

Salzgitter Mannesmann Stainless Tubes staying on course as a leading global partner to the SURF industry

Stainless Steel World recently revisited Salzgitter Mannesmann Stainless Tubes GmbH (SMST-Tubes), following on from our previous visit there in June 2009, to check on how the strategies outlined two years earlier were being further implemented, and also to find out the latest Company news. We were very cordially received by Mr. Michael Bellinghausen (CEO), Christophe Le Rigoleur (Vice President Sales & Marketing), and Joëlle Greenwood (Key Account Manager – Oil & Gas Engineering) who were proud to relate their company's role as a supplier to the O&G industry. Our discussions particularly concentrated on their active part in SURF (Subsea, Umbilical, Riser and Flowline) applications, which as a highly specialised niche market, is in keeping with the Company's area of focus. Nevertheless, we also took time to review SMST-Tubes' involvement in the Oil & Gas industry in general.

By John Butterfield and Gillian Kersley

SMST-Tubes is a major supplier of tubulars to the O&G industry and Mr. Le Rigoleur was keen to point this out straight away. "This means that we actually supply to the 'whole' industry and not just one section. When we spoke two years ago", he says, "our target was to embrace the whole O&G business as far as seamless stainless steel and nickel alloys were concerned. Initially, we had focused on subsea activities and OCTG because, historically, we were already

strong in these sectors. Since then, we have gone on strengthening our position in these areas and furthermore, developed other product applications. Product development is being achieved through a combination of manufacturing process improvements as well as through the use of new materials to enhance our portfolio and respond to the market's expectations from a long-term partner. For the hydrocarbon market, this means that the company covers all areas

from upstream to downstream for all seamless tubes and pipes supplied in both stainless and nickel grades. SMST-Tubes also have the capacity to enter joint R&D initiatives geared towards new applications.

When asked why he considers it so important to handle the whole range of O&G products, Mr. Le Rigoleur explains: "We have the ability, technically and commercially, to supply into the complete O&G industry. In the future,



Michael Bellinghausen



Christophe Le Rigoleur



Joëlle Greenwood



SURF

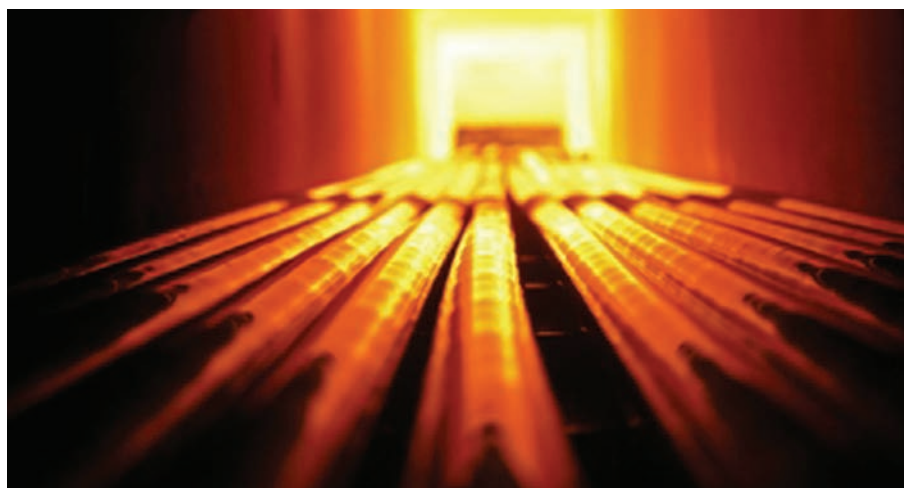
Referring to SURF, Ms. Greenwood tells us that SMST-Tubes has been and shall endeavour to remain a strong participant in this sector of the E&P market. In terms of seabed to surface activities, the Company has developed strong areas of expertise in managing complex contracts whose scope involves highly technical products and associated quality documentation. Over the last couple of years, SMST-Tubes' market share has continued to grow on a global basis including contracts for projects in West Africa, the North Sea, Australia and Brazil. "Such contracts, predominantly in deep water and / or HP/HT applications, enabled our teams to further develop their experience in the E&P activity where lessons learned provide a consistent and progressive method of improvement. Operators and EPCs look favorably on suppliers able to demonstrate reproductibility in commitment and performance on supply over a medium to long-term basis." Ms. Greenwood states that it is very much part of SMST-Tubes' strategy to continue to participate in these projects and, through each contract, increase their knowledge and

competence to grow into an even more active and reliable partner. "On the seabed we continue to supply base pipes for manifolds and trees, or flowlines, on new fields as well as for tie backs the world over, in grades such as duplex and super-duplex." She adds that SMST-Tubes are no stranger to high technical requirements linked with installation methods like reeling, which has led to the company successfully completing at least four recent major ground breaking projects because of their location and design. Ms. Greenwood: "On the drilling side, in addition to our activity in OCTG, we also have a sizeable market share in tubing for hydraulic lines required by major drilling riser manufacturers worldwide. Indeed, being a partner for the offshore industry means being able to supply the whole scope of tubular products that the SURF industry requires. This is why our Company is also confirming its ability to supply umbilicals tubing both as sticks and on reels.

The encouraging aspect for SMST-Tubes is that the industry is able to recognize track records in material supply but also in QMS and HSE performance. SMST-

O&G activities will move into even harsher environments including deeper waters, higher temperatures and higher pressures (HP/HT), more corrosive conditions, and colder waters. We have the manufacturing know-how and the technical knowledge to provide materials that will meet the stringent requirements needed to cope with these tough situations, both in downhole and subsea."

Does Mr. Le Rigoleur consider SMST-Tubes to be a one-stop-shop supplier? He tells us: "yes, however, no one single person within SMST-Tubes is responsible for selling all our varied products. Considering the level of specific technical expertise required to promote our niche products, the Company has specialists per product type, accountable for developing that product and for establishing links with the market and coordinating sales, R&D, quality, and production."



Tubes take all these parameters seriously. One may also consider that our success stems from the fact that we aim to have good market coverage and a clear understanding of supply chain management defined by end-users. On the same project, we have the capacity to deal with different interfaces and clients depending on the product supplied, whether for drilling activities, subsea processing or topsides applications.”

Why SMST-Tubes?

“Clients consider our combination of size range and very extensive list of CRA (Corrosion Resistant Alloys) rather unique,” says Ms. Greenwood.

This provides the market with a greater level of flexibility but also a “one-stop” shop for all their bulk bills of materials. SMST-Tubes have also demonstrated over the years their ability and expertise in handling project management with regard to supply of the products but also in all logistics and documentation aspects. “The high standards to which our mills work include not only ISO std but also ASME III std (Nuclear std) which illustrates the Company’s decision to work to the highest standard in each of our designated strategic market segments,” Ms. Greenwood adds. “SMST-Tubes’ list of references includes more than 250 projects over three decades which underlines the historical relationship the company has with the O&G industry. Still, SMST-Tubes are ready to tackle the ever present challenges of the O&G industry and to work with operators and EPCs to develop new products for new applications or environments,” continues Mr. Le Rigoleur.

Mr. Bellinghausen takes up the story: “We relish challenges. We see these as a way of improving our knowledge and our business strategy, which is based on high quality.” He says that the Deepwater Horizon explosion in the Gulf of Mexico



served to demonstrate to the company that the approach they have successfully built on over the years, of having the knowledge in place to guide customers towards the right solution to their needs, is one of the most important reasons for end-users choosing SMST-Tubes, notwithstanding their product range. “At the end of the day,” he says, “it is the customer’s choice to decide what material they want and which supplier they wish to use, but it is also very important to them to have good services as well.”

Ms. Greenwood agrees: “Operators and EPCs are comfortable in approaching SMST-Tubes when they have a specific challenge in the ‘New Frontier’ – when they are looking at pushing the boundaries for use in more extreme environments.” Working to very exacting specifications to ensure that the material supplied behaves as expected by the specifier during fabrication or installation is key. SMST-Tubes have understood that making a long-term commitment to the industry is a serious decision which is not to be underestimated. This is why regular investments in both operations and personnel training are being deployed to further optimize their capabilities.

Keeping up with market standards

“In order to keep up with market standards we collaborate with the Salzgitter Mannesmann Forschung Institute, the R&D company of the Salzgitter Group. We also attend normative groups like the API, ASTM, EN, the ISO so we can share our expertise with these groups and also be fully aware of the latest developments taking place” says Mr. Le Rigoleur.

“Today’s ever increasing challenges also

underline the link with risk management. End customers are increasing their supply chain management in order to minimize risk and that includes full compliance with project technical specifications, surveillance of traceability, validation of testing regimes and witnessing of tests. In addition, we also focus strongly on health, safety and environment in our plants,” says Ms. Greenwood “Operators and EPCs are very conscious of how, and in what conditions, we execute a contract. In line with our Management charter, we take worker safety, as well as the environment, very seriously. At SMST-Tubes we are proud to say that we have, for many years already, successfully implemented the necessary procedures and passed the relevant audits leading to Environmental, Health and Safety accreditations to OHSAS 18001, ISO 14001 and DNV Loss Control Management SIES critical Level 3. This shows that we have fully understood and adopted the industry ethics and philosophy together with sustained commitment to product quality,” she continues.

“The company is also keen to underline that SMST-Tubes strategy is to increase progress in particular fields that are expected of us by the oil companies in order to remain one of their solid partners for the future. What we target is built on experience, a constant relationship with the market, outstanding process control, and sustained R&D. This is also how we can envisage a sustained level of credibility and continued participation in the O&G market,” says Ms. Greenwood.

The direct approach

SMST-Tubes’ sales network is also very keen to observe the supply chain preferred by the end user. Therefore, SMST-Tubes’ customer base is very





varied, respectful of the market's customary organization which may vary depending on geographical areas even for the same product. "SMST Tubes do not launch into any market or any customer base without prior evaluation of all relevant parameters, thus ensuring that the information going down the supply chain to the end-user is maintained. We believe that transparency of technical product requirements with the end-user is important and all links in the supply chain should appreciate this. Good technical evaluation and quality assurance will make the work safer for the whole supply chain," says Ms. Greenwood. Mr. Bellinghausen explains further: "We do have direct contact with the end-user so that we can be sure that what we are doing in terms of product manufacturing and development is in line with the current and future markets. For sure, we recognize the differing roles of the distributor, the EPCs and the fabricator and that each brings his own added-value to the market. We discuss with them the product that is really needed by the end-user, as we are keen to comply with the specifics for the application." "The end-user wants full traceability on every product in terms of quality and we want full traceability within the sales network. We don't want someone taking our product and passing it on without the proper testing, knowledge and advice. We would be held responsible at the end of the day," adds Mr. Le Rigoleur. "The definition of the supply chain does not belong to us," comments Ms. Greenwood. "It always belongs to the end customer and our motto is to adapt. Supply chains differ from project to project. Our role is to identify it and make our scope available to those companies in the chain in the most constructive way

to give added value of technical knowledge, and a product and service quality-oriented approach, in order to serve a particular project. This varies from product to product and from project to project and it's up to SMST-Tubes to evaluate and understand the project philosophy and expectations in order to deliver, whoever the client placing the order may be."

How have the recriminations of the incident in the Gulf of Mexico affected SMST-Tubes' business? "In terms of business or orders it was a setback for the industry as a whole," says Mr. Le Rigoleur. "Firstly, the moratorium in the Gulf of Mexico stopped all business. It has been lifted but there are still very few permits in the Gulf and business, particularly OCTG, has basically ceased in this region for the moment. In the medium to long-term, the industry will need to be even more vigilant. Everyone involved in a project will have to be stricter in the control of their supply chain. Having said this, globalization of the industry today means this is often the case anyway in order to make sure that products meet the right specifications or testing methods to satisfy requirements in different countries. It's a challenge for the whole industry." Ms. Greenwood follows on: "At SMST-Tubes, building steadily on our expertise over three decades of participation in the O&G industry, we have naturally adopted a forward thinking approach investing in both operations and specific training of human resources to ensure that our relationship with the industry is both technically and service orientated. This means that our teams are more readily able to handle the ongoing progress and variations required by our clients as they have to tackle more challenging specialized markets

where we have been growing steadily. It may actually be less perturbing for us to adapt since we have already adopted this approach so we are already predisposed to being monitored. Seeing Operators' or EPCs' inspectors in our factories is quite natural for us. When we enter these contracts we know what are the normal practices and our staff are perfectly comfortable with this."

What does the future hold?

"The industry today is one in which new applications are pushing the performance of existing materials and inevitably leading to the development of new materials," says Mr. Le Rigoleur. "We can see that today's materials – duplex, super-duplex and some stainless steels are close to reaching their limits. We have to think about how these limits can be extended."

"We have further increased the number of our partners in OCTG in order to get closer to all geographical markets and in order to be able to offer more than one product line in these areas; we have improved and strengthened our sales network, partnerships and strategic synergies. This has allowed us to optimize our sales, services, and local knowledge in order to be successful globally," comments Mr. Bellinghausen. "We will continue to focus on the E&P market including SURF and OCTG. E&P provides our Company with typical niche markets where higher spec products are required and more development is taking place, which is where the future for SMST-Tubes lies. We also consider that the Upstream and Downstream markets remain areas in which growth can be achieved in close partnership with end users but also through the strong relation we have with key distributors themselves committed to a quality oriented approach.

And in reviewing our strategies now for this article, it is pleasing to see that we continue to follow the line we set out," he concludes.

SALZGITTER MANNESMANN STAINLESS TUBES

hold "Certificado de Registro e
Classificação Cadastral" – CRCC
from Petróleo Brasília - PETROBRAS

