



Oil & Gas
Authority

Stewardship Expectations

SE-05 Robust Project Delivery
Implementation Guide

1. Objectives

Improving project performance – with an overall aim to ensure on-time, at-cost delivery and initial production performance – is one of the key themes of asset stewardship. The predictability of ‘delivering as promised’ retains value, reassures investment and, therefore, supports the principal objective of maximising economic recovery of UK petroleum (MER UK).

This implementation guide provides direction to promote good project delivery in line with MER UK expectations to:

- Promote assignment of accountable leadership, a delivery organisation and governance
- Ensure that an established project management system is in place and used
- Ensure sufficient front-end preparation and benchmarking has been completed prior to project sanction

The OGA will judge the success of a project by its delivery at key milestones, rather than the operator’s specific processes employed to deliver it. The intent is to provide expectations for certain key elements which many in industry, operating across the oil and gas lifecycle, have found useful to deliver successful projects and which, if followed, will help to facilitate the MER UK Strategy.

The OGA acknowledges that introducing more process steps, requirements and reporting is unlikely to transform project delivery in the UKCS as it can dilute personal accountability and responsibility and create a reduced focus on project outcomes. Building a project culture to align all staff involved (including the supply chain) to a common cause is as valuable as any suggested activity in this implementation guide. This can be created via a number of organisational models which will vary between operators and joint ventures. Furthermore, the ability of operators to manage their projects is regarded as a competitive differentiator between them.

2. Indicators to assess delivery

An ability to demonstrate the following provides support towards meeting MER UK obligations and delivery of this Stewardship Expectation. This Stewardship Expectation focuses on major capital projects, however the same principles are also applicable to decommissioning projects.

2.1 Accountable leadership and delivery organisation

There is a strong relationship between project performance and the people employed to deliver it, as well as how they are organised. When managing and delivering projects, each organisation will rely to a great extent on leadership, behaviours, skills and competences of those involved in the team. It requires individuals to focus on expected outcomes, to apply judgement in executing their responsibilities, and to involve the right people at the right time.

The following elements are expected:

- a. Projects have a clear governance structure with defined roles and responsibilities and are resourced by professionals with the appropriate level of competence (skills, experience and track record). The structure includes representation from critical business and functional (technical and non-technical) expertise, reflecting the particular project's specific characteristics, exposure and significant risks (upside and downside)
- b. An initial analysis will have identified both internal and external stakeholders, their roles and their timely involvement throughout the project. This will include co-venturers and government bodies
- c. The governance structure will define who is singularly accountable, at key decision points, for deciding whether to stop, hold or continue the progress of the project through the decision making process and who is assisting/supporting
- d. The singularly accountable person is responsible for accuracy of reporting to external stakeholders
- e. Team capability is known, including the appropriate numbers and competence of people and the organisational structure, including its relationship with governance and any delegated accountabilities
- f. An individual is appointed to be accountable for integration across disciplines
- g. Decisions on co-location, line reporting, shared services and terms and conditions in commercial/contract agreements – along with management responsibilities and accountability – are established from the outset
- h. The project organisation is established to support the scope and contracting strategy. Resource level contingency is required in case of evolving issues (e.g. poor supply chain performance)
- i. Project organisation documentation is presented showing named individuals, reporting lines and who is dedicated or in a supporting role. Changes in the composition of the organisation over time (e.g. design, construction, commissioning phases) and an accompanying project lifecycle histogram is necessary for recruitment planning and the overall project cost estimate
- j. Project managers possess and demonstrate strong leadership and people management qualities which will enable them to: lead the project; take decisive action when required; develop, lead and inspire their team; identify and resolve conflict early; identify and engage with internal and external stakeholders appropriately; and influence the team dynamic to maintain focus, drive and motivation
- k. The early appointment of the project manager and other key positions provide continuity from the start of front-end engineering design (FEED) through to start-up
- l. Senior operation and commissioning and start-up (CSU) representation is required from an early stage to minimise problems with meeting initial production targets

2.2 Project management system and decision making

The following elements are expected:

- a. A published project management system (which could be part of an overall business management system) is known, understood and used by the organisation
- b. A documented description of the decision making process or gates, including stage-specific progression criteria and decision hold points. Specifically, the OGA expects a similar level of definition (e.g. scope, cost, schedule, commercial maturity etc) at:
 - Draft Field Development Plan (FDP) issue (end of concept phase)
 - FDP approval (investment decision)
- c. The stage gate system will formally decide and document whether to proceed to the next phase, to hold, stop or recycle. These decisions are taken at each decision gate, when new information becomes available or when specific milestones in the progress of the opportunity are reached
- d. A project-specific risk management process has been developed which is highly visible on a monthly basis. Non-technical risks are integrated in the risk assessment. Risks, opportunities and contingency allowances are included and are proportional to the stage of design, basis of estimate information and schedule of the project
- e. Documented (e.g. minuted) output of decisions made at each key decision point (stage gate or check point) to illustrate what (and why) major decisions were taken
- f. Annual project plans are signed off by appropriate level within the organisation, including partner endorsement where applicable. Annual plans or a scorecard is widely communicated
- g. Assurance and audit plan, including follow up process, should form a critical part of the project management system which should be appropriate to the size/complexity of the project
- h. A specific management of change process is in place. Major changes to the business outlook, investment strategy and FDPs are formally reported to the OGA
- i. A quarterly presentation to the OGA about the project, highlighting issues early and specifically focused on cost/schedule/economics against the baseline FDP plan

2.3 Front-end preparation and decision making

The following elements are expected:

- a. Benchmarking assessments have been carried out prior to all major investment decisions for cost and schedule
- b. A Project Execution Plan (PEP) has been developed in parallel to the FDP in the pre-investment phase and should be recompiled and updated at each stage of the project. The PEP should include sections comprising:
 - Schedule
 - Project organisation
 - Contracting strategy (including a Supply Chain Action Plan¹)
 - Cost estimate (P50 with accuracy -10%/+20% or better)
 - Risk and opportunity management
- c. A resource-loaded, risk-based (sometimes referred to as probabilistic) schedule including key decision points (e.g. stage gates, partner approvals, shutdowns) as well as permitting requirements. The overall project schedule includes contractors' resourced schedules
- d. Emphasis placed on performing probabilistic cost estimates and sensitivity analyses that provide an impression of the project's range of uncertainty
- e. Endeavouring to finalise all commercial arrangements with all remaining agreements included in the overall project schedule, including appropriate schedule allowance for recycle
- f. Lessons learned events to have taken place prior to the commencement of the next phase of the project
- g. Contingencies included for new technologies to mitigate any significant and unexpected impact on cost and schedule
- h. An assessment of readiness (relative to the value drivers) against minimum gate acceptance criteria specified by the organisation and the provision of a clear YES/NO recommendation to the governance organisation on the project's readiness to proceed to the next phase. This can be done by the project team (enforcing their accountability) or by an independent competent team

If development plans do not adequately cover all aspects for effective project delivery the OGA may seek amendments.

¹ As defined in the OGA Supply Chain Strategy published in October 2016 <https://www.ogauthority.co.uk/news-publications/publications/2016/supply-chain-strategy/>

3. Demonstrable consideration of MER UK for new and existing infrastructure

The following elements are expected:

- a. Improved Oil Recovery (IOR) and Enhanced Oil Recovery (EOR) screening is conducted (as necessary) for approval in all draft FDPs. This includes the development of any necessary technologies to promote EOR²
- b. Operators progress high-graded EOR resource opportunities in all relevant new FDPs and FDP addendums
- c. Before commencing decommissioning of any infrastructure, operators ensure that all viable options for their continued use have been suitably explored, including those which are not directly relevant to the recovery of petroleum such as the transport and storage of CO²

Depending on their relevance on each particular project/development, the OGA expects:

- a. Early engagement with the OGA prior to developing FDPs (at the start of the concept selection phase) and decommissioning programs (see SE10 – Planning for Decommissioning)
- b. That EOR is considered and implemented early to reap the most benefit. The starting point being justifying why EOR techniques are not being implemented
- c. Focus on ultimate recovery in addition to NPV in development planning
- d. Compliance with SE01 – Joint Hub Strategy expectation

² See the OGA Technology Delivery Programme and EOR Strategy: <https://www.ogauthority.co.uk/news-publications/publications/2017/technology-delivery-programme/> and <https://www.ogauthority.co.uk/news-publications/publications/2016/enhanced-oil-recovery-strategy/>

4. OGA Stewardship

Delivery of this Stewardship Expectation will be demonstrated via:

- a. FDP approval process <https://www.ogauthority.co.uk/exploration-production/development/field-development-plans/>
- b. Data submitted as part of the OGA's annual Asset Stewardship Survey <https://www.ogauthority.co.uk/exploration-production/asset-stewardship/surveys/>
- c. The Asset Stewardship Tier Review process <https://www.ogauthority.co.uk/exploration-production/asset-stewardship/reviews/>
- d. The efficacy of the major project review meetings, including decision-gate meetings between joint venture partners for major investment projects (of £300 million or more) for greenfield, brownfield and decommissioning projects³

Additional Resources

- Certified business management system in accordance with ISO-9001 or similar
- Decision quality used as per six elements defined by Strategic Decisions Group or similar, see: <http://www.sdg.com/thought-leadership/decision-quality-defined/>
- SPE Technical Report “Guidance for Decision Quality for Multicompany Upstream Projects”; 24 February 2016
- ECITB Project Collaboration Toolkit. The toolkit sets out the basic principles of project collaboration for the oil and gas sector: <https://www.ecitb.org.uk/Project-Management/Collaboration/Project-Collaboration-Toolkit>
- The cost estimate methodology adheres to recognised industry standards of good practice for estimating e.g. Association for the Advancement of Cost Engineering (AACE)
- Contract Management Guide, CIPS (Chartered Institute of Purchasing and Supply)
- Engineering Construction Industry Productivity Improvement Committee (EPIC) Best Practice Guides – Contract Management Guide
- APM Body of Knowledge (BoK) 6th edition

³ Under Part 2, Chapter 4 (Meetings) of the Energy Act 2016 the OGA may issue a notice requiring notification of certain meetings and may attend such meetings: <https://www.ogauthority.co.uk/regulatory-framework/powers-sanctions/>



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