



# Oil & Gas in GCC Opportunities Abound



# Key Thoughts

Market of opportunity ~ 1.3 trillion € in coming decade

Fragmented market – time, patience, and cost

Value Add – here to stay and growing

What makes your company, product, service different or unique?



# GCC by the Numbers - Opportunity

1.3 trillion € in expenditures over the next 10 years

50% in down hole/drilling & 50% in surface facilities

In 2030 there will be as many rigs in the GCC as there are in the US

The largest chemical and petrochemical operations globally

Opportunities abound

- Downhole tools, drilling chemicals and muds, drill pipe (OTG) services

- Surface facilities – refining, gas processing, pipelines, chemical and petrochemical plants

  - Steel

  - Tanks, vessels, pipe

  - Engineering

  - Compressors and pumps

  - MRO

  - A long list of materials and services required

New technologies

- Non-metallic pipe

- Robotics

- Low or un-manned drilling and operations – A.I.?

- 3D or industrial additive manufacturing

- Fracking





# Challenges

Macro – trade wars, demand & supply, price, OPEC+

Fragmented market

- Regulations
- Ownership requirements
- Approval process
- Procurement practices

Market entrants – that may buy share – companies from Russia, Turkey, and Asia

Value Add programs - where do I invest, grow, and focus

*Time, money and patience – it is neither fast or simple to enter the market*





# Value Add – maximizing impact of spend

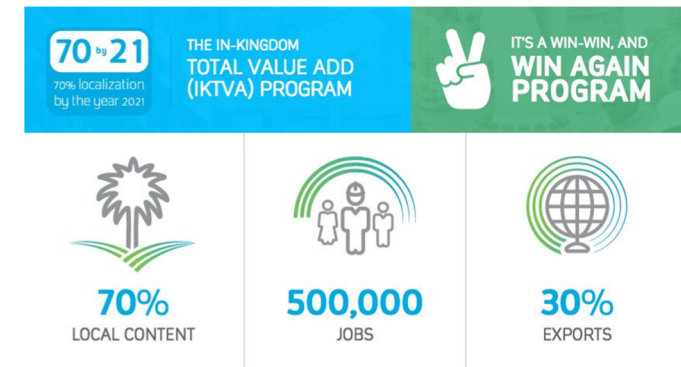


Economic Development program – at competitive cost

- Increased Employment
- Increased local procurement
- Diversification of local supply chain
- Knowledge transfer
- Training and capacity building
- Increased SME participation

Driven by procurement – change supply chain behavior

Expanding in the region and across sectors



# Value Add Programs – keys to success

Strategic vs transactional

Competitive advantage

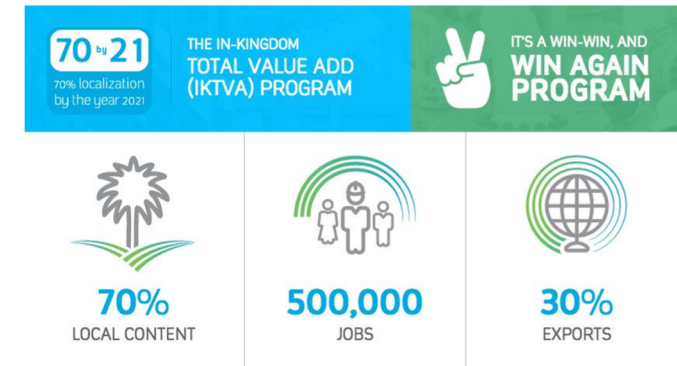
Deliver on commitments – there are carrots and sticks

Creative

Communicate

Leverage learnings and programs globally, regionally, and locally

Caution: Value Add programs are only one of the award criteria



# Example: ADNOC-ICV Version2

		GOODS	SERVICE	FORMULA
Goods / Services	(GM) Goods Manufacturing	50%	N/A	$\frac{\text{Manufacturing cost incurred with in UAE} + \text{Emirati Cost} + 0.6 * \text{Expat cost}}{\text{Total Revenue}}$
	(TPS) Third Party Spend	N/A	50%	$\frac{\sum \text{Value of good \& services procured per vendor \& subcontractor} \times \text{ICV of the vendor \& subcontractor} + \text{Emirati Cost} + 0.6 * \text{Expat cost}}{\text{Total Revenue}}$
Company	(I) Investment	25%	25%	$\frac{\text{Net Book Value of Assets in UAE}}{\text{Net Book Value of Total Assets}}$ <div>Basic 10%</div> + $\frac{\text{Top up 15\% on progressive basis (USD 5M - USD 50M)}}{\text{Top Up 15\%}}$
	(E) Emiratization	15%	15%	Up to AED 200K Salary & benefits – 2% Above AED 200K till AED 20M –progressive Above AED 20M – 15%
	(EC) Expat contribution	10%	10%	In terms of head counts, progressive increase as follows: a) 1 to 5 – 1 to 3%      b) 6 to 50 – 4 to 6% c) 51 to 200 – 7 to 9%    d) Above 200 – 10%

5% Bonus for exports and Emirati employment

Buy more services and goods locally

Invest in UAE

Hire and train Emiratis

Increase total hiring in UAE

Be competitive – locally, regionally, & globally



# Example: Aramco iktva

The objective is to drive key activities towards localization and job creation, which will be assessed against the following metrics:

- A. Localized goods and services (\$)
- B. Salaries paid to Saudis (\$)
- C. Training & Development of Saudis (\$)
- D. Supplier Development Spend (\$)
- R. Research & Development (\$)

E. In relation to revenue (spend from Saudi Aramco, contract value or Kingdom)

## DEFINITION

The *iktva* program drives, measures and monitors the “added-value” brought to the Kingdom by a supplier.

Supplier *iktva* Formula

$$\% \text{ iktva} = \left[ \frac{A+B+C+D+R}{E} \right] * 100$$

Additional Info.

- ▶ Number of Saudi Employees
- ▶ Number of Saudi Female Employees
- ▶ Investment (\$)
- ▶ Exports (\$) – new bonus program up to 10 points

# Differentiation

Key drivers: increased production, lower cost, and creating value

How does your company support these objectives?

What is the role of technology?

- A.I.
- Robotics
- Predictive analytics
- Block chain

How is your company supporting Value Add?

- Training, COOPs, Internships
- Local Supplier development
- Localizing key supply chain elements
- Increased hiring
- R&D
- Partnerships .....



Increased revenue & market share

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# About T&M Associates:

T&M Associates is a technical and marketing consulting firm engaged in economic development with governments and industry for over 20 years. We have developed the strategies, designed programs, and executed Value Add programs for governments, the extractive industry, and their supply chains. Each of our Value Add programs has created business opportunities in-country and increased both foreign and local supplier investment.

All of our team members have a technical or engineering background and have worked in industrial settings for major companies. We have worked across many sectors ranging from chemicals, oil and gas, mining, to agribusiness, food safety and public health in 26 countries in Africa, Asia, Eurasia and the Middle East, Europe and North America.

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