



Oil & Gas
Authority

Supply Chain Action Plan (SCAP) Report 2021

Promoting value-adding
contracting and collaboration

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1. Introduction

A strong supply chain, anchored in the UK, is a key enabler for the oil and gas industry to meet its obligations to *Maximise Economic Recovery* and also *assist the Secretary of State in meeting the net zero target by 2050*.

The OGA has a role to work with industry to ensure operating companies and license holders take the appropriate steps to ensure their work with the supply chain is effective and successful. As the basin moves into a new chapter of energy transition, the same supply chain will be at the forefront of delivering value. The Supply Chain Action Plan (SCAP) process is one of a number of ways in which the OGA works with industry to drive a more collaborative and innovative culture to deliver projects. This report highlights some of the successes which are already evident in enhanced project delivery, fully aligning with the OGA Strategy and Net Zero obligations.

2. Background

Context

SCAPs were introduced in 2018 following consultation with industry. They were identified as being required following a 2017 OGA report that reviewed the execution performance of a number of major oil and gas development projects between 2011 and 2016. This report highlighted, amongst other things, that over 75% of projects executed in the UK Continental Shelf (UKCS) during that period were less than optimum; either delivered late and/or significantly over budget. The report identified several contributory factors and made recommendations for future improvement, including early and collaborative engagement with the supply chain.

Purpose

The purpose of a SCAP is to:

1. Facilitate and evidence that operators are deriving maximum value and have robust contract strategies, including: pursuing best value from contract awards, embracing innovation and moving away from the old lowest cost culture;
2. Support operators' Field Development Plan (FDP) or Decommissioning Plan (DP) submission in order to be well positioned in delivery of their commitments;
3. Enable the operator to highlight how they intend to contribute towards 'Total Value Add' through fair, open and early engagement with the supply chain.

In addition, other outputs from the SCAP process include:

- Monitoring cost trends and understanding causes on an industry-wide basis;
- Benchmarking and promoting best practice including collaboration, both between operators and with supply chain of any tier;
- Sharing success and lessons learned.

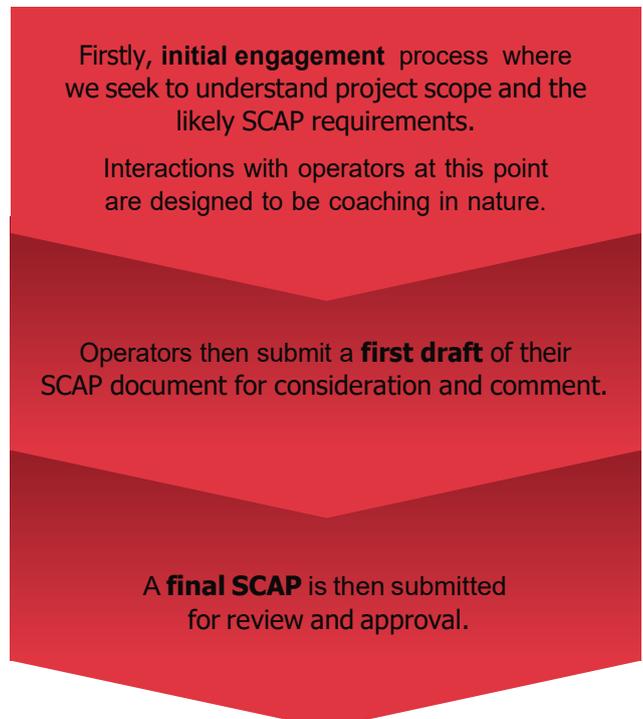
Process

An approved SCAP is required as part of the Field Development Plan (FDP) and Decommissioning Programme (DP) assessment and approval process.

SCAPs are also an integral part of two of the OGA's Asset Stewardship Expectations (*SE-05 Robust Project Delivery and SE-10 Planning for Decommissioning*). Under these expectations, licensees are required to achieve full value from their licence assets, including demonstrating effective working relationships across their supply chain, and a SCAP is an important part of this process.

The OGA has published guidance on the SCAP process including the detailed assessment criteria.

The SCAP review and approval process has several key steps:



All SCAPs are reviewed against their content, process and the assessment criteria:

Engagement, Trust, Innovation and Quality.

3. Review of SCAPs in 2020

Summary

The process is now well established, with operators actively seeking discussions earlier in the project lifecycle, at which time they present their supply chain engagement strategy and plan.

Several SCAPs received in the first year related to projects that were already underway. However, the benefit gained during this period was significant; enabling market data to be gathered (i.e. price changes, market conditions etc) and to build strong relationships between supply chain and operator project teams.

The SCAP process is about challenging and testing plans to ensure licensees avoid known pitfalls in the contracting relationship, including the “master/servant” model between themselves and the supply chain.

Although some of the early SCAPs contained elements of this approach, there has been a marked change in attitude. The OGA has encouraged this transition through engagements, sharing best practice and alternative “value adding” contracting strategies.

Many companies initially sought guidance on their early SCAPs but have quickly gained confidence and embraced the process; voicing their appreciation for this support. Additional comments received have highlighted how the SCAP process has raised awareness of supply chain activity amongst senior management, with less deviation from procurement strategies during the project execution phase. The OGA is witnessing a positive change in how operators approach the market, use Pathfinder, embrace innovation, build upon lessons learned and consider value-driven incentivised contracts. This is a positive step change in how business is undertaken in the UKCS and is helping to drive additional value into project delivery.

SCAPs data

The SCAPs received during this period show the effect in part, of the COVID 19 pandemic, and the impact on the sector. Activity levels slowed significantly during 2020, albeit the OGA has seen an increase in planning for decommissioning. This is evidenced in table (A) below.

2020 saw a lower than expected level of SCAPs relating to FDPs submitted, most likely due to COVID and the significant reduction in commodity prices. Despite this however, the OGA still received SCAPs this year relating to projects worth a total of £1.98 billion, as well as decommissioning plans estimated at £950 million – a combined total of just under £3 billion.

A	Received in 2020	Estimated value
SCAPs Linked to FDP(A)	6	£1.98 billion
SCAPs linked to DP	15	£950 million

Note: SCAPs received/approved during 2020 are not comparative to FDPs/DPs received in the same period.

B	Approved in 2020	Estimated value
SCAPs Linked to FDP(A)	7	£755 million
SCAPs linked to DP	7	£730 million

Observed behaviours

During the SCAP process in 2020 we have observed a number of strong, positive behaviours from operators in their work with the supply chain. In terms of meaningful impact the greatest of these has come over the last few years in the increasing focus on collaboration between operators and their suppliers.

This collaboration is one of the main behavioural changes driven by the SCAP process. As an example, the OGA has seen one operator form a collaborative partnership with the supply chain to unlock increased production through creative – but fair – commercial models that allowed work to progress with risk and rewards shared. In addition, there are numerous examples of the operator community actively seeking solutions from the supply chain and engaging earlier in the process than would have been the case in the past.

Whilst most operators are changing their culture, drawing on the skills and expertise of the service sector to unlock and bring forward work deferred due to the low commodity pricing and COVID restrictions, there remain some instances of poor behaviour with adversarial stances taken by some operators. For example, one operator repeatedly tendered the same scope of work only for the project not to proceed. This cost the supply chain significant sums in tendering and potentially weakened the standing of that operator when it comes to future tendering activity. More positively we have also witnessed the mirror of this “old school” approach. There has been a marked increase in “design competitions” or “paid tenders” where early engagement with the supply chain before scope definition is leading to some innovative and cost-effective solutions. Many operators now acknowledge the supply chain may hold the key to unlocking projects and are now reaching out more proactively.

There is evidence this collaborative approach is driving a positive influence. The Project Insight Report developed and published in 2019¹ states “*use of Pathfinder and Supply Chain Action Plans (SCAP) by operators through the project life cycle is ensuring early engagement of the supply chain to support successful project delivery.*” Significant improvements were noted in project execution both in terms of delivery **on time** and **on budget** and while there were a range of influencing factors there is no doubt a number of these improvements can be attributed to culture change driven by SCAPs.

¹ Oil and Gas Authority: Projects Insights Report - 2019 - Publications - News &
publications (ogauthority.co.uk)

4. Case Studies

The OGA identified a number of projects and/or practices that is believed reflect the four key pillars of the SCAP process: engagement, trust, innovation and quality.

With respect to **engagement**, we can see evidence of this in Fairfield's competitive dialogue process or EnQuest's webinars. **Innovative** approaches to project delivery have generated value for CNOOC with the alliance model approach, while Apache has identified **trust** as one of the key elements that helped successfully deliver Garten in record time.

CNOOC – Buzzard Phase II



Mid-execute progress update on Buzzard Phase II project Alliance culture and behaviours:

CNOOC International engaged early and collaboratively with the supply chain to build competitive offers for an alliance to deliver the Buzzard Phase II project.

The chosen alliance, comprising six contracting companies – AGR Well Management, Baker Hughes, COSL Drilling Europe AS, Subsea 7 and Worley – was selected as it offered an integrated, collaborative and outcome-focused approach.

The alliance was jointly focused on the safe and efficient delivery of first oil in 2020, however, this schedule was no longer feasible due to the COVID-19 pandemic and delayed Forties Pipeline System shutdown. These external impacts were proactively managed by the alliance and a revised schedule was developed targeting first oil in Q4 2021.



Aligning culture and behaviours can be a challenge in large brownfield projects like BPII. Initial challenges on the drilling scope were overcome by the integrated team with the addition of CNOOC personnel. Some adjustments were made to the roles and responsibilities in project management, project controls and drilling.

The ECITB collaboration toolkit has been used as a model to benchmark alliance culture and behaviours. Particular emphasis was placed on early workshops and the adoption of a charter and shared vision by all parties. CNOOC and the alliance management regularly and critically examine alliance behaviours, scoring over 80% to date for the alliance member companies.

The alliance has worked collaboratively to minimise schedule and cost impacts and is now on target to achieve the revised first oil date within the sanctioned budget.

The overall success of the alliance will be the focus of a post-execute review held by CNOOC and its partners on the Buzzard field. It is expected this will provide valuable lessons for the application of collaborative supply chain models for future projects.

**Steve Cooper, Buzzard Phase II
Project Manager, CNOOC International**



Apache – Garten

The Apache-led Garten project was the first SCAP received once the process became mandatory, the first to follow the culture of the process and the first to achieve first oil. There are several critical success factors that can be taken from this accelerated project which reflect both the sentiment and pillars of the SCAP:

Quotes from Apache:



Requires a fit for purpose design
(avoid over optimising the
unknowns – just wastes time)



Best lesson learned –
work with those you know
and who have done it before



Tried, tested and trusted
supply chain – utilising in
place Service Agreements



Trust takes time to earn –
value comes from using that trust



Put **trust** in your team and
trust the Supply Chain

Fairfield – Dunlin, Merlin and Osprey Decommissioning

Fairfield Energy adopted a competitive dialogue process prior to tendering which assisted in the successful outcome of the project. The advantages of the competitive dialogue process are as follows:

Quickly eliminates companies
that are not capable of the work

Saves time and money for both parties,
stops companies wasting resources
tendering for work they can't do

The process quickly identifies
aligned and capable tenderers

Allows detailed technical conversations
which reduces tendering uncertainty
for both parties

Potential tenderers will often rule
themselves out of tendering once they
develop an understanding of the scope
complications

Enhances the clarity of the
requirements with potential tenderers



EnQuest



The Supply Chain Action Plan ('SCAP') helps facilitate a flow of information that ultimately results in better planning and forecasting. In the spirit of SCAP, EnQuest organised six webinars specifically focused on the programme of our decommissioning directorate. These sessions were attended by 118 suppliers as well as senior representatives from OGA, OGUK, Decom North Sea and other industry leaders. These webinars were mutually beneficial and helped in the exchange of innovative ideas, information about new technologies as well as exploring creative new ways of working and greater collaboration.

5. Conclusion

As the UKCS continues to mature with inevitable decline in hydrocarbon production, the future will be more about multiple small discoveries and subsea tiebacks which will require innovative and cost-efficient approaches if we are to get them over the investment hurdle. Achieving this will necessitate a closer relationship between operators and the service sector, leveraging the expertise and technologies which exist within the supply chain to deliver top quartile outcomes. We will use our SCAP process to challenge and test operator contract strategies, ensuring full and early engagement to ensure projects are on the best trajectory for success.

As we move to the next chapter of the basin and the ramp-up of energy transition activity, it is expected there will be an even greater focus on cost efficiency and collaboration. In addition to existing oil and gas operators there will likely be many new players and we will extend the SCAP process to drive the same cultures and behaviours into this new activity.

There is clear evidence that collaborative working relationships between operators and suppliers creates the climate for the best possible outcome from project execution. While there will always be challenges associated with any work scope, the fastest and most efficient way to resolve issues is when all parties are aligned and can get together to quickly develop the best solutions. SCAPs were created to support the shared interests of government and industry: promoting the right behaviours to deliver projects in the most effective and efficient manner. As the process has matured, we have seen that the four pillars which sit at the heart of SCAPs (engagement, trust, innovation and quality) are the keys to maintaining and improving the success of the UKCS for the benefit of all.



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