



WORKSHOP TITLE: CONTRACTING STRATEGY

Workshop Duration: Typically 2 days

Typically Used: During the Front-end Development Phases of a project

Overview of the Workshop

Strategic decisions made in the earliest phases of a project lie at the root cause of most design and construction issues in the subsequent project execution. In particular, the contracting approach dictates the procurement and project management strategies and hence how all organisational interfaces are established for managing suppliers and design teams. Wherever there are interfaces there are opportunities for problems. There is no one best way of contracting for oil & gas projects. Each project should examine and determine the best mix of contractors and the contracting approach to suit its needs.

A Contracting Strategy (CS) workshop is normally of 1 to 2 days duration and involves a cross-section of the development / project team and the key stakeholders. It is a structured and facilitated process which is normally executed in stages depending on the phase the project is in. In the early phases the emphasis is on the overall contracting environment and determining feasible approaches to the contracting strategy. In later phases the concentration will be on contracting tactics and management of the contracts.

When to Use a Contracting Strategy (CS) Workshop

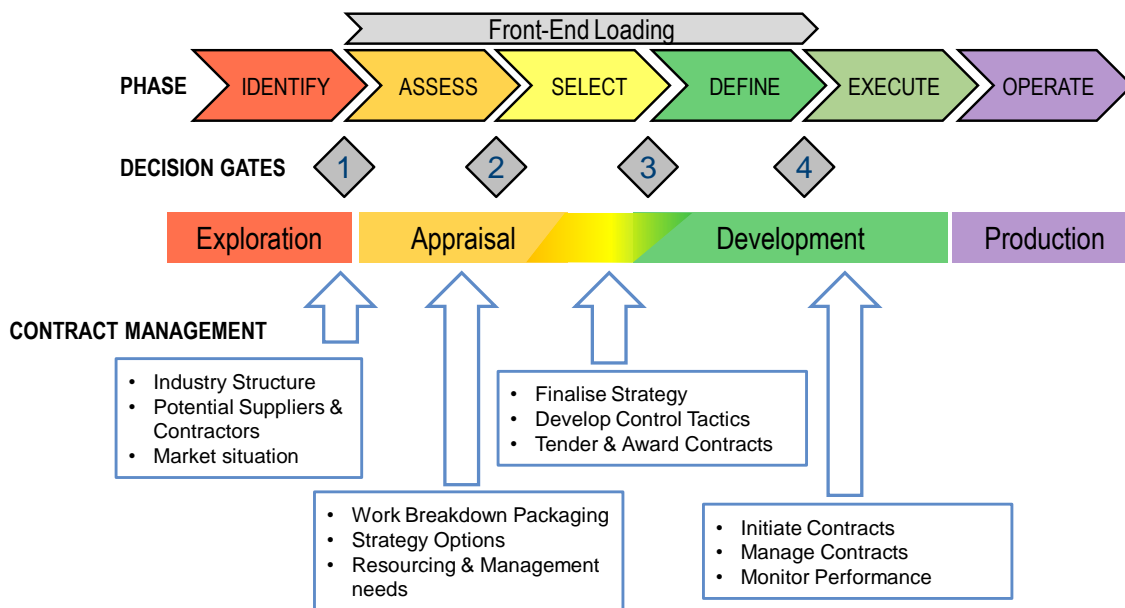
The first CS Workshop for a project will usually be conducted before the Concept Selection is complete. It can be started as early as the Identify/Assess phases but it is particularly important that the Contracting Strategy has been considered as part of the final Concept Selection.

Thereafter the Contracting Strategy will develop as the project moves through the development phases, being further refined in detail and specification as more details emerge on the scope and of the project and as key decisions points are passed..

The key to ending up with the right scopes of work with the right contractors and suppliers for each phase of the project development lies in following an open-minded and structured approach to contracting.



Contracting Strategy & Management Phases



How the Workshop is conducted

CS workshops are conducted with an integrated, multi-disciplinary, group of staff. The disciplines required in any particular workshop will depend very much on the development project and on the phase the project is in. In the earliest phases of a typical Oil & Gas development project, CS workshops involve Reservoir Engineers, Well Engineers, Facilities Engineers, Cost Estimators, Maintenance & Operations Engineers and representatives of the Commercial functions (e.g. Legal, Contracting, Business Development). In subsequent phases the workshops are likely to be more targeted at specific areas of the business, such as Drilling or Facilities development & construction and these workshops will have a mix of team members to suit the scope.

It is important to identify the major project scope areas that will be addressed in the CS workshop prior to the workshop, as these will determine the team members required. For the first workshop, this is best done by reviewing the Project (Opportunity) Framing output and the project Value Chain.

Although a relatively standard, structured, approach is followed for the CS workshops, each workshop will be tailored to the development / project. The workshop facilitator will review the Opportunity Framing output, the project scope and the phase the project is in and will engage with the workshop sponsor and key stakeholders in designing the workshop. The logistical plans are also agreed (which includes the workshop team, any required outside expertise, the location, timing and administrative arrangements).

A key element of Contracting Strategy selections is an understanding of the workscope of the whole project. The workshops examine possible ways to combine and package the project workscopes and evaluate the pros and cons of these combinations.



Workscope Breakdown & Packaging

	Design	Procurement	Construction	Installation	Commissioning
Platform Structure	FEED	SUPPLY LL ITEMS	EPC		DEDICATED TEAM
Topsides			EPC		
Pipelines		EPC			
Onshore Terminal	TURNKEY				
Wells	IN HOUSE	IN HOUSE	DRILLING CONTRACTOR - DAY RATE		IN HOUSE

The main elements of a CS Workshop, as illustrated by one in the Concept Selection phase, are likely to include the following :

- Identification of Scope of Work & the Asset & Activity Matrices
- Identify Core Activities
- Map external Contracting Environment & Market Capabilities
- Confirm existing relationships and capabilities
- Develop alternative Packaging & Contracting Strategy Matrices
- Assessment of the Risks and Opportunities for each major packaging options
- Develop short-list of favourable approaches
- Create plan for development work in selecting Contracting Strategy

Typical Agenda for a CS Workshop

A typical Workshop agenda might be :

Day 1

- Welcome & HSE Procedures
- Introduction to Contracting Strategy
- The Sponsor Message
- Grounding Presentations
- The Project / Opportunity Framing Summary
- The Business Environment (Stakeholders, Geographical, Infrastructure, Resources etc.)
- Existing Business and Contract relationships
- Construct Asset / Activity Breakdown Matrix

Day 2

- Re-cap of Day 1
- Listing of Contract Types and summary of key attributes of each
- Creation of alternative Contract Strategy Matrices
- Assessment of the Risks and Opportunities for each major packaging options
- Payment Structures & Management Tactics
- Develop short-list of favourable approaches for further investigation
- Create work plan selecting Contracting Strategy
- Short-Term Action Plan
- Workshop Close

The deliverables from a CS Workshop

A Feedback Presentation may or may not be conducted depending on the wishes of the Project Sponsor.

In addition to any Feedback Presentation, the output from the Workshop includes a copy of all the work developed during the Workshop. This will include, typically :

- The Business Environment Map
- Listing of existing Business and Contract relationships
- Asset / Activity Breakdown Matrix
- Listing of Contract Types and summary of key attributes of each
- Mapping of alternative Contract Strategy Matrices
- Listing of Risks and Opportunities for each major packaging options
- Listing of considered Payment Structures & Management Tactics
- The selected short-list of favourable approaches
- The work plan for selecting the final Contracting Strategy
- The Short-Term Action Plan

UCE will normally deliver the workshop output in the form of a Microsoft Powerpoint presentation pack together with a Microsoft Excel spreadsheet containing the Contract Mapping Matrices. If desired, a Microsoft Word report can be created of the workshop and its output.

Facilitator

Phil Tudhope is currently Director of a consulting company, specialising in technical and project management training for graduates and more senior technical staff. He has a first class honours

B.Sc. in Mechanical Engineering from Bristol University and is a Chartered Engineer, Fellow of the Institution of Mechanical Engineers and Associate Member of the Institution of Chemical Engineers.

Phil has 40 years' experience in Project Management, Technical Development and Change Management in the oil & gas industry and proven technical and managerial capabilities to achieve results with a strong business focus and to effect significant positive change. He is a specialist in front-end (feasibility & concept selection) phases of upstream oil & gas developments with midstream (LNG) experience and project execution experience and has the ability to perform analysis and development work as well as lead and motivate teams.

Amongst other roles, he was Specialist Front End Advisor at Petronas Carigali, Chief Process Engineer at BG Group and Head of Upstream Engineering at Shell Technology India. He has experience worldwide in differing political, social and remote environments, having worked overseas for 28 years including the Far East, USA, Europe, the Middle East and India.

Phil is an experienced instructor and has designed and facilitated over 50 workshops including; Opportunity Framing, Concept Identification and Selection, Value Engineering, Risk Management, Contract Management and Produce-the-Limit.