

THE TRANSFORMATION OF THE ENERGY SECTOR

OIL AND GAS

Offshore industry: 'We really need to be serious' on climate

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Published: Monday, May 13, 2019



Susan Dio, chairwoman and president of BP America (center), and Jannicke Nilsson, chief operating officer at Equinor ASA (left), discussed a need to reduce emissions of greenhouse gases during last week's Offshore Technology Conference in Houston. Offshore Technology Conference

HOUSTON — The offshore oil and gas industry called last week for prioritizing efforts to reduce greenhouse gas emissions while reiterating its view that fossil fuels remain vital to the world's energy mix, even as renewables grow.

Influential executives at the Offshore Technology Conference (OTC) — one of the largest annual gatherings of oil and gas professionals — grappled with the industry's public image as they discussed goals around delivering the energy people want and attracting potential employees.

"It's not really a race for more renewables," said Susan Dio, chairwoman and president of BP America, which is part of London-based BP PLC. "It's a race for lower emissions. We have got to be working on making every form of energy cleaner, affordable and available."

OTC has been held in Houston since 1969, when several thousand people attended. Turnout has fluctuated over time, with more than 108,000 attendees in 2014 followed by declines for five straight years. There were about 59,200 people in attendance this year, which roughly matched the total from 2006.

This month's OTC followed a climate-heavy program at March's CERAWEEK by IHS Markit, another Houston energy conference that attracts industry leaders ([Energywire](#), March 18). Strong rains and flash flooding last week also served as a reminder of the vulnerability in and around this longtime energy capital as it tries to navigate changes in its signature industry.

At OTC, speakers discussed ways to operate more efficiently and reduce costs. That's important because offshore oil and gas projects compete with onshore shale developments and other programs for capital, talent and attention.

Sessions this year covered everything from updates on regulatory issues and oil and gas projects to offshore wind and carbon capture and storage discussions. The exhibition hall showed off some of the latest in subsea technology. A sense of hope still lingered at OTC as companies push ahead with offshore oil and gas projects and offshore renewables. Attendees came from more than 100 countries, according to a conference news release.

It's still possible to attract talented young people to the industry, said Jannicke Nilsson, chief operating officer at Norway's Equinor ASA, adding that it can't be taken for granted. She spoke about efforts to be safe and inclusive and to produce oil and gas with the lowest possible emissions. Equinor used to be known as Statoil ASA.

"We really need to be serious and show that we are taking the climate issue very seriously," Nilsson said.

Arnaud Breuillac, president of exploration and production at France's Total SA, spoke about plans to reduce carbon intensity of energy sales as he outlined a potential future with oil, biofuels, natural gas and low-carbon electricity. He told an OTC crowd he was sure that "most of you recognize that our industry has a major role to play to tackle climate change issues."

BP's Dio said a walk around OTC can be an eye-opener in terms of technology, and advances could be applied to make operations safer and more reliable. She said the industry needs to be open-minded about attracting talent.

"I don't think we're talking about the importance of this industry to human prosperity as well as we could be," Dio said. "I think we do need to educate and make sure that we're talking about the good things that we're doing in a very powerful way."

Energy companies have continued to make significant offshore investments. Last week, BP **announced** a decision to sanction development of an expansion related to the Thunder Horse facility, which would boost oil production in the Gulf of Mexico.

Efficiency gains

But Chris Tomlinson, a columnist with the *Houston Chronicle*, offered a sobering outlook for offshore oil in a recent **piece** that noted global climate worries and interest in greenhouse gas regulation. He argued that deciding whether to build a new offshore platform has never been riskier.

Offshore oil and gas projects can cost billions of dollars.

"As the climate changes and people around the world demand action, the oil industry generally — and offshore drilling specifically — face near extinction without adaptation," Tomlinson wrote.

Dio said the industry generally moves too slowly and needs to think about how to become more agile and able to take advantage of technologies.

In an interview, she told E&E News her company is incentivized to reduce emissions because they're also its product, especially in gas fields.

CEO Roger Jenkins of Arkansas-based Murphy Oil Corp. said this is a great time to invest in the offshore business, noting a lack of competition among companies that are Murphy's size.

"I believe that the efficiency gains in offshore are really in the infancy stage," Jenkins said.

Automated rig technology, he said, will be important in the future. And he noted the potential of batteries that store electricity.

"You can lower your carbon footprint and lower the amount of diesel burned on these rigs," Jenkins said. "I believe this is a big technology ahead, along with lower carbon engines used in ultra-deepwater rigs and in vessels serving the offshore industry."



Roger Jenkins, CEO of Murphy Oil Corp., said he thinks "efficiency gains in offshore are really in the infancy stage." Offshore Technology Conference

Malcolm Frank, an executive with Cognizant Technology Solutions, said artificial intelligence (AI) platforms will drive a fourth industrial revolution following the loom, steam engine and assembly line. AI also could enhance and protect jobs, he said.

Frank said that, if managed correctly, this could drive new horizons of growth and opportunity. He said energy companies can use other industries to figure out what works and apply it to their sector.

"The good news is you're late to the party," Frank told an OTC crowd. "And that's not a critique. It's just the nature of your industry structure."

A number of areas in oil and gas could be improved with automation, he said, such as drilling time and accuracy, environmental protection, personnel safety, asset management, maintenance operations, and compliance. A platform can have over 33,000 data points on average and only about 2% of them are instrumented today, according to Frank.

Government officials also were part of discussions last week at OTC.

Scott Angelle, director of the Bureau of Safety and Environmental Enforcement, emphasized the importance of safety, the environment and production in discussing the offshore energy industry.

Walter Cruickshank, acting director of the Bureau of Ocean Energy Management, noted interest in renewables at OTC this year. He also described an ongoing effort to update air quality regulations for offshore oil and gas in certain areas.

And he told E&E News the industry is right to think about the long-term future of energy markets, noting efforts in states and countries to reduce their carbon footprint. Energy companies ought to be looking at those things and building them into long-term strategies, he said.

"It's just good business to do that," Cruickshank said.

A 'dual challenge'

Gordon Birrell, who works in the upstream business of BP and serves as chief operating officer for production, transformation and carbon, mentioned two key themes in prepared remarks for an OTC session — producing more energy at a low cost and reducing carbon.

While global energy demand could rise by about a third over 20 years or so, according to Birrell, carbon emissions may need to fall roughly in half by 2040 to support the Paris climate agreement.

"That's the dual challenge we all face: The world needs to produce more affordable energy with fewer emissions," Birrell said. "Helping to meet this challenge underpins everything we do at BP. And that will mean producing energy differently and smarter."

But he stressed that renewables are coming from a low base even as they are growing at a fast pace. He said the world will need many sources of energy, including oil and gas.

Scott Tinker, director of the Bureau of Economic Geology at the University of Texas, Austin, said oil and gas will be needed to help lift people out of poverty and to maintain healthy economies that allow for reinvestment in the environment.

In an interview, Tinker said it's silly for people to say they're going to be 100% renewable unless they're naked; hungry; and lack electronics, a car and a house.

"Your emissions are coming from somewhere," he said. "Everything you consume came from somewhere. If it wasn't your region, it was somebody else's region — and often with less environmental regulations than ours."

He said climate should be on the radar. But he said a battery manufacturer should be talking about the environmental effects of mining and disposal, while an oil producer should talk about the environmental effects of drilling, production, transmission and use.

Tinker said he's a fan of renewables where they make sense. He also said the world is going to use oil and gas in its energy mix for a long time, echoing the thoughts of some companies.

"So how do we help them make those more sustainable?" he asked. "And if you attack the fuel only, you're going to end up with this polarization, which doesn't accomplish anything — and that's what's happening in Washington."

Douglas Pferdehirt, CEO of TechnipFMC PLC, an oil and gas services company, called for the industry to be open-minded, embrace new technologies, work with academia, and look to other industries and thought leaders.

"We have the foundation, the capital structure, the project management expertise to be able to take the energy equation forward regardless of what path that it goes on," Pferdehirt said.

He told a crowd at OTC he believes the industry will continue to overcome challenges.

"I am convinced that there are individuals out there either in middle school or primary school that will stand on this stage in the future representing our companies that will continue to be the ones that will drive us towards a better tomorrow," Pferdehirt said.

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