



Oil & Gas
Authority

Supply Chain Delivery Programme



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1. Foreword

The Oil and Gas Authority (OGA) was established to regulate, influence and promote the UK oil and gas industry, in conjunction with other regulatory authorities, and has a range of powers to deliver this remit.

The development of a series of strategies and associated delivery programmes represents a key step in setting out how the OGA, government and industry should work together to maximise economic recovery (MER) from the United Kingdom Continental Shelf (UKCS) – a core recommendation of the Wood Maximising Recovery review.

The MER UK Strategy underpins the OGA remit and became a legal obligation on licensees in March 2016. It describes how MER should operate in practice, setting out a legally binding obligation on licensees and others to take the steps necessary to secure the maximum value of economically recoverable hydrocarbons.

The MER UK Strategy also sets out a range of supporting obligations and safeguards, as well as the actions and behaviours required to achieve collaboration and cost reduction.

The purpose of these strategies and delivery programmes, developed in collaboration with industry and the MER UK Boards, is to promote a new way of working across the oil and gas lifecycle. The strategies set the key direction and the delivery programmes provide further direction and detail on the implementation of each strategy.



2. Executive summary

The UK oil and gas service sector can help play a crucial role in the delivery of MER UK, supporting just under 80%¹ of the UK's oil and gas jobs and generating significant value throughout the UK.

This Supply Chain Delivery Programme is primarily focused on the next 18 months and as such will be a living document which will be updated as necessary to ensure it remains current and focused on the correct priorities. It builds on the Supply Chain Strategy and describes in more detail how and when the focus areas will be delivered.

In prioritising those actions for immediate attention, consideration was given to those which would produce the greatest impact and were deemed achievable in the short term. They are illustrated on the Boston Square and other areas will be taken forward as appropriate. In addition to the Supply Chain Strategy which was developed in partnership with the MER UK Supply Chain, Exports and Skills (SCES) Board, obligations and commitments from the OGA Corporate Plan have been considered and are aligned with this document.

The three priorities in the strategy form the basis for the overall Delivery Programme as shown in Figure 1 below.

The Delivery Programme is structured in two parts.

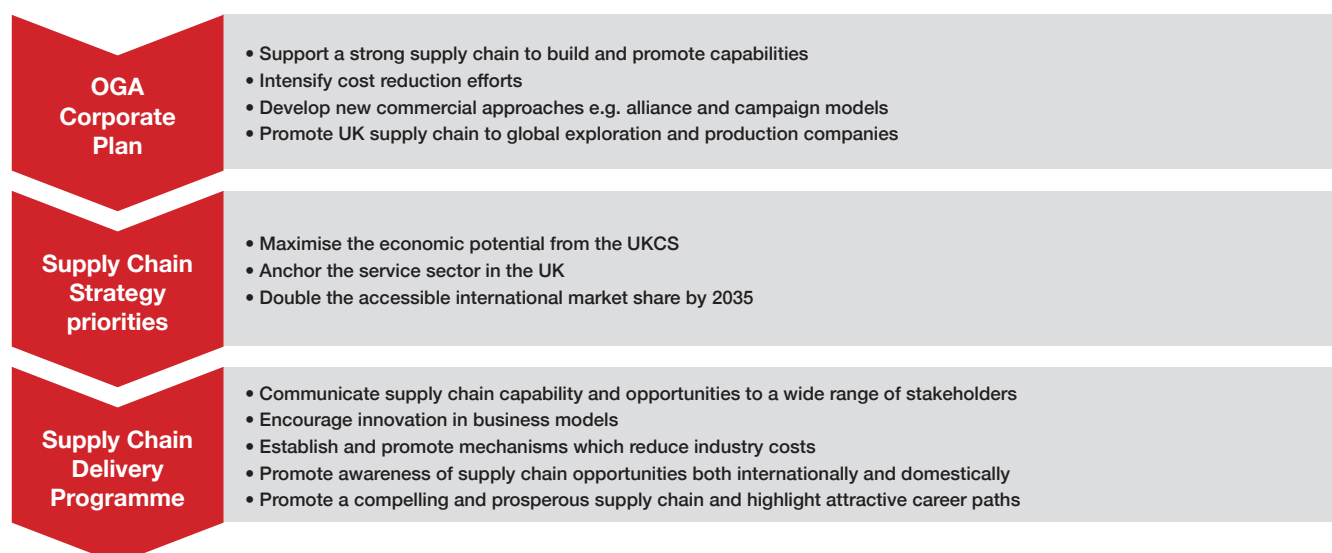
Section 3 provides a brief narrative of each of the five Supply Chain Delivery Programme elements, indicating how the inputs have been considered and detailing the planned deliverables.

Section 4 contains a schedule indicating the timing of deliverables.

The current lower oil price environment presents a constantly changing picture and there is an immediate requirement to reshape the supply chain so it is delivering competitive advantage to meet the new industry drivers. This represents an opportunity for much of the supply chain but will require investment and a significant change in business behaviours, driven by cost and efficiency together with the application of new technology.

A key element of the Delivery Programme is proactive engagement with a wide range of stakeholders. The OGA is committed to work with the MER UK SCES Board and wider industry to ensure concerns, opinions and suggestions are captured, assessed and considered in the development and implementation of these plans.

Figure 1: Building the Delivery Programme

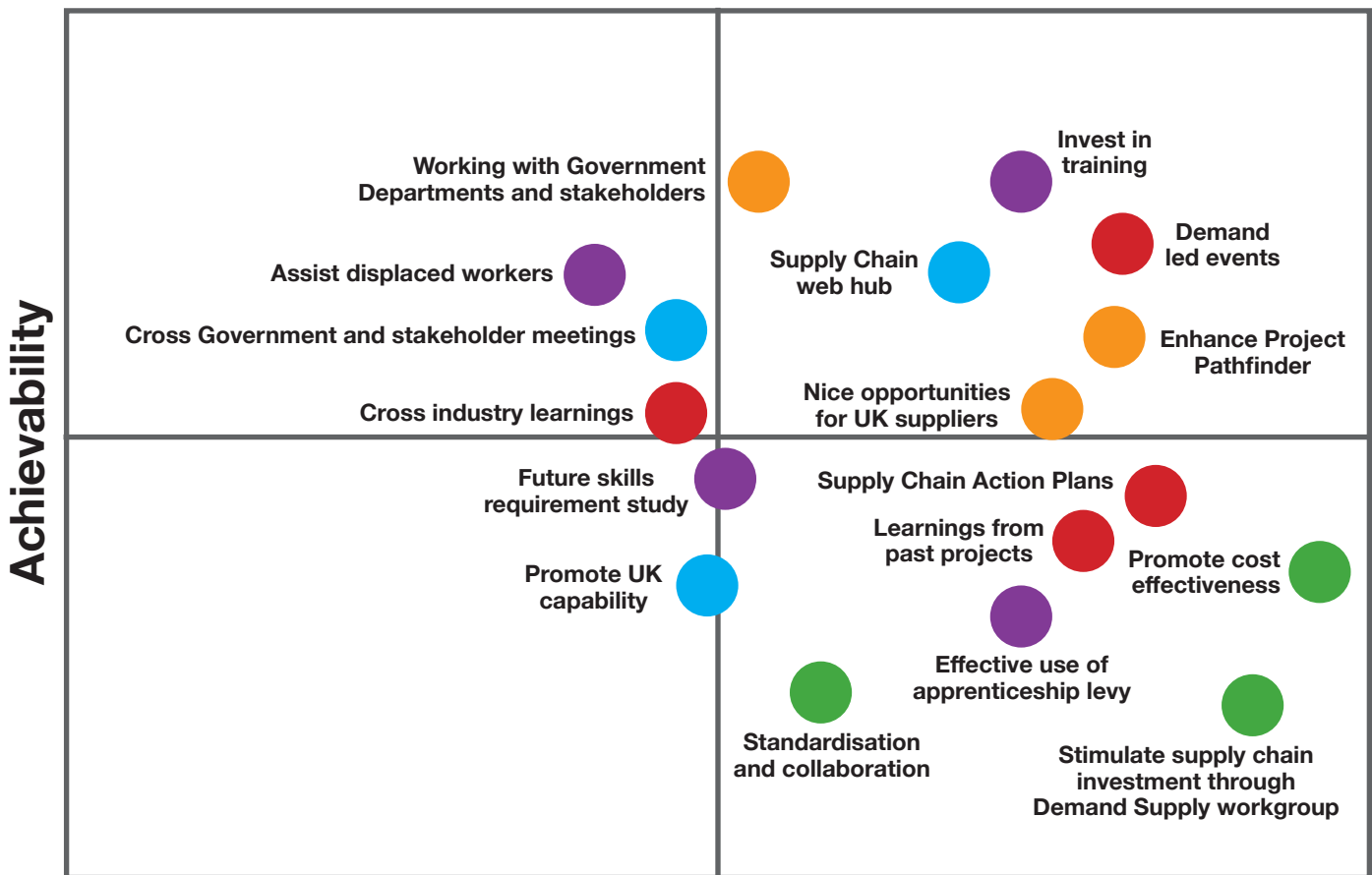


¹ EY "Fuelling the next generation" report, 2014

3. Supply Chain Delivery Programme elements

This Supply Chain Delivery Programme is comprised of five elements, each of which has been identified as an area requiring immediate attention to commence delivery of the Supply Chain Strategy. In doing so, it is intended to build alignment across industry, improve cost efficiencies and grow the share of both domestic and international markets.

Figure 2: Boston Square – impact and achievability



- Engagement
- Business Models
- Cost Efficiency
- Market Growth
- Supply Chain Capability

This The five elements of the Supply Chain Delivery Programme are:

Communicate supply chain capability and opportunities to a wide range of stakeholders

Encourage innovation in business models

Establish and promote mechanisms which reduce industry costs

Promote awareness of supply chain opportunities both internationally and domestically

Promote a compelling and prosperous supply chain and highlight attractive career paths

The following sub-sections describe each element in the following structure:

Objective

Inputs

Activities

Responsibilities

Deliverables

Schedule

3.1 Communicate supply chain capability

| Objective | Activities |
|--|---|
| The objective is to engage the key players in the industry: governments (both UK and Scottish), operators, service sector companies of all sizes and trade associations to aid delivery of the Strategy. | Develop a comprehensive online supply chain hub with up to date information on activities and ongoing initiatives |
| Inputs | Engage with cross government departments (UK and Scottish) and regional development bodies on a range of supply chain issues as well as promoting the supply chain capabilities |
| Information on industry issues from government departments, trade associations and individual companies | Develop a process to share information widely on the capability of the UK supply chain as well as an engagement plan |
| Time and commitment from leaders in industry to listen to, and engage all stakeholders | Responsibilities |
| | Oil & Gas UK to lead on the development of a hub supported by the MER UK SCES Board and other stakeholders |
| | OGA along with other governments departments and regional development bodies to develop relevant agendas and organise meetings |
| | The MER UK SCES Board working with stakeholder networks to engage with wider industry to develop a comprehensive programme |

| Deliverable | | Planned Date |
|-------------|--|--------------|
| 1 | Oil & Gas UK web based supply chain hub | Q4 2017 |
| 2 | Examples of government policies aligned and shared with industry | Q1 2018 |
| 3 | Engagement matrix developed to demonstrate all levels of the industry are aware of UK quality and capability | Q1 2018 |

3.2 Encourage innovation in business models

| Objective | Activities |
|---|--|
| The objective is to support the service sector to develop greater competitive advantage and cost efficiency, ultimately unlocking future investment and projects and promoting quality and value as well as sharing good working practices. | Operators to complete Supply Chain Action Plans for new field developments in excess of £25 million and decommissioning projects over £10 million |
| | Communicate project analysis outcomes to demonstrate where value has and has not been achieved |
| | Identify potential value-add contract models from other sectors including aerospace and nuclear which could be implemented in the oil and gas sector |
| | Create an environment to bring operators and contractors together to communicate demand opportunities, share learnings and test contract models, including decommissioning |
| Inputs | Responsibilities |
| Operators communicating demand needs and being open to new contracting models | Operators to complete Supply Chain Action Plans as part of the Asset Stewardship process |
| Project information from operators on existing, new and decommissioning projects | OGA along with the MER UK SCES Board to develop a communication platform to distribute the outcomes of the project analysis work |
| Information from government departments, trade associations and individual companies about best practice from other sectors | Scottish Enterprise cross industry lessons workgroup to engage with other sectors, as well as input from government departments and trade associations |
| | OGA to work with trade associations and government departments to deliver industry engagement events |

| Deliverable | | Planned Date |
|-------------|--|--------------|
| 1 | Implement Supply Chain Action Plan process for both new field development plans and decommissioning projects | Q2 2017 |
| 2 | OGA website section to communicate generic project outcomes | Q3 2017 |
| 3 | Deliver a suite of transferable lessons learned from other sectors | Q4 2017 |
| 4 | Deliver relevant business demand-led events focusing on decommissioning | Q1 2018 |

3.3 Improve cost efficiencies

| Objective | Activities |
|--|--|
| The objective is to unlock new investment work across the entire industry, promoting innovative working practices to achieve cost efficiency measures that deliver sustained cost reduction approaching 30% ² . | Develop and promote a basin-wide acknowledgement and approach to focus on efficiency and cost effectiveness |
| | Promote the benefit of standardisation and collaboration and the benefits of adopting new contracting models across all activities |
| | Catalyse and work to stimulate specific targeted investment to meet emerging demand as well as establishing a short term MER UK SCES Board working group to develop this further |
| Inputs | Responsibilities |
| Cost efficiency lessons learned from other sectors | MER UK SCES Board with help from the Efficiency Task Force (ETF) to revisit existing efficiency initiatives e.g. LOGIC and update as appropriate |
| Information on innovative cost-saving contracting models from individual companies, trade associations and government departments | ETF to develop good practice and standardisation models to drive new behaviours |
| Time and commitment from leaders in industry to analyse, learn and communicate | MER UK SCES Board workgroup to develop a demand-led agenda which will give confidence to the supply chain to invest for the future |

| Deliverable | | Planned Date |
|-------------|--|--------------|
| 1 | Provide database of all efficiency tools, including LOGIC | Q4 2017 |
| 2 | Good practice guidance notes to be developed based on lessons learned from other sectors | Q1 2018 |
| 3 | Case studies to demonstrate improvement in supply chain productivity and competitiveness | Q2 2018 |

² Using 2014 figures as the baseline

3.4 Increase share of export and domestic market

| Objective | Activities |
|--|--|
| <p>The objective is to sustain a competitive and vibrant service sector, operating globally, based in the UK. This includes strengthening both domestic and global market share through technology, efficiency and innovation, aligned to the government's Industrial Strategy. In parallel, work should be done to promote the quality proposition delivered by UK companies versus lower cost economy competition.</p> | <p>Provide demand information to the service sector to enable it to invest, be competitive and bid for work through an enhanced Project Pathfinder platform, including decommissioning</p> |
| Inputs | <p>Promote campaigns to highlight the quality and capability of the UK supply chain and identify niche opportunities</p> |
| <p>Information from government departments and trade associations on developing accessible global opportunities</p> | <p>Work with companies, trade associations and UK Export Finance (UKEF) to facilitate information flow which will assist companies to compete globally and enter new markets</p> |
| <p>Future demand information from operators to stimulate supply chain investment</p> | Responsibilities |
| | <p>Operators to provide information on all possible projects and technology demands</p> |
| | <p>MER UK SCES Board 'promotions' work stream led by Oil & Gas UK along with government departments and Oil and Gas Technology Centre (OGTC)</p> |
| | <p>MER UK SCES Board 'exports' work stream, government departments and OGA to develop guidance on accessible funding and global opportunities</p> |

| Deliverable | | Planned Date |
|-------------|---|--------------|
| 1 | Enhance Project Pathfinder and future work plan database portal | Q3 2017 |
| 2 | Government departments to publish data on relevant opportunities and international business successes | Q1 2018 |
| 3 | Examples collated highlighting additional companies exporting through help from government departments/agencies | Q1 2018 |

3.5 Retain and develop UK supply chain capability

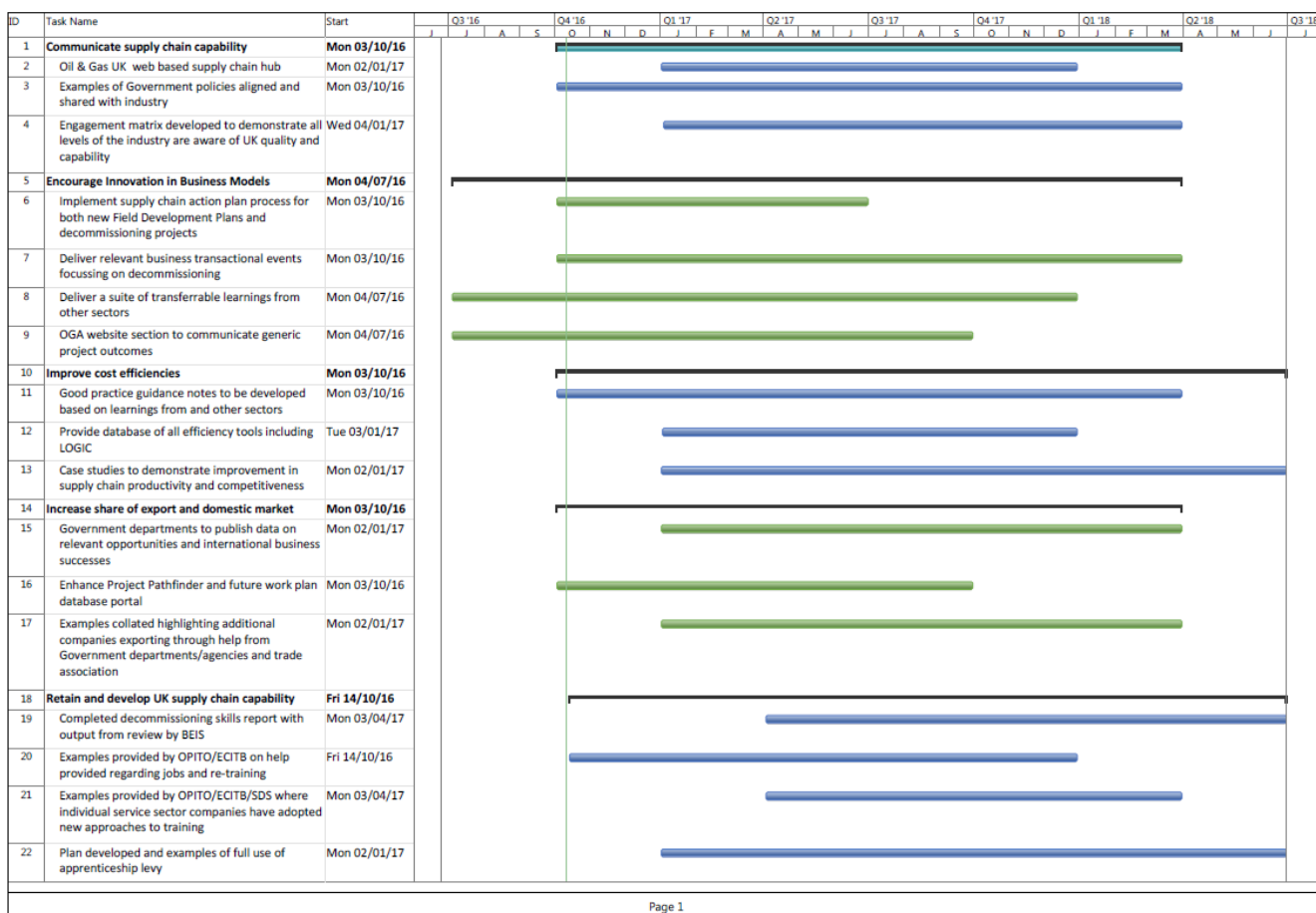
| Objective | Activities |
|--|--|
| The objective is to ensure the ability for the UK to emerge from the current downturn with sufficient capability and capacity to respond to a change in economic conditions, without creating rapid inflation. | Make effective use of the Scottish Transition Training Fund and tap into the Talent Retention Scheme (TRS) to help displaced workers find opportunities in other industrial sectors |
| Inputs | Stimulate new investment in training development and work in focus areas |
| Information on changing workforce numbers from government departments, trade associations and individual companies | Work with industry to develop robust plans to ensure Apprenticeship Levy is put to full use |
| Information on new skills required for emerging work areas e.g. decommissioning | MER UK SCES Board Skills work stream (under OPITO) to coordinate a review of the anticipated skills required for changing working environments, starting with decommissioning |
| Time and input from leaders in industry to listen to and engage all stakeholders | Responsibilities |
| | Energy Jobs Taskforce (EJTF), Skills Development Scotland (SDS), Scottish Government, OPITO and Engineering Construction Industry Training Board (ECITB), together with TRS which is supported by Department for Business, Energy and Industrial Strategy (BEIS) to help displaced workers |
| | Individual companies with support from OPITO, ECITB and SDS to maintain investment in training in the current business climate |
| | Natural Environment Research Council (NERC)/ industry/BEIS/SDS/OPITO/Department for Education working with MER UK SCES Board skills work stream to maximise the impact of the Apprenticeship Levy |
| | MER UK SCES Board 'skills' work stream (under OPITO) to work with BEIS |

| Deliverable | | Planned Date |
|-------------|--|--------------|
| 1 | Examples provided by OPITO/ECITB on help provided regarding jobs and re-training | Q4 2017 |
| 2 | Examples provided by OPITO/ECITB/SDS where individual service sector companies have adopted new approaches to training | Q1 2018 |
| 3 | Plan developed and examples of full use of Apprenticeship Levy | Q2 2018 |
| 4 | Decommissioning skills report completed by MER UK SCES Board 'skills' work stream (under OPITO) | Q2 2018 |

4. Delivery Programme schedule

Figure 3 shows a summary of all the actions and major activities covered in the delivery programme.

Figure 3: Supply Chain Delivery Programme Schedule



5. Acknowledgements

This Supply Chain Delivery Programme has been compiled with the help, input and advice of many people and organisations. The OGA would like to acknowledge the following specific contributors.

Key leadership from the MER UK SCES Board, comprising representation from the following organisations:

- Expro Group
- BEIS
- IMES Group
- Oil & Gas UK
- Scottish Government



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