

Offshore Oil and Gas Opportunities in Ireland, 12th June 2013

Fergus Cahill,

Chairman, Irish Offshore Operators' Association

Good afternoon,

As many of you will know, the Irish Offshore Operators' Association is the representative body for oil and gas companies operating in the Irish Offshore area. At present we have twelve member companies, who are listed on our website, and we expect this number to increase in the short term.

But first, a little bit of history.

In the 1970's, there was a perception that Offshore Ireland was going to be the next North Sea, and the early discovery of the Kinsale Head Gas Field reinforced this view. The existing licensing terms were widely held to be too lenient, and Justin Keating, who was at the time Minister, in 1975 introduced new terms which were closely modeled on those which had recently been introduced by Norway, and which had earned for the Norwegians the sobriquet of "blue-eyed Arabs". Internationally, during this period, we saw OPEC flexing its muscles and as Ireland imported all its oil, and had no natural gas industry at all, the prospect of indigenous supply seemed very alluring.

A peculiarity of the oil and gas industry is that it seems to generate a high degree of what one might call commercial nationalism. Certainly in Norway, specific measures were put in place to counter a perceived reluctance to move beyond tried and trusted contractors, who were largely, though not exclusively, American. The UK actually went further, setting up a dedicated agency, the Offshore Supplies Office (OSO) to advance the interests of UK companies in supplying the then exploding activity in the North Sea.

Thus, when the 1975 Irish Licensing Terms were published, they contained, in Section 62, a provision that effectively meant that Irish companies should be given preference, provided that they were competitive as regards quality, price and delivery.

The job of implementing this Section was given to the Ocean Services Department of the then Institute for Industrial Research and Standards, which had been recently established, and which at the time consisted of a secretary and myself, housed in a converted coach house in Glasnevin. We were also given the job of certifying offshore installations, and in these two functions we built up a very effective team in quite a short time. In the contracting area, the principal activity at the time was the development of the Kinsale Head Gas Field and although Ireland was nowhere nearly as technologically savvy as it is now, we were successful in assisting companies to get contracts in many areas, such as project management, pipeline coating and protection, catering, electrical switchgear, shipping, helicopters, diving and non-destructive testing.

2.

Irish companies manufactured turbine casings, cranes and an accommodation module for the offshore platforms. We also advised ports such as Foynes and Fenit in establishing themselves as service bases.

In order to generate a supply of qualified people, we introduced a scholarship scheme to enable young Irish engineers to qualify in Petroleum Engineering at the French Institute of Petroleum, near Paris.

Thus, at that stage we were well placed to take advantage of the next phase, which was confidently expected to be the development of the numerous oil and gas fields which undoubtedly lay off our coasts. Regrettably, these did not materialise, and as we moved into the '80's and the level of drilling fell to one or two wells a year, and there were no further development projects, there was little to do and the team gradually dispersed.

However, two things are clear from the experience.

Firstly, it can be done. There is absolutely no reason why Irish companies cannot become involved with the offshore industry, both at home and abroad.

And,

Secondly, it does need specific measures and supports to make it work.

Regrettably, the somewhat crude measures, which we used in the early days, would now undoubtedly get us in trouble with Brussels. However, much can be done within the current framework, and I congratulate Achilles and Enterprise Ireland, and Providence Resources, in organising today's meeting. Indeed, I might go so far as to suggest that Enterprise Ireland consider setting up a dedicated unit with functions similar to those of the former Ocean Services Department, i.e.,

- To identify potential suppliers of the relevant goods and services,
- To provide "early warning" of future activity,
- To acquaint potential suppliers with the standards and procedures peculiar to the offshore industry, and
- To assist companies, as far as is possible, to position themselves to compete for business.

For our part, in 1999, IOOA adopted a formal policy of affording full and fair opportunity to Irish suppliers to compete for the supply of goods and services to its member companies, and to ensure that Irish suppliers are not disadvantaged in competing for these opportunities.

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At present, we have 12 members, who are listed on our website. You will find, on the website, Supplier Contacts for each member company and IOOA stands ready to work with State agencies and commercial interests to maximise opportunities for Irish suppliers.

While there is nothing certain in this world and indeed little enough certain in our industry as we have seen over the past forty years, it is possible that we are now on the verge of seeing the some real progress, which will bring with it the opportunities which I hope, and believe, that Irish industry will be ready to grasp.