

Understanding the Procurement Process with Buyers and Recognizing Opportunities for Local Suppliers

LOCAL CONTENT DEVELOPMENT CONFERENCE 2023
Paramaribo, SURINAME

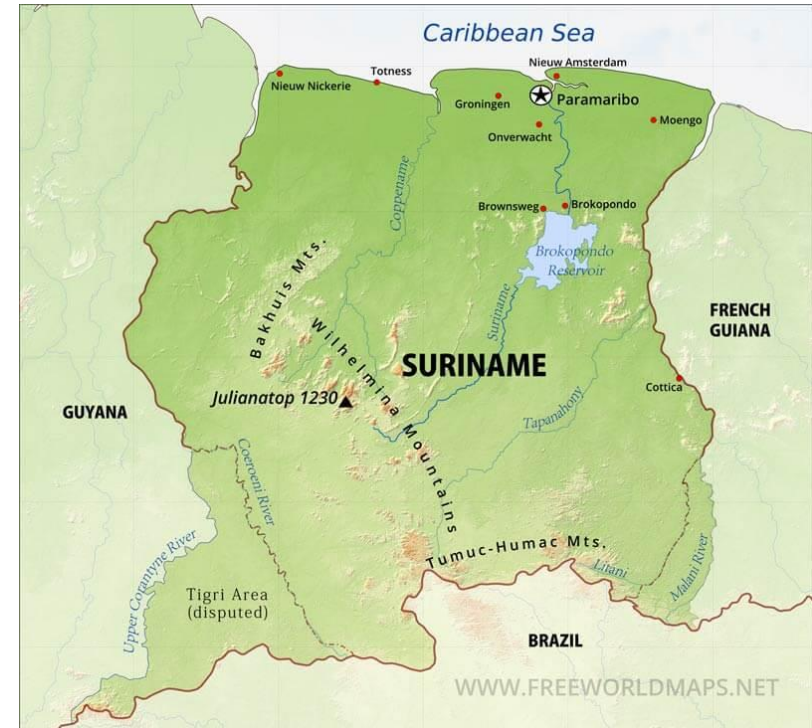
In collaboration with



LOCAL CONTENT DEVELOPMENT CONFERENCE 2023








Playing for One Team



Playing for One Team

Today's Seminar


-  Highlight where and when the opportunities are for local suppliers
-  Provide an overview of the procurement process followed by major international oil companies (IOCs)
-  Review the expectations from IOCs and what makes a good supplier
-  Share tips to prepare your proposals and respond to requests for quotations (RFQs)
-  Answer questions


Local Content

- Definition
- Elements




What is Local Content?

-  The local resources a project utilizes or develops along its value chain in a host country. It may include:
- employment and training of nationals
 - goods and services procured from local sources
 - partnerships with local entities
 - development of enabling or shared infrastructure
 - improvement of local skills and capacity of local businesses
 - improvement of local technological capabilities

-  Other names used:
- National content, Indigenous content, Nigerian content
 - Shared value, in-country value, industrial benefits
 - Local Participation, Localization, Supplier Diversity

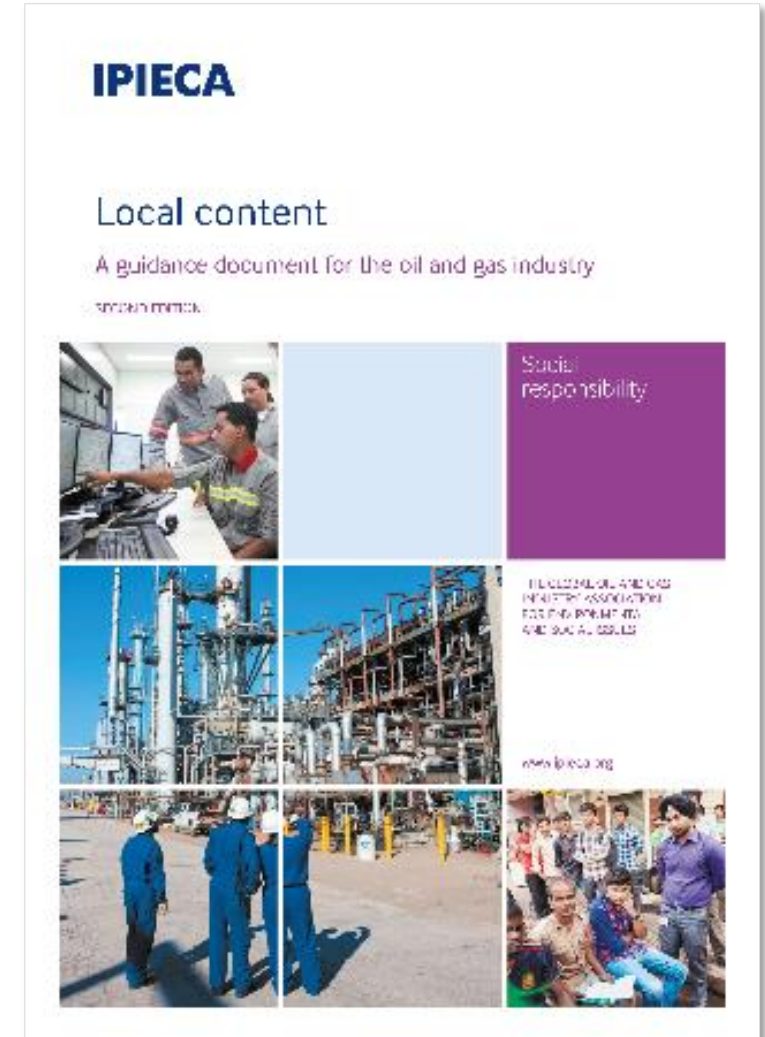
For more information:

 Visit www.iecea.org

 IIECA is the global oil and gas industry association for advancing environmental and social performance



SCAN ME



Local Content Elements

Workforce Development

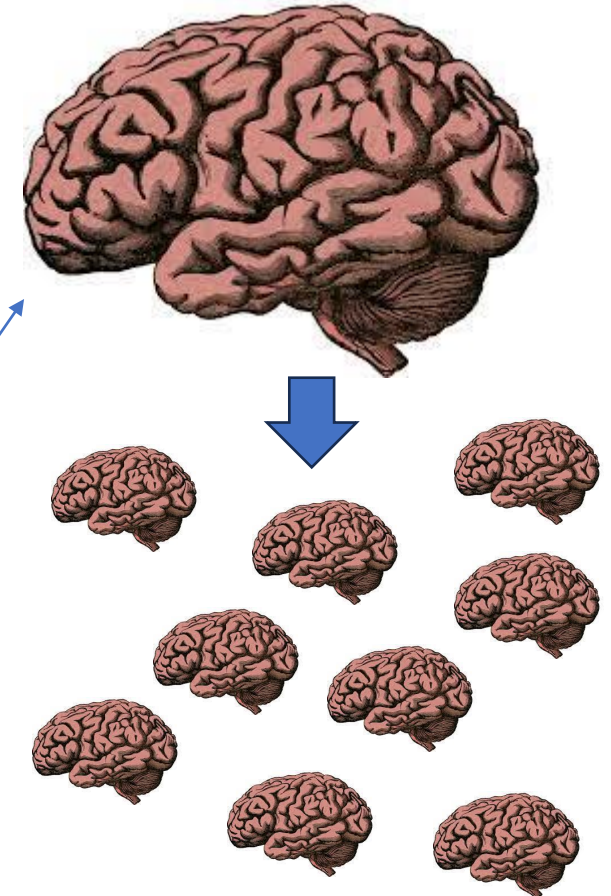
- Skills and experience
- Recruitment and Training

Supplier Development

- Capabilities and competitiveness
- Utilization and participation

Technology Transfer

Tacit Knowledge



Opportunities for Local Suppliers

- Who are the Buyers?
- When and Where are the opportunities available?
- How can local suppliers participate?



Who are the Buyers?

International Oil Companies (IOCs)



ExxonMobil

National Oil Companies (NOCs)



أرامكو السعودية
saudi aramco



Major Contractors

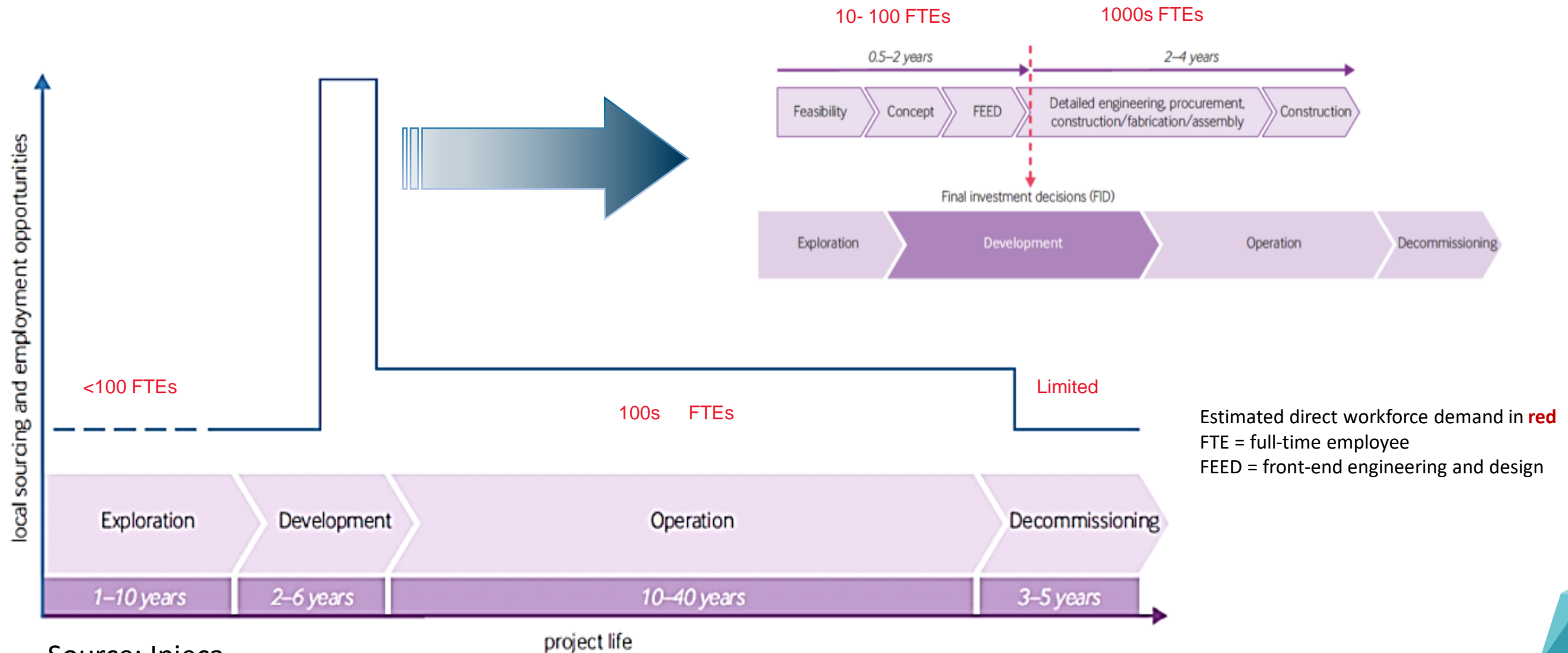
- Service Companies
- Engineering, Procurement & Construction (EPCs)



Local/international suppliers



When are the Opportunities?



Estimated direct workforce demand in red
 FTE = full-time employee
 FEED = front-end engineering and design

Source: Ipieca

Where are the Opportunities?


PHASE	Exploration	Development	Production	Decommissioning
Sub-phase	<ul style="list-style-type: none"> • Seismic • Exploration drilling • Appraisal drilling 	<ul style="list-style-type: none"> • Feasibility & concept design • FEED • Detailed engineering, procurement, fabrication, assembly & construction 	<ul style="list-style-type: none"> • Operation & maintenance • Wells/facility optimization • Enhanced recovery 	<ul style="list-style-type: none"> • N/A
O&G specific / technical	<ul style="list-style-type: none"> • Seismic survey and interpretation • Laboratory services • Marine and land surveys • Rig provision • Drilling services, drilling muds, drill bits • Mud logging, coring, wireline logging • Casing and running, cementing, perforating • Well heads, completion equipment • Engineering and design services 	<ul style="list-style-type: none"> • Engineering and design services • Facility modules • manufacturing/platform construction • On-site assembly/installation • Infrastructure development (pipelines, flow lines, umbilical) • Storage tanks manufacturing • Well heads/Christmas trees • Drilling equipment 	<ul style="list-style-type: none"> • Production enhancement • Modifications to platforms • Inspection & repair of topside infrastructure • Reservoir management • Well intervention and workover • Maintenance & repair • Pipelines • Compressor stations 	<ul style="list-style-type: none"> • Engineering • Deconstruction • Material disposal • Site monitoring

Where are the Opportunities? Cont.

PHASE	Exploration	Development	Production	Decommissioning
Sub-phase	<ul style="list-style-type: none"> Seismic Exploration drilling Appraisal drilling 	<ul style="list-style-type: none"> Feasibility & concept design FEED Detailed engineering, procurement, fabrication, assembly & construction 	<ul style="list-style-type: none"> Operation & maintenance Wells/facility optimization Enhanced recovery 	<ul style="list-style-type: none"> N/A
Generic (various industries)	<ul style="list-style-type: none"> Supply chain services (freight forwarding, transport, etc.) Vehicle fleet management Recruiting, HR, training and health Legal and regulatory services Financial and risk services IT/communication services Construction services Lifting services Environmental services Site support services (catering, hospitality, maintenance, waste management, security) Site support consumables (food, office supplies stationery etc.) Replacement parts Energy (fuel, electricity) and chemicals Uniforms, personal safety equipment (PPE) 	<ul style="list-style-type: none"> Civil works Welding Steel, basic structures Construction raw materials Industrial heavy machinery Excavation equipment Electronic equipment Same as in Exploration phase 	<ul style="list-style-type: none"> Supply chain services (freight forwarding, transport, etc.) Vehicle fleet management Recruiting, HR, training and health Legal and regulatory services Financial and risk services IT/communication services Construction services Lifting services Environmental services Site support services (catering, hospitality, maintenance, waste management, security) Site support consumables (food, office supplies stationery etc.) Replacement parts Energy (fuel, electricity) and chemicals Uniforms, personal safety equipment (PPE) None core goods and services in business support services 	<ul style="list-style-type: none"> Legal and regulatory services Financial and risk services IT/communication services Construction services Lifting services Environmental services Site support services (catering, hospitality, maintenance, waste management, security) Site support consumables (food, office supplies stationery etc.) Energy (fuel, electricity) and chemicals Uniforms, personal safety equipment (PPE)

How can local suppliers participate?

 Direct goods/service provider

 Indirect provider (subcontractor, Tier 2)

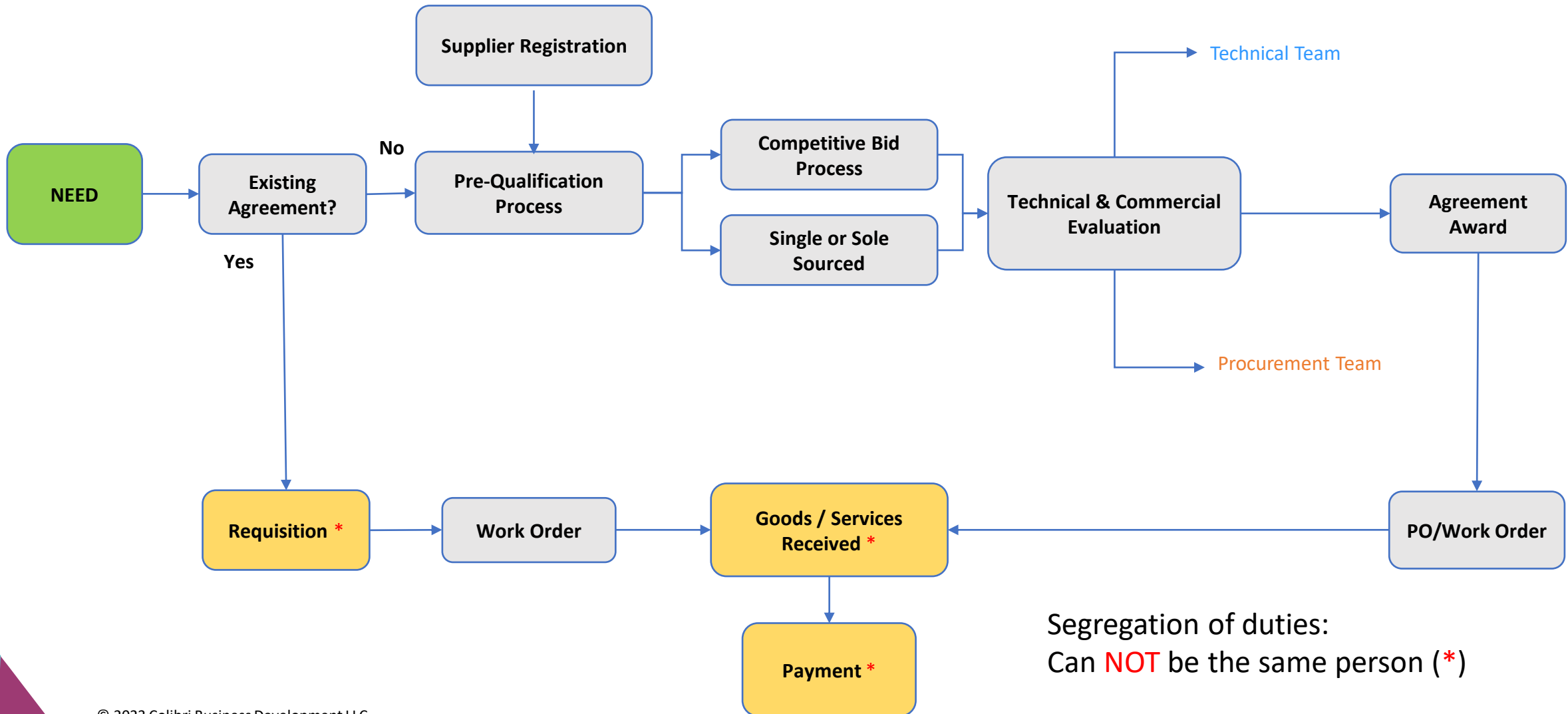


Procurement Process Overview

- Purchase-to-Pay Process (P2P)
- Procurement Methods
- Due Diligence
- Supplier Registration vs Supplier Pre-Qualification



Purchase-to-Pay or P2P Process



Segregation of duties:
Can **NOT** be the same person (*)

Key Terms

- ✿ Competitive Bidding
 - EOI – Expression of Interest
 - RFI – Request for Information
 - RFP – Request for Proposal
 - RFQ – Request for Quotation
 - ITT – Invitation to Tender

- ✿ Single Source
- ✿ Sole Source
- ✿ Bid List
- ✿ T&Cs – Terms & Conditions
- ✿ Payment Terms

Due Diligence

Typical questions suppliers need to answer as part of Buyer's due diligence process:

1. Do you have a policy statement on the management of bribery and corruption risks in your company and its facilities/operations?
2. Have bribery and corruption risk management roles been (a) identified, (b) described and (c) allocated to specific positions?
3. Do any of your employees, temporary workers, consultants, or any of their immediate family, have any connections with any government officials?
4. Do any serving or retired government officials or government entities (i.e., NOCs) have an ownership interest in your company?
5. Has your company or any of its employees provided to government officials or to customers or contractors any gifts or entertainment in the past # years that are not documented and declared as such in your financial accounts?
6. Has your company or any of its employees, or temporary workers been charged or prosecuted for any breaches of bribery and corruption regulation?

Be ready to provide:

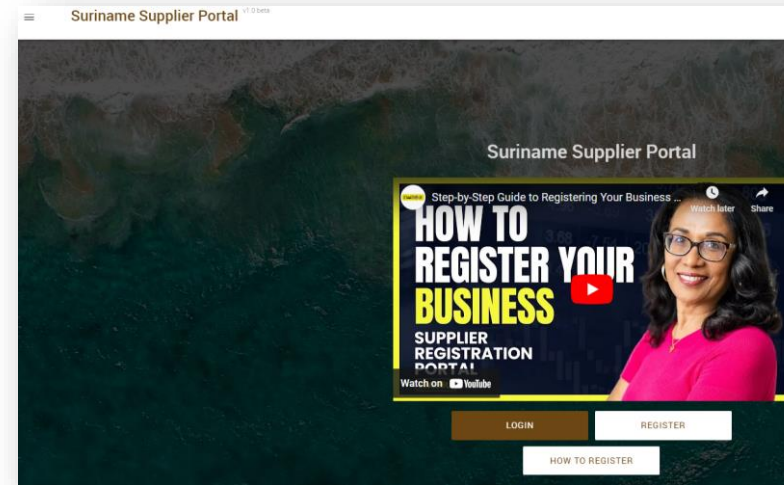
- Declaration of compliance with Buyer's Supplier Principles
- Declaration of compliance with the Buyer's Code of Conduct
- Declaration of compliance with Buyer's General Business Principles
- Attestation that information provided in response to the questionnaire is true

Source: DAI Sustainable Business Group

Supplier Registration vs Supplier Pre-Qualification

- Supplier registration (basic information)

- Company details
- Commercial/financial details
- Portal or database



Suriname's Supplier Registration Portal (SRP)



- Supplier pre-qualification (assessment of capabilities and capacity)

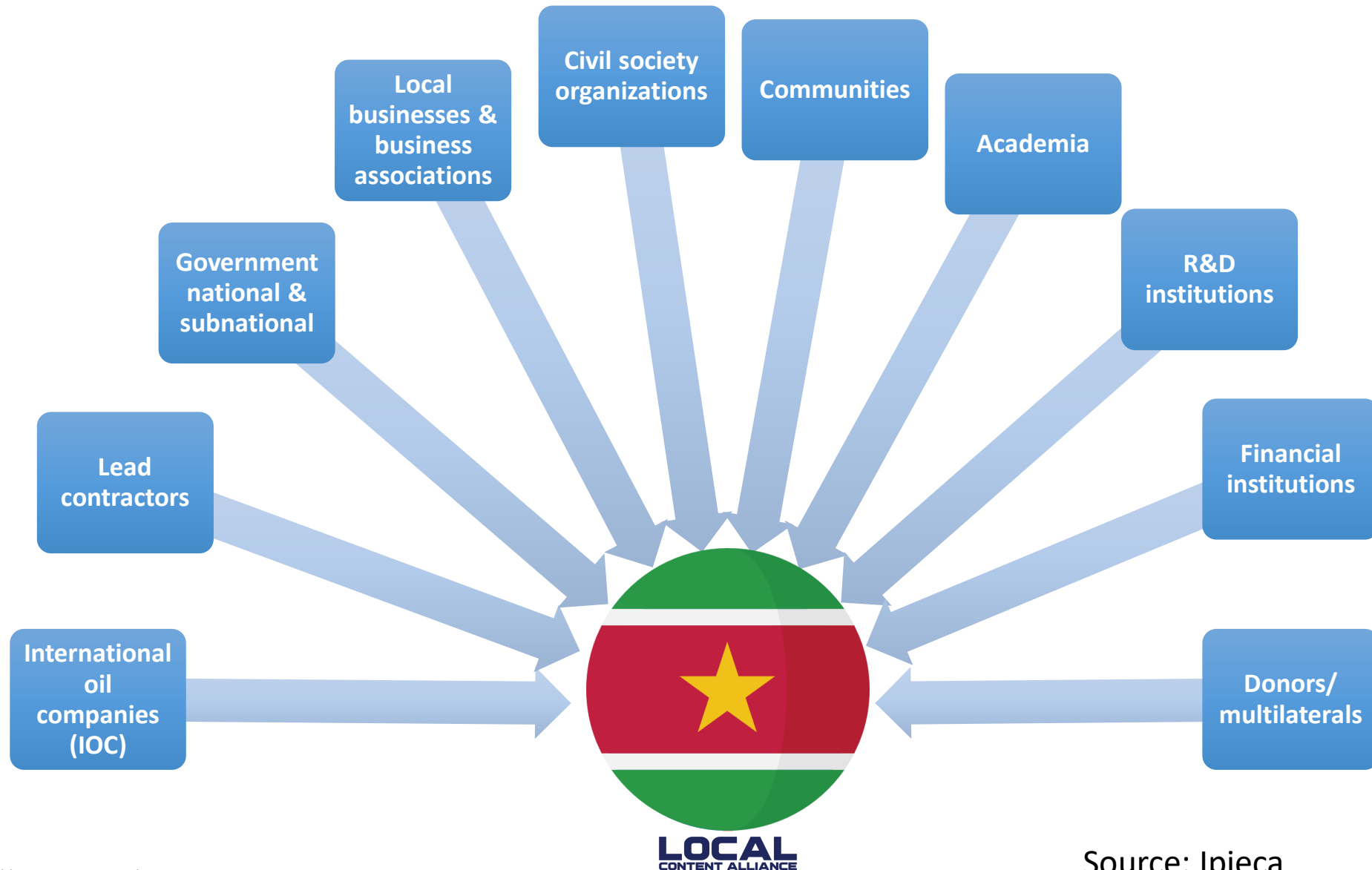
- Workforce skills and training record
- Company track record and experience
- Services and goods provided
- Quality and control management
- Health, Safety, and Security management
- Environmental management
- Environment, Social, and Governance (ESG)
- Bribery and Corruption due diligence

About Expectations

- Stakeholders' Expectations
- Understanding suppliers' capabilities
- Buyers' Drivers => Qualified Suppliers



Stakeholders Expectations



Stakeholders' Roles & Responsibilities

POTENTIAL EXPECTATIONS

POTENTIAL ROLES AND RESPONSIBILITIES

Governments and regulatory bodies

- Industrialization and economic development
- Promotion of social welfare
- National control of resources

- Provision of stable, predictable and transparent policy frameworks, including sound macroeconomic management
- Clarity of priorities and development of policies economic development

National oil companies (NOCs)

- To serve national political and economic goals
- Licence compliance
- Control access to resources
- Shareholder and investor responsibility

- Potential oversight and enforcement of local content policy, as outlined by state or regulatory agency
- Helps implement local content policies—as resource developers and as government representatives in petroleum contracts

Local communities

- Jobs
- Business opportunities
- Other economic benefits

- Supply workforce
- Supply goods and services
- Articulate community perspectives

POTENTIAL EXPECTATIONS

POTENTIAL ROLES AND RESPONSIBILITIES

Local business associations

- Localized social and economic development
- Jobs for association members
- Business opportunities for association members

- Organizing/aligning local business
- Access to information on opportunities and contracts awarded
- Addressing local content enablers in regional development plans
- Advisory services to companies

Major international contractors (EPC, fabrication, O&M)

- Local content requirements and clauses in tender documents and contracts with resource developers
- Regulatory requirements

- Employ and train local staff
- Support the development of local workforce
- Support development of local industry

Oil and gas resource developers

- Licence compliance
- Access to resources
- Shareholder and investor responsibility

- Employ and train local staff, gradually replace expatriates with locals
- Support the development of local workforce
- Support development of local industry

What Drives the Buyers?



- Price driven
- Quality driven
- Schedule driven

Source: DAI Sustainable Business Group

Qualified Supplier



- Safety and Health
- Environment
- Process quality
- Product quality

Tips for Local Suppliers

- List of Do's and Don'ts
- Sharing some Anecdotes

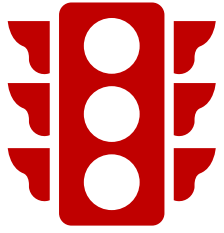









DO...

- ✿ Take advantage of being a subcontractor
- ✿ Buy from other local suppliers
- ✿ Be flexible and adaptable
- ✿ Be responsive and punctual
- ✿ Prepare for uncertainty
- ✿ Start meetings with a safety moment
- ✿ Follow up as needed
- ✿ Take training
- ✿ Learn about your buyers
- ✿ Be persistent, but know when to stop

- ✿ Read instructions to bidders carefully
 - Language, currency, due dates
 - Alternatives proposal
 - Acknowledgements
 - Communications
 - Templates
- ✿ Explain clearly what you provide
- ✿ Attend conferences and events
- ✿ Form business partnerships



DON'T...

-  Lie or exaggerate about your capabilities
-  Make false promises
-  Reject subcontractor opportunities
-  Be late, deliver late, or respond late
-  Annoy buyers

Anecdotes - Lessons Learned

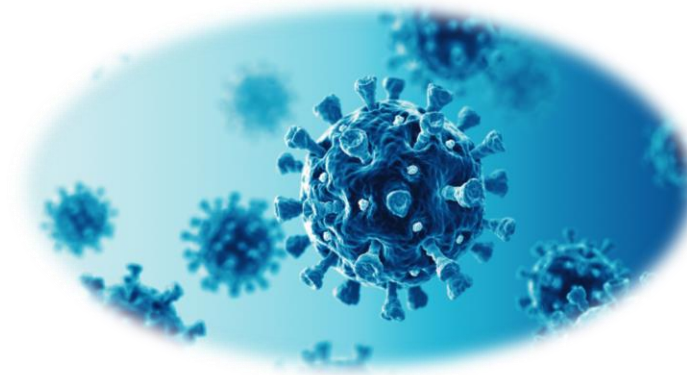
 Conversations in Public Areas



 Safety First



 Business Continuity Plan (BCP)





THANK YOU !!!



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