programmes for Malaysian exporters. This guide focuses on the upstream sector in these countries. However, some information on the midstream and downstream sectors are also presented.

ABOUT MPRC:

Malaysia Petroleum Resources Corporation (MPRC), an agency under the Prime Minister's Department was established in 2011. The agency is responsible for growing Malaysian OGSE firms and leveraging on Malaysia's strategic geographical location to enhance its position as the preferred hub for OGSE activities in the region. As the Malaysian OGSE sector's development agency, MPRC helps to promote, catalyse and globalise the country's OGSE capabilities in the upstream, midstream and downstream segments.

ABOUT MATRADE:

Malaysia External Trade Development Corporation (MATRADE), is a national trade promotion agency under the Ministry of International Trade and Industry (MITI) to develop and promote Malaysia's export to the world. MATRADE's objectives are:

- To raise the profile of Malaysian exporters in foreign markets;
- To disseminate timely and relevant information and market intelligence to help Malaysian companies gain a competitive edge in foreign markets;
- To introduce Malaysian companies to foreign importers seeking Malaysian suppliers; and
- To undertake activities to promote the export of Malaysian goods and services in overseas markets.

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MESSAGE FROM PRESIDENT/CEO OF MPRC

Since the oil price decline in late 2014, we have seen reductions in capital and operational expenditures worldwide by major oil companies. This has in turn, forced oil and gas service providers and equipment manufacturers to improve their efficiencies and enhance competitiveness.

In Malaysia, the 3600-odd companies that make up our oil and gas services and equipment (OGSE) segment are not spared from the effects of low oil prices. In the face of what we believe to be one of the toughest periods for the industry, OGSE companies must take steps in transforming their business models in order to thrive in global markets.

To be globally competitive, our OGSE companies must harness the experience and expertise gained from four decades of developing solutions for hydrocarbon production in Malaysia. While many Malaysian OGSE firms have taken the initiative to expand to major energy markets, there is an urgent need for even more firms to venture out, particularly at a time of rapid increase of energy demand in Southeast Asia.

In recent years, Southeast Asia's burgeoning hunger for energy has shifted the global energy system's focus point from the West to East. Demand is anticipated to increase by over 80% between today and 2035, in line with rising population and steady economic growth in the region. Increased energy demand will lead to a surge in imports, whilst efforts to increase production are constrained by lack of investment and technological capabilities. Under these circumstances, Malaysian OGSE firms are in a prime position to leverage on their years of experience in oil & gas activities, and technological prowess to service the region.

As our economy moves towards further liberalisation—with the recent establishment of the ASEAN Economic Community and Malaysia's prospective entry into the Trans-Pacific Partnership Agreement—internationalisation will become even more critical for OGSE companies. By venturing overseas, companies reduce reliance on the domestic market, expand their opportunities and enjoy greater economies of scale. Large Malaysian OGSE players have already established themselves as regional and global players. It is imperative that our OGSE SMEs chart a similar course as well.

We hope that this publication, 'Doing Business in Southeast Asia: Guide for Malaysian OGSE Companies' serves as a useful tool for you as your company explore opportunities in Southeast Asia. I urge OGSE companies to scale up and unlock new opportunities in the region. Doing so will help ensure Malaysia's economic resilience and support the Government's long-term vision of positioning Malaysia as the hub for OGSE activities in the region.

On this note, I would like to thank MATRADE for their strong support and collaboration in making this publication a success. I would also like to extend my appreciation to the seven participating companies—Essem, Hurricane Geo, Innoveam, Neu Dimension, ProEight, Tekno Logam and UMW Oil & Gas—for their invaluable insights on business expansion and opportunities in Southeast Asia.

DATUK SHAHROL HALMI
President/Chief Executive Officer
Malaysia Petroleum Resources Corporation

MESSAGE FROM CEO OF MATRADE

I would like to congratulate MPRC for collaborating with MATRADE in publishing this guidebook on "Doing Business in Southeast Asia: Guide for Malaysian OGSE Companies (Vol. 1)" which will serve as a useful guide for those who are interested to explore business opportunities in the oil & gas sectors of Indonesia, Myanmar, Thailand and Vietnam.

ASEAN, a market with 625 million people, is the seventh largest economy in the world, with a combined Gross Domestic Product (GDP) of US$2.4 trillion. This region has grown to be an important destination for business, trade and investments. Malaysian exporters should capitalise on this opportunity to expand their presence in the neighbouring ASEAN countries. In 2015, it was recorded that ASEAN accounted for 27.4% of Malaysia's global trade.

To drive this further, the ASEAN Economic Community (AEC) was established in December 2015 to make ASEAN to be the fourth largest economy in the world by 2020. AEC will boost greater intra-ASEAN trade and investments for the next 10 years. As such, Malaysian OGSE companies should seize this opportunity to venture out and increase their exports, expertise and services to the other ASEAN countries.

Oil, gas and energy (OGE) sector, being an important catalyst of economic activities, has contributed towards Malaysia's economic growth. As the national trade promotion agency, MATRADE continues to promote Malaysia's oil & gas industry globally and provides a platform for the business communities to tap into the global oil & gas sector especially in ASEAN. Towards this, MATRADE and MPRC work closely with other agencies as well as trade and industry associations to promote the exports of Malaysian OGSE companies' services.

MATRADE offers export solutions to Malaysian companies such as exporters' development programme, trade advisory services as well as trade and market information in our quest to drive Malaysian exporters to further expand their businesses abroad.

I would like to encourage the International business fraternity to **"CHOOSE MALAYSIA"** as the preferred partner for the oil & gas industry.

MATRADE is pleased to welcome Malaysian OGSE companies to participate in MATRADE's trade promotional programmes and showcase Malaysia as the region's preferred oil & gas hub.

"The Time to EXPORT IS NOW"

DATO' DZULKIFLI MAHMUD
Chief Executive Officer
Malaysia External Trade Development Corporation (MATRADE)

SOUTHEAST ASIA OIL & GAS INDUSTRY OVERVIEW

Crude oil and other liquid production (barrels per day)

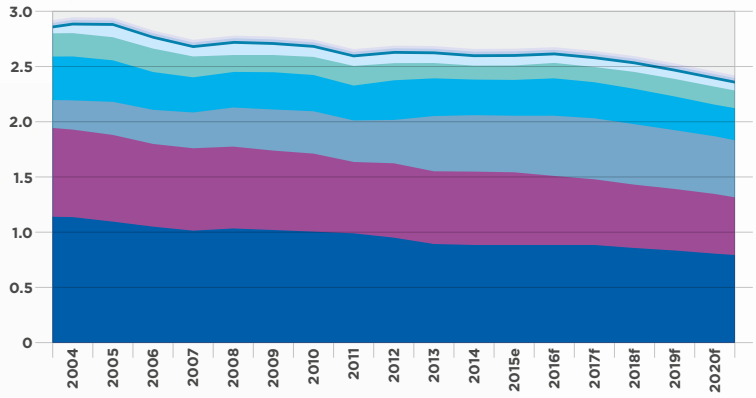
Dry natural gas production (billion cubic meters)

Proven crude oil reserves (billion barrels)

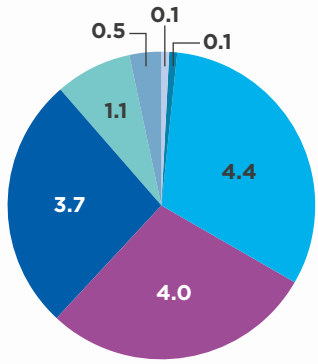
Proven natural gas reserves (trillion cubic meters)

2015(e) Industry Statistics
Source: BMI/EIA

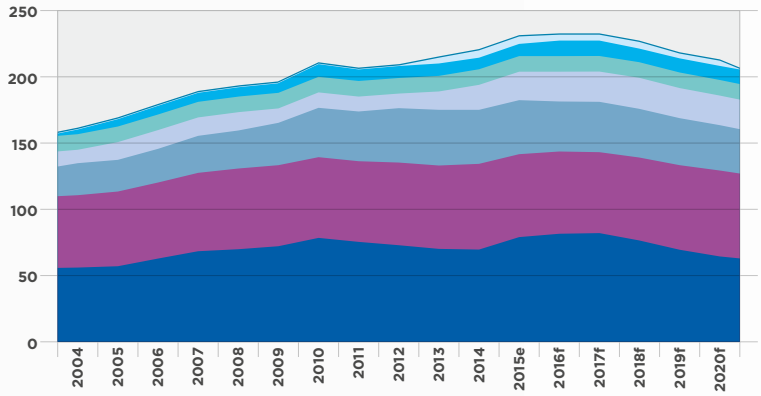
SOUTHEAST ASIA CRUDE, NGPL & OTHER LIQUIDS PRODUCTION (000,000 b/d)



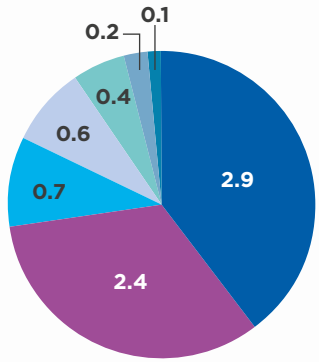
SOUTHEAST ASIA PROVEN OIL RESERVES (2015, bn bbl)



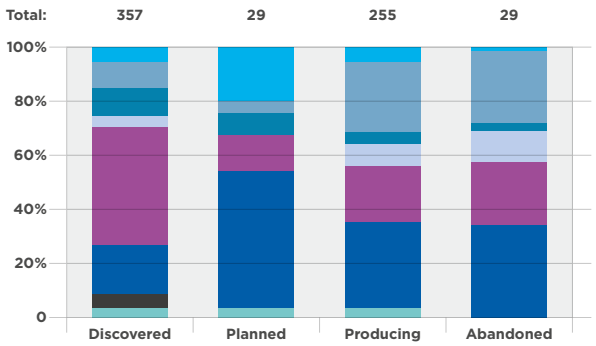
SOUTHEAST ASIA DRY NATURAL GAS PRODUCTION (bcm)



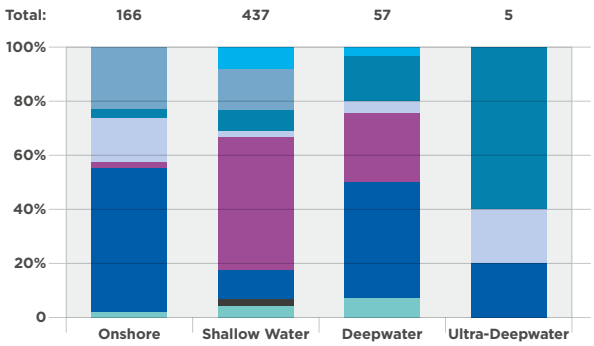
SOUTHEAST ASIA NATURAL GAS PROVEN RESERVES (2015, tcm)



SOUTHEAST ASIA FIELDS BY STATUS



SOUTHEAST ASIA FIELDS BREAKDOWN BY TYPE



Indonesia | Malaysia | Thailand | Vietnam | Brunei Darussalam | Timor-Leste | Philippines | Myanmar | Singapore | Cambodia

Source: BMI/EIA, GlobalData as of June 2016

Southeast Asia Crude Oil

Southeast Asia Natural Gas

RESERVES

13.8 billion bpd (2014)
0.85% of the world's proven crude oil reserves

6991.4 bcm (2014)
3.73% of the world's proven natural gas reserves

PRODUCTION

2147 thousand bpd (2014)
2.78% of the world's crude oil production

264.7 bcm (2013)
7.7% of the world's natural gas production

EXPORT

936.2 thousand bpd (2015)
2.25% of the world's crude oil exports

87.2 bcm (2015)
8.33% of the world's natural gas exports

Sources: EIA, OPEC, GlobalData

Members of the ASEAN Council on Petroleum (ASCOPE)

- PetroleumBRUNEI
- Ministry of Mines and Energy Cambodia
- PERTAMINA
- Lao State Fuel Company (LSFC)
- PETRONAS
- Myanma Oil and Gas Enterprise
- Philippine National Oil Company (PNOC)
- Singapore LNG Corporation (SLNG)
- PTT Public Company Limited
- PetroVietnam

Sources: ASCOPE

International oil companies in SEA

*non-exhaustive list

- BP
- Chevron
- ConocoPhillips
- Daewoo
- ExxonMobil
- Inpex
- KrisEnergy
- Mubadala Petroleum
- ONGC
- Repsol
- Rosneft
- Shell
- Statoil
- Talisman Energy
- Total
- Zarubezhneft

Sources: Various, GlobalData, BMI

MALAYSIA

Largest SEA crude oil exporter (2015): 365.5 thousand bpd

Largest SEA natural gas exporter (2015): 35.8 bcm

Sources: EIA, OPEC, GlobalData

INDONESIA

QUICK FACTS

GOVERNMENT:
Presidential republic

POPULATION:
256 million (Jul. 2015)

OFFICIAL LANGUAGE:
Bahasa Indonesia

CAPITAL CITY:
Jakarta

% 24 - 54 YEARS OLD:
42.3%

GDP (2014):
USD 888.5 billion

- Largest oil and gas producer in Southeast Asia
- Significant potential in deepwater areas that remains unexplored
- Mature and well-established oil and gas industry

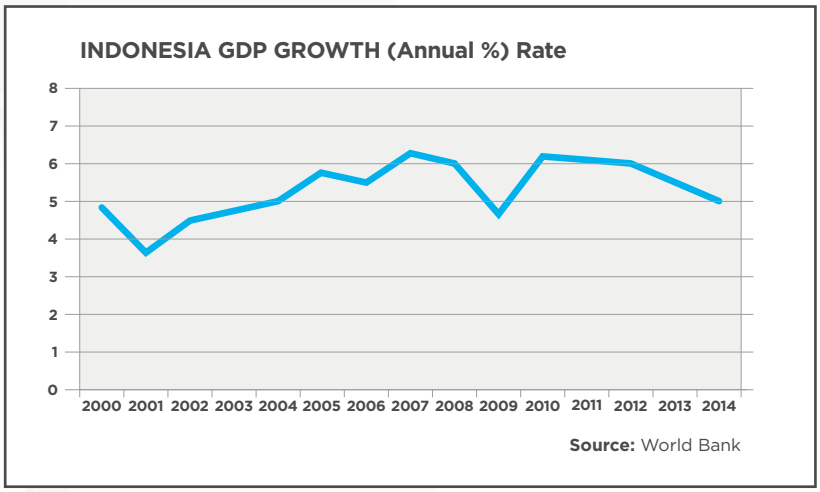
Source: CIA World Factbook, World Bank, IMF

POLITICAL AND ECONOMIC OVERVIEW

Indonesia is an archipelagic island country located in the southern half of Southeast Asia. The country shares both a maritime and land border with Malaysia, on the island of Borneo. Indonesia is recognised globally as a fast emerging developing country with strength in the industrial and services sectors. Agriculture makes up about 13.6% of its GDP.[1]

Indonesia's largest city, Jakarta, is located on the most populous island of Java. It is the hub of business activities in the country. Indonesia as a whole is made up of more than 17,000 islands, spanning the length of more than 5,000 km, which is more expansive than continental United States. Most IOCs and the national oil company, Pertamina, are based in the capital city with operations both on and offshore concentrated in Sumatra, offshore Java and Kalimantan.

With a GDP (official exchange rate) of around USD 888.5 billion in 2014,[2] the Indonesian economy is the largest in ASEAN. As such, it is a market that cannot be ignored by Malaysian exporters, including OGSE companies. Despite stringent local content requirements and other regulatory barriers, Malaysian OGSE companies surveyed by MPRC consistently rank Indonesia as one of the most important target markets.



Indonesia trade in figures:

According to the World Trade Organisation's latest available data, Indonesia's total exports in 2015 amounted to more than USD150 billion, with mineral resources and other commodities forming the largest grouping.[3] Indonesia's economy is still quite dependent on natural resources with coal, petroleum and natural gas, and palm oil forming a significant chunk of its exports. On the other hand, Indonesia's imports amounted to around USD142 billion in 2015.[4]

According to Malaysia External Trade Statistics (METS), total trade between Malaysia and Indonesia in 2015 stood around RM60 billion. Malaysia exported around RM29 billion worth of products and services to Indonesia while RM31 billion worth of goods and services were imported from Indonesia. Malaysian exports to Indonesia consist of products such as crude petroleum, machinery, plastics and chemicals, while imports included minerals and hydrocarbons, vegetable oils and metals.[5]

INDONESIA'S TOP 5 EXPORT MARKETS (2014):

1. Japan
2. China
3. EU
4. Singapore
5. USA

INDONESIA'S TOP 5 IMPORT SOURCES (2014):

1. China
2. Singapore
3. Japan
4. EU
5. South Korea

Source: WTO Trade Profiles

[1] "The World Factbook: Indonesia" Central Intelligence Agency

[2] The World Bank

[3] "Indonesia" Trade Profiles. World Trade Organisation

[4] Badan Pusat Statistik Indonesia (BPS)

[5] "Products That Malaysia Exports to Indonesia (2014)" The Observatory of Economic Complexity

OVERVIEW OF THE OIL & GAS INDUSTRY IN INDONESIA

History of oil & gas production in Indonesia

Indonesia has a long history in oil and gas production, stretching back to the first oil discovery made in North Sumatra in 1885. Up until Indonesia's independence from the Dutch, the oil industry was dominated by foreign-owned companies such as Royal Dutch Shell, STANVAC (later known as Mobil) and Caltex.

The State Constitution of 1945, drafted following the country's independence, stated that "All of Indonesia's land, water and natural resources are controlled by the State and will be utilised for the greatest benefit and welfare of its people.[6] As such, as in many other petroleum producing countries, the state-owned national oil company has emerged as a significant player in the country's oil and gas market.

In 1961, Indonesia pioneered the production-sharing agreement model which was then adopted by petroleum producing countries around the globe.[7]

The year after, Indonesia became the sole country from the Asia-Pacific region to become a member of OPEC.[8] Since then, oil and gas have contributed significantly to the country's export earnings and continues to form a significant portion of the country's GDP.

Sumatra, offshore Java, as well as East Kalimantan form the main oil and gas producing areas of the country. Future exploration and production activities are headed farther to deeper waters, subject to favourable development conditions.

[6] "Indonesia Overview." Indonesian Petroleum Association

[7] Dr. Irina Paliashvili. "The Concept of Production Sharing"

[8] Ibid

Pertamina is an Indonesian state-owned oil and natural gas corporation based in Jakarta

HISTORY OF PERTAMINA IN BRIEF:

- Indonesia's national oil company
- Had its origins as state-owned PT PERMINA in 1957, which merged with PN PERTAMIN, the sales and marketing arm, in 1968
- Became state-owned in 1971, but privatised in 2003
- BP Migas (then SKK Migas), a government body, assumed Pertamina's regulatory powers

Source: PERTAMINA

HISTORY OF CHEVRON INDONESIA IN BRIEF:

- History of activities in the country stretches back to 1924
- Indonesia's largest oil producer at about 176,000 barrels of liquids per day and 185 mmcfd of natural gas
- Operates in Sumatra, Kutei Basin in East Kalimantan, and the Makassar Strait

Source: Chevron

Overview of reserves and production

OIL AND GAS RESERVES AND BLOCKS

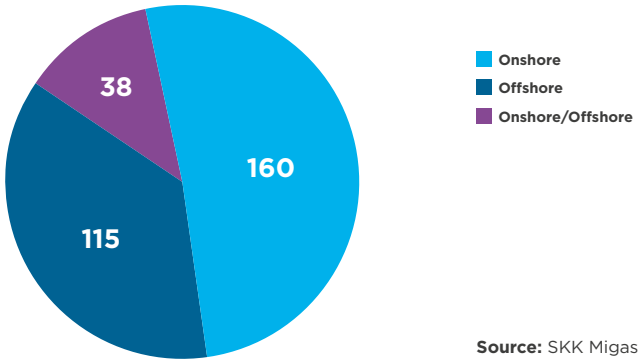
Indonesia, along with Vietnam and Malaysia, holds substantial reserves of crude oil and gas. Indonesia ranks third in proved crude oil reserves in Southeast Asia. The nation also has, by far, the largest amount of proved natural gas reserves in the region, with much more potential still unexplored particularly in the eastern regions of the country. At about 3.7 billion barrels, Indonesia's proved crude oil reserves is comparable to Malaysia's, while its proved natural gas reserves is about 25% times more than Malaysia's.[9]

Bidding process for oil and gas projects are conducted regularly, which attracts the participation of both local and international oil and gas companies. Unlike in Malaysia, oil and gas operators in Indonesia range from large multi-national companies to small, domestic and regional players.

Oil and gas work contracts are awarded by SKK Migas (Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi), the national upstream regulator, and have historically included both open tender bids as well as direct awards. Most of the working areas offered are still in the exploration stage. Operators are required to submit changes to their field development plans every two years.

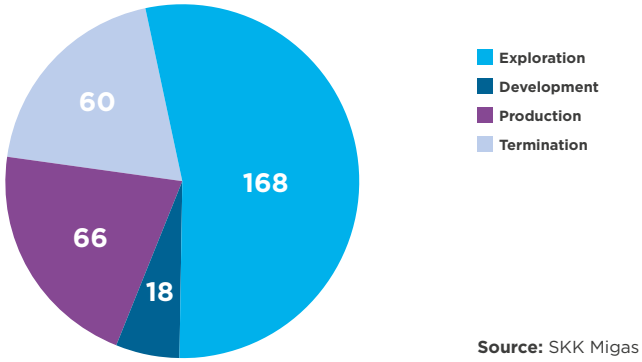
More than half of Indonesia's active blocks are located onshore, with significant numbers of shallow water and deep water blocks as well.[10] Indonesia is also the only ASEAN country with active coal-bed methane/unconventional bidding rounds.

OIL & GAS CONTRACT AREAS IN INDONESIA BY TYPE



Source: SKK Migas

OIL & GAS CONTRACT AREAS BY STAGES OF DEVELOPMENT



Source: SKK Migas

MAJOR OIL AND GAS PRODUCING AREAS IN INDONESIA

Source: BMI/GLOBALDATA

[9] Business Monitor International. Indonesia Oil & Gas Report Q2 2016

[10] "GlobalData Oil & Gas." GlobalData

Much of Indonesia's producing oil wells are located onshore Sumatra, both in Aceh province and towards the south of the island near Palembang. Oil wells are also found in onshore and offshore Java and East Kalimantan.[11] As such, the government is encouraging exploration and production work in underexplored areas to the east near Papua, as well as in the South China Sea in the Natuna region.[12] Challenges in the Natuna region include high concentrations of CO2, which necessitates the technology to re-inject CO2 back into a producing well.

As the national oil company, Pertamina dominates the fuels market but in many of the PSCs signed, Pertamina works closely with international oil companies. Key partners include ExxonMobil, Chevron, ConocoPhillips, BP, Total, CNOOC and PETRONAS.[13] Chevron remains the largest oil and gas producer in the country, but there is a concerted effort by the government to allow Pertamina to take over expiring PSCs, the most notable being the Inpex and Total operated Mahakam block, Indonesia's largest gas block which is due to expire in 2018. Pertamina is expected to assume a 70% share in the block, with Inpex and Total holding 15% each of the remaining shares. This is down from the previous 50-50 split.

[11] "GlobalData Oil & Gas." GlobalData

[12] MPRC Recce Mission to Jakarta, Indonesia. 11 – 13 August 2015

[13] Business Monitor International. Indonesia Oil & Gas Report Q2 2016

PARTIAL LIST OF OPERATORS IN INDONESIA:

- BP
- Niko Resources
- Chevron
- Ophir Energy
- CNOOC
- Pertamina
- ConocoPhillips
- PETRONAS
- ENI
- Repsol
- ExxonMobil
- Salamander Energy
- Inpex
- Shell
- KrisEnergy
- Statoil
- Lundin
- Total
- Mitra Energy

Source: SKKMigas A full list could be found under "Daftar KKKS" on the SKKMigas website

OIL & GAS PRODUCTION

Indonesia is the largest oil and gas producer in ASEAN or Southeast Asia . Indonesia was and still remains, the only Asia-Pacific member of the Organisation of Petroleum Exporting Countries (OPEC), even though the country is currently a net importer of petroleum. In recent years, crude oil production in Indonesia has consistently declined due to a lack of new investments. The country produces on average 897,000 bpd of crude oil, down from a peak of more than 1.6 million bpd in 1991.[14] For perspective, Malaysia's current production is around 72% of Indonesia's crude oil production. Natural gas production on the other hand stood at 70.8 bcm in 2015 which is about 13% more than Malaysia's.

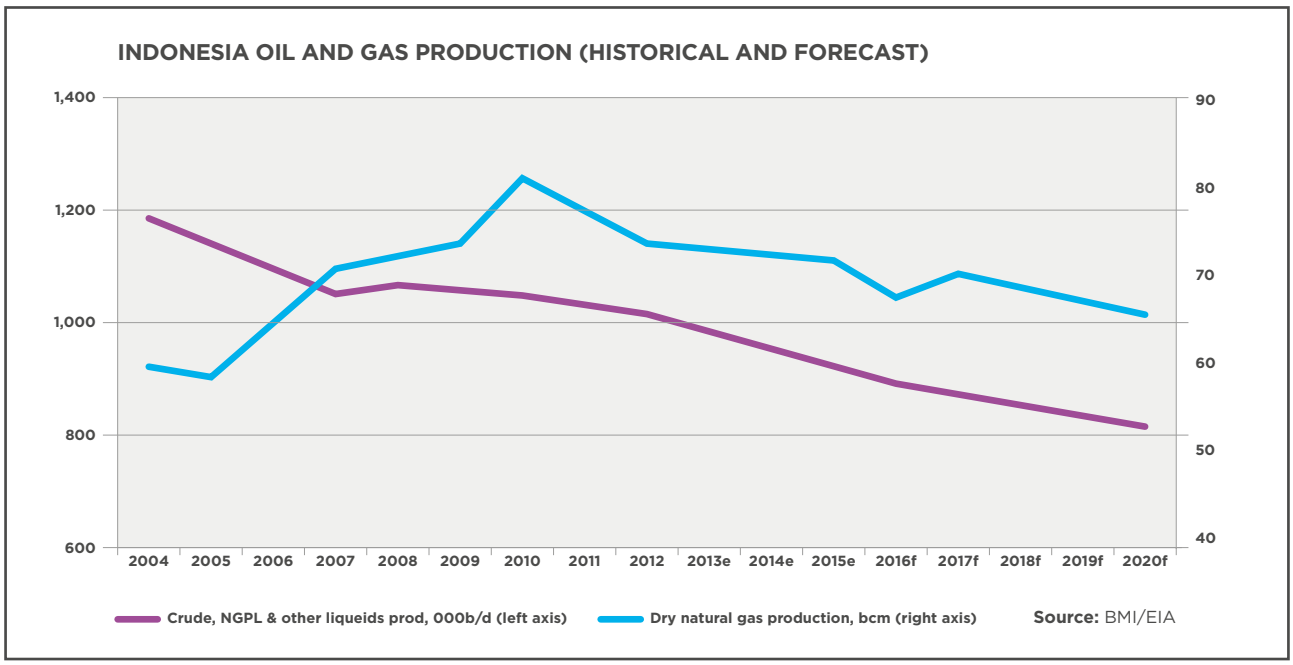
Business Monitor International estimates oil production in Indonesia will continue to decline—plateauing to about 817,900 bpd in 2020—barring any major development work in new fields. The outlook for natural gas production is also quite similar, but Indonesia is banking on the exploitation of its natural gas more than its oil reserves. Despite this, the Government continues to invite foreign companies to explore new fields, especially in the relatively undeveloped eastern region of the country which is thought to contain significant deep water resources. The current oil and gas investment climate however is not particularly conducive and investments may pick up again once oil prices recover to a satisfactory level.

According to the latest available data from SKK Migas, the number of oil and gas contract areas increased from 110 to 312 between 2002 and 2015. The data also showed 170 fields are in the exploration phase, while 84 are in the exploitation phase, with unconventionals such as coal bed methane accounting for the remaining 58 contract areas.[15]

The Indonesian Government, through SKK Migas, publishes in-depth information on its oil and gas production numbers in its annual reports, which are accessible on its website.

[14] Business Monitor International. Indonesia Oil & Gas Report Q2 2016

[15] SKK Migas, Indonesia. Annual Report 2015



Regulatory framework

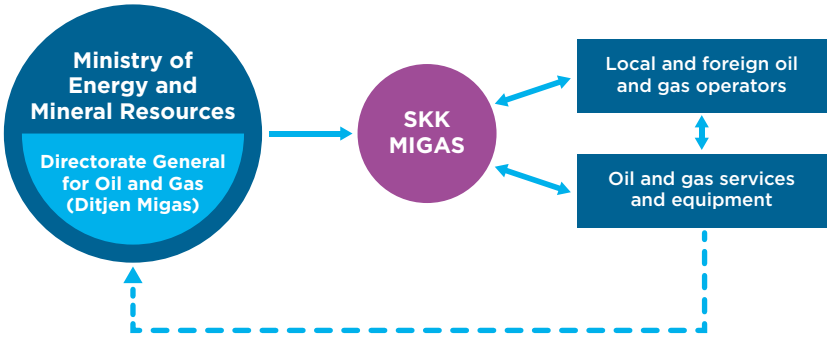
Policy direction and formation for the oil and gas industry in Indonesia falls largely within the purview of the Ministry of Energy and Mineral Resources (MoEMR), specifically under the Directorate General for Oil and Gas (Ditjen Migas). Of concern to Malaysian companies wishing to enter the Indonesian market however is SKK Migas (Special Taskforce for Upstream Oil and Gas). SKK Migas is the body that monitors and regulates the work commitments of local and foreign oil and gas operators, as well as ensures that operators adhere to the prevailing local content requirements.

Oil and gas activities in Indonesia are regulated by Law No. 22/2001. The objective of the law is to ensure that oil and gas activities in Indonesia bring benefits to the country, whether through increased production and usage of local content, or through effectively meeting the country's oil and gas needs. Historically, the law has had several implications on foreign companies wishing to enter the oil and gas industry in Indonesia, such as restrictions on expatriates as well as limits on foreign investments in certain OGSE sectors.

Malaysian OGSE companies wishing to enter the Indonesian market should be aware that there are local content requirements in place. There are restrictions in place on foreign direct investments (FDIs) into certain OGSE sectors in Indonesia. These restrictions are compiled in the Negative Investment List which is maintained by the Investment Coordination Body of Indonesia (BKPM).

All OGSE companies operating upstream in Indonesia must apply for a Surat Keterangan Terdaftar (SKT Migas) from the Directorate General of Oil and Gas to participate in tenders. They also must be listed in the Buku APDN or Apresiasi Produk Dalam Negeri which lists the companies' current local content. Only companies listed are qualified to bid for participation in oil and gas projects.

SKK Migas-issued regulations such as the Pedoman Pengelolaan Rantai Suplai Kontraktor Kontrak Kerja Sama or PTK-007 also apply to OGSE companies in Indonesia. PTK-007 stipulates the conditions that OGSE companies in Indonesia need to adhere to in order to enter the supply chain of oil and gas projects. The regulations contained in PTK-007 are highly complex. Those wishing to understand the PTK-007 in detail may enrol themselves in seminars and trainings held by course providers in Indonesia. These courses usually take 2-4 days to complete.



All OGSE companies in Indonesia must apply for a Surat Keterangan Terdaftar (SKT) from Ditjen Migas to operate and bid for work

Source: MPRC Recce Mission to Indonesia

SKK MIGAS' MAIN ROLES:

- Regulates the upstream oil and gas industry in Indonesia
- Partner with local and foreign oil companies exploring and producing in oil and gas fields (through the Joint Cooperation Contracts)
- Maximise the utilisation of local content in oil and gas projects
- Ensure production targets are met without compromising HSE

Source: SKK Migas

IMPORTANT REGULATIONS/PERMITS RELEVANT TO OGSE COMPANIES ENTERING INDONESIA:

- Law No. 22/2001
- Surat Keterangan Terdaftar Migas
- Pedoman Pengelolaan Rantai Suplai Kontraktor Kontrak Kerja Sama (PTK-007)
- Negative Investment List

Source: MPRC Recce Mission to Indonesia

BUSINESS OPPORTUNITIES

Many international oil companies consider Indonesia to be an important market, such as ExxonMobil, Chevron, BP as well as PETRONAS, whose Bukit Tua project has already achieved a production rate of 20,000 bpd since its commencement in mid-2015.

According to SKKMigas' statistics however, additions to the installed capacity of upstream oil and gas production facilities in Indonesia will see a marked decline heading towards 2020 given current levels of investment. At the current level, only 9,000 boepd of new production capacity will come online in 2020 from a peak of more than 200,000 boepd in 2014.[16] In order to effectively meet domestic energy needs, the government is encouraging more E&P work to be done in underdeveloped areas.

The average cost of production for oil and gas in Indonesia ranges from around USD20 to 40 per barrel, with Pertamina trying to reduce its cost to below USD30 per barrel from around USD35.[17] In light of this, Malaysian companies with technologies that would enable savings in production cost would have a competitive advantage in the market.

The short to medium term priority for Indonesia is to sustain production. Malaysian OGSE companies wishing to enter the country with specialised capabilities in maintaining and enhancing production as well as the life-span of assets may find Indonesia to be a ready market, subject of course to local content requirements.

Indonesia's upstream activities are found predominantly in the west of the country, with sparse activities taking place the country's eastern region.[18] As such, the push towards the east in the future means the need to surmount logistical challenges, as well as construct more pipelines and gas storage facilities. For example, the MoEMR foresees the need for a gas distribution hub in the north and south of Makassar on Sulawesi, part of a total future natural gas infrastructure investment worth USD24.8 billion.[19] Malaysian companies with expertise in pipeline construction and maintenance may look into partnering with Indonesian companies in this regard.

Similar to Malaysia, much of the easy oil both on and offshore Indonesia have passed the peak production rate. As such, the current government is actively encouraging more offshore exploration work, especially deepwater, to be done. However, given the current market climate, such projects look unattractive even as the country's demand for energy remains high.

[16] SKK Migas, Indonesia Annual Report 2014

[17] Wigimin, Dr. Haryanto. "Indonesia: Country Session"

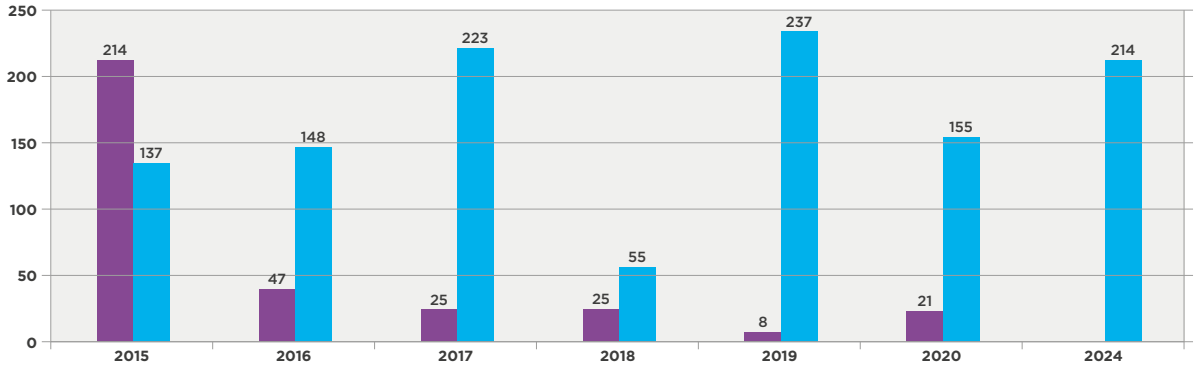
[18, 19] Ibid

OGSE OPPORTUNITIES IN INDONESIA:

- Deepwater related services and manufacturing
- Geophysical and seismic surveys
- Pipeline maintenance and construction
- Enhanced oil recovery technologies at maturing fields
- Auxiliary services for offshore

Source: MPRC; various

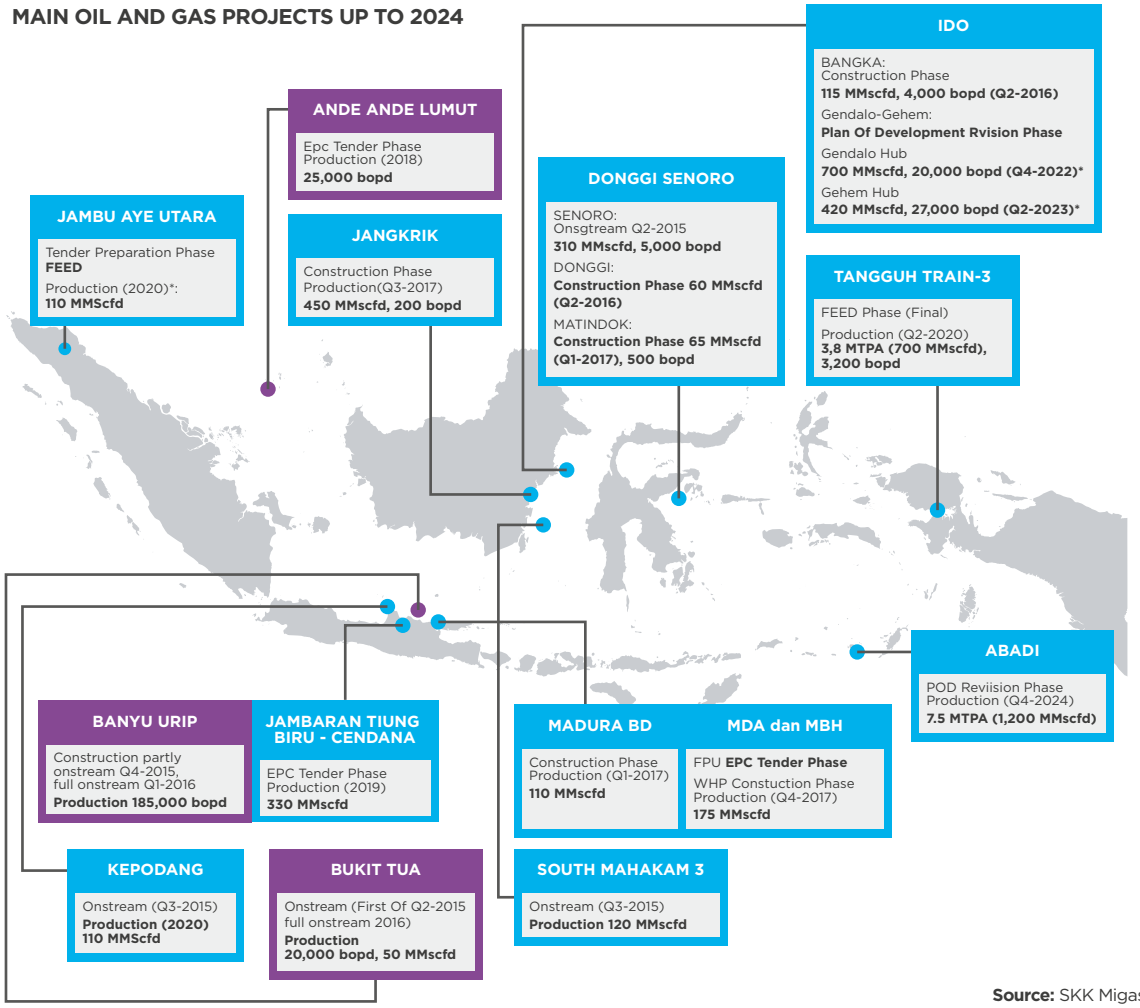
ADDITIONAL UPSTREAM PRODUCTION CAPACITY (2015-2024) (THOUSAND BOEPD)



2015	2016	2017	2018	2019	2020	2024
Pelikan	Donggi	Madura BD	Lengo	Jambaran Tiung Biru	Jambu Aye Utara	Abadi
Bukit Tua	Wasambo	Matindok	TSB Phase 2	West Belut	BP Train-3	
Senoro	Karendan	Jangkrik	Ande-Ande Lumut	Buntal-5	Kilo	
South Mahakam 3	CPP 2	Paku Gajah	SP	KLD	YY	
Kepodang	IDD Bangka	MDK		Gajah Putri	OO-OC-OX	
Mila dan Asti		MDA-MBH				
Banyu Urip		Petapahan				

Source: SKK Migas

MAIN OIL AND GAS PROJECTS UP TO 2024



Source: SKK Migas

DOING BUSINESS

Indonesia is ranked 109th in the World Bank's 2016 Ease of Doing Business rankings, compared to Malaysia's 18th position. Foreign companies may find it difficult to enter the market without first having establish a network of contacts as well as having a solid, on-the-ground understanding of the country, in addition to eventually finding a partner or setting up in the country. Indonesia ranks particularly low on procedures to start a business as well as contract enforcement. As such, companies may need to hire local law consultants to assist with business set-up procedures, especially with expertise in dealing with Ditjen Migas and SKK Migas.

Indonesia will remain for the foreseeable future the largest oil and gas producing nation in Southeast Asia. Despite the barriers to entry, Malaysian companies intending to become regional players cannot afford to overlook the potential that exists in the market.

There are several ways for a foreign OGSE company to enter the Indonesian market, and each way has its own pros and cons. The Badan Koordinasi Penanaman Modal (BKPM) is the body responsible for attracting and facilitating foreign investments into Indonesia. BKPM is able to assist Malaysian companies intending to invest in Indonesia.

INVESTOR QUICK TIPS:

- Take into account traffic conditions when planning meetings
- Always rise when your host or hostess enters the room
- Present and exchange business cards with respect and earnestness

- Your products and/or services may benefit from the ASEAN Free Trade Agreement (AFTA). The Ministry of International Trade and Industry (MITI) provides an excellent overview of AFTA at ***fta.miti.gov.my***
- For more information on present double taxation agreements between Malaysia and foreign countries, visit the Inland Revenue Board's website at ***www.hasil.gov.my***

Market entry

There are three main market entry strategies for Malaysian OGSE companies wishing to enter the Indonesian market, namely through direct investment, an agency/JV agreement, or via a local branch setup.

There are pros and cons to each of the entry strategy. Direct investments into Indonesia are subject to the Negative Investment List, which restricts certain sectors from foreign entry. However, foreign direct investments qualify for certain benefits such as a tax holiday for pioneer industries, tax allowances (subject to investment value, local content requirements and other issues) as well as import duty exemption either for two or four years, depending on the usage of locally-produced machines.[20]

[20] BKPM. "Indonesia Investment Policy 2015 – 2019"

However, most foreign companies entering the Indonesian market for the first time establish an agency agreement or set up a local branch with majority Indonesian shareholding. This allows them to sidestep the strictures of the Negative Investment List. However, this requires finding a trusted local partner.

The following is a summary of market entry strategies for Malaysian OGSE companies intending to enter the Indonesian market:

	Direct investment	Agency appointment	Local branch setup
Majority shareholding	Foreign	Indonesian (Agency appointment by power of attorney)	Indonesian
Negative Investment List (see below)	Not waived	Waived	Waived
"National" or "Domestic" company	National	Domestic	Domestic
Preference in tenders (based on local content)	Level III	Level II/I	Level I
Management control and liabilities	Foreign	Shared	Cascaded

Source: MPRC recce mission to Indonesia "National" companies are companies with foreign shareholding
Preference in tenders is based on local content, "Level I" being the most and "Level III" the least

The following are oil and gas services regulated by the Negative Investment List:

No.	Business Fields	Requirements
1	**Oil and Gas Construction Services:** - Platform - Spherical Tank - Onshore oil and gas upstream production installation - Onshore pipeline installation - Offshore pipeline installation - Horizontal/vertical tank - Onshore oil and gas storage and marketing installation	**Capital Ownership:** - Max 75% for FDI - Max. 49% for FDI - DDI only - DDI only - Max. 49% for FDI - DDI only - DDI only
2	**Survey Services:** - Oil and gas - Geology and geophysics - Geothermal	**Capital ownership:** - Max. 49% for FDI - Max. 49% for FDI - Max. 95% for FDI
3	**Drilling services:** - Onshore Oil and gas - Offshore Oil and gas - Geothermal	**Capital Ownership:** - DDI only - Max. 75% for FDI - Max. 95% for FDI
4	**Oil and gas supporting services:** - Well operation and maintenance service - Oil and gas design and engineering service - Technical inspection service	**Capital Ownership:** - DDI only - DDI only - DDI only

Source: BKPM, Indonesia

Project owners in a particular contract area must first refer to the Buku APDN (Apresiasi Produk Dalam Negeri) when sourcing for products or services. The book lists companies that meet local content requirements, as the regulation calls for at least 35% local content for OGSE companies providing products and services. In addition, each operator may have their own approved manufacturers list which OGSE companies should be aware of. However, products or services with high-end specifications can get special approval from the Minister.

Tenders for oil and gas work within the specific oil and gas contract areas are publicised and managed by the regulator, SKKMigas. A complete listing of tenders is listed on SKKMigas' website. Take note that only locally incorporated companies (PT) can participate in tenders worth below USD20 million.[21] Hence, for many Malaysian OGSE SMEs intending to enter Indonesia, forming a local PT may be the only viable option.

[21] MPRC Recce Mission to Jakarta, Indonesia. 11 – 13 August 2015.

WHAT CONSTITUTES LOCAL CONTENT IN INDONESIA'S OIL AND GAS INDUSTRY:

- The composition of shareholders
- CSR works in the country
- The composition of the board of directors
- Cooperation with domestic subcontractors
- Staff count
- Tax payments
- Domestic facilities and equipment
- Technology transfer programmes
- Banks used

Source: Ministry of Energy and Mineral Resources, Indonesia

INSIGHTS

Interview with Zamir Rashid, Managing Director of Innoveam Sdn. Bhd.

Innoveam is a local technology-based solutions and service provider focusing on 3D Data Processing, Analytics, Simulation and Visualisation for industrial applications. Backed by state-of-the-art High Performance Computing systems and latest ICT-based technologies, Innoveam has grown as a major player in providing 3D modelling and simulation services for various industries within the region. Since 2013, Innoveam has actively participated in providing 3D engineering analysis and related consulting services in the upstream oil and gas industry in Indonesia.

Q Why did you choose Indonesia to expand your business?

A From our inception, we felt it was important to have a secondary market to operate in on top of the upstream oil and gas industry in Malaysia. Being a newly established company at that time, we needed to maximise the potential of getting projects by participating in multiple markets. Going into the oil and gas industry in Indonesia was a strategic decision and it was the natural choice at the time; the language and culture are similar, the industry is bigger, and we could leverage on our existing networks over there.

Q How was your experience in setting up business in Indonesia and securing business?

A Our 3D modelling and simulation service is a niche and specialised area, a feature not many local companies, both here in Malaysia and Indonesia, can provide. Our competitors are mainly MNCs that are based overseas, and we believe we have an advantage over them in being more cost-effective. As a regional company, we can have a closer and more intimate relationship with our clients.

We explored several options on setting up and securing business in Indonesia. The first was to find a local company which we could partner with. The second option was to operate independently from Malaysia, while going to Indonesia periodically to develop business and secure jobs.

For the first option, we approached a large and well-established local multidiscipline engineering company to become a strategic partner and invest in our company. Our capabilities complemented their overall service offerings, and together provided a stronger and more valuable offering to potential clients. By doing this, we felt that Innoveam will have a more established platform to go into the Indonesian market as well as being able to leverage on their marketing efforts. In parallel, we also decided to develop the second option and had our own business development activities.

Overall, we have had moderate success in getting and delivering projects for our clients in Indonesia. The main challenge we faced was that our 3D modelling and simulation capabilities are still new to the market. Thus, we had to organise a series of sharing sessions to increase awareness among oil and gas companies in Indonesia on the benefits of 3D modelling and simulation. We

also found that our own business development activities provided better results in getting projects than working together with our partner. We attributed this to the difference in business development approach and scale of projects that our partner was targeting compared to what our company was looking for. We mutually decided to end the formal partnership, however we still would support each other should the need arise. Innoveam continues to work independently in the Indonesian market and we are open to work with any other party both formally and informally.

Currently, Innoveam has established PT Innoveam Indonesia, however its core business is not related to the oil and gas industry. In light of the current slowdown in the oil and gas industry, we have decided to diversify our solutions and utilise our 3D modelling and simulation capabilities for the education market in Indonesia.

Q In your opinion, what are some of the opportunities for Malaysian OGSE companies in Indonesia?

A Indonesia's oil and gas industry is vast with various opportunities. Despite having the same challenges with regards to the low oil prices that the oil and gas industry faces globally, growth in the industry in Indonesia is still imminent as they are putting a lot of efforts in fulfilling their internal energy consumption requirement. The country is focused on ramping up development. With the right business strategy, Malaysian companies can definitely reap high returns.

From an engineering services perspective, the most important thing Malaysian companies should remember when entering Indonesia is not to assume that Indonesian companies are lacking in terms of multi-discipline engineering and technical capabilities. Indonesia's oil and gas is a mature industry and there are many capable and established local services players in the market.

To have a chance at success in Indonesia's oil and gas landscape, Malaysian service companies should ask themselves, "What is my competitive edge?" and "what can we bring to the table that is different from everyone else?"

There are two ways for Malaysian companies to be competitive: either through innovation and owning new technologies/provide niche service, or having a cost advantage. Cost-wise, Malaysian companies generally will find a hard time to compete. If companies struggle to define their competitive edge, then entering Indonesia may not be the right move to make.

If however, Malaysian service companies possess a strong competitive advantage, then there are plenty of opportunities there.

(More on next page)

Without a competitive edge, Malaysian companies should think carefully about going to Indonesia. Please do not hesitate to be in touch with our national agencies, such as MATRADE and MPRC, in assisting any expansion in Indonesia. They have been very helpful to us in all our efforts thus far.

(Continued from previous page)

Q What barriers to entry do you see as the most serious/most important to be aware of for a Malaysian company with an interest in Indonesia's offshore sector? Are there any local content requirements a prospective Malaysian company must fulfil?

A There are many entry barriers that need to be addressed by Malaysian companies going to Indonesia. The most important one being the need for local content. The oil and gas industry is featured prominently in the Indonesia Negative List, i.e. a list of industries which are closed and partially closed to foreigners. This will weigh heavily on the mode of entry for foreign companies, including those from Malaysia. In addition, Malaysian companies should keep in mind that government-related contract tenders tend to be more restrictive towards foreign companies.

That being said, should your company's capabilities be something that the market finds much value in, there are many ways to make it work within the existing regulatory framework and mitigate any potential complications.

Q What are the formal registrations, regulations or permits that Malaysian OGSE companies should be aware of in the country, specifically with regard to oil and gas? What was your experience in dealing with these processes?

A Companies intending to establish a foreign owned company (Penanaman Modal Asing or PMA) in Indonesia should be aware of a number of rules and regulations. On top of the negative list, investors and business owners need to know about paid up capital requirements (which can be as high as USD 1 million), Indonesia's austere labour laws, visa requirements for foreigners, as well as the relevant tax regulations (such as withholding taxes and double taxation agreements between Malaysia and Indonesia). I would highly suggest employing a capable legal consultant to advise and assist those companies intending to establish a company in Indonesia.

Q What are the financial regulations, taxes (i.e. withholding, income taxes) or procedures for repatriating funds that Malaysian companies must be aware that impacted your business? Are there tips or advice that you would like to share?

A So far, our clients in Indonesia pay our fees via international transfer, and this is subjected to withholding tax that our clients will automatically deduct from the contract amount. We make use of the double taxation avoidance agreement as well. Lembaga Hasil Dalam Negeri (LHDN) can be referred to on this. We may also suggest exploring the possibility of establishing a Labuan offshore company to for the purpose of repatriating funds from your Indonesian business.

Q Do you have any other advice to potential Malaysian suppliers/ sub-suppliers interested in country's oil and gas sector?

A For Malaysian companies, do put high emphasis on your company's competitive edge. Without a competitive edge, Malaysian companies should think carefully about going to Indonesia. I would also highly suggest proper strategic planning for the expansion, either done internally or by employing business consultants to ensure that your company will have a higher chance of success. Lastly, please do not hesitate to be in touch with our national agencies, such as MATRADE and MPRC, in assisting any expansion plans in Indonesia. They have been very helpful to us in all our efforts thus far.

INSIGHTS

Interview with Mohd Kamal Bahrin Tahir, Managing Director of Tekno Logam Sdn. Bhd.

Tekno Logam is a manufacturer of gaskets and seals under the brand name of TEKNO GASKET® TEKNO FLEX®. From a primary manufacturer of metal gaskets, Tekno Logam has now broadened its manufacturing focus to other gasket types. Today, Tekno Logam is recognised as a reputable gasket manufacturer. Tekno Logam is able to supply all forms of fluid sealing products to a broad range of industries, particularly in oil and gas, and power generation.

The new administration has stemmed the bureaucratic mess of earlier governments. It is much easier to do business now than it was when we first entered the market.

Q Why did you choose Indonesia to expand your business?

A We chose Indonesia as one of our target markets because it is a country strongly related to Malaysia. It has a similar language, culture and heritage which gives us the leeway to enter the market more easily. At the same time, Indonesia is the region's largest oil and gas producer, and the country's vast resources is something which Tekno Logam's business is concerned with. Indonesia is also a country on the move. With the current central government steering clear over procurement matters, the new administration has stemmed the bureaucratic mess of earlier governments. It is much easier to do business now than it was when we first entered the market. Therefore, we believe that the opportunity to expand our business to Indonesia is both timely and exciting.

(More on next page)

My advice to Malaysian companies intending to enter the Indonesian market is to be very informed and cautious, but not stymied by talks of others failure. There is vast potential in Indonesia

(Continued from previous page)

Q How was your experience in setting up business in Indonesia and securing business?

A For your information, we ventured into Indonesia way back in 2000. However, we only felt more progress being made from 2013 onwards. In 2000, we had to endure the many difficulties of setting up business. Besides needing to find a local partner, there were high registration fees and other bureaucratic processes which in Malaysia were non-existent.

Years later in 2013, we had to renew all our licenses and certificates. What we encountered was a big change. Most of the bureaucratic nitty-gritties were eliminated. The Government of Indonesia also introduced easier administrative functions which greatly assisted us with our plans in the country. Despite this, it is still slightly costlier to do business in Indonesia compared to Malaysia.

Q In your opinion, what are some of the opportunities for Malaysian OGSE companies in Indonesia?

A In our experience, there are plenty of opportunities for Malaysian OGSE companies to explore in Indonesia as much of the advanced manufacturing and services knowledge are limited for the Indonesians. We had the advantage of having experience in setting up a manufacturing outfit in Malaysia. This is in comparison to the difficulty of Indonesian entrepreneurs setting one up themselves in Indonesia. This proved to be an advantage to us. The ease with which we secured financing as well as our skilled workforce meant that we had a competitive advantage in the country.

Q What barriers to entry do you see as the most serious/ most important to be aware of for a Malaysian company with an interest in Indonesia's offshore sector? Are there any local content requirements a prospective Malaysian company must fulfil?

A As a manufacturing company setting up in Indonesia, the main requirement was of course for us to meet the local content requirement. In the manufacturing sector, you are required to look for a partner that could commit to a 35% minimum equity content. Obviously there are many ways to address this issue and you should find one that suits you best.

The other barrier was securing office and warehouse spaces. There are regulations regarding this as you could not operate your business at any premise that you so desire. A proper business address is required. Please do the relevant due diligence on the requirements.

As far as hiring employees is concerned, hiring locals is a relatively easy process. However, if the key personnel are foreign, they are required to have a temporary resident permit or a Kartu Izin Tinggal Terbatas (KITAS). Any foreigner without a KITAS permit cannot work in Indonesia.

Q What are the formal registrations, regulations or permits that Malaysian OGSE companies should be aware of in the country, specifically with regard to oil and gas? What was your experience in dealing with these processes?

A Tekno Logam has registered with BPH Migas (Indonesia's downstream regulator) for the downstream supply of gaskets and related pipeline integrity products. The procedure for registration when we did it more than 2 years ago was extremely arduous. However, recently the renewal process has been relatively easy and is a reflection of the investor/supplier friendly nature of the current administration.

We are not required to register directly with PERTAMINA but have done so for purposes of documentation. Our main concern is that fabricators and maintenance contractors are aware that our product is certified for use in oil and gas downstream activities.

The whole process of registration previously could make potential investors turn away from doing business in Indonesia due to the complexity of requirements and procedures. However, we are made to aware that in areas apart from Jakarta where the autonomous law is applied, that difficulty can easily be handled. Now that our factory in Jogjakarta is operating, we find the going to be rather smooth as in Malaysia.

Q What are the financial regulations, taxes (i.e. withholding, income taxes) or procedures for repatriating funds that Malaysian companies must be aware that impacted your business? Are there tips or advice that you would like to share?

A TeknoLogam has so far not repatriated a significant amount of cash back to Malaysia, but we believe and we were made aware that the process is not difficult as one thinks. However, the process might be better handled by the company secretary or notary as to fulfil the relevant requirements.

We are aware of the double taxation agreement but we have yet to benefit from it. However dealing with the tax authority or pajak is rather easy if all documents required are compiled.

Q Do you have any other advice to potential Malaysian suppliers/sub-suppliers interested in country's oil and gas sector?

A My advice to Malaysian companies intending to enter the Indonesian market is to be informed and cautious, but not stymied by talks of others failure. There is vast potential in Indonesia but obviously as in other countries, please do the necessary due diligence.

OUTLOOK

Despite declining production, Indonesia remains as Southeast Asia's largest oil and gas producer. The reactivation of its membership in the Organisation of Petroleum Exporting Countries (OPEC) however, despite being a net importer, was seen as many as a signal from the government to strengthen its relationship with oil and gas exporting countries to meet future domestic demand.

Given the current low oil price situation and a consistent drop in oil production since 2000, the outlook for upstream in Indonesia is currently not the brightest. This is evident in the lack of IOC participation in both the 2015 and 2016 bidding rounds. The 2016 bidding window concludes in the second half of the year. This occurs despite the move by the Indonesian Government to introduce more flexible terms in which bidders are able to propose their own revenue split and signature bonus amount. In the coming years, Pertamina is expected to assume greater prominence in controlling available oil and gas blocks. Current ministerial regulation allows for Pertamina to assume controlling stakes in expiring blocks. Pertamina targets to control more than 50% of the country's oil and gas blocks from the current 26%.[22]

The move to deeper waters is also being hampered by regulatory uncertainty. This can be seen by the government's recent call to change Inpex's Abadi LNG development from a FLNG to an onshore development, despite the delays and increased costs the move entails. Such regulatory uncertainty dampens IOCs' investment appetite in new exploration areas, which are increasingly located in in more remote deeper waters.

Nevertheless, Malaysian OGSE companies should still continue to look to Indonesia for export or expansion opportunities in view of its position as the largest oil & gas market in Southeast Asia. Pertamina, for example, is still increasing its domestic CAPEX spending despite current market conditions.

[22] Robby Irfany. "Pertamina Eyeing to Manage 13 Oil, Gas Blocks."

KEY CONTACTS

The following contacts offer crucial information and assistance to Malaysian companies on doing business in Indonesia:

MALAYSIAN GOVERNMENT OFFICES IN INDONESIA:

Embassy of Malaysia in Indonesia
Jl. H.R. Rasuna Said Kav.X/6,
No. 1-3 Kuningan 12950 Jakarta Selatan
www.kln.gov.my/web/idn_jakarta
e mwjakarta@kln.gov.my
t +62 21 5224947

MATRADE Jakarta
12th Floor, Plaza Mutiara,
Jl. Lingkar Kuningan, Kav. E.1.2,
No. 1 & 2, Kawasan Mega Kuningan,
Jakarta 12950
www.matrade.gov.my
e jakarta@matrade.gov.my
t +62 21 576 4322/4297

INDONESIAN GOVERNMENT MINISTRIES/AGENCIES:

SKK Migas
Gedung Wisma Mulia Lantai 35,
Jl. Gatot Subroto
No.42, Jakarta 12710
P.O. Box 4775
www.skkmigas.go.id
e hupmas@skkmigas.go.id
t +62 21 2924 0092

Directorate General of Oil and Gas
Plaza Migas Centris HR Rasuna Said Street,
Region B-5 Jakarta 12920
www.esdm.go.id
e info@migas.esdm.go.id
t +66 21 526 8910

Badan Koordinasi Penanaman Modal
Jl. Jend. Gatot Subroto No. 44, Jakarta 12190
P.O. Box 3186
www.bkpm.go.idt
e info@bkpm.go.id
t +62 21 520 2050

TRADE ASSOCIATIONS/INSTITUTES BASED IN INDONESIA:

Indonesian Petroleum Association
Indonesia Stock Exchange Building Tower II,
20th Floor (Suite 2001)
Jl. Jendral Sudirman Kav.52-53,
Jakarta 12190
www.ipa.co.id
e inquiries@ipa.or.id
t +62 21 515 5959

Indonesian Gas Association
IGA Secretariat,
PT. Perusahaan Gas Negara (Persero),
Tower A, 1st Floor
Jl. KH. Zainul Arifin No. 20,
Jakarta 11140, Indonesia
www.iga.or.id
e secretary@iga.or.id

Malaysia Chambers Jakarta
www.malaysiachambersjakarta.org
e mcjindonesia@gmail.com

To find out more on Malaysian OGSE companies already present in Indonesia, please contact *pbo@mprc.gov.my*

MYANMAR

QUICK FACTS

GOVERNMENT:
Parliamentary republic

POPULATION:
56 million (Jul. 2015)

OFFICIAL LANGUAGE:
Burmese

CAPITAL CITY:
Naypyidaw

% 25 - 54 YEARS OLD:
43.3%

GDP (2014):
USD 64.3 billion

- Up and coming oil and gas hotspot
- Strong potential in offshore deepwater exploration and production
- Liberalising economy presents many opportunities

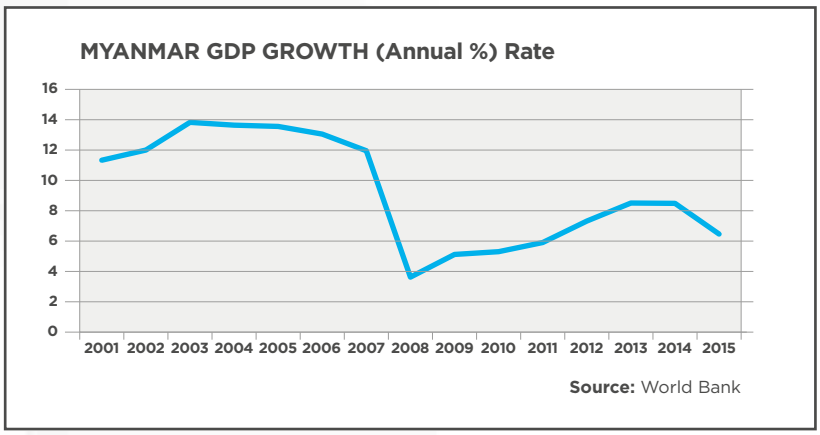
Source: CIA World Factbook, World Bank

POLITICAL AND ECONOMIC OVERVIEW

Myanmar is located at the north-western part of Southeast Asia. The country is bordered by Bangladesh and India to the west, and Thailand to the east. It has a population of around 56 million, the 4th most populous country in ASEAN. Myanmar's economy is strongly characterised by agriculture, but the manufacturing and services sectors are growing at a fast pace.

The military has dominated much of the political and economic spheres in Myanmar. However, the landscape has changed after its landmark elections in November 2015, which saw the country swearing in its first civilian president and civilian-led administration in decades.

Myanmar's largest city, Yangon, is the hub of economic and trading activities in the country. However, the nation's capital is located more than 300 kilometres north in Naypyidaw. The office of Myanmar's national oil company, MOGE (Myanma Oil and Gas Enterprise), is located in Naypyidaw but the offices of IOCs and service providers that operate in the country are either located in Yangon or outside the country such as in Malaysia, Thailand, France, Singapore and India.



With a GDP of around USD 64.3 billion in 2015, the Myanmar economy is ranked in the bottom half of ASEAN economies after years of economic sanctions. However, Myanmar's move towards economic and political liberalisation, combined with competitive labour cost and a young, vibrant workforce makes this country an attractive destination for trade and investments.

Myanmar trade in figures

Based on WTO's latest available data, total exports reached USD11.03 billion in 2014, with fuels and mining products accounting 43.8% of Myanmar's exports.[1] Myanmar's economy is clearly a resource-based economy with the extractive industries making up the lion's share of its exports. Unlike the extractive industries, Myanmar's manufacturing and services sectors' capacity for growth remains largely untapped.

Based on 2014 target, Myanmar's major imports include machinery, transport equipment, refined petroleum and raw metals. At USD16.2 billion, total imports in 2014 far exceed exports.[2] Over the past ten years, Myanmar has consistently been a net importer.

According to Malaysia External Trade Statistics (METS), total trade between the two countries in 2015 was valued at around RM3.7 billion. We exported around RM3.06 billion worth of products and services to Myanmar while our imports stood at RM686 million. Malaysia's main exports to Myanmar include refined petroleum, palm oil, plastics and rubber products, chemical products as well as machinery and parts. Imports includ rubber, animal and vegetable products and wood.[3]

MYANMAR'S TOP 5 EXPORT MARKETS (2014):

1. Thailand
2. Hong Kong
3. India
4. China
5. Singapore

MYANMAR'S TOP 5 IMPORT SOURCES (2014):

1. China
2. Singapore
3. Thailand
4. South Korea
5. Japan

Source: WTO Trade Profiles, merchandise trade only

[1] "Products That Malaysia Exports to Burma (2014)." The Observatory of Economic Complexity

[2] Jabatan Perangkaan Malaysia. "Malaysia External Trade Statistics"

[3] "Products That Malaysia Exports to Burma (2014)." The Observatory of Economic Complexity

OVERVIEW OF THE OIL & GAS INDUSTRY IN MYANMAR

History of oil & gas production in Myanmar

The history of oil and gas exploration and production in Myanmar is the oldest in Southeast Asia. Myanmar first exported oil in 1853 under the British colonial administration. In comparison, the first commercial oil well in the United States was only built in 1859.

Up until 1963, Myanmar's oil industry was dominated by the Burmah Oil Company. The company discovered some of the earliest oil fields in the country, namely the Ychaugyang field in 1887 and the Chauk field in 1902. Both fields are still in production today.

Following the start of military rule in 1962, the junta moved quickly to nationalise the country's oil industry. However, operation of oil fields was conducted either by the newly formed national oil company, Myanma Oil and Gas Enterprise (MOGE), or granted to private operators under production sharing contracts (PSCs).

Between 1962 and 1988, the junta barred foreign operators from setting up business in the country. After 1988 however, the junta began opening up the country and introduced reforms that brought in foreign operators such as Total, PTTEP and PETRONAS Carigali Myanmar.[4] These three operators are traditionally the main oil and gas players in the country.

Today, Myanmar is considered one of the up and coming markets for new oil and gas investments despite several market-entry barriers. This is evident in its recent bidding rounds, which resulted in droves of potential investors seeking opportunities in offshore Myanmar. Indeed, the oil and gas sector holds much potential and will continue to play an important role in developing its economy in the future.

[4] Koswanage, Niluksi. "Factbox - Myanmar's Oil and Gas Sector, One of World's Oldest"

HISTORY OF MOGE IN BRIEF:

- Myanmar's national oil company
- Established after the nationalisation of the Burmah Oil Company in the 1960's
- Currently an entity under the Ministry of Energy, Myanmar
- Collaborates in exploration and production with foreign oil companies under PSCs

Source: MOGE

HISTORY OF TOTAL MYANMAR IN BRIEF:

- Entered the market in 1992 after signing a PSC with MOGE
- Developed the Yadana field which supplies 50% of Myanmar's and 15% of Thailand's natural gas needs

Source: Total

HISTORY OF PETRONAS CARIGALI MYANMAR IN BRIEF:

- One of the first international operators to enter the Myanmar market in the 1990s
- Produces around 250 MMscf/day of gas mainly from the Yetagun field to supply to Thailand through the Thaninthayi pipeline

Source: PETRONAS; "Myanmar," OTC Asia

Overview of reserves and production

OIL AND GAS RESERVES AND BLOCKS

Compared to other energy producers in Southeast Asia, Myanmar has substantially lower proved crude oil reserves of oil and gas. According to Business Monitor International (BMI) and U.S. Energy Information Administration (EIA), Myanmar's proved reserves for crude oil stood at 45.5 million barrels, which is slightly more than 1% of Malaysia's. Despite this, much of the potential in oil and gas E&P is believed to be in the Andaman Sea, which remains largely unexplored. Myanmar's proven natural gas reserves however are comparatively more substantial, at around 10 trillion cubic feet or about 1/8th that of Malaysia's.

It is important to note that in the past couple of years, several foreign oil companies have opened offices in Myanmar in anticipation of the market's opening to explore the available acreages.

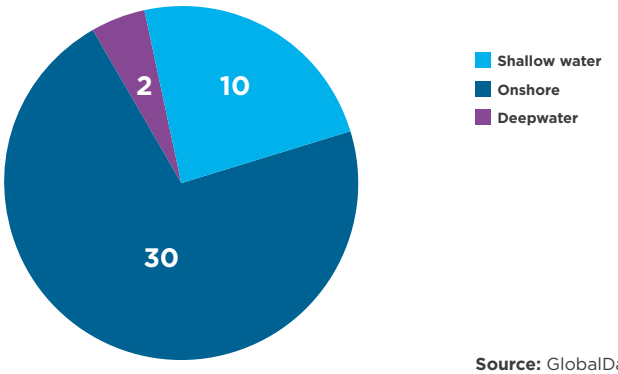
In 2011, the Myanmar Government launched the first bidding round for onshore oil and gas exploration. 18 blocks were offered and 9 went to foreign companies. In 2013, the second onshore bidding round offered 18 blocks, while the first offshore round for 30 blocks were also offered. As a result of this bidding round, 16 onshore and 20 offshore blocks were awarded.[5] The signing of all of these PSCs were completed in the middle of last year.[6]

According to MOGE officials, 2016 and 2017 will likely be the busiest in Myanmar's offshore industry as more companies ramp up exploration activities.[7] As such, Malaysian OGSE companies should look to be in Myanmar for the long term, should they want to participate in the country's oil and gas industry.

[5] Aung Shin and Pyae Thet Phyo. "No More Bidding on Oil and Gas Blocks Planned until at Least 2016, Says Senior MOGE Official"

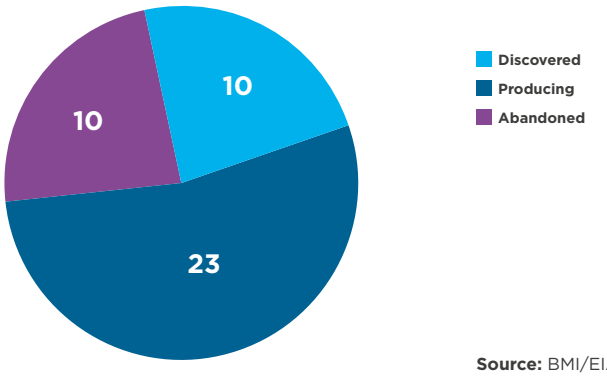
[6, 7] Aung Shin. "Myanmar Offshore Exploration Continues despite Low Oil Prices"

OIL & GAS FIELDS IN MYANMAR BY TYPE



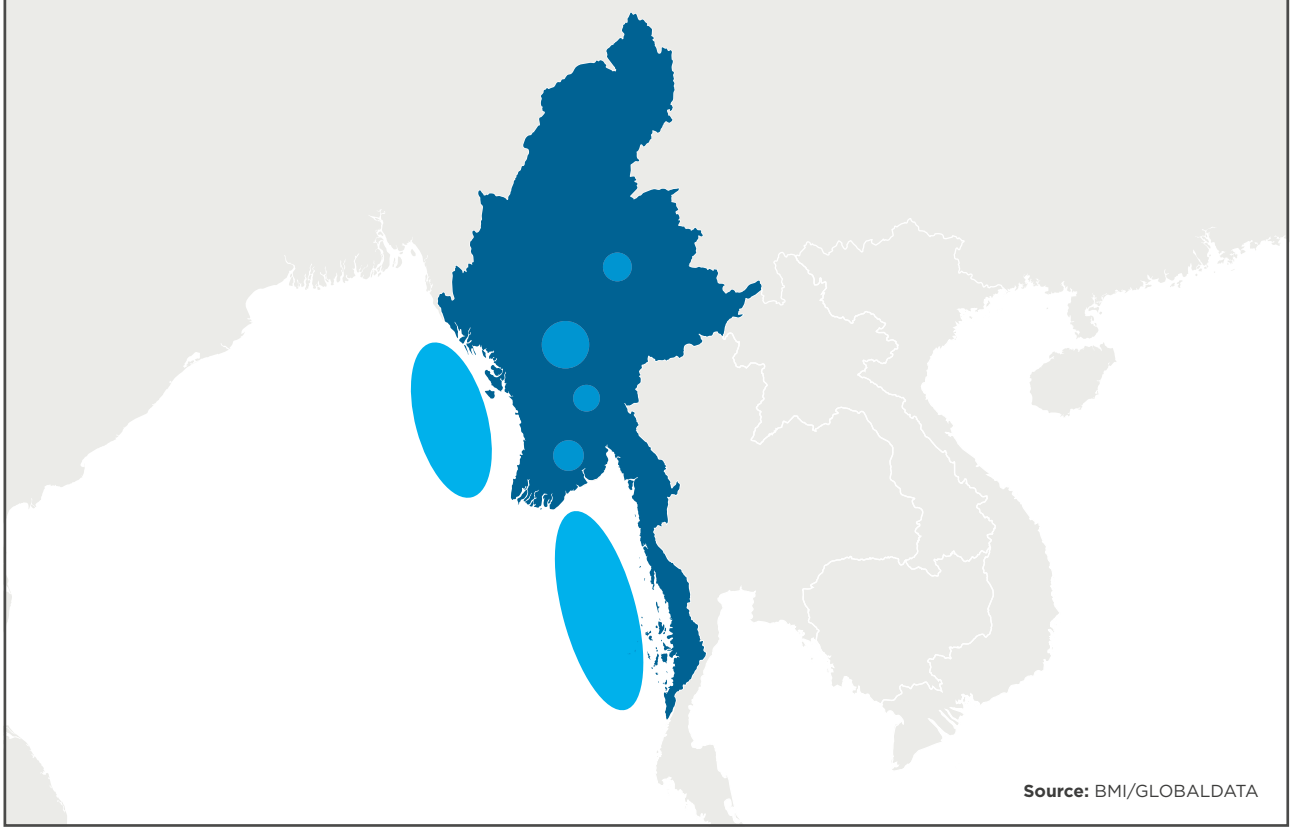
Source: GlobalData

OIL & GAS FIELDS IN MYANMAR BY STAGES DEVELOPMENT



Source: BMI/EIA

MAJOR OIL AND GAS PRODUCING AREAS IN MYANMAR



Source: BMI/GLOBALDATA

OFFSHORE OPERATORS AND WINNERS OF 2013 OFFSHORE BIDDING ROUND:

- Berlanga Holding B.V.
- BG
- Canadian Foresight Group
- Chevron
- Daewoo
- Eni S.p.A.
- Oil India
- Ophir
- PETRONAS
- Reliance Industries Limited
- Shell
- Statoil
- Tap Oil
- Total E&P Myanmar
- Woodside Petroleum

Source: GlobalData

ONSHORE OPERATORS AND WINNERS OF 2011 AND 2013 ONSHORE BIDDING ROUNDS:

- Bashneft
- Brunei National Petroleum Co.
- CAOG s.r.l.
- China Petroleum and Chemical Corporation
- CNPC
- ENI
- EPI Ltd.
- Geopetrol S.A.
- Goldpetrol
- Istech Energy EP5 Pte. Ltd.
- Jubilant Enpro Ltd.
- MOGE
- MPRL E&P Pte. Ltd.
- Nobel Oil Group
- ONGC
- Pacific Hunt Energy Corp.
- PETRONAS
- PTTEP International Limited

Source: GlobalData

OIL & GAS PRODUCTION

Myanmar represents about 1% of Southeast Asia's crude oil production, but about 10% of the region's dry natural gas production. At the moment, Myanmar's gas is exported to Thailand through the Thanintharyi pipeline, but in the future its oil and gas is expected to be exported to China via the Sino-Myanmar pipeline which flows to Kunming. Oil production stands at about 20,000 bpd in 2015 while gas is slightly over 21.5 bcm per year. Along with neighbouring Thailand, Myanmar is also a net importer of crude oil and natural gas, which form the bulk of its imports.[8]

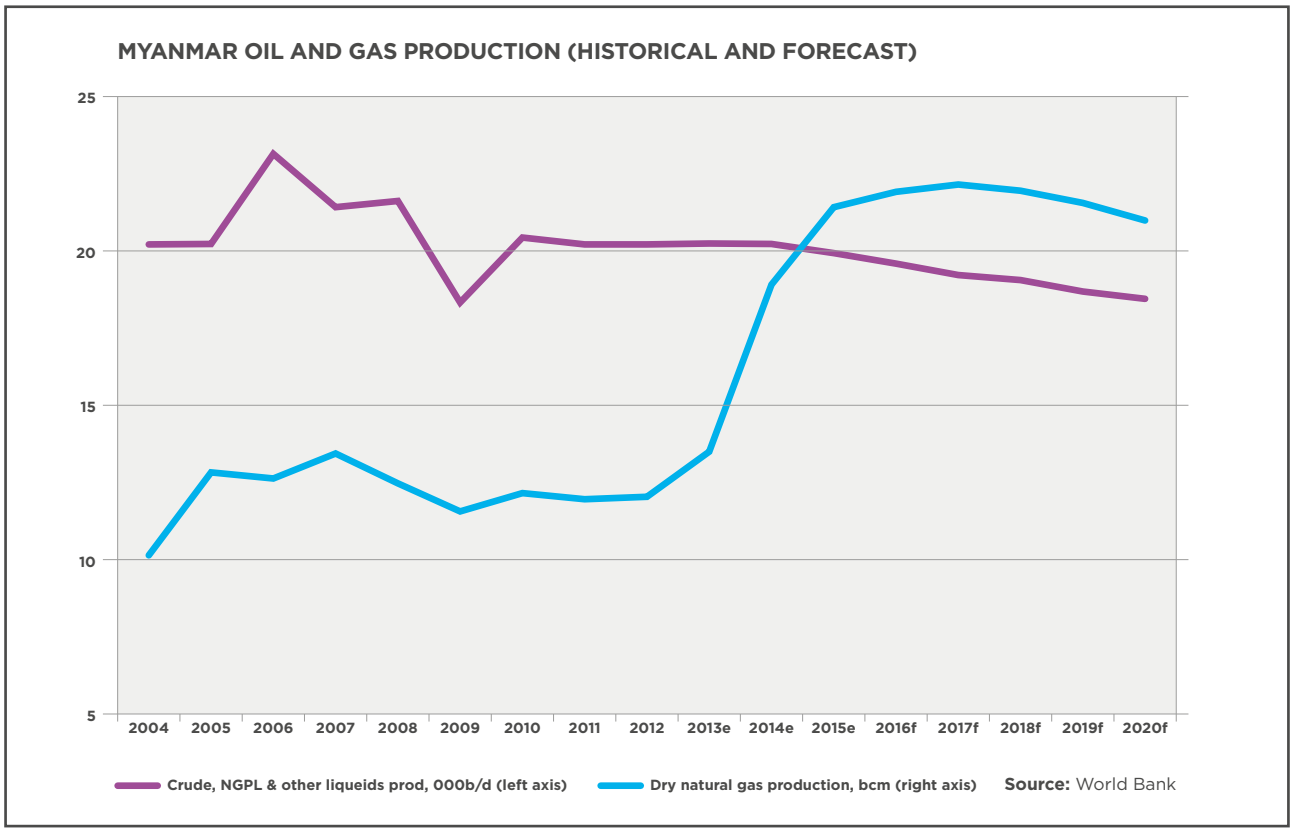
BMI estimates oil production in Myanmar will plateau and decline slightly from 2016 due to lack of development work being done on new fields. However, this decline may be reversed should more foreign operators intend to carry out development work in Myanmar's offshore, in order to capture potential deepwater resources in the country.[9]

Despite the relatively small production figures in comparison to its more established neighbours, the outlook for the Myanmar oil and gas market is relatively positive. Much of the acreage awarded in the last couple of years were finalised as recently as mid-2015 and exploration work is already commencing. In November and December 2015, MOGE earmarked 11 3D seismic survey campaigns to be led by Shell, Eni and PTTEP International Ltd., suggesting sustained interest in the country.[10]

[8] "U.S. Energy Information Administration - EIA - Independent Statistics and Analysis." International Energy Statistics

[9] Elaine Maslin. "Woodside Mulls Myanmar Gas Development Options, Plans Further Drilling"

[10] Business Monitor International. Myanmar Oil & Gas Report Q2 2016

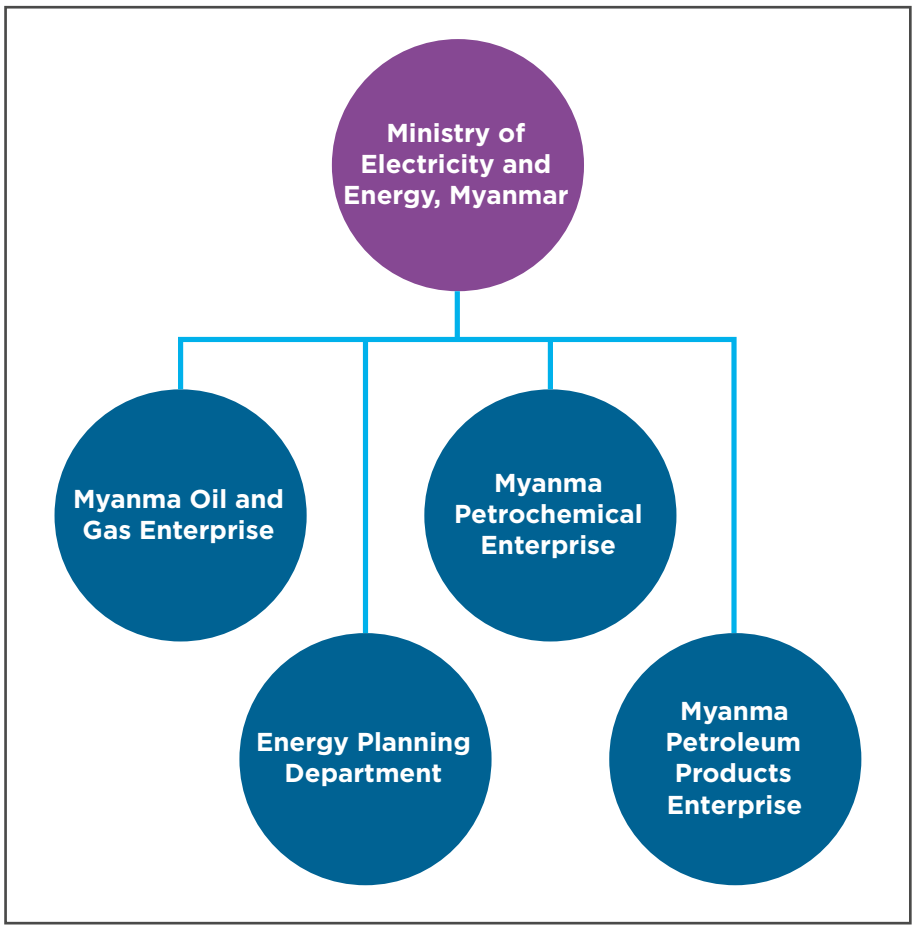


Regulatory framework

Myanmar's liberalisation measures on oil and gas in the early 90s heralded PETRONAS, PTTEP International Ltd. and Total E&P Myanmar entry to Myanmar's market. New bidding rounds were announced in early 2010's, which attracted the interest of other foreign companies. Given the centralised nature of the Myanmar Government, possessing an in-depth understanding of the framework of oil and gas regulation is key to market entry.

The Ministry of Electricity and Energy (MOEE), Myanmar is the ministry in charge of overseeing the energy industry in the country. Myanma Oil and Gas Enterprise (MOGE), Energy Planning Department, Myanma Petrochemical Enterprise, and Myanma Petroleum Products Enterprise are bodies which report to the Ministry of Energy. The Myanma Oil and Gas Enterprise (MOGE) is the body under the MOE which is responsible for the upstream sector. Foreign operators wishing to participate in oil and gas PSCs in Myanmar are obliged to bid for blocks under the auspices of MOGE.

OGSE companies wishing to supply to the upstream sector are also required to register with MOGE in addition to any pre-qualifying rounds with operators or main contractors. Many Malaysian companies have registered with MOGE through participation in MATRADE/MPRC's Specialised Marketing Missions to Myanmar, where companies are given the opportunity to present their services and equipment offerings for approval.



MINISTRY OF ENERGY BODIES:

- MOGE: Responsible for upstream regulation. Conducts bidding rounds for PSCs
- EPD: Responsible for energy policy formation
- MPE: Responsible for the downstream sector, such as refinery operations
- MPPE: Carries out retail of petroleum products

Source: MOE, Myanmar

BUSINESS OPPORTUNITIES

Unlike other oil and gas producing countries in Southeast Asia where production is either at its peak or entering post-peak production phase, Myanmar's oil and gas scene varies widely from companies such as PTTEP which are attempting to sustain or expand production from current fields, to those that are still conducting initial seismic surveys offshore as a result of winning acreage under the most recent bidding round.

That said, companies wishing to enter Myanmar should expect to be in the market for the long term. Firstly, commitments resulting from the offshore and onshore rounds in 2011 and 2013 have just commenced at the time of writing. Development works are likely to proceed in the next couple of years, should oil prices stabilise at an acceptable level. In addition, most of Myanmar's existing blocks have yet to be developed with more bidding rounds in store 2017 onwards.

The near to medium term opportunities in Myanmar are expected to come from attempts to offset natural declines from assets that are currently in production.[11] This include assets operated by PTTEP, Daewoo, Total and PETRONAS, operators with a long and active experience in the country. Malaysian OGSE companies wishing to enter the Myanmar market should attempt to approach these players, or contractors servicing the operators.

PTTEP, which exports much of the gas it produces in Myanmar back to Thailand, has declared that it is adding two development phases to its project in the Zawtika field, with construction of four additional platforms in November 2015 and three more in 2018. A total of 62 wells are expected to be drilled up to 2018 under these plans.[12] The contractor which is poised to work with PTTEP is either a JV between Swiber and Gunanusa of Indonesia, or Thai Nippon Steel.[13]

In the Moattama field, PTTEP is also considering proceeding with development after appraisal tests indicated considerable flows in 2014. However, the current low oil price situation may impact the project moving forward.

Companies that are conducting exploration activities include Shell, Total, Statoil and Woodside. Woodside is already considering additional drilling campaigns in 2017 on the back of its discoveries in the Rakhine Basin, of which it has the largest acreage.[14] Total also considers Myanmar to be a target market for its USD1.5 billion spending on exploration this year.[15] Opportunities are plenty should companies discover substantial reserves that are economically viable. This requires long-term commitment from service providers, however.

[11] Business Monitor International. Myanmar Oil & Gas Report Q2 2016

[12] Ibid

[13] Upstream. "Duo Set to Take out Zawtika Award"

[14] Elaine Maslin. "Woodside Mulls Myanmar Gas Development Options, Plans Further Drilling"

[15] Karolin Schaps. "Total, Eni Bet On New Finds As Rivals Cut Costs In Oil Downturn"

OGSE OPPORTUNITIES IN MYANMAR:

- Seismic data acquisition services
- Water and sand management solutions
- Logistics and personnel supply services
- Environmental and social impact assessments capability
- HSE training and skills accreditation
- Deepwater technologies and expertise

Source: MPRC; various

MYANMAR BIDDING ROUNDS:

- 2011: 9 blocks allocated out of 18 offered
- 2013 onshore: 16 onshore blocks allocated out of 18
- 2013 offshore: 20 offshore blocks allocated out of 30 offered
- Future rounds: Expected to take place early 2017
- Only 16 onshore and 19 offshore blocks have been developed out of 104 total

Source: Myanmar Times, Rigzone, BMI

DOING BUSINESS

Myanmar is ranked 167th in the World Bank's 2016 Ease of Doing Business rankings, compared to Malaysia's 18th position. Foreign companies may find it difficult to enter the market without first having built-up a network of contacts as well as having a solid, on-the-ground understanding of the country. Myanmar ranks particularly low on access to credit, legal framework and minority investor protection, and contract enforcement. As such, companies may expect to hire local law consultants to assist with business set-up procedures as well.

Nonetheless, the medium to long term potential in oil and gas should be compelling enough for Malaysian companies to consider exporting to Myanmar or establishing presence in the market either through a direct setup, a representative office, or a JV or agency agreement.

Malaysian OGSE companies entering Myanmar should register with MOGE in addition to pre-qualifying in the vendor lists of targeted operators and contractors operating in the country. What's worth noting is that MOGE's tender information published on its Facebook page and website are predominantly in Burmese. Hence, Malaysian companies may need reliable interpretation services to assist them on this matter.

The Directorate of Investment and Company Administration (DICA) is the body responsible for facilitating and coordinating foreign investments into Myanmar. The law governing foreign investments is the Myanmar Foreign Investment Law, and according to the MFIL, an investment is considered to be a wholly foreign owned company permitted by the Myanmar Investment Commission (MIC), a JV between a foreign investor or a local partner, or an investment by contract (such as build-operate-transfer schemes).[16] Companies intending to set up base in the country may seek DICA's advice and facilitation.

INVESTOR QUICK TIPS:

- Exchanging business cards is important. It is worth noting that perusing the card signifies respect
- Exchanging gifts is often times expected
- Expect to invest some time in cultivating working relationships

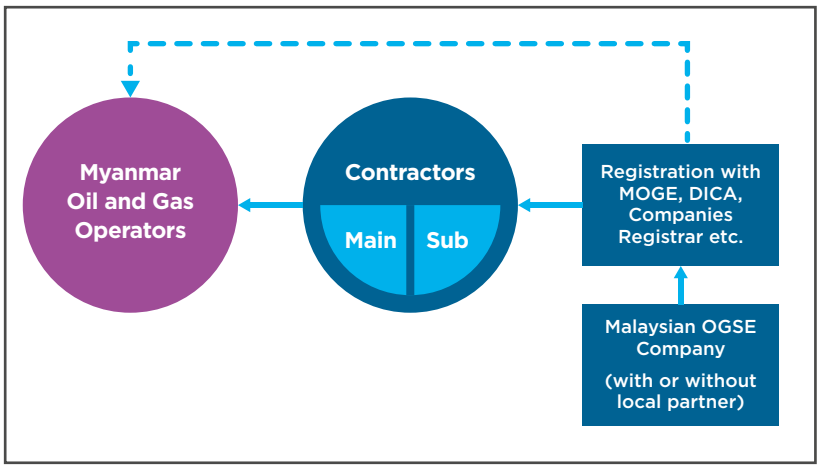
[16] "Directorate of Investment and Company Administration." Directorate of Investment and Company Administration

- Your products and/or services may benefit from the ASEAN Free Trade Agreement (AFTA). The Ministry of International Trade and Industry (MITI) provides an excellent overview of AFTA at ***fta.miti.gov.my***
- For more information on present double taxation agreements between Malaysia and foreign countries, visit the Inland Revenue Board's website at ***www.hasil.gov.my***

Market entry

Main buyers for OGSE companies' products and services include petroleum operators in Myanmar (MOGE, Total, PTTEP, PETRONAS and others) as well as companies contracted or sub-contracted by those operators. Malaysian OGSE companies can therefore target to enter the supply chain systems of both categories of companies.

Do note however that the operator ultimately has the import license in any PSCs in Myanmar. Therefore, it is important to forge close ties with prospective clients, be it the operators or main contractors.



Different types of permits are required to do business in Myanmar, including those from MOGE, the Myanmar Investment Commission, as well as from Customs which is under the Ministry of Finance.[17] Malaysian companies that require assistance with these procedures can approach DICA and MATRADE office in Yangon.

Companies seeking to export equipment into the country need to allow for long processing time for imports. Lead times for specialised oil and gas equipment may take up to 35 or 40 weeks. While Myanmar is taking firm steps towards the international markets, logistics remains a challenge. Scheduled cargo flights into the country are scarce, thus import cargo continues to rely heavily on passenger planes, making unplanned imports difficult.[18] MOGE's Thaketa Supply Base is also the only supply base operating in Myanmar. There is an immediate need for the construction of more supply bases.[19]

Timing is also of the essence for Malaysian OGSEs intending to enter the country. Drilling equipment and service providers should take note that operators that are engaged in study and exploration in Myanmar's offshore are generally able to drill wells only from November to May each year due to adverse weather conditions. Therefore, companies should ensure that the appropriate personnel and equipment are ready at the needed time. Multiple rigs for drilling campaigns may be operated at the same time given this weather condition.[20]

Approval for project tenders generally take any time between one and six months. Companies must be up to date with local conditions and requirements in order to make competitive bids. Technical clarifications such as personnel required, lead times for equipment and availability of equipment at proposed times may have to be provided.[21]

Malaysian companies can also approach fellow companies with experience in the market as well as the Malaysian Business Chamber for advise and/or assistance.

[17] Chong, Walt, Myint et.al. "Myanmar: Country Session"

[18] Ibid

[19] Shin, Aung. Offshore Base Project Unknown to MOGE

[20] Chong, Walt, Myint et.al. "Myanmar: Country Session"

[21] Ibid

INSIGHTS

Interview with Mia Idorman Ismail, Vice President (Operations), Neu Dimension Sdn. Bhd.

Neu Dimension is an integrated well solutions company with key project experiences in Central and Southeast Asia. It has over 20 years experience serving national and international oil companies. Neu Dimension's well intervention solutions span oilfield tools, drilling-related services to geoscience and subsurface.

Q Why did you choose the country to expand your business?

A Myanmar is a logical choice, from a geographic and strategic perspective, and its proximity to Malaysia. In addition, PETRONAS Carigali and other well-known MNC E&P companies are operating in offshore Myanmar such as Total E&P and PTTEP. We see other operators making their move into the market as well following new bidding rounds and the country's gradual economic opening. This gives us confidence to do business in Myanmar.

Myanmar presents an exciting opportunity for us to expand our presence in the region. With the Myanmar Government emphasising on oil and gas exploration and development activities we felt the need to position ourselves in the market to capture any opportunities going forward.

We were also fortunate that TOTAL E&P gave us that very first opportunity back in 2009. We were able to demonstrate our capabilities to the market by providing our slickline and memory logging services. This gave us the confidence to move forward and solidify our position in the country.

Q How was your experience in setting up business in the country and securing business?

A It was challenging yet a rewarding experience. Unlike Kuala Lumpur, where the most basic infrastructure and necessities are in place, doing business in Yangon requires more effort, be it setting up business meetings and more. For example, I had to make an appointment to see a customer before I flew into the country as there was no mobile network. This created some complications especially if you have a sudden change in event or schedule.

Having said that, getting business is similar in nature to what is practiced here in Malaysia. We had to register ourselves with the relevant governmental body, in this case MOGE. After having completed that procedure, we got ourselves registered with the E&P companies to ensure that we were on the bidders' list pertinent to our core business. Then, we would bid for

a tender and the lowest technically acceptable bidder would win. So it is quite similar and straightforward like Malaysia.

Q In your opinion, what are some of the opportunities for Malaysian OGSE companies in the country?

A I believe Myanmar presents opportunity in all segments of oil and gas upstream and downstream. As a country that is opening up, Malaysian companies should position themselves to capitalise on this with a long term objective as it could take a while before things get rolling.

Q What barriers to entry do you see as the most serious/most important to be aware of for a Malaysian company with an interest in country's offshore sector? Are there any local content requirements a prospective Malaysian company must fulfil?

A For now, there are no significant barriers to entry for Malaysian companies to do business in Myanmar. I believe the Myanmar government are welcoming and open to international companies to invest and do business, especially from the neighbouring countries in the spirit of ASEAN community.

Based on our experience, we were not subjected to any localisation policy. However, this could change. So, in anticipation of this, it is advisable to either set up a local company or partner with a local Burmese company to ease and facilitate local matters, especially with regards to logistics. Your Burmese counterpart could significantly facilitate any difficulties regarding this.

Q What are the formal registrations, regulations or permits that Malaysian OGSE companies should be aware of in the country, specifically with regards to oil and gas? What was your experience in dealing with these processes?

A Myanmar is a country in transition. Since the country is changing, there could be changes in the policies. You should be aware of local taxes and other relevant financial regulations.

Q What are the financial regulations, taxes (i.e. withholding, income taxes) or procedures for repatriating funds that Malaysian companies must be aware that impacted your business? Are there tips or advice that you would like to share?

A Foreign MNCs still dominate the oil and gas landscape in the country. Therefore, we prefer to work with MNCs in the offshore environment. This makes financial matters less of an issue. Monies are repatriated directly into our Malaysian bank.

Q Do you have any other advice to potential Malaysian suppliers/ sub-suppliers interested in country's oil and gas sector?

A All in all, Myanmar is definitely worth a look as part of one's long term outlook. There will be ample opportunities based on the blocks/concessions that have been awarded to MNCs. Things may not be buzzing now, but I am certain that once global economy is brighter, things will pick up.

Myanmar presents a growth opportunity in expanding our presence in the region. The Government is putting a heavy emphasis on oil and gas exploration and development activities and foreign companies are answering the call.

INSIGHTS

Interview with Nathan Low, Business Development Manager, Hurricane Geo Inspection Survey Sdn. Bhd.

Established in 2008 as a Petronas-licensed service provider, HGIS has supported the turnkey of the Oil & Gas industry from Onshore Survey, Drilling Support, Transportation & Installation Support, Hook-Up & Commissioning Support, Inspection, Repair and Maintenance Support as well as Structural Integrity Management. Predominantly, their clientele includes Petronas Carigali Sdn. Bhd. Sarawak Shell Berhad, Sabah Shell Petroleum Company Limited, Chevron, PCPP, Vestigo, ROC Oil Malaysia, Technip Malaysia, PBJV Group, GOM Resources, KPOC, Murphy Oil Corporation, Petra Resources, Dayang Enterprise and SapuraKencana among others.

Q Why did you choose the country to expand your business?

A HGIS's operations and nature of business are highly dependent on the weather cycle, specifically the monsoon. As a result, there are periods of time when our Malaysian operations are at their downtime. So, in order to fully maximise our potential, we needed a market where the annual season cycle is directly opposite of Malaysia's. This is true of Myanmar. So, in terms of our company's operational point of view, expanding to Myanmar can keep us busy, contributing to our company's business sustainability given current oil and gas market conditions.

In addition, current opening up of Myanmar's offshore oil and gas industry, as well as the upcoming development of newly awarded blocks both onshore and offshore present us with many opportunities.

Of course the strategic location of Malaysia and its close proximity to Myanmar allow us to be competent in both time and cost. Lead times are very important given the lack of offshore supply bases in the country. So, Malaysia's geographic position in the region helps us to fill in this gap.

Q How was your experience in setting up business in the country and securing business?

A Companies entering Myanmar should be aware that the process of setting up a company in Myanmar is quite straightforward as long as the local partner or agent is competent. The cost of company registration may be minimal as well. However, the process may take slightly longer as there are a few stages of approval and submissions that a company needs to go through before being properly established. Please do take this into account before entering into any contract.

Do note that most local partners own several businesses, and they are still interested in marketing their core services to the market. Therefore, securing an exclusivity package may be a hard catch. Malaysian companies should do their due diligence and enter into agreements or arrangements that spell out clauses giving a win-win situation. Hire a proper lawyer to manage the agreement.

Many local businessmen also claim to have a close relationship with MOGE. So, also do your due diligence to verify whether this is true or not.

Old British-era regulations still regulate most of the business scene in Myanmar, but new laws are currently being drafted. Since there are still grey areas, expect changes in the import/export regulations, taxes and so on to come in the near future. Keep track on any changes as you may need to adapt quickly.

The only Malaysian bank in operation in the country is Maybank. Although the overall setting-up process is quite straightforward, Malaysian SMEs may face difficulties in terms of securing bank guarantees, insurance and financial facilities. Depending on the contract size, bank guarantees are generally in USD. Should there be any currency fluctuations, companies need to pay the associated premium. Therefore, the need for good bank support is ideal.

In terms of securing business, Malaysian companies will need to compete with other international players that have also entered the market, so convincing your end user of your competency and cost competitiveness is very important.

Your business development personnel will be your company's frontline because setting up a company will be costly, especially with remuneration and the forex exchange rates. The cost of rental per square feet is very high in Yangon, so sharing the office with your local partner is a possible solution.

Q In your opinion, what are some of the opportunities for Malaysian OGSE companies in the country?

A Since Myanmar is a newly emerging country, oil and gas opportunities in the country cover the entire upstream, midstream to downstream sectors. For example, the upstream sector is opening up with the recent bidding rounds so many of the opportunities are related to exploration work.

Malaysian OGSE manufacturers or companies offering products will benefit from the current USD/MYR exchange rate. However, bear in mind that you need to have the relevant international qualifications because your competitors are not local, but international OGSE players.

Services companies should ensure that their logistics are in order to be able to secure business.

Q What barriers to entry do you see as the most serious/most important to be aware of for a Malaysian company with an interest in country's offshore sector? Are there any local content requirements a prospective Malaysian company must fulfil?

A The only strong local content placement is for the general non-skilled services workers. Highly-skilled workers will have to come from your own company. Other international companies also bring in their own high-skilled workers into the country.

There is strict HS Code compliance, which is a legacy of the US sanctions era. The local Myanmar customs are very efficient in this.

In most cases, take note that both a commercial tax and import duty will apply to companies bringing in equipment into the country.

(More on next page)

Understanding how things are done, having good market insights and then strategising on your company's mode of entry are important... We advise that you conduct frequent visits and find a good local partner.

(Continued from previous page)

Q What are the formal registrations, regulations or permits that Malaysian OGSE companies should be aware of in the country, specifically with regard to oil and gas? What was your experience in dealing with these processes?

A In addition to formal registration with MOGE, companies may need to go through individual registration with the international operators' supply chain management. The current international operators established in the country includes Total E&P Myanmar, PTTEP International, PETRONAS Carigali Myanmar and POSCO Daewoo.

The local authority does not have rigid certification requirements yet. However, since you will be doing business with the international operators, you will need to follow their requirements.

Imports are still based on the WCO (World Customs Organization) HS Codes system. In most cases, supporting documents such as MOGE approval and a letter of intent from the end client are needed to apply for permits.

Keep in mind that it may take three to six months to process import permits depending on the mode of entry. Hence proper planning and scheduling are important. Also, Malaysian companies need to enquire on the applicable taxes and permits levied for importing their equipment or hardware.

Q What are the financial regulations, taxes (i.e. withholding, income taxes) or procedures for repatriating funds that Malaysian companies must be aware that impacted your business? Are there tips or advice that you would like to share?

A Identifying as a permanent establishment (PE) in terms of tax and financials flowing back to HQ in Malaysia will depend on how serious you are about establishing your company in the Myanmar market. Of course, companies will always evaluate the tax benefits (in terms of withholding and commercial taxes) for a PE versus non-PE set up in Myanmar.

Setting up a PE in Myanmar is a bit more complicated. By having arrangements for intercompany charges, such as between your HQ and your subsidiary, you may end up paying more for withholding tax and hence lose competitiveness against your competitors.

It's advisable to always hire a Myanmar tax consultant before deciding whether to have a PE or a non-PE because they will know the best practices when it comes to the scope of products and services you are offering.

The latest update is that the Union Taxation Law of 5% is now applicable, which is similar to GST.

Q Do you have any other advice to potential Malaysian suppliers/ sub-suppliers interested in country's oil and gas sector?

A Understanding how things are done, having good market insights and then strategising on your company's mode of entry are important. Please note that in most cases, transparent information will not be available easily. We advise that you conduct frequent visits and find a good local partner. There are now daily flights from Kuala Lumpur to Yangon.

Again, ensure that your company has strong financial back-up and good relationship with all your stakeholders such as your partners, potential end users and banks.

Based on the company's capacity, you need to identify which products and services you wish to offer in the market. For an SME, it may not be wise to enter into the market and promise to provide all your products and services, so focus and select your portfolio properly especially when relocation of office and equipment is involved. If you enter the market as a mirror image of your HQ back in Malaysia, you may not find as many projects to be involved in.

OUTLOOK

Myanmar's upstream sector is currently one of the most attractive in the region as the opportunity for growth is tremendous. The country needs to increase gas production to meet its export commitments, as well as meet its rapidly growing domestic demand. The improving political and economic situations in the country should help spur incoming investments into the oil and gas sector.

According to BMI, there is increasing likelihood that the Myanmar Government will offer new blocks up for bidding in the coming years. Although costs for exploration and development are expected to be high due to a lack of infrastructure and available seismic data, there continues to be a high level of interest from operators such as PTTEP, Woodside Petroleum, Shell and Eni. At the same time, established operators such as PTTEP are shoring up production in Myanmar, with a quarter of its global CAPEX expenditure going to the country.[22]

Malaysian OGSE companies should keep a watchful eye on developments in Myanmar and keep a view towards being in the market in the long term.

[22] Business Monitor International. Industry Trend Analysis - Energy Security Drives PTTEP's Investment in Production Maintenance.

KEY CONTACTS

The following contacts offer crucial information and assistance to Malaysian companies on doing business in Myanmar:

MYANMAR GOVERNMENT MINISTRIES/AGENCIES:

Ministry of Electricity and Energy
Complex No.6, Nay Pyi Taw The Republic of the Union of Myanmar
www.energy.gov.mm

Myanma Oil and Gas Enterprise
Complex No.6, Nay Pyi Taw The Republic of the Union of Myanmar
www.energy.gov.mm

Department of Investment and Company Administration
No.1, Thitsar Road, Yankin Township, Yangon
www.dica.gov.mm
e dica@mptmail.net.mm
t +95 1 658 143

MALAYSIAN GOVERNMENT OFFICES IN MYANMAR:

Embassy of Malaysia in Myanmar
No. 82, Pyidaungsu Yeiktha Road Dagon Township, 11191, Yangon
www.kln.gov.my/web/mmr_yangon
e mwyangon@kln.gov.my
t +95 1 220 230

MATRADE Yangon
Embassy of Malaysia Trade Office (MATRADE)
No. 82, Pyidaungsu Yeiktha Road Dagon Township, 11191, Yangon
www.matrade.gov.my
e yangon@matrade.gov.my
t +95 1 230 1951

TRADE ASSOCIATIONS/INSTITUTES BASED IN MYANMAR:

Malaysian Business Chamber
Level 8, Centrepoint Towers No. 65, Sule Pagoda Road & Merchant Street, Kyauktada Township, Yangon
www.mmbc2u.org
t +95 1 371 902

Myanmar Oil and Gas Services Society
City Bank Building, 5/F, Banyar Dala Road, Mingalar Taung Nyunt Tsp., Yangon
www.mogss.org
e mogss.mm@gmail.com
t +95 9 250 919 154

To find out more on Malaysian OGSE companies already present in Myanmar, please contact *pbo@mprc.gov.my*

THAILAND

QUICK FACTS

GOVERNMENT:
Constitutional monarchy

POPULATION:
68 million (Jul. 2015)

OFFICIAL LANGUAGE:
Thai

CAPITAL CITY:
Bangkok

% 25 - 54 YEARS OLD:
46.7%

GDP (OFFICIAL EXCHANGE RATE 2015):
USD373.5 billion

- Third largest crude oil producer in Southeast Asia with significant natural gas reserves and production
- Strong national oil company with extensive operations
- Strong downstream sector

Source: CIA World Factbook

POLITICAL AND ECONOMIC OVERVIEW

Thailand is strategically located in the middle of mainland Southeast Asia, bordered by Myanmar, Laos, Cambodia and Malaysia. With a population of about 68 million, it is the 4th most populous nation in ASEAN. A vibrant and dynamic nation, around 50% of Thais are aged 40 and below. Thailand enjoys relatively stable economic growth with services and industry forming the main sectors of the country's economy.

The Thai people greatly revere their king, His Majesty Bhumibol Adulyadej, who is also the world's longest reigning monarch. Despite being a constitutional monarchy however, the military continues to play an important role in the nation's political arena.

Bangkok is one of the largest cities in Southeast Asia and the hub of business activities in the country. The offices of the two largest oil companies operating in Thailand, PTT and Chevron, are both located in Bangkok. Ministries and agencies relevant to the oil and gas sector such as the Ministry of Energy and Department of Mineral Fuels are also located in the capital city, making it an important base for prospective Malaysian OGSE companies seeking to enter the Thai oil and gas market.

The Thai economy is the second largest in the region after Indonesia. The inflation rate has been negative through 2015 due to falling energy prices, with the Bank of Thailand projecting a headline inflation rate (rate inclusive of volatile food and energy prices) to stand at around 1.0% to 2.0% in 2016.[1]

[1] Chaichalearmmongkol, Nopparat. "Thailand: 13 Straight Months of Negative Inflation"

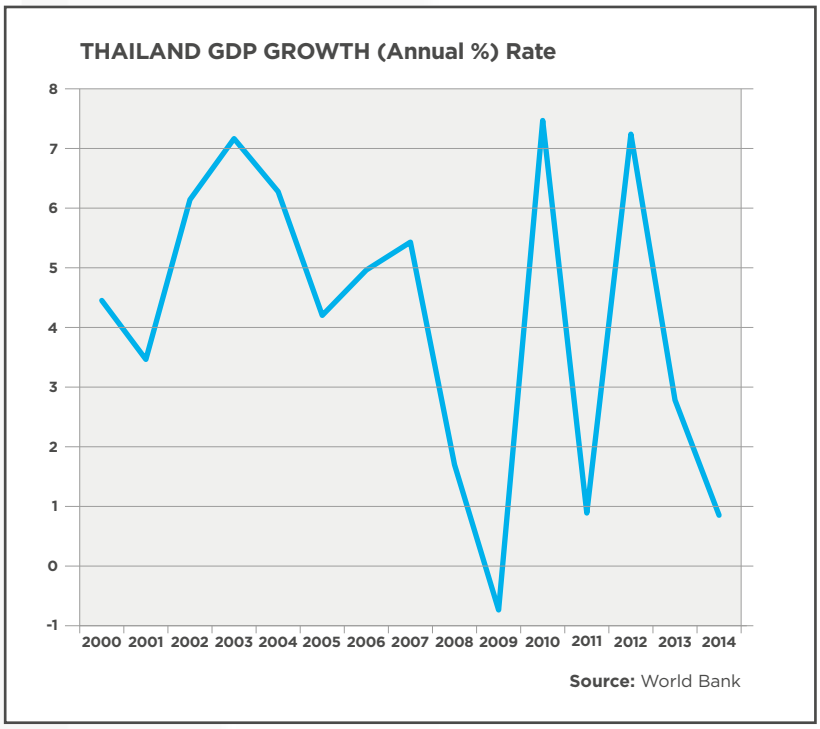
THAILAND'S TOP 5 EXPORT MARKETS (2014):

1. USA
2. China
3. Japan
4. Hong Kong
5. Malaysia

THAILAND'S TOP 5 IMPORT SOURCES (2014):

1. China
2. Japan
3. USA
4. Malaysia
5. UAE

Source: Ministry of Commerce, Thailand



Thai trade in figures

Based on Thai Customs 2015 statistics, exports continue to be dominated by motor cars, parts and accessories worth around USD25.6 billion, about 12% of the total share of exports. Machines and parts make up around USD17.6 billion or 8% of exports, followed by precious stones and jewellery around USD11 billion or 5% of exports. Thailand is also a major global exporter of commodities such as rubber and rice.[2]

Thailand's major imports include machinery and parts as well as crude oil, each worth around USD19.5 billion and forming 10% of the country's total imports. Electrical machinery and parts account for USD15.8 billion of imports or about 8% of total imports.[3]

Thailand's total trade with Malaysia stood at about USD22 billion, with a trade surplus favouring Malaysia of about USD1.7 billion. Thailand's main exports to Malaysia in 2015 were motor cars, parts and accessories worth USD2.9 billion, followed by ethylene and propylene polymers, machines, chemical products and refined fuels. The country's main import from Malaysia is USD2.2 billion worth of crude oil, followed by computer parts, chemicals, electrical machinery and parts, and electrical household appliances.[4]

[2] Ministry of Commerce, Thailand. "Foreign Trade Statistics of Thailand"

[3, 4] Ibid

OVERVIEW OF THE OIL & GAS INDUSTRY IN THAILAND

History of oil & gas production in Thailand

Minor oil seeps were first discovered in Thailand's Fang Basin in 1921, but the onset of World War II led to the exploitation of a number of shallow oil wells for tar sands. In 1954, private companies were allowed to conduct petroleum exploration work, but it was only in 1967 that foreign operators (namely Tenneco, Gulf, Conoco, Amoco, Union, BP, Triton and Pan Ocean) were first awarded acreages for exploration.

The 1970's and 80's saw the ramping up of oil and gas exploration and production with even more concessions granted in the Gulf of Thailand and the Andaman Sea. In the mid 1980's, Thailand reached a milestone in its petroleum resources development history with the establishment of the national oil company, PTT. Towards the end of the 1990's Chevron and PTT, Thailand's national oil company, emerged as the largest players.[5]

Thailand continues to be dominated by these two players, but smaller independents such as Mubadala Petroleum and Australian Tap Oil are active in the country as well, currently drilling exploratory wells in the Manora oil field.[6]

MALAYSIA-THAILAND JOINT DEVELOPMENT AUTHORITY (MTJA):

In tandem with increased exploration work off the coast of the Malay Peninsula in the 1980's and 1990's, Thailand and Malaysia agreed to overcome overlapping territorial claims by establishing a joint development authority in 1991. The MTJA is empowered by the two governments to oversee exploration and development activities in the disputed area, with PTTEP, PETRONAS Carigali and HESS operating blocks there.[7]

[5] Coordinating Committee for Geoscience Programmes in East and Southeast Asia. "Thailand: Exploration/Development History"

[6] Rigzone. "Tap Oil Confirms Participation at Sri Trang-1 Well in Thailand"

[7] "Malaysia-Thailand Joint Authority (MTJA) - About Us." Malaysia-Thailand Joint Authority (MTJA) - About Us

PTT Head office and Engery Complex building. PTT is the largest oil company in Thailand

HISTORY OF PTT IN BRIEF:

- Thailand's national oil company; founded in 1985 and formerly known as the Petroleum Authority of Thailand
- First gas production at the Bongkot field in 1993, the largest in the Gulf of Thailand
- Largest operator in Myanmar, focusing on the Andaman Sea
- Has projects in Australia, the Middle East, and the Malaysia-Thailand Joint Authority (MTJA)

Source: PTT

HISTORY OF CHEVRON THAILAND IN BRIEF:

- Top natural gas and oil producer in the country
- Supplies 40% of the country's natural gas demand
- Operates several blocks in the Pattani and Malay Basins
- Average daily production in 2014 of 63,000 barrels of crude oil and condensate and 1 billion cubic feet of natural gas
- All natural gas and condensate Chevron produces is sold to PTT

Source: Chevron

Overview of reserves and production

OIL AND GAS RESERVES AND CONCESSIONS

Compared to its regional counterparts such as Malaysia and Indonesia, Thailand does not hold substantial crude oil and gas reserves. According to the EIA, Thailand's crude oil reserves stood at 0.5 billion barrels in 2015 while its gas reserves totalled around 8.4 trillion cubic feet.[8] To put this into perspective, Thailand's oil reserves size is only around 12.5% of Malaysia's while its gas reserves are around 10% of Malaysia's.

Despite this, successive governments in Thailand continue to prioritise the development of oil and gas concession areas, either by the national oil company PTT or foreign concessionaires.

Since 1971, the Thai Government has launched 20 concession-bidding rounds. The latest bidding round for oil and gas exploration were delayed however, due partly to political instability, but more importantly to determine whether the awards given should be in the form of production-sharing contracts (PSC) or concessions.

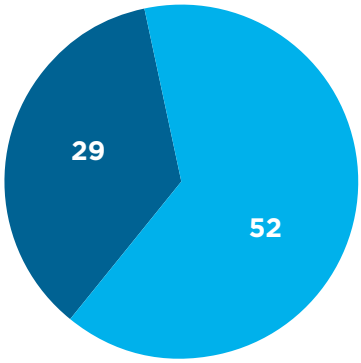
The move to a PSC regime is in line with the Department of Mineral Fuels' strategic direction for 2014-2018, the Thai Government is concerned with maximising returns to the State and country in any future bidding rounds.

Thailand has both onshore and offshore plays, totalling to 45 concessions and 56 exploration blocks.[9] Onshore oil and gas producing areas are clustered in the northern and north-eastern parts of the country and dominated by smaller players. Larger players, namely PTT and Chevron, dominate the offshore areas in the Gulf of Thailand and the Andaman Sea. Independents such as Mubadala and KrisEnergy also have offshore operations in the country.

[8] "U.S. Energy Information Administration - EIA - Independent Statistics and Analysis." International Energy Statistics

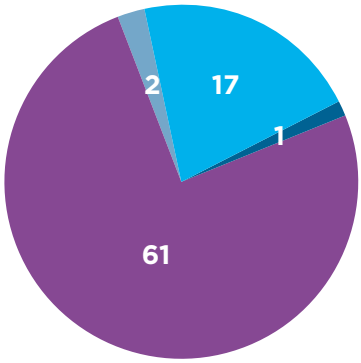
[9] Business Monitor International. Thailand Oil & Gas Report Q2 2016

OIL & GAS FIELDS IN THAILAND BY TYPE



Source: GlobalData

OIL & GAS FIELDS IN THAILAND BY STAGES OF DEVELOPMENT



Source: GlobalData

MAJOR OIL AND GAS PRODUCING AREAS IN THAILAND

Source: BMI/GLOBALDATA

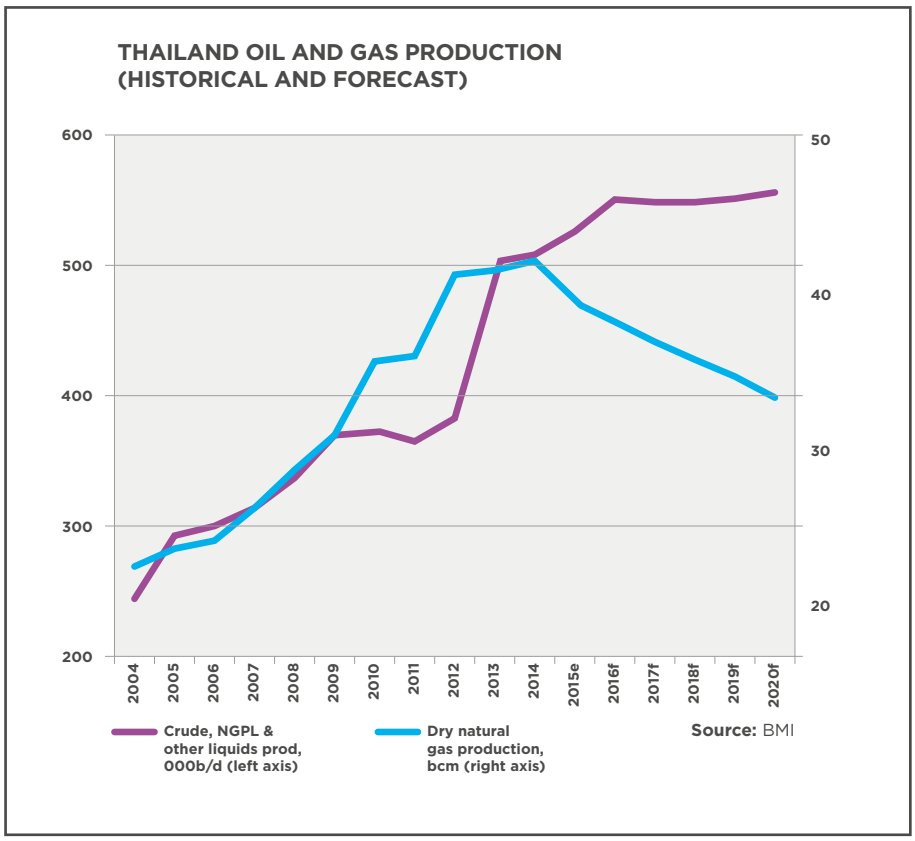
OIL & GAS PRODUCTION

Oil production stood at about 517,700 bpd in 2015 while gas is slightly over 39.4 bcm per year. Unlike Malaysia, Thailand is a net importer of oil and gas with 55% of the country's energy consumption sourced from outside the country.[10]

BMI estimates oil production in Thailand will increase slightly to 582,300 bpd by 2025. Some operators such as Chevron are investing in developing satellite fields to sustain production around large fields.[11]

Thai gas production is expected to decline in the medium to long term, with PTTEP already lining up import contracts for LNG imports. BMI estimates production to fall from 37.8 bcm in 2016 to 28.7 bcm in 2025.

[10, 11] Ibid



ONSHORE CONCESSIONAIRES:

- APICO
- CNPC
- DED Thailand
- ECO Orient Energy
- JSX Energy Holdings
- Pan Orient Energy
- PTTEP
- Shaanxi Yanchang
- Siam Moeco
- Sino U.S.
- Tatex Thailand
- TPI Polene Power
- Twinza Oil

OFFSHORE CONCESSIONAIRES:

- BG Asia
- Chevron
- Coastal Energy
- KrisEnergy
- Mubadala Petroleum
- PTTEP
- Salamander Energy

Source: DMF

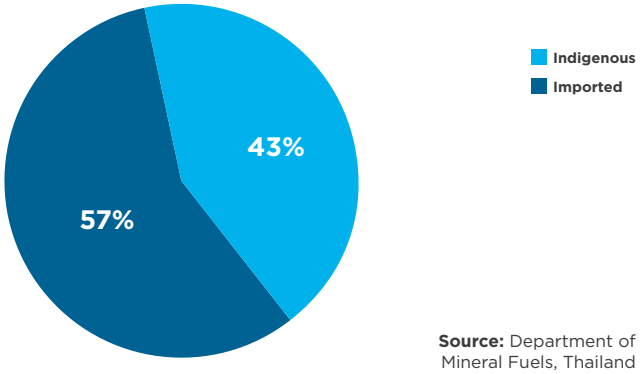
Regulatory framework

The Department of Mineral Fuels, under the Ministry of Energy, oversees petroleum exploration and production activities in Thailand. The DMF also monitors petroleum storage and transport, as well as coal and oil shale petroleum exploration and potential evaluation. Oil and gas companies with concessions in the country pay their royalties to the government via DMF.

Therefore, the national oil company, PTT, is not directly under the purview of the regulator, even though PTT is a state-linked company. PTT is also a public-listed company and operates independently with operations not only in Thailand but also in Australia, Mozambique and Algeria.[12]

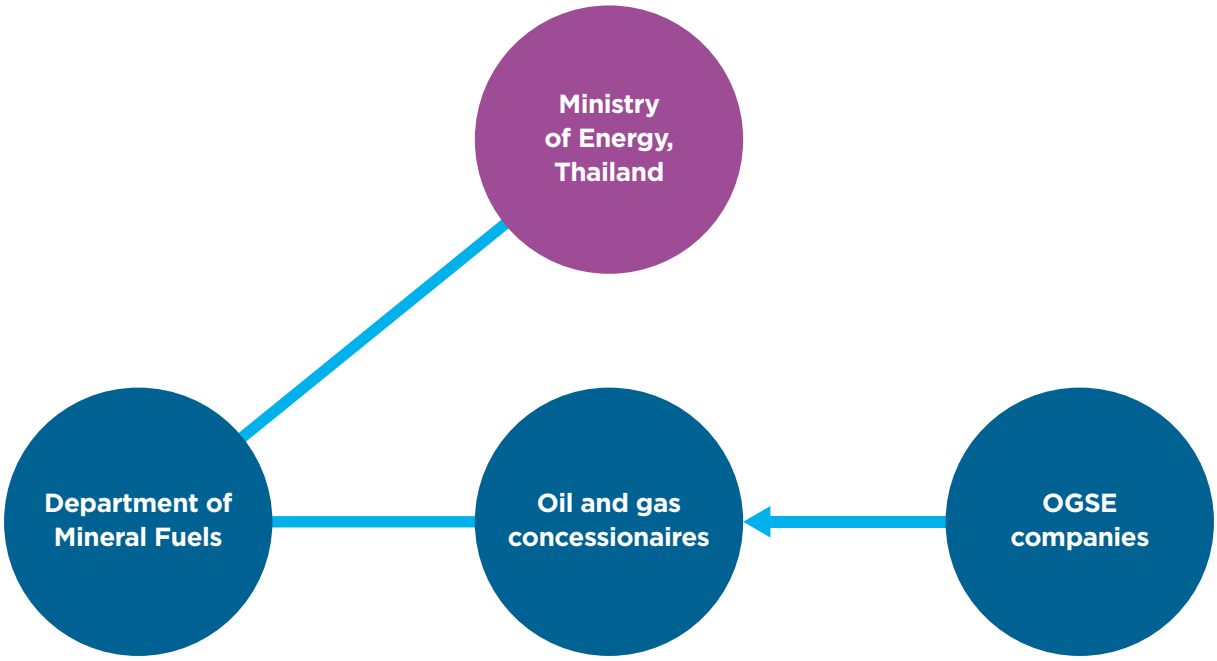
There is no single governmental body or agency that regulates and oversees the development of the OGSE industry in Thailand. Therefore, Malaysian OGSE companies seeking to do business in the country may do so through registration to the vendors list of oil and gas companies or main contractors/sub-contractors operating in the country.

THAILAND'S PETROLEUM SUPPLY PROCUREMENT



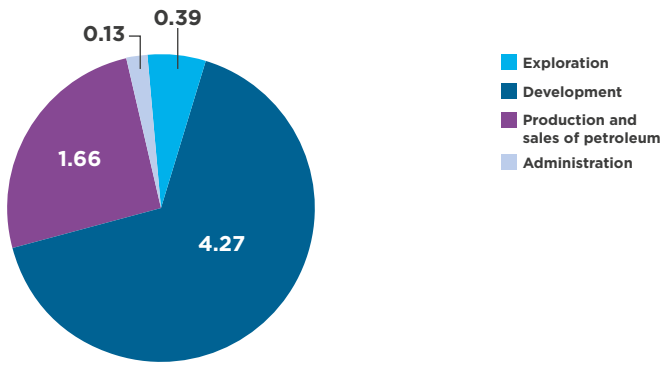
Source: Department of Mineral Fuels, Thailand

[12] PTTEP. "Our Business: Exploration and Production"



BUSINESS OPPORTUNITIES

TOTAL E&P INVESTMENT IN THAILAND IN 2014 (USD BILLIONS)



Source: DMF Thailand

Investments in Thailand's E&P in 2014 totalled more than USD 6 billion, with more than 60% allocated for field development, according to DMF figures.[13]

Unlike other parts of Southeast Asia, Thailand's offshore scene continues to be dominated by shallow water plays. Therefore, advanced drilling technologies used in deep-water areas in other parts of the region may not find a ready market.

Thailand's mature oil and gas industry also means that Malaysian OGSE companies with expertise in maintaining and enhancing oil and gas production, as well as servicing existing infrastructure such as platforms and pipelines, may be at an advantage.

A number of Thailand's oil and gas platforms have been in operation for decades, having reached or even surpassing their peak production levels. Therefore, maintenance and asset integrity services such as corrosion or erosion protection are in demand.

Given the current low oil price situation, any services and equipment that is able to save production time and/or increase recovery will have a competitive edge.

Also, companies with capabilities in enhanced oil recovery (EOR) services may stand to benefit from venturing into Thailand as more producing areas mature. In addition, much of the recent field development work involves smaller fields with production capacities of around 10,000 to 15,000 bpd. Hence, Malaysian companies with technologies or services that could help boost production at such fields are encouraged to enter the Thai market.

Prospective Malaysian entrants should also keep in mind new developments and expansions such as the Ubon offshore project and the Arthit and Bongkot expansion projects.

Companies should also monitor developments from the planned 21st bidding round to monitor which oil companies will be gaining new concessions in the country. About 29 blocks will be up for auction, with 23 of them being onshore and located in the north-east.[14] Oil companies with current presence in Thailand are expected to participate.

[13] Department of Mineral Fuels, Thailand. Annual Report 2014/2557

[14] Changsorn, Pichaya. "New Bidding for Petroleum Concessions in Mid-2016"

OGSE OPPORTUNITIES IN THAILAND:

- Services and equipment to enhance and prolong asset lifespan
- Enhanced oil recovery services
- Water and sand management solutions
- Flare gases recovery solutions
- Corrosion and erosion protection/ management
- Pipeline maintenance and integrity solutions

Source: MPRC Recce Mission to Thailand

21ST BIDDING ROUND:

- 29 blocks on offer: 26 onshore and 3 offshore (~66,000 sqkm total)
- Expected discovery: 1- 5 trillion cubic feet of gas and 20 – 25 million barrels of crude oil
- Department of Mineral Fuels is still finalising whether the model used is by concession or production sharing contracts

Source: Rigzone

DOING BUSINESS

Thailand is ranked 49th in the World Bank's 2016 Ease of Doing Business rankings, compared to Malaysia's 18th position. Some challenges faced by businesses intending to set-up in the country include access to credit and procedures for doing business, as getting approval for work regulations may take up to 21 days.

The potential that exists in the Thai oil and gas industry however should be reason enough for Malaysian companies to consider exporting to Thailand or establishing presence in the market.

There is no national licensing or registration scheme for OGSE players entering into the Thai oil and gas industry. Instead, individual pre-registration from various operators/concessionaires or main contractors/sub-contractors are required.

As with almost all other markets in Southeast Asia, opening a representative office to gather market information and eventually partnering with the right local company would be highly advantageous. Having locals on the frontline helps to smoothen business operations.

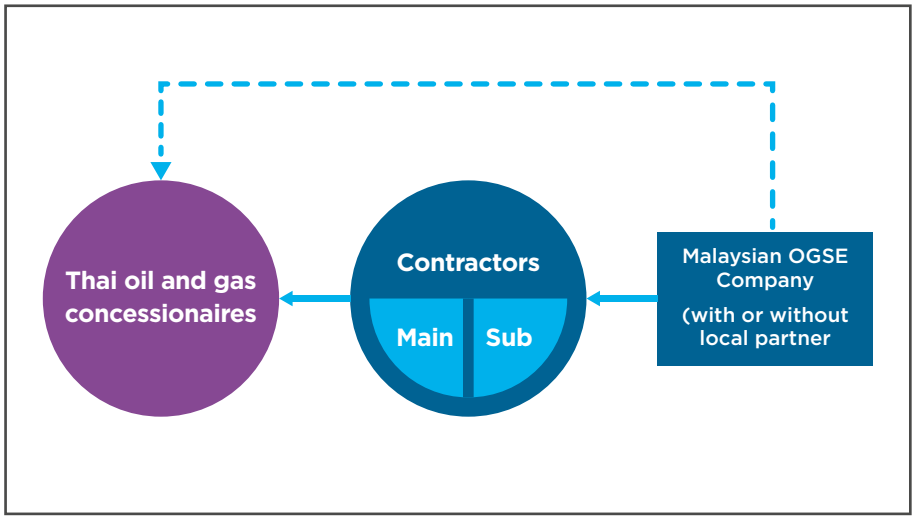
The Thailand Board of Investment is the agency responsible for facilitating and coordinating investments into the country. Companies that intend to set-up operations in Thailand may be given tax incentives of up to eight years, depending on the category they belong to. The OGSE sector falls into different categories depending on the kinds of manufacturing capacity or service provided.

INVESTOR QUICK TIPS:

- Take into account traffic conditions when scheduling meetings
- Be on time. Punctuality is expected
- "Khun" is equivalent to the English "Mr./Mrs./Ms."
- Learn and use some local words and phrases. English is not as widely spoken outside business settings

- Your products and/or services may benefit from the ASEAN Free Trade Agreement (AFTA). The Ministry of International Trade and Industry (MITI) provides an excellent overview of AFTA at ***fta.miti.gov.my***
- For more information on present double taxation agreements between Malaysia and foreign countries, visit the Inland Revenue Board's website at ***www.hasil.gov.my***

Market entry



Main buyers for OGSE companies' products and services include petroleum concessionaires in Thailand (PTTEP, Chevron Thailand and others) as well as companies contracted or sub-contracted by those concessionaires. Malaysian OGSE companies can therefore target to enter the supply chain systems of both categories of companies.

Those intending to supply to players such as PTTEP and Chevron Thailand must first register with the respective companies' approved vendors list. Some companies, such as PTT, use an open-bidding system for contracts whereby available contracts are listed on the website and registered companies may apply to go through the bidding process.[15] It is best to check with individual companies for their respective procurement processes.

Entry strategies for Malaysian companies can range from direct setup to forming a joint-venture partnership with a local Thai company. To date, Thailand does not have local content requirements governing the OGSE. However, Malaysian OGSE companies seeking to have a direct setup in Thailand are advised to have a local to head the local operations as both networking access and language skills of the local representative is crucial for business growth. Malaysian companies with a competitive and unique product offering, but are not willing to have a direct setup or even a JV may instead choose to appoint an agent in the country. The MATRADE office in Bangkok would be able to assist Malaysian companies searching for a prospective partner, or even wishing to operate out of Bangkok.

[15] PTTEP. "Supply Chain Management."www.vendorportal.pttep.com

INSIGHTS

Interview with Fuzz Sufian, Managing Director of Essem Corporation Sdn. Bhd.

The Essem Group offers holistic solutions and consultation throughout supply, operation and maintenance, while applying the latest technology and processes. Since its incorporation in 1984, The Essem Group of companies has built its strength from upstream to downstream, surface to subsea, process to pipeline. They provide a cohesive range of products and services such as surface and subsea wellhead maintenance, valve maintenance, and other related services.

Q Why did you choose the country to expand your business?

A One of our major offerings to the industry is maintenance, specifically ball valves greasing and well-head maintenance, both of which were new to the industry in Malaysia back when we started in 2006/2007. Ball valve greasing specifically was new even to PETRONAS then. It was a contract that they had never done before but because it was important enough, they decided to move forward and award it to a local company. As a result, Malaysia was the first country in the region to have a valve greasing campaign.

Because it was successful in Malaysia, Essem made the decision to expand to our nearest neighbour, Thailand. To be clear, Thailand was not the first country we entered. We did perform a similar job in Myanmar before, but that was under PETRONAS.

PETRONAS of course is not operating in Thailand. But, we chose Thailand because it was logistically manageable, it was not too costly, and their oil and gas industry is quite well-developed. This meant that their assets were primed for maintenance and that was when we came into the picture.

I searched on the internet and found the contact of someone from Chevron Thailand and very casually emailed them about the possibility of conducting a presentation. Soon after, we were invited to present and I went there alone with a PowerPoint presentation in hand.

To say that we are the only company offering this service is not correct. However, valve maintenance services used to be provided by the foreign manufacturers themselves. The price that they quote is usually costly. So, I think we were the first company to approach Chevron and say, "In Malaysia, a local company could do this job. Look at our track record with PETRONAS. So why not develop something similar in Thailand as well?"

The operators were professional. The entire process sped by. A second meeting was scheduled soon after the initial appointment, where engineers from both companies met. By the third meeting, we were already talking about a short-term contract.

Our experience with PETRONAS in Malaysia offered them a model of how our collaboration with Chevron and PTT in Thailand could work. The biggest thing that Malaysian companies should realise is that the PETRONAS name in the region carries

weight, as much as Chevron, ExxonMobil and the other majors. Malaysian companies can use that to their advantage.

Q How was your experience in setting up business in the country and securing business?

A There were two instances when we entered Thailand. The first time was the ball valve greasing work that we did for Chevron, the one that I mentioned earlier. I must admit that our entry was not so strategic, and we got very lucky on that one. We had a couple of short term contracts but soon after, it died a slow death.

However, at the same time, we were busy here in Malaysia as we had just ventured into wellhead maintenance. Similar to ball valves greasing work, wellhead maintenance was previously only done by the manufacturers. Only two local companies, including us, could offer wellhead maintenance services at the time. Now, of course, there are other players as well.

PETRONAS had a major paradigm shift when local companies were entrusted with doing this scope of work, which was unheard of in the region. Normally, FMC would service FMC wellheads while Cameron would do the same for their wellheads.

When we re-entered Thailand, the scope of work that we proposed to the operators there was of course more complex than before when we had just done ball valves greasing. Again, our entry this time around proceeded the same way. We presented to PTTEP and they quickly bought into the idea.

This time around however, instead of a direct award, they opened a tender. The other company bidding was Aker, and given that the equipment to be serviced was mainly from them, they were tipped to win.

When PTTEP told us to enter the tender, we put in our quotation which covered our rates and costs. We later found out that we beat Aker to the job. Aker was quite shocked when they found out that this company from Malaysia won.

So, we secured a one year contract for manpower. All the consumables were given to us by PTTEP for us to use, but they emphasised that they wanted Malaysian manpower to do the maintenance job. This means that they really wanted us for our expertise. At the same time we were competitive, cost-wise.

After one year, PTTEP told us that if we wanted longer term work, we must be local. So, we did what any service company would do, which was to ask the end users (i.e. the operators) which companies may be good in terms of performance for us to partner with.

In my opinion, the easiest and safest way to establish a long term presence in Thailand is by setting up a JV. The only way to register with PTTEP was to be local. So, we did a 51-49, where we provided the skills, knowledge, and training after hiring local technicians under our 49% stake. PTTEP wanted to see that kind of partnership and we wanted to be in one. Under that partnership, profits and risks were equally shared.

A local partner must also help you with the relevant registrations, regulations, tax compliance because this will streamline the process.

The criteria for selecting a partner depends on your work scope. The work that both parties are able to do must not clash, but they should be similar in terms of discipline. Consider also if they have the right infrastructure because that means that you will not have to invest more capital. Also check their track record with the end-users.

Above all however, I think the most important thing is logistics. If that is not smooth, then it may affect your ability to do work. For example, we have to move equipment around. Our experience so far has been that the operators will do whatever they could to get you on the platform as fast as they can.

These days, of course we also have to consider the partner's cash flow. Be very careful on this. To hedge the risk, we highly recommend forming a JV with a company rather than with an individual.

(More on next page)

(Continued from previous page)

Q In your opinion, what are some of the opportunities for Malaysian OGSE companies in the country?

A Thailand's oil and gas industry is nearly as old as Malaysia's. In the 70's exploration work was being conducted and in the 80's the Western oil majors started coming into the country. This means that their fields are as mature as our fields.

There are two main opportunities in Thailand. First, they are doing a lot of extensions, either for pipelines or LNG. With those extensions, there will be a need for metering stations, regasification plants and other associated equipment. Second, because their fields are matured, there is a lot of opportunity for maintenance and new technology, particularly in EOR. Of course the appetite for that has reduced.

Even though there are not as many projects in Thailand as there are in Malaysia, Malaysian companies have the edge when it comes to providing services in the region. This is due to technology transfer in Malaysia in the last two to three decades. Therefore, Malaysians are viewed as being highly competent and professional.

Another main opportunity that many companies overlook is the "liberation" of the local companies there. Many of the local companies act as representatives for foreign companies. Malaysian companies therefore have the opportunity to empower the local Thai companies themselves by providing the necessary expertise and training.

There is a lot of potential to help the local companies grow. At the end of the day, when a Malaysian company helps a Thai company grow, it will result in a stronger and longer lasting cooperation.

Another opportunity area is in the Malaysia-Thailand Joint Development Area. If Malaysian companies have strong standing with CPOC (Carigali-PTTEP Operating Company) or Carigali Hess, you can use that as a springboard to enter the Thai market.

Q What barriers to entry do you see as the most serious/ most important to be aware of for a Malaysian company with an interest in country's offshore sector? Are there any local content requirements a prospective Malaysian company must fulfil?

A Any foreign company doing business in Thailand is subject to the Foreign Business Act, under the Ministry of Commerce. They regulate capital to loans, funds brought in from overseas, the ratio of Thai to foreigners in the company and other issues.

Based on our experience however, there are not that many entry barriers for Malaysian companies. As I mentioned, once you have presented to the end-users, things can proceed quite smoothly.

For offshore, all our offshore safety passes here are valid there. That is good because in Malaysia, OPITO certification is already a mandatory requirement. OPITO is accepted in Thailand and there is no need to re-do tests and sit for exams. They do have their safety briefing modules, but aside from that, in my experience providing services, there have not been many barriers.

Just keep in mind that if you are bringing in equipment not to sell, but to use for your operations, your documents need to be in order. This includes the relevant letters, service order, purchase order, and paperwork. This is where your local partners can come in.

If you are going in solo, you can ask the advice of the end users.

They prefer to work within the list of vendors which they know and they trust can deliver reliable service. This is also a barrier. While this could make it difficult to penetrate the market, the most important element is the lead time. Lead times for the Thais are very important, which is ironic because their culture is thought to be laid-back. Their work culture is very professional. When it comes to business, they mean business.

Q What are the formal registrations, regulations or permits that Malaysian OGSE companies should be aware of in the country, specifically with regard to oil and gas? What was your experience in dealing with these processes?

A Personally, setting up the JV was not a complicated process. From what we encountered, as long as we submit the right paperwork, there is not much hassle at all.

Start-up companies are required to register their names with the Ministry of Commerce, deposit money into the bank, obtain a corporate seal, and complete several steps to register the company as a legal entity. Most of these things, our partners helped us to do.

After registration, you will need to set up the tax ID, social security accounts and employer accounts.

Again, try to JV with a company and not individuals as it is a bit risky.

Use the formal regulations to your advantage. If your local partner is capable, they will know how to best navigate through the regulations and make the most out of the incentives and breaks available. You yourself should study what loopholes exist.

Q What are the financial regulations, taxes (i.e. withholding, income taxes) or procedures for repatriating funds that Malaysian companies must be aware that impacted your business? Are there tips or advice that you would like to share?

A For Thai-registered SME companies that are JVs, the tax is 15% if net profit is below 3 million baht, and 20% if it's over that amount. For a foreign entity, the withholding tax is the standard 10% to 15%. However, it is only 3% if you are a foreign company with a permanent branch in Thailand. Some companies take advantage of this by opening a small permanent branch in the country.

Also remember that workers also need to pay their taxes, so companies should factor that in into the remuneration package. For us, we just let our employees do their own taxes.

Companies need to take note of the regulations. Take advantage as well of existing regulations, such as double-tax agreements. They can mean the difference between making and not making profit through your business.

Q Do you have any other advice to potential Malaysian suppliers/ sub-suppliers interested in country's oil and gas sector?

A Know your potential and know what you are selling. Ask yourself if what you are bringing to the table is something that really adds value to the end-users.

In the case of Thailand, it is best to form a partnership with a local company. Thais do respect Malaysians' oil and gas expertise. That should be something that we bring to the table in any partnerships we form.

Know your potential and know what you are selling. Ask yourself if what you are bringing to the table is something that really adds value to the end-users.

INSIGHTS

Interview with Ir. Azhar Zainal Abidin, Managing Director of ProEight Sdn. Bhd.

ProEight, an API Q1 Certified Company, provides total engineering solution on mechanical seals, pumps and sealing systems across the world. ProEight has a strong track record in mechanical seals product design and product refurbishment. ProEight also provides engineering consultation, specialising in marine engineering studies, installation of offshore structures, launching and upending of jackets and engineering studies on the feasibilities of installation of pipeline and risers.

Q Why did you choose the country to expand your business?

A We believe that there are more opportunities for expansion in Thailand due to the country's active oil and gas industry. Thailand's oil production is reported to be 422,000 barrels per day, while their oil reserves are 0.5 billion barrels.

The oil and gas industry plays a major role in Thailand's economy. The Thais also have proven to be quite accepting of new technologies, including the ones we are offering. As a technology provider, we intend to enter markets all over the world by leveraging on our proven technology capabilities. We bring our technology to foreign countries, thus increasing the status of the technology that we offer.

We also looked at which stage of production Thailand was currently at in order to assess whether we should enter the market. Since ProEight mainly does maintenance, repair and operations (MRO) work, the emphasis is on mature markets with more fields in the production stages. Therefore, a market like Myanmar or Timor Leste would not be suitable for us now, but maybe in a few years' time. For MRO opportunities in Southeast Asia, only Brunei, Indonesia and Thailand are the other mature markets in the region.

In addition, easy access to the Malaysia–Thailand border makes Thailand a strategic location for us to expand our business. It's easy to transfer and transport goods within 1-2 days by road, even if it is up to Rayong or Bangkok where our goods would be needed. We could also hire manpower capable of speaking both Thai and Malay.

Q How was your experience in setting up business in the country and securing business?

A Having made the conscious decision to enter Thailand, we started marketing and promotional work through exhibitions and trade missions. As a result of those efforts, we managed to secure a private business meeting with our end-user to introduce our business. This is one of the most challenging issues in setting up a business in Thailand as we do not know the key person to deal with in the first place.

When we finally managed to secure a meeting, we asked the operator to give us the component that had the worst performance with the highest frequency of failure. It turned out that their pumps were always leaking. Our promise to them was to come up with a solution without any cost in order to gain the company's trust. That was in around February 2013. When our solution worked without a glitch, we managed to win the company's trust. Later in 2014, we received our first PO and by the end of that year, we had already set up our presence in the country.

We engaged a lawyer to assist us with setting up our company in Thailand and to advise us on matters which needed our attention in order to get ProEight well-established in the market. We were advised that foreign companies are prohibited from owning companies in the country, except through the US-Thai Amity Treaty which allows US individuals or companies to own a company 100% in the country.

Fortunately enough, we already have a company operating in the United States. Therefore, we were able to enter Thailand through our American company and establish ourselves in the market through the provisions of the US-Thai Amity Treaty. This process required verification from both the Thai and American governments. After it was completed, we were up and running.

There are minimal regulatory barriers for entering into Thailand and PTTEP functions very similarly to PETRONAS in Malaysia, having similar business practices.

One tip: to hire staff, you can either hire Malaysians who speak Thai or Thais who speak Malay, especially if you are doing work in the Songkhla region. You could, for example, hire a Kedahan or Kelantanese who are familiar with the areas you are operating in. This would help smoothen your business operations in the country.

Q In your opinion, what are some of the opportunities for Malaysian OGSE companies in the country?

A Similar to Malaysia, Thailand's oil and gas industry is quite mature. Many of the fields are already in the production stage in the Gulf of Thailand. Given the similar levels of development in the two countries, we found that there is a sizable market for the kind of MRO jobs we do.

It is pertinent for Malaysian OGSE companies to conduct appropriate feasibility studies before entering the market. For example, if a country is in its early stages of development in terms of oil and gas, it would not make sense for companies engaged in MRO to set up shop because the jobs will not be there.

We found Thailand's market to be very wide and easily approachable. It is an open country in terms of doing business as well as adapting technologies from outside.

Q What barriers to entry do you see as the most serious/ most important to be aware of for a Malaysian company with an interest in country's offshore sector? Are there any local content requirements a prospective Malaysian company must fulfil?

A As mentioned, doing business in Thailand is quite hassle-free. However, please do take note that in setting up a Private Limited Company in Thailand, a minimum of 3 shareholders is required. A 100% foreign-owned company is not allowed in Thailand. Thus, one of the marketers must be a Thailand citizen.

As mentioned previously, American citizens or companies however can register 100% foreign shares under the Thai-US Amity Treaty.

Given the recent signing of the TPPA and its future implications, perhaps Malaysian OGSE companies could explore setting up business in the US and then enter Thailand, which is similar to what we did.

Many companies are deterred from entering Thailand due to political instability, but from our point of view, this has not affected our business at all.

As for local content, it is not really necessary unless you would want to open up a company in Thailand. You should look seriously into incorporating local content if you want to do so. In terms of on-job basis however, local content is not mandatory.

(More on next page)

(Continued from previous page)

Q What are the formal registrations, regulations or permits that Malaysian OGSE companies should be aware of in the country, specifically with regard to oil and gas? What was your experience in dealing with these processes?

A To date, operators in Thailand accept international certification such as ISO and API certificates. No specific requirement on technical certification is required except for safety training. Thailand has started conducting their own local safety training which is handled by the local authorities. This training is mandatory should there be any activity to be conducted on-site. Normally the training is only for one day and it has a lifetime validity unless there's a recall for an upgrade by them.

Q What are the financial regulations, taxes (i.e. withholding, income taxes) or procedures for repatriating funds that Malaysian companies must be aware that impacted your business? Are there tips or advice that you would like to share?

A So far we have not had any issues in terms of repatriating funds, and our lawyers assisted us with dealing with the various regulations. We have a skeletal staff operating in the country, supported by our main HQ in Kuala Lumpur.

If you intend to set up a local company, please note that you need to have a minimum of three shareholders/promoters, one of whom must be Thai. Thai shareholding must by 51% and the two foreigners can only have up to 49% shareholding in the company. The Thai government will not allow foreigners to set up a private limited company with 100% foreign promoters, except through the Thai-US Amity Treaty. Paid-up capital is THB 2,000,000 for each foreigner worker should you choose to open a private limited company in the country. The duration for registration will take around three to four weeks.

If you choose to set up a company under the Thai-US Amity Treaty, you also require at least three shareholders, and at least 51% of the shares must be held by American citizens. The paid-up capital required is a minimum of THB 500,000, with a bank savings account deposit of THB 20,000; a current account deposit of THB 20,000 and a foreign currency deposit of USD 5,000. The fees and charges related to the US-Thai Amity Treaty amount to THB 91,810 and the duration for application is five weeks. More information can be obtained from the US Embassy in Thailand.

Q Do you have any other advice to potential Malaysian suppliers/ sub-suppliers interested in country's oil and gas sector?

A Malaysians are highly regarded in the oil and gas sector and are perceived as experts in the field. In terms of commercial and technical aspects of services or technology you wish to provide in the country, the Thais are very competent and quite willing to discuss business. Therefore, we should take this as an advantage to start supplying our services to Thailand as well as promote and offer our expertise and capabilities beyond Malaysia.

More broadly however, look at the segment you are in currently and find out who your competitors will be in the country in order to identify the relevant market entry strategies. Before deciding to export, do feasibility and risk studies as well as SWOT analysis, and then compare the potential in different countries. Only then can you identify which country to move into. In our case, we found Thailand to be a good market to be in.

We believe that innovation and marketing are what makes a successful company. Many service providers can only beat their competition through pricing, but if you have some kind of innovation, it gives you an edge as you are the only purveyor of that particular solution. Make sure your company offers technology parameters as well, in addition to pricing. Also, ensure that you also have accreditation from API because it's easily accepted worldwide.

OUTLOOK

Thailand's mature oil and gas industry meant several of its existing assets have reached or passed peak production levels. Domestic gas production is set to decrease due to a number factors including ageing fields and the availability of cheaper sources of LNG.

In addition, the 21st licensing round for concessions are stalled due to disagreement on whether the concession model should be continued or whether a PSC model should be adopted. A new Petroleum Law is also being drafted, which is expected to address this issue. However, in the meantime, there is still some regulatory uncertainty moving forward.

Nevertheless, PTT is still planning to maintain its CAPEX spending both in Thailand and neighbouring Myanmar, driven by the need to ensure greater energy security. Malaysian companies with expertise in enhanced oil recovery solutions and asset maintenance should still find opportunities available in the country.

KEY CONTACTS

The following contacts offer crucial information and assistance to Malaysian companies on doing business in Thailand:

THAI GOVERNMENT MINISTRIES/AGENCIES:

Ministry of Energy
Energy Complex Tower
555/2 Vibhavadi Rangsit Rd., Chatuchak, Bangkok, 10900 Thailand
energy.go.th

Department of Mineral Fuels
B21-22 floor, Energy Complex Tower, 555/2 Vibhavadi Rangsit Road, Chatuchak, Bangkok, 10900 Thailand
www.dmf.go.th

Thailand Board of Investment
555 Vibhavadi-Rangsit Rd., Chatuchak, Bangkok 10900, Thailand
www.boi.go.th
e head@boi.go.th
t +66 2 553 8111

MALAYSIAN GOVERNMENT OFFICES IN THAILAND:

Embassy of Malaysia in Thailand
33-35 South Sathorn Road, Tungmahamek, Sathorn Road, 10120, Bangkok
www.kln.gov.my/web/tha_bangkok
e mwbangkok@kln.gov.my
t +66 2 679 2208

MATRADE Bangkok
Embassy of Malaysia, Bangkok
Commercial and Investment Office
4th Floor, Unit 401, Sathorn Square Office Tower, 98 North Sathorn Road, Silom, Bangrak, 10500 Bangkok, Thailand
www.matrade.gov.my
e bangkok@matrade.gov.my
t +66 2 108 1792

TRADE ASSOCIATIONS/INSTITUTES BASED IN THAILAND:

Malaysia-Thailand Chamber of Commerce
401-402, 4th Floor, Sathorn Square Tower, 98 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand
www.mtcc.or.th
e admin@mtcc.or.th
t +66 2 108 1842

Petroleum Institute of Thailand
Petroleum Institute of Thailand 11th Floor, Energy Complex Building B 555/2 Vibhavadi Rangsit Road Chatuchak Chatuchak, Bangkok 10900
www.ptit.org
e ptit_centre@ptit.org
t +66 2 537 0440

To find out more on Malaysian OGSE companies already present in Thailand, please contact *pbo@mprc.gov.my*

VIETNAM

QUICK FACTS

GOVERNMENT:
Communist state

POPULATION:
94 million (Jul. 2015)

OFFICIAL LANGUAGE:
Vietnamese

CAPITAL CITY:
Hanoi

% 25 - 54 YEARS OLD:
45.05%

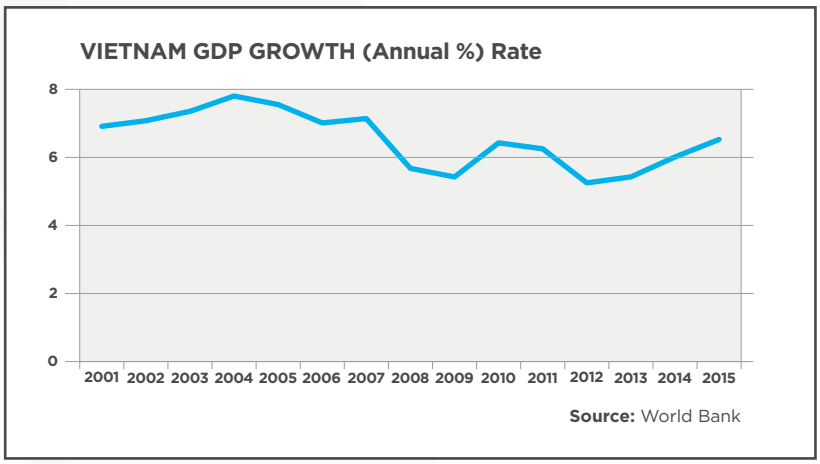
GDP (OFFICIAL EXCHANGE RATE 2015):
USD198.8 billion

- Holds the largest proved crude oil reserves in Southeast Asia
- Mature oil and gas industry, dominated by national oil company Petrovietnam
- Increased importance of downstream developments

Source: CIA World Factbook

POLITICAL AND ECONOMIC OVERVIEW

Vietnam is located on the northeastern part of Southeast Asia. The country enjoys a long coastline on its west, while it borders Laos and Cambodia to the east. Vietnam is the 3rd most populous country in the region. The country has enjoyed somewhat of an economic renaissance in recent years due to growth in its manufacturing sector. Like Malaysia, Vietnam is also a signatory to the Trans-Pacific Partnership Agreement.



The Communist Party of Vietnam has ruled the country since the end of the Vietnam War in the late 1980's. The current government however, adopts an accommodative stance towards foreign investments even though the state continues to dominate the Vietnamese economy. State-owned PetroVietnam is the largest company in the country.

Vietnam's largest city, Ho Chi Minh City (previously known as Saigon), is the hub of economic activities in the country, including oil and gas. Its capital however, is located over 1000 kilometres north in Hanoi. The offices of Vietnam's national oil company, PetroVietnam, is located in Hanoi but the offices of IOCs and service providers that operate in the country are mainly located in Ho Chi Minh City and nearby Vung Tau, which are closer to Vietnam's actively producing fields.

Vietnam's GDP stands at around USD199 billion in 2015. However, the country's economy is fast developing and it is increasingly becoming an attractive foreign direct investment destination, with certain industries such as textiles and electricals/electronics manufacturing being favoured by foreign investors.

VIETNAM'S TOP 5 EXPORT MARKETS (2015):

1. United States
2. The EU
3. China
4. Japan
5. South Korea

VIETNAM'S TOP 5 IMPORT SOURCES (2014):

1. China
2. South Korea
3. ASEAN
4. Japan
5. The EU

Source: General Statistics Office, Vietnam

Vietnam trade in figures:

Vietnam has seen robust export growth since 2013. Based on latest WTO data, total merchandise exports reached USD150 billion while imports stood at USD149 billion in 2014. From the figure, manufactured goods account for the vast majority of Vietnam's exports (around 74%) while fuels and mining products account around 8% only.

Vietnam's imports include machinery, transport equipment, refined petroleum and raw metals.[1] Over the past ten years, Vietnam has consistently recorded a negative trade balance.

According to Malaysia External Trade Statistics (METS), total trade between Malaysia and Vietnam in 2015 was valued at more than RM32 billion. We exported around RM17.4 billion worth of products and services to Vietnam while our imports clocks in at about RM18.8 billion. Malaysia's main exports to Vietnam include machinery, palm oil, plastics and rubber, and chemical products. Imports included machines, mineral products, plastics and rubber.[2]

[1] "Products That Malaysia Exports to Vietnam (2014)." The Observatory of Economic Complexity

[2] Jabatan Perangkaan Malaysia. "Malaysia External Trade Statistics"

OVERVIEW OF THE OIL & GAS INDUSTRY IN VIETNAM

History of oil & gas production in Vietnam

Vietnam's oil and gas production history is quite recent in comparison to other markets such as Myanmar or Indonesia. Oil and gas exploration studies were conducted in the early 20th century by French geologists. However, the industry only began to take off in the second half of the century.

The first ever oil and gas related organisation established in the country was founded in 1961, known as "Expedition 36." The first natural gas and condensate field was only discovered in 1975 and production commenced in 1981.

PetroVietnam, the state-owned company responsible for oil and gas exploration in Vietnam was founded in 1977, and in 1980, the first foreign entrant Russia's Zarubezhneft formed a JV with Petrovietnam under the name of Vietsovpetro, is now one of the main players in the country's oil and gas industry.[3]

Following the liberalisation of oil and gas exploration in 1998, the Government of Vietnam has issued more than 100 licenses, of which 50 are still active.[4] More than 30 international oil companies have operations in the country, although several have exited the country due to regulatory concerns and the amount of reserves not meeting expectations.[5]

Much of the currently active oil and gas assets in Vietnam are considered mature, with activities currently centred in the offshore regions of southern Vietnam. One that is of interest to many IOCs is Vietnam's claim in the oil and gas-rich zones in South China Sea, a region with overlapping claims by China and other Southeast Asian nations. The area remains largely unexplored due to territorial disputes with China. According to the EIA, proved and probable reserves in the South China Sea are estimated to amount to more than 11 billion barrels of oil and 5.7tcm of natural gas, which is larger than the current proven reserves of any Southeast Asian countries.[6]

[3] Petrovietnam. "History of Petrovietnam"

[4] Business Monitor International. Vietnam Oil & Gas Report Q2 2016

[5, 6] Ibid

HISTORY OF PETROVIETNAM IN BRIEF:

- Biggest company in Vietnam
- Founded in 1977 by the Government of Vietnam
- First commercial production from the Bach Ho field came online in 1986
- Has strong ties to Russian companies such as Zarubezhneft

Source: PetroVietnam

Overview of reserves and production

OIL AND GAS RESERVES AND BLOCKS

As of 2015, Vietnam has the largest proved crude oil reserves in Southeast Asia at around 4.4 billion barrels, which is more than Indonesia's 4 billion barrels and Malaysia's 3.7 billion barrels. Despite this, the country's natural gas reserves only stands at 25 trillion cubic feet, the third largest in the region after Indonesia and Malaysia.

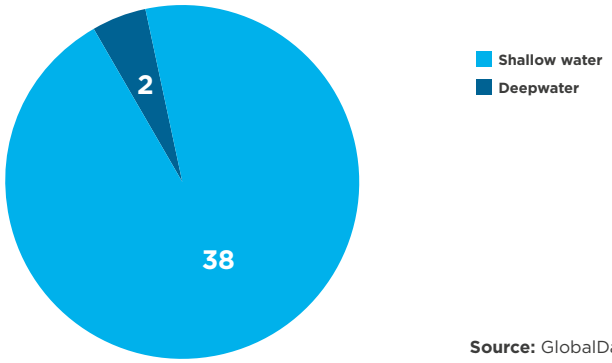
Vietnam's oil and gas industry, like Malaysia's, is overwhelmingly offshore, with most proved crude oil and natural gas reserves located in the Cuu Long and Nam Con Son basins off the southern coast of the country. As such, most of the oil and gas companies, and the associated services and equipment companies, are based in or around Ho Chi Minh City.[7]

Given the current low oil price environment, the amount of proved oil reserves is expected to decline towards 2024 from the current 4.4 billion barrels to around 3.9 billion. An increase in the amount of reserves depends very much on a recovery in oil prices and when new production sources come on stream.[8]

[7] Business Monitor International. Vietnam Oil & Gas Report Q2 2016

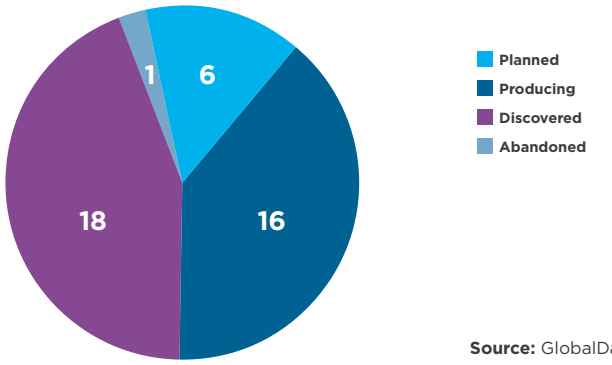
[8] Ibid

OIL & GAS FIELDS IN VIETNAM BY TYPE



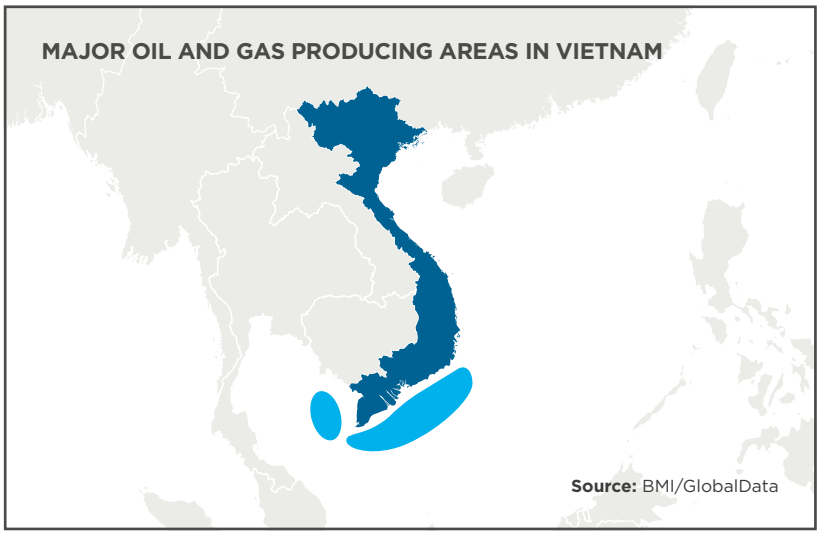
Source: GlobalData

OIL & GAS FIELDS IN VIETNAM BY STAGES OF DEVELOPMENT

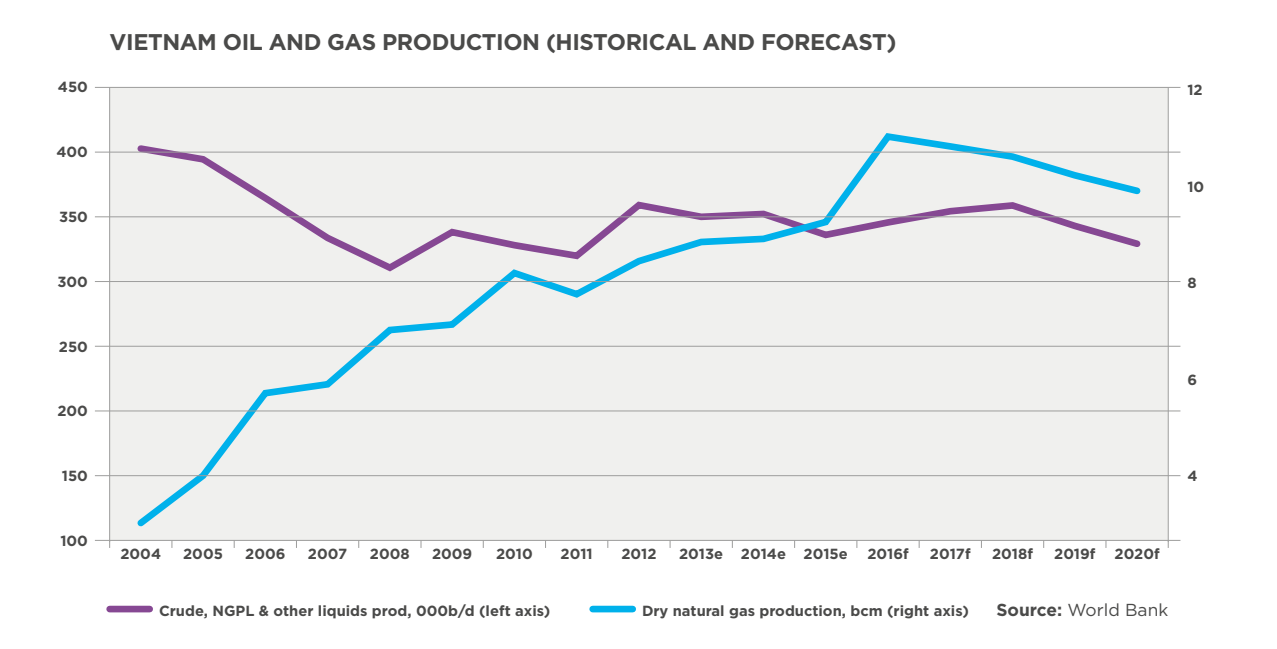


Source: GlobalData

MAJOR OIL AND GAS PRODUCING AREAS IN VIETNAM



Source: BMI/GlobalData



OIL & GAS PRODUCTION

Despite having the largest amount of proved crude oil reserves in Southeast Asia, Vietnam's crude oil production figures is around half that of Malaysia's, at around 300-350,000 bpd. That figure is expected to remain steady up to 2020. Vietnam's natural gas production also is about 1/6th of Malaysia's at slightly more than 9bcm per annum.

The Cuu Long basin is considered to hold the largest amount of crude reserves in the country. However, the field is almost completely developed and exploited. The Nam Con Son basin is the main gas producing field in the country and is also well-developed. The Malay basin, located on the southwest offshore region of the country, holds potential gas reserves of 300-400 million cubic meters of oil equivalent.[9] There is significant potential in the area near the Spratlys Islands, but territorial disputes with China have hindered development.

Vietnam is still largely self-sufficient in terms of its energy needs, but the outlook for the next couple of years suggest that demand will outstrip available domestic supply, leading to the need for new refineries. It is projected that Vietnam will become a net importer of oil within the next five years.[10] Hence, Vietnam is upping its downstream capacity, with the PTT-Saudi Aramco tentative investment of USD22 billion in a 400,000 bpd refinery located in the south of the country.[11] Investment in that project is however, is put on hold.

[9] Business Monitor International. Vietnam Oil & Gas Report Q2 2016

[10] Krishnan, Barani. "Oil Dips after Hitting $50/bbl as Glut Worries Resurface"

[11] Thanh Nien News. "Foreign Investors Have Second Thoughts about $22bln Oil Refinery in Vietnam"

OPERATORS IN VIETNAM:

- Eni Vietnam B.V.
- PetroVietnam
- Exxon Mobil Corporation
- Premier Oil plc
- Idemitsu Kosan Co., Ltd.
- Repsol Oil & Gas Canada Inc.
- Japan Vietnam Petroleum Co., Ltd.
- Rosneft Oil Company
- Korea National Oil Corporation
- Salamander Energy plc
- Mitra Energy Limited
- Vietgazprom
- Petronas Carigali Overseas Sdn. Bhd.
- Vietsovpetro JVC

Source: GlobalData

Regulatory framework

The oil and gas industry in Vietnam is highly regulated, with PetroVietnam –which comes under the Ministry of Industry and Trade– entrusted with the management and exploitation of oil and gas resources in the country. As such, the situation is similar to Malaysia whereby a state-owned enterprise acts as both operator and a business entity. PetroVietnam has historically contributed up to 20% to the government's budgeted expenditure in previous years.

Foreign oil and gas operators in the country generally form joint ventures with PetroVietnam to exploit oil and gas fields. Vietsovpetro for example, which produces close to 1/3 of the country's crude oil, is a long-term joint-venture between Russia's Zarubezhneft and PetroVietnam, whereby PetroVietnam has a 51% shareholding. Another example is the Hoang Long Joint-Operating Company, which was established as a JV between PetroVietnam, SOCO, PTTEP and OPECO, with PetroVietnam holding a 41% stake, SOCO and PTTEP with 28.5% each and OPECO with 2.0%.

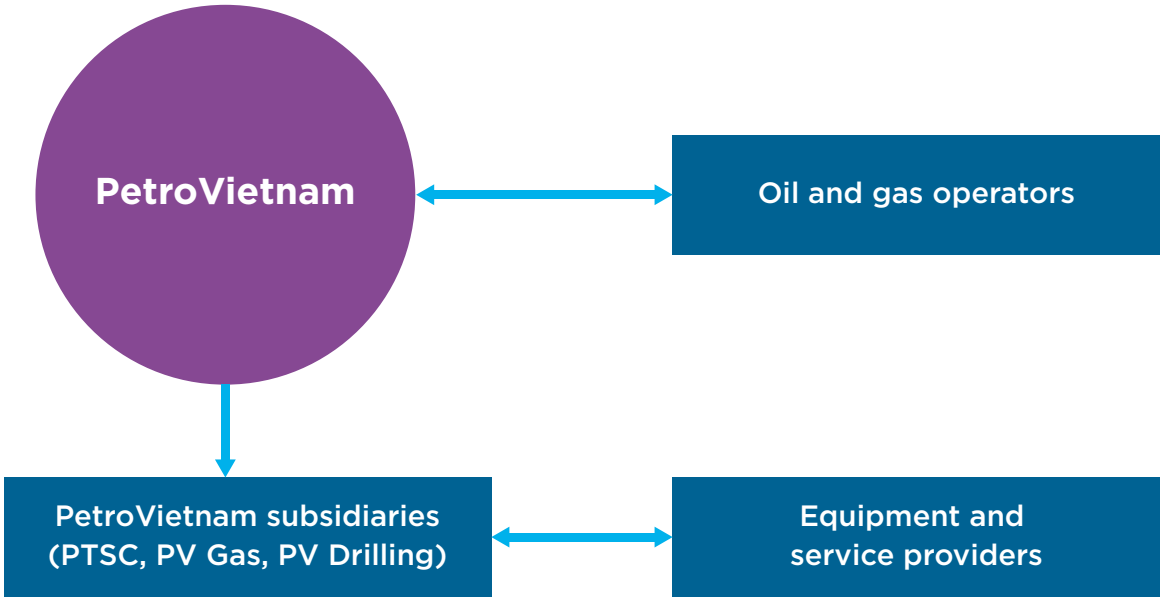
Vietnam's OGSE industry is dominated by PetroVietnam's subsidiaries which provide services and equipment to the Vietnamese upstream industry as a whole. Foreign OGSE companies seeking to enter the Vietnam market would need to enter into the supply chain of these subsidiaries to be considered for work contracts.

PETROVIETNAM SUBSIDIARIES:

- PetroVietnam Exploration and Production (PVEP)
- PetroVietnam Gas (PV Gas)
- PetroVietnam Technical Services Corporation (PTSC)
- PetroVietnam Drilling and Well Services (PV Drilling)

A complete listing is available on PetroVietnam's website

Source: PetroVietnam



Source: MPRC Recce Mission to Vietnam

BUSINESS OPPORTUNITIES

Most of Vietnam's oil and gas current production comes from mature oil fields. The current oil price situation, as well as natural declines and a lack of investment in new fields mean that oil and gas production is on a steady decline. Many enhanced oil recovery projects also are on hold pending a more favourable industry climate.

The oil and gas industry's maturity means that Malaysian companies with specialised technologies and services for upstream infrastructure operation and maintenance may find a ready market in Vietnam. Also, companies with technologies that would help in increasing production, such as EOR technologies, for existing oil wells may also find a ready market.

Vietnam's midstream and downstream sectors may offer more opportunities however. Vietnam currently only has one operating refinery, the Dung Quat refinery, with is jointly operated with Russia's Gazprom. It has a processing capacity of 140,000 bpd.

TO MEET FUTURE ENERGY DEMAND, VIETNAM IS EXPECTING TO BUILD THE FOLLOWING REFINERIES:

- Binh Dinh refinery: Thailand's PTT and Saudi Aramco have been in talks with Vietnam authorities to construct a USD22 billion refinery in central Vietnam. However, a final investment decision is still pending
- Nghi Son refinery and petrochemical complex: Upon start-up, this will be Vietnam's second domestic refinery with a 200,000 bpd capacity. The project costs USD9 billion and expected to commence operations in 2018
- Vung Ro refinery: Worth USD3.2 billion, expected to be delayed from the original 2017 startup date
- Nam Van Phong refinery: The USD8 billion project is expected to be JX Nippon's first overseas oil refinery build. It is still in the study stage

Source: MPRC; various

DOING BUSINESS

Vietnam is ranked 90th in the World Bank's 2016 Ease of Doing Business index, compared to Malaysia's 18th position. As such, foreign companies may find it challenging to enter the market without having built-up a network of contacts as well as a solid, on-the-ground understanding of the country. Vietnam ranks particularly low on procedures to file taxes. As such, companies may expect to hire local consultants to assist with relevant business set-up and operation procedures.

The Foreign Investment Agency, under the auspices of the Ministry of Planning of Vietnam, is the agency that facilitates investments into the country.

Foreign companies have an option of entering the market by forming limited liability companies (LLCs) which can either be 100% foreign owned, or form joint-ventures with local participation. Companies intending to set up base in Vietnam should be aware that investment procedure may differ by province, and some areas within a province may have special economic zones with relevant incentives provided.

Companies however, will still need to go through one of PetroVietnam's subsidiaries to supply to the oil and gas industry. This will require finding the right local partner, as well as having a contact with PetroVietnam.

INVESTOR QUICK TIPS:

- Hire an interpreter to help overcome the language barrier - it helps to learn a few phrases
- Print business cards in Vietnamese and English
- Expect to invest some time in cultivating working relationships

- Your products and/or services may benefit from the ASEAN Free Trade Agreement (AFTA). The Ministry of International Trade and Industry (MITI) provides an excellent overview of AFTA at ***fta.miti.gov.my***
- For more information on present double taxation agreements between Malaysia and foreign countries, visit the Inland Revenue Board's website at ***www.hasil.gov.my***

Market entry

Main buyers for OGSE companies' products and services include petroleum operators in Vietnam (PetroVietnam, PETRONAS, Vietsovpetro and others), as well as companies contracted or sub-contracted by those companies. Malaysian OGSE companies can therefore target to enter the supply chain systems of both operators and their main contractors, including PetroVietnam subsidiaries such as PTSC, PV Drilling, and others.

As with other markets, entering Vietnam requires a comprehensive understanding of the local business climate. As such, many foreign companies establish either an agency agreement with a trusted local partner or a joint venture agreement in order to enter the market, instead of direct entry. This allows for the flexibility to have locals to frontline the operation.

Malaysian companies may also establish a representative office in the country first in order to better understand the market. The representative office may not conduct direct commercial or revenue-generating activities, but can act as a liaison for the main company or to gather information about the market. Other forms of investment set-up are by forming a limited-liabiltiy company which is either a JV or 100% foreign owned, or by a joint-stock company with at least three shareholders.

The Foreign Investment Agency in Vietnam as well as our MATRADE office in Ho Chi Minh City are able to assist Malaysian companies intending to set up their business in the country, or find partners.

INSIGHTS

Interview with Rohaizad Darus, President, UMW Oil & Gas Corporation Berhad

UMW Oil and Gas Corporation Berhad (UMW-OG) is a Malaysia-based multinational company providing the upstream oil and gas industry with drilling and oilfield services.

It is very important to understand how the industry operates in Vietnam, as well as what the local regulations are especially on tax and import/export of equipments, and how to get local support while working there.

Q Why did you choose the country to expand your business?

A Geographical expansion regionally not only widen our market base, but it also minimises the risk of over reliance on a single market.

While Vietnam is ranked fourth in South East Asia for oil and gas production and oil reserves, after Indonesia, Malaysia and Brunei, it is one of the fastest growing countries in the region in the oil and gas sector. In term of doing business, Vietnam is business friendly and its market is relatively open to foreigners. There is clarity and consistency in the regulations and the risk of change in regulations is minimal.

Q How was your experience in setting up business in the country and securing business?

A UMW-OG's presence in Vietnam started off with one contract awarded to one of our jack-up drilling rigs in 2013, and since then we have secured a number of additional contracts there. In fact, prior to the current downturn, we had four rigs working in Vietnam which are more than our rigs working in Malaysia. We started off by working together with a subsidiary of Petrovietnam and this is one of the critical factors which enabled us to secure additional contracts.

In your opinion, what are some of the opportunities for Malaysian OGSE companies in the country?

While the current downturn reduced the number of opportunities in most countries, including Vietnam, we believe Vietnam will recover alongside other countries when the industry improves. In general, there are some opportunities in specialty jobs there such as survey and soil investigations, transportation and installation of offshore structures, underwater services and drilling related services.

Q What barriers to entry do you see as the most serious/ most important to be aware of for a Malaysian company with an interest in country's offshore sector? Are there any local content requirements a prospective Malaysian company must fulfil?

A It is very important to understand how the industry operates in Vietnam, as well as what the local regulations are especially on tax and import/export of equipments, and how to get local support while working there. Failure to address these adequately may seriously affect the viability of business in the country.

On local content, similar with many other countries, this is given a priority. Quite a number of contracts are given to local companies and preference is given for local workers. We address these requirements from both a social and a business approach. From a social standpoint, we hire a number of Vietnamese staff for our operations. Besides helping to train and develop them, this also improves the interactions with our Vietnamese clients from the language and cultural aspects. From a business standpoint, we work together with a subsidiary of Petrovietnam, which normally is given preference in awarding contracts.

Q What are the formal registrations, regulations or permits that Malaysian OGSE companies should be aware of in the country, specifically with regard to oil and gas? What was your experience in dealing with these processes?

A There is a minimum requirement for registration, mostly the standard ones such as registration for corporate tax for the company and personal income tax and work permits for foreign staff, and import and export exemption for vessels, rigs, equipments and spares. From our experience, these are relatively simple and straight forward. However, it is good if a local agent is appointed to handle all these requirements.

Q What are the financial regulations, taxes (i.e. withholding, income taxes) or procedures for repatriating funds that Malaysian companies must be aware of that impacted your business? Are there tips or advice that you would like to share?

A Import duties are applied but there are exemptions for many, but not all, imported goods which are used in the oil and gas industry. These include equipment and machinery, specialised means of transport, health and office equipment, and materials which cannot be produced in Vietnam. However, it is very important to ensure all the paperworks are submitted timely while importing and re-exporting these. Failure to do so may cause problems. It is best to get a very experienced local logistics agent to handle these paperworks.

VAT is imposed at a standard rate of 10%. Equipment, machinery, spare parts, special-use means of transport and necessary supplies which cannot be domestically produced yet are not subjected to VAT.

It is also very important to understand the corporate income tax (CIT) and personal income tax (PIT) law. CIT can be based on deemed or actual profit basis.

Q Do you have any other advice to potential Malaysian suppliers/ sub-suppliers interested in country's oil and gas sector?

A For any companies interested to expand their business in Vietnam, it is advisable to get an experienced local agent to provide logistic supports and advice on how to get things done there. It is also important to get detailed tax advices both on CIT/PIT and customs' tax. It is also very helpful if the partner is a subsidiary of Petrovietnam.

Language and culture are some of the challenges facing foreign companies doing business there. It is advisable to get some English-speaking Vietnamese national at a senior level to help manage Vietnamese staff to ensure a smooth and lasting relationship.

OUTLOOK

Despite the existence of large proved reserves—the third largest in Asia after China and India—it is projected that Vietnam will become a net importer of crude oil by 2019. The country's downstream capacity is expected to expand by more than 360,000 bpd with two new refineries coming on stream by 2018. Growth in upstream exploration and production hinges on oil price levels, as much of the country's reserves are located in deeper waters.

Having said that, Malaysian companies looking to expand into Vietnam may take advantage of current opportunities, specifically as the country looks to maintain production from existing assets. Companies with specialised maintenance and operation services and equipment may find many opportunities in the country.

Workers are checking the oil pipes before taking into operation in the sea

KEY CONTACTS

The following contacts offer crucial information and assistance to Malaysian companies on doing business in Vietnam:

VIETNAM GOVERNMENT MINISTRIES/AGENCIES:

Petrovietnam
Vietnam Oil and Gas Group 18 Lang Ha Street, Ba Dinh, Hanoi
www.pvn.vn
t +84 4 3825 2526

Ministry of Industry and Trade
54 Hai Ba Trung Street, Hoan Kiem District, Hanoi
www.moit.gov.vn
e bbt@moit.gov.vn
t +84 4 2220 2222

Foreign Investment Agency
Ministry of Planning and Investment 68 Hoang Dieu, Ba DInh, Hanoi
fia.mpi.gov.vn

MALAYSIAN GOVERNMENT OFFICES IN VIETNAM:

Embassy of Malaysia in Vietnam
Embassy of Malaysia, Hanoi, 43 -45 Dien Bien Phu Street, Ba Dinh District
www.kln.gov.my/web/vnm_hanoi
e mwhanoi@kln.gov.my
t +84 4 3734 3849

MATRADE Ho Chi Minh City
Embassy of Malaysia Trade Office (MATRADE) 1206-1207, 12th Floor,
Me Linh Point Tower No. 2, Ngo Duc Ke Street District 1 HoChi Minh City
www.matrade.gov.my
e hcmc@matrade.gov.my
t +84 8 3822 1468

Consulate General of Malaysia in Ho Chi Minh City
Trade Office (MATRADE), 1206-1207, 12th Floor, Me Linh Point Tower,
No. 2, Ngo Duc Ke Street, District 1, Ho Chi Minh City
e mwhochiminh@kln.gov.my
t +84 8 3829 9023

TRADE ASSOCIATIONS/INSTITUTES BASED IN VIETNAM:

Malaysian Business Chamber Vietnam
Block G, Unit 0215, The Manor 2, 91 Nguyen Huu canh, Binh Thanh District, Ho Chi Minh City
www.mbc.vn
e info@mbc.vn
t +84 8 6258 6316

To find out more on Malaysian OGSE companies already present in Vietnam, please contact *pbo@mprc.gov.my*

MAJOR OIL AND GAS CONFERENCES AND EXHIBITIONS IN SOUTHEAST ASIA (2016-2017)

DATE	EVENT	LOCATION	HOST	WEBSITE
6 – 8 September 2016	Oil & Gas Thailand and Petrochemical Asia 2016	BITEC Bangkok Thailand	Fireworks Trade Exhibitions & Conferences	oilgasthai.com
6 – 8 September 2016	Thailand Marine and Offshore Expo	BITEC Bangkok Thailand	Fireworks Trade Exhibitions & Conferences	thai-marine.com
28 – 30 September 2016	Malaysian Oil and Gas Services Exhibition and Conference	Kuala Lumpur City Centre	Malaysian Exhibition Services	www.mogsec.com.my
24 – 28 October 2016	Singapore International Energy Week 2016	Marina Bay Sands, Singapore	Energy Market Authority of Singapore	www.siew.sg
18 – 19 October 2016	Global Oil and Gas Myanmar	Rose Garden Hotel, Myanmar	ITE Group	www.global-oilgas.com/myanmar
18 – 20 October 2016	OGAV – Oil and Gas Vietnam 2016	Pullman Conference Centre and Events, Vung Tau, Vietnam	Fireworks Trade Media Pte. Ltd.	www.oilgasvietnam.com
14 – 16 November 2016	The 10th edition of the International Petroleum Technology Conference (IPTC)	Bangkok Convention Centre at CentralWorld in Bangkok, Thailand	International Petroleum Technology Conference	www.iptcnet.org/2016
9 November – 2 December 2016	The 21st International Oil & Gas Exhibition & Conference (OSEA)	Marina Bay Sands, Singapore	Singapore Exhibition Services	osea-asia.com/the-event
11 – 13 July 2017	The 16th Asian Oil, Gas & Petrochemical Engineering Exhibition	Kuala Lumpur Convention Centre	Malaysian Exhibition Services Sdn. Bhd.	www.oilandgas-asia.com
20 – 23 September 2017	Oil & Gas Indonesia 2017	JLExpo, Kemoryan, Jakarta	Pamerindo Indonesia	oilgasindonesia.com
September 2017	Oil & Gas Thailand and Petrochemical Asia 2017	TBD	Fireworks Trade Exhibitions & Conferences	oilgasthai.com
September 2017	Thailand Marine and Offshore Expo	TBD	Fireworks Trade Exhibitions & Conferences	thai-marine.com
October 2017	OGAV – Oil and Gas Vietnam 2017	TBD	Fireworks Trade Media Pte. Ltd.	www.oilgasvietnam.com

* The list above is non-exhaustive and subject to change. For a listing of MATRADE's regional Export Acceleration Missions for 2016 and 2017, please refer to http://www.matrade.gov.my

MPRC REGISTRATION

Want your company to be featured in the next edition of Malaysia OGSE Catalogue?

Follow the simple step-by-step guide below:

STEP ONE

Download the Malaysia OGSE Catalogue form and MPRC Industry Data Gathering form

* Both forms are downloadable via MPRC's official website at ***www.mprc.gov.my***

STEP TWO

Fill in and complete both forms

* Please read the instructions when completing the forms

STEP THREE

Send it back to us

* Please send ALL the completed forms to: ***ogse.industry@mprc.gov.my***

The Malaysia Oil & Gas Services and Equipment (OGSE) Catalogue 2016 summarises the background and project experiences of Malaysian OGSE companies.

Additionally, this catalogue aims to map the capabilities of Malaysian OGSE companies to complement the 13 major segments of the oil and gas value chain in a user-friendly matrix. Office addresses, telephone & fax numbers as well as contact persons and email addresses are provided for each individual company. The purpose of this catalogue is to promote Malaysian oil and gas capabilities in international markets. It will also be used as a reference point for international oil companies, national oil companies, and contractors.

NOTE:
A company is defined as a Malaysian OGSE company if:
- It is a Malaysian registered legal entity
- A substantial proportion of its revenue is generated from the oil and gas sector

Malaysia Petroleum Resources Corporation reserves the right to determine the suitability of Malaysian OGSE companies that will be featured in this publication. Malaysia Petroleum Resources Corporation also reserves the right to amend, modify and/or eliminate any of the Malaysia OGSE company profiles at its sole discretion, with or without prior notice.

EXPORT ASSISTANCES BY MATRADE

GRANTS AND FUNDS

MARKET DEVELOPMENT GRANT (MDG)

Objective:
MDG is designed to assist Malaysian SMEs, trade and industry associations, chambers of commerce and professional bodies in undertaking eligible export promotional activities.

Form of Grant:
A reimbursable financial assistance on eligible expenses incurred in undertaking export promotional activities.

Grant Ceiling:
The maximum grant for any eligible company under the MDG program is RM 200,000.00. Any applicant that has utilised the maximum grant of RM200,000.00 since the commencement of MDG in 2002 is not eligible for consideration. This grant also will be subject by the availability of the fund for the year 2016.

For more information on MDG, please contact ***mdg@matrade.gov.my*** or call ***03-6207 7593***

SEF (SERVICES EXPORT FUND)

The Services Export Fund (SEF) is a scheme to provide assistance to Malaysian Service Providers (MSPs) to undertake activities to expand and venture into the international market. The objectives of SEF are to increase the competitiveness of Malaysian Services providers (MSPs) abroad, to increase accessibility and expand export of MSPs in the global market; and to expand the scope for export promotion to gain market access and export opportunities for services.

For more information on SEF, please contact ***sef@matrade.gov.my*** or call ***03-6207 7077 / 7239***

ADVISORY AND TRAINING

eTRADE

eTRADE is a program implemented by MATRADE to promote the adoption of e-commerce among Malaysian SMEs to accelerate exports through participation in leading international e-marketplaces. Through eTRADE, companies are able to tap into huge market opportunities through e-commerce as well as receive training and financial assistance to be listed on the e-marketplace.

For more information on eTRADE, please contact ***etrade@matrade.gov.my*** or call ***03-6207 7563 / 7564***

MATRADE e-LEARNING PROGRAMME

MATRADE e-Learning Programme is an online learning system developed to assist Malaysian SMEs to improve their export knowledge and skills, as well as grow their export business. It is also of benefit to students and Malaysians at large. The tools and features incorporated in the e-Learning system allow its users to access the training modules at their own convenience. Upon completion of all topics, participants can self-print an e-certificate.

MATRADE e-Learning is:
- free of charge,
- convenient,
- time and cost-saving,
- interactive, and
- contains a wide range of topics

Further information on MATRADE's e-Learning Programme is available on
http://elearning.matrade.gov.my. Enquiries can be forwarded by email to ***training@matrade.gov.my*** or ***hazlinda@matrade.gov.my*** or ***norshahida@matrade.gov.my***

EXPORTERS ADVISORY UNIT (EAU)

Whether you are totally new to exporting, are only just considering exporting, or have already started exporting; it is to your advantage to register your company with MATRADE. Registration is totally free.

There are numerous benefits when registering with MATRADE. Not only will you be kept abreast of the latest information, you will also be eligible for our assistance packages and support grants. In addition, you will also receive a monthly newsletter outlining our trade promotion programs and outreach activities.

The newsletter offers schedules for training, seminars, workshop and briefings on various issues related to exporting. Many of these training and seminars are free of charge or charged at below market rates.

Getting market news from our overseas offices is also part of our information arsenal, and registered companies are encouraged to directly engage our Trade Commissioners and Marketing Officers who are located in 46 cities around the world. These officers are your front-line resource for information. Contact them for specific queries on products or services in the markets of your interest.

The EAU serves exporters by:
- giving preliminary advice to exporters,
- help match exporter interest to the appropriate trade counsellors, either from within MATRADE or from other entities, and other from Malaysia or overseas.
- facilitate ease of exporting by taking on tasks to reduce bureaucratic red tape.

For more information, log on to ***http://www.matrade.gov.my***

EXPORTER DEVELOPMENT PROGRAMMES

GO-EX PROGRAMME

The Go-Ex Programme is a program to guide and enhance the growth of exports by Malaysian SMEs. This programme is aimed at addressing challenges faced by SMEs on entry to new markets, especially issues of high upfront costs and the lack of detailed knowledge on new markets.

The programme is targeted at export ready companies or high potential exporting companies venturing into new products or new markets.

Companies selected for the Go-Ex Programme are eligible for RM 50,000 reimbursable matching grant, where 50 per cent expenses will be borne by the Government and 50 per cent will be borne by the SME. The allocation can be used for costs related to market immersion (business meeting or product/service presentation); and the appointment of a "Practitioner Expert" who will assist SMEs in developing their export business plan tailored to a specific market.

More information on the programme can be found by logging on to: ***http://www.matrade.gov.my/en/malaysian-exporters/services-for-exporters/exporters-development/go-ex-programme***

Please contact Go-Ex Secretariat at ***go-ex@matrade.gov.my*** or call **03-6207 7133 / 7135 / 7143** for more information.

MID-TIER COMPANIES DEVELOPMENT PROGRAMME (MTCDP)

MTCDP is aimed at accelerating the growth of Malaysian Mid-Tier Companies (MTCs) in becoming global and regional champion. The MTCDP, by definition, targets already exporting companies with annual revenues capped at RM500million - annual revenue for manufacturing companies and services companies must exceed RM50million and RM20million, respectively. It is designed and developed according to the needs and requirements of each participating MTCs, while specifically addressing export challenges of these companies. Market intelligence reports and business solution tools shared with the MTCs are also customised and tailored to the needs of each participating MTCs, and are relevant to their respective export growth strategies.

For more information, please contact ***midtier@matrade.gov.my*** or call ***03-6207 7077***

OTHER MPRC PUBLICATIONS

ABOUT MPRC100

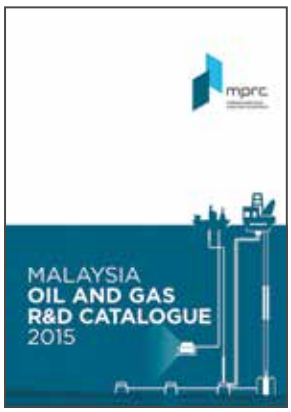
MPRC100 is a list of top-100 Oil & Gas Services and Equipment (OGSE) companies in Malaysia, ranked based on their revenue. We conducted our study by obtaining financial information for OGSE companies that are registered in Malaysia on a consolidated basis.

If you need more information on this publication, please write to ***mprc100@mprc.gov.my***

ABOUT SME GROW

SME GROW lists active Oil & Gas Services and Equipment (OGSE) Small and Medium-sized Enterprises (SMEs) with the potential to grow from the SME segment into Mid-tier companies. SME GROW applies a filtering process to identify a number of SME companies with high potential, and ranked based on both revenue growth and profitability.

If you need more information on this publication, please write to ***sme.grow@mprc.gov.my***



ABOUT MALAYSIA OIL AND GAS R&D CATALOGUE

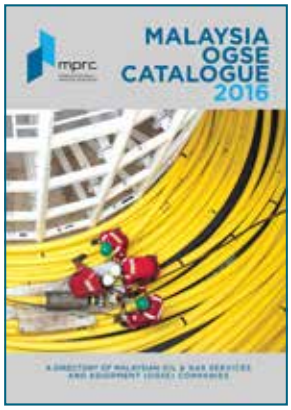
The Malaysia Oil and Gas R&D Catalogue is a compilation of relevant R&D capabilities to support innovation and technology development for the oil & gas industry.

If you need more information on this publication, please write to ***razwan.zakaria@mprc.gov.my***

ABOUT FINANCING SCHEMES FOR OGSE COMPANIES

The Financing Schemes for OGSE Companies is a compilation of grants, loans and tax incentives provided by Malaysian government agencies and Development Financial Institutions that are relevant to the Oil & Gas Services and Equipment (OGSE) sector.

If you need more information on this publication, please write to ***financingschemes@mprc.gov.my***



ABOUT MALAYSIA OGSE CATALOGUE

The Malaysia Oil & Gas Services and Equipment Catalogue 2016 summarises the background and project experiences of Malaysian OGSE companies. Additionally, this catalogue aims to map the capabilities of Malaysian OGSE companies to complement the 14 major segments of the oil and gas value chain in a user-friendly matrix. Office addresses, telephone numbers, fax numbers as well as contact persons and email addresses are provided for each individual company.

If you need more information on this publication, please write to ***ogse.industry@mprc.gov.my.***

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GLOSSARY

APDN	Apresiasi Produk Dalam Negeri (Local content)
API	American Petroleum Institute
ASCOPE	ASEAN Council on Petroleum
ASEAN	Association of Southeast Asian Nations
bbl	Barrels
bcm	Billion cubic meters
BKPM	Badan Koordinasi Penanaman Modal (Indonesian Investment Coordination Body)
BMI	Business Monitor International
boepd	Barrels of oil equivalent per day
bpd	Barrels per day
CAPEX	Capital expenditure
CPOC	Carigali-PTTEP Operating Company
DDI	Domestic direct investment
DICA	Directorate of Investment and Company Administration Myanmar
Ditjen Migas	Directorate General for Oil and Gas
E&P	Exploration and production
EAU	Exporters Advisory Unit
EIA	Energy Information Administration
EOR	Enhanced oil recovery
EPC	Engineering Procurement Construction
FDI	Foreign direct investment
FEED	Front end engineering design
FLNG	Floating Liquefied Natural Gas
GDP	Gross Domestic Product
IMF	International Monetary Fund
IOC	International Oil Company
JV	Joint venture
LNG	Liquefied Natural Gas
LSFC	Lao State Fuel Company
MATRADE	Malaysia External Trade Development Corporation
MDG	Market Development Grant
METS	Malaysia External Trade Statistics
MIC	Myanmar Investment Commission
mmscfd	million standard cubic feet of gas per day
MNC	Multi-national companies
MoEMR	Ministry of Energy and Mineral Resources Indonesia
MOGE	Myanma Oil and Gas Enterprise
MPRC	Malaysia Petroleum Resources Corporation
MRO	Maintenance, repair and operations
MTC	Mid-tier companies
MTCDP	Mid-Tier Companies Development Programme
MTJA	Malaysia-Thailand Joint Authority
MTJDA	Malaysia-Thailand Joint Development Area
NGPL	Natural gas plant liquids
NOC	National oil company
OGSE	Oil and gas services and equipment
OPEC	Organization of Petroleum Exporting Countries
PNOC	Philippine National Oil Company
PSCL	Production sharing contracts
PT PMA	Perseroan Terbatas Penanam Modal Asing (Foreign owned company in Indonesia)
PT	Perseroan Terbatas (limited liability company in Indonesia)
PTK-007	Pengelolaan Rantai Suplai Kontraktor Kontrak Kerja Sama 007 (Regulation that applies to OGSE companies in Indonesia)
PTTEP	PTT Exploration and Production (E&P arm of Thailand's national oil company)
SEF	Services Export Fund
SKK Migas	Special Taskforce for Upstream Oil and Gas
SME	Small and medium-sized enterprise
Tcm	Trillion cubic meters
WTO	World Trade Organization

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MATRADE

ESSEM CORPORATION

HGIS HURRICANE GEO INSPECTION SURVEY

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UMW OIL & GAS

NOTES

mprc
malaysia petroleum
resources corporation

Malaysia Petroleum Resources Corporation
Suite 20-11, Level 20,
G Tower, 199 Jalan Tun Razak,
50400, Kuala Lumpur, Malaysia.

tel +603 2858 8555
fax +603 2858 8599
web www.mprc.gov.my
email information@mprc.gov.my