

McDermott chief sees ‘steady demand’ ahead for EPC sector

Robust demand for engineering, procurement and construction work in oil and gas industry expected for next several years, McDermott chief executive Michael McKelvy tells Upstream in an exclusive interview



Michael McKelvy, chief executive of McDermott International.

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The oil and gas industry's engineering, procurement and construction sector is set for robust demand over the next few years, despite short term challenges, according to the head of one of the world's leading contractors.

US-based McDermott International is a leading global onshore and offshore EPC contractor, with a total fabrication capacity of about 270,000 tonnes spread across various facilities.

In the Middle East, it is also a key member of Saudi Aramco's coveted long-term agreement (LTA) framework with international contractors and among the top offshore contractors in the Qatari market.

maintain a positive outlook.

“The global market is holding steady and consistent,” he said. “There have been low oil prices and changes in the geopolitical situation, but most in the industry — including McDermott — have strategies that are longer term.”

McKelvy noted that looking forward for “three, four and five years from now,” McDermott sees steady demand for its customers, which will translate into a continuous workflow for the company.

He said McDermott’s global backlog at the end of last year’s third quarter stood at \$17.5 billion and continues to rise.

“Our backlog in onshore liquefied natural gas projects continues to grow, and our offshore projects are still robust,” he said.

“I’m very optimistic about the future of our EPC contracting business on a global basis. That’s in oil, that’s in gas, that’s in onshore, offshore and energy transition.”

McDermott has been successful in securing new projects in recent months, with a strong surge in awards in the Middle East.

Abu Dhabi National Oil Company (Adnoc) in January **awarded a \$942 million [contract](#)** to McDermott for the further development of the Nasr oilfield, offshore the United Arab Emirates.

The EPC player also recently landed a [key offshore contract from QatarEnergy](#).

McKelvy said he remains “optimistic about the Middle East,” and the company has tremendous relationships in the UAE, Qatar, and Saudi Arabia.

Key projects

McDermott’s multibillion-dollar backlog at the end of last year’s third quarter included new awards [for a large subsea contract by Thailand’s PTTEP for its Block H gas field expansion project](#) offshore Sabah, East Malaysia, as well as another key contract with Woodfibre LNG in Canada and various other projects.

Some other key projects under execution by McDermott include Adnoc’s Umm Shaif long-term development project (LTDP) 2.0, Ruya packages II and I3 from Qatar’s North Oil Company (NOC), a key HVDC (high-voltage direct current)

McKelvy said he believes shallow-water opportunities would continue to thrive in the Middle East, and McDermott sees strong deepwater opportunities in South America and Asia Pacific.

“From an onshore perspective, we see opportunities in Africa, but also developing opportunities in North America,” he noted.

McKelvy said the company provides a unique capability in the Asian deepwater market with the combination of its vessel fleet, fabrication yards and engineering capabilities.

“The pipeline [in Asia] is starting to grow as well, and we're in a strong, competitive position,” he noted.

He added that five of the company's fabrication yards, with a joint capacity of 270,000 tonnes, provides it with strong execution capabilities.

“We have five fabrication yards strategically located in Dubai, Qatar, Mexico, China and Indonesia. This puts us in a unique position to serve our customers, and our customers know our capabilities,” he said.

McKelvy added that McDermott believes it has enough fabrication capacity for the next several years, because its projects are long-term and the company can forecast them very precisely.