Safety Climate

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Championing the UK offshore oil & gas industry

- Raise profile
- Promote dialogue
- Deliver industry initiatives
- Engage with governments and other stakeholders
Offshore oil & gas supports the entire UK

- The UK oil and gas industry supports hundreds of thousands of jobs.
- The UKCS delivers more than half of the UK's oil and gas.
- The industry is expected to make a consistent contribution of around £1 billion per year in production tax revenues over the next five years.
- The wider tax contribution from across the supply chain includes employment, national insurance and corporation tax.
Sustaining UKCS Competitiveness

The UKCS: an attractive investment proposition

- The people and skills to effectively service projects and operations
- There are 10-20 billion boe still to be recovered from the UKCS
- The availability of a robust and world-leading supply chain to service the industry
- The UKCS has become much more cost-competitive
- The UKCS is now fiscally competitive
- There is a competitive regulatory regime in place – Focused on Maximising Economic Recovery
- The UKCS has the largest network of infrastructure in place across comparable basins to service offshore developments
- Access to finance is improving

Unit Operating Costs (£ per boe - 2018 Money)

Source: Oil & Gas UK, OGA
Supplier margins fallen by > 1/3rd

Source: Rystad Energy
Oil&Gas UK Supply Chain Principles

1. Risk should be shared and good performance should be beneficial to all.

2. Contracts should reflect mutual SC payment and allow investment for the future.

3. All parties should ensure delivery competence and skill is in place.

4. Contract cancellations should be clearly communicated and not without good reason.

5. Purchasers shall optimise tender & audit requirements.

6. Tenders should be based on value and consider alternative solutions.

7. Alternate bids should be selected for award on merit.

8. Operators and Contractors should discourage “low ball” bidding to avoid unnecessary contract variations.

9. All parties should support respective labour agreements.

10. Operator MD’s will ensure “speaking up” by suppliers is not held against them.
Buzzard Phase II

Definition: Win – Win;
Trading on Issues developing value in the contract for both parties

- Outcome focused Contracts supported by shared KPIs
- Integrated and fully co-located team
- Key Project Management roles filled by Supply Chain
- Transferring/sharing of delivery risk with our supply chain
- Incentivised – Performance Incentive + Gain Share
- Removes profit associated with later delivery

- Relationship Building
- Bartering
- Partnership Joint Problem Solving
- Hagglng / Bidding
- Win Win
- Hard Bargaining
- Trading
- Dealing
- Concession Trading

Win Win Partnership Joint Problem Solving

Bartering

Hard Bargaining

Win Win

Trading

Dealing

Concession Trading
Transition to a lower carbon economy is under way as oil & gas remains vital to the economy.

Oil and gas will continue to meet around two thirds of UK energy demand in 2035 – it is crucial that as much of this as possible is met from indigenous sources.
Our Vision
Our Future

With oil and gas still required to meet over two thirds of the UK’s energy demands by 2035, domestic production provides security of energy supply.

Our shared ambition for our industry’s future, Vision 2035, seeks to add at least a generation of productive life to the UK Continental Shelf and expand supply chain business opportunities at home, across the world, and into other sectors. It will help unlock billions of pounds of revenue.

Join the conversation: www.energyvision2035.com

Vision 2035
Together, for a brighter future.
Thank You
Deirdre Michie, CEO
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Aviation Programme Director

Maritime & Coastguard Agency
Maritime & Coastguard Agency

Driving value through procurement
Why do we operate aviation?
- The preservation of life on land, on the coast and out to sea.

What do we have in common?
- Invest significant sums of money in aviation.
- Aviation is absolutely critical to our business.
- We have to justify every last penny we spend.

What are our common goals?
- Bringing people home safely every day.
- Achieving value for money in our contracts.
- Awarding contracts that are affordable.
What we do

- The MCA operates helicopters and planes from 11 locations.
- 22 helicopters and 7 planes form the MCA’s aviation fleet.
- The MCA spends over £4m every week on aviation.
- It undertakes around 3,000 taskings.
Government’s sourcing approach

- Government’s sourcing approach strips out waste and reduces costs
- We have a requirement to carry out significant levels of pre-procurement market engagement with a diverse range of prospective suppliers.
- Contracts are broken down into lots where appropriate to broaden the opportunity for potential operators.
- Procurement completed inside 120 days.
How we drive value through procurement

- A focus on safety as both an assurance and risk mitigation measure.
- An appropriate balance of risk and reward.
- Truly output based specifications.
How we drive value through procurement

- Appropriate contract lengths.

- Sufficient protections for the Authority, with an exit strategy that includes the ability for the Authority to ‘step-in’.

- A roll-over strategy that allows assets to be transferred to a new operator at the end of the contract at an agreed amortised price.
How we manage our contractual relationship

- A clear focus on safety in an inherently high risk service.
- A partnership arrangement between contracting authority and the contractor.
- A balance between risk and reward that is shared between contracting authority and contractor.
How we manage our contractual relationship

- Key performance indicators that are linked to contract payments.
- Change control procedures.
- A highly competent contractor that interfaces with an intelligent authority client.
- An escalation route for issue resolution that negates the need to take the contract out of the cupboard.
Thank you

Damien Oliver,
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