



# THE RACE AGAINST TIME

As more oilfields mature in the region and operators turn to secondary and tertiary oil recovery techniques to keep extracting crude, new challenges are emerging in the logistics arena, reports Heba Hashem

**L**ogistics players serving the regional oil and gas industry are facing the most trying times. Given that the majority of oilfields are located in remote areas, fragile shipments often have to endure rough weather and lengthy clearance procedures before making it to their final destination, all within tight deadlines and budgets. And while each country faces its

own critical issues, some difficulties have become part and parcel of the journey.

#### Dealing with delays

"In Dubai, you have automated customs clearance and easy administration, improved supply of fuel, power and road network. Places like Iraq, on the other hand, remain a challenge in terms of infrastructure, security

and administrative processes," says Frank Bichowski, global head of industry, vertical oil & gas at Panalpina.

With an output set to soar to more than 12 million barrels of oil per day, the Iraqi market is highly rewarding for companies that can cope with the associated challenges.

"Time delays are the biggest issue facing southern Iraq. For a country so

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dependent on the oil and gas industry, clearance procedures and documentation processes are the source of a number of difficulties,” says Charlie Wilcox, sales manager at Chapman Freeborn Middle East.

The privately-owned British air charter brokerage, which serves the global energy industry through more than 30 offices in six continents, including its Dubai Airport Free Zone base, has been operating in Iraq since 2004.

To overcome delays, Chapman Freeborn partnered with “Free Merchant Services for Air Cargo Services”, a local flight support organisation that will be used to obtain aircraft FSD clearances, pay royalties, landing and handling fees, and provide a local representation service. “We can now

cut out service delays by having representatives on-ground who will support and manage procedures,” notes Bichowski.

Meanwhile, Panalpina recently launched an improved service for its oil and gas clients in response to the increased cargo demand for a through-nose-load-freighter product. The Swiss company’s Controlled Airfreight Network, which starts in Houston via Luxembourg to Abu Dhabi, will now stop in Dammam before continuing to Hong Kong. Earlier this year, Panalpina became the first freight forwarding firm to have its oil and gas activities certified to ISO 9001 and OHSAS 18001 for occupational health and safety.

**Reactiveness:  
Name of the game**

“The upstream is not as sophisticated as other sectors, especially when you compare it to other industries,” says Ayman Kabbara, general manager, Energy, Balkans, Africa, Middle East & Central Asia at CEVA Logistics.

“The oil well dictates the supply chain and drives the demand, which requires careful forecasting and can be challenging. This is why anticipating the need and reactiveness is crucial in this sector, as well as having efficient stock in advanced locations.”

Typical issues include dealing with bulky materials, which necessitate special lifting equipment, and delayed shipments to offshore sites due to high sea waves and swells, as boats may not be allowed to travel then. Small items required urgently can be sent by helicopters to a site; however, there are logistical problems associated with shipping large, heavy loads.

“Geology is unpredictable, thus the ability of the industry to plan for the unplanned is limited. Oil exploration and production is often large and very heavy, so Panalpina works closely with clients to plan customised packaging, loading,

unloading and delivery services to suit these oversized needs,” notes Bichowski.

Working closely with clients is an integral aspect of oil and gas logistics, ensuring familiarity with the customer’s



requirements; hence quicker responses.

"The key factor for Chapman Freeborn is their knowledge of the technical aspects in the oil and gas industry. Knowing what type of drill head a supplier is referring to, for example, when a movement request comes in; this knowledge allows us to react faster to the logistical problem and come up with the right solution first time round," explains Wilcox.

According to Steve Harley, president of DHL Energy Sector, good alignment with customers helps DHL strategise its investments to meet the client's regional needs. "These needs may include investment in additional warehouse space, which we continue to do in the Middle East, yard space, additional airfreight capacity, trucking routes and services."

Oil and gas companies are also doing their part by improving their own supply chain. For example, Horizon Terminals, a wholly owned subsidiary of Emirates National Oil Company (ENOC) is building a fully automated petroleum terminal in Jebel Ali, with a storage capacity of over 141,000 cubic metres. The US\$142 million project, set to be completed by the end of this year, will feature a 60 km 16" jet-fuel pipeline that links the terminal directly to the Dubai International Airport.

"As a charter broker we work in the 'immediately required' market. What I have noticed is oil and gas companies improving their logistical supply chains and investing heavily in this. They have improved on project planning and are allowing for accurate and realistic delivery times to save on cost. This supply chain improvement makes for better communication when the inevitable charter comes. Even with better supply chain, charters are always needed in the O&G industry," says Wilcox.

### Fragile components

Oil and gas shipments usually contain sensitive items, such as electronic equipment, which need to be specially packed to withstand the sea journey's shocks and vibrations. Then, there's the challenge of possible outdoor storage at the site, in the region's often hot, humid and saline climate.

However, the cost-pressure of transporting expensive parts becomes secondary when a rig is down and parts need to be shipped urgently, given the soaring costs to the drilling company when rigs are down.

"Downtime is very costly, so when equipment is needed to restart or guarantee production, it is often required in the fastest possible time. We know too well that on-time delivery and highest quality in terms of security, safety and compliance are essential for this industry. Be it an O-ring or a complete rig – failure to deliver has a high impact on cost, reputation and even lives," highlights Bichowski.



Frank Bichowski, Panalpina

### Shortage of skills

A lack of skilled personnel is emerging as a serious dilemma for the logistics industry. "The oil and gas industry is going through a very big expansion in its complexity and importance in the global market. As a growing industry, human resources in the international logistics industry in my opinion are not growing at the same pace," states Kabbara. "Therefore, there is now a high demand for medium-level professionals."

According to Kabbara, these requirements are sometimes pushing inadequately qualified people into higher level roles without having the proper skills, due to the cost component combined with scarce availability.

"This brings a lot of turnover for every logistic-service provider which in the end has an impact on performance, with an increase in costs related to training and service levels."

To overcome these challenges, CEVA will

continue to invest in training and hiring new talent to meet the burgeoning demand.

DHL's Steve Harley also stresses that obtaining the skilled resources or training staff to the necessary levels is a timely and costly venture, which needs a lot of planning and coordination. "Failure to do so leads to projects not coming in on time, and can lead to greater risks in other areas too." In agreement, Bichowski points out that "finding skilled personnel remains as one of the biggest challenges."

### Tracking improvements

On the other side of the coin, several changes have paved the way for smoother shipments. "Today we see more shipping routes and capacity for bulk cargoes into and out of the region, more suitable space available for hazardous material storage, and better monitoring and safety in road transport thanks to training and vehicle maintenance. There's also better understanding and traceability of

“Oil and gas companies are also doing their part by improving their own supply chain”

documentation leading to improved compliance procedures," says Harley.

Compliance, in particular, has become a game changer in the logistics industry, with the high level of attention to detail now required to be aligned with requisite governance across multiple jurisdictions.

"A big improvement has been witnessed over the last five years especially within the brokerage business. More countries are putting stringent compliance rules that conform to Foreign Corrupt Practices Act (FCPA) rules and regulations and the UK Bribery Act," explains Kabbara.

Developments in the global oil and gas sector alongside the emergence of new markets will ultimately define logistical directions, and logistics providers who can consistently deliver quality on time will maintain their seat at the forefront of the industry. 