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PETROCHEMICALS & CHEMICALS

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*“Energy demand is on the rise, and there is a huge drive to monetize existing assets, with upstream spending picking up across the region.”*

**McDermott is a global provider of engineering and construction solutions. Could you give us a sense of your presence in Southeast Asia and the role that Malaysia plays within your global network?**

McDermott is one of the most experienced players in the offshore oil and gas (O&G) sector, with over 100 years in the market. We have been present in Southeast Asia for about 50 years, predominantly serving the upstream business, but we also do fabrication and modularization work for LNG and petrochemical companies. For many years, Singapore served as our Asian hub, but a strong client pipeline matched with attractive business incentives and a very strong talent pool drew us to Malaysia. Therefore, Kuala Lumpur became our regional hub in 2016.

Two years ago, McDermott reorganized from a regional into a vertical business line structure to synergized our competencies in key locations for better results and increased efficiencies. With this change, Malaysia became one of our major global hubs, with almost 1,000 people working here today. From Malaysia, we serve the rest of Australasia, as well as do work for projects in West Africa and the Americas. McDermott is probably one of the only companies to do everything in-house – from engineering to procurement, construction, and installation (EPCI) – and that is a key differentiator. This integrated EPCI model is our core competency and competitive advantage.

**What have been some of the flagship projects executed out of Malaysia that you’re particularly proud of?**

One of our current notable projects is the Scarborough Energy Project for Woodside in Australia. At 30,000 tons for the topside and a large floating hull, this will be one of the largest projects we have ever done. The structure is being fabricated at Qingdao McDermott Wuchuan (QMW), our joint venture fabrication yard in China, before being shipped, installed, and commissioned in Australia. Scarborough demonstrates our global supply chain capabilities with at least three countries involved, all coordinated from Malaysia, whereas, typically, projects of this size and scale, run by other EPC companies, tend to get done out of Houston, London, or their Paris offices.

Another example of McDermott’s breadth of work is in India’s largest subsea developments. McDermott was a later entrant to the subsea/deepwater business, with the first project just about 14 years ago. Yet, in a short time, McDermott has executed very large contracts, totaling close to US\$ 2 billion, for ONGC, and Reliance on the east coast of India, as well as others across the Asia Pacific region from our KL office – which serves a center of excellence for large subsea projects and large platform projects for the company.

### **What are the main trends in the upstream sector in Southeast Asia?**

When we undertook the business line reorganization, it became apparent that Australasia would likely represent 50% of our portfolio. Today, we are even more bullish on this part of the world, anticipating that up to 80% of demand will come from Australasia in the next three to five years. Current geopolitical tensions and their impact on gas prices, together with high demand for energy, especially from fast-growing Asian economies, has multiple Asian nations seeking energy self-sufficiency. Malaysia has seen an increase in new projects because these have suddenly become economical in the context of global trends; India is keen to reduce energy imports; Vietnam, which has been very quiet for the past 10 years, has many projects taking off now; and Indonesia is moving a step up with a large LNG project. Energy demand is on the rise, and there is a huge drive to monetize existing assets, with upstream spending picking up across the region.

Investments in the oil and gas sector are no longer guided solely by exploiting natural resources but come in tandem with carbon emission monitoring and offsetting. In many cases, investment approvals are contingent on carbon, capture and storage (CCS) facilities built in parallel or as the next phase of a project. Gas projects are prioritized over oil, and those gas projects with a lower sulfur content are prioritized over those with a higher one. Yes, we see higher spending in the industry, which I believe is here to stay for the next five or so years, but with it, we also see a focus on leveraging low carbon technologies for sustainable project delivery.

### **How is McDermott aligning with the demands of the global energy transition?**

McDermott has established environmental, social, and governance (ESG) targets. To get there, we are tackling our ambitions from three angles: The first is about reducing the carbon footprint of the facilities we build for our customers. Second is reducing the carbon footprint of our own operations, especially from our manufacturing facilities and marine vessels. For instance, our Batam fabrication yard in Indonesia is largely solar-powered. The third angle is engaging in energy transition projects, such as the Kasawari CCS project. Besides building projects to help with decarbonization, we also found a niche in decommissioning work. As regulations evolve, more assets will become obsolete and need to be decommissioned, so McDermott is keen to become a first choice in this part of the circular economy.

### **What are McDermott's priorities moving forward?**

We work every day to be the preferred partner of our customers and join them in their journeys of developing energy projects responsibly and safely here in Asia, but also in Africa, both with rising populations driving energy demand. Our aim is that most projects will have a carbon abatement plan by 2030.

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