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LOCAL CONTENT

A guidance document for the oil and gas industry, 2nd edition

Supplier Workshop Series
September 2021

Advancing environmental
and social performance
across oil and gas

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IPIECA

Global oil and gas industry association for advancing environmental and social performance



Vision:

To advance the oil and gas industry's environmental and social performance and contribution to the energy transition in the context of sustainable development.

Only global association involving both upstream and downstream

45 years of collaboration contributing to sustainable development



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IPIECA members

72 companies and associations



Companies



43 oil and gas companies

Associations



29 association members

Making our vision a reality

IPIECA cares about climate, nature, people and sustainability



Climate



Nature



People



Sustainability

Our strategy provides leadership for the global oil and gas industry on advancing climate action, environmental responsibility, social performance and mainstreaming sustainability.



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In this workshop, suppliers will learn

- **How key stakeholders can create opportunities for local content and the way they can create shared value**
- **How the opportunities vary throughout the oil and gas project lifecycle**
- **How the supply market can prepare for these opportunities**

Agenda



1. Background, aims and local content (LC) definition
2. Understanding and addressing stakeholders' expectations
3. Identifying key LC stakeholders
4. Defining roles and responsibility among stakeholders
5. LC opportunities in the O&G project lifecycle
6. Baseline studies
7. Demand for goods and services by phase
8. Due diligence in the procurement process
9. References
10. IOCs in Suriname
11. Q&As Session

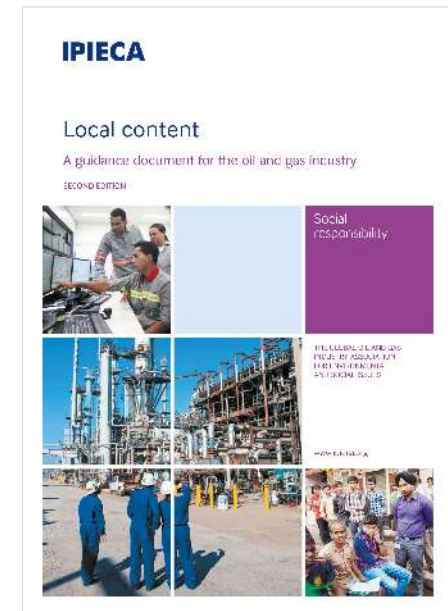
Local content guidance

Second edition (2016)



The *Local content guidance* document (2nd edition) was the outcome of a collaborative effort from IPIECA's LC Task Force formed by:

- major international oil companies (IOCs)
- engineering, procurement and construction (EPC) companies
- major services companies
- multilateral organizations (IFC, World Bank, United Nations), and
- independent consultants.



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Local content guidance

Aims and LC definition



- ❑ **To offer oil and gas resource developers practical advice on how they can realise the potential value of local content**
- ❑ **To offer all stakeholders suggestions on ways to help create shared value through local content development**

Definition of LC by the O&G industry:

The local resources a project utilises or develops along its value chain in a host country. Local content 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

Local content key stakeholders

Working together for shared vision



Who are they?



Stakeholders roles and responsibilities

Understanding and addressing expectations



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

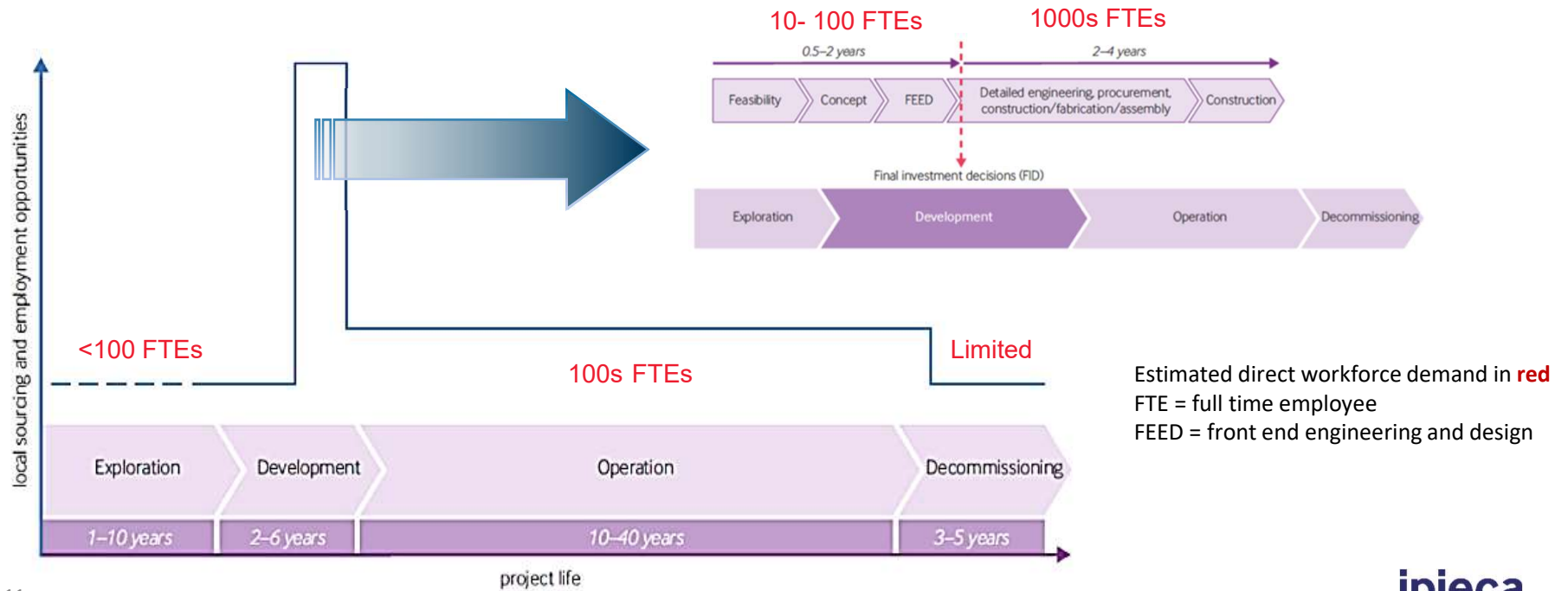
Oil and gas resource developers

- 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

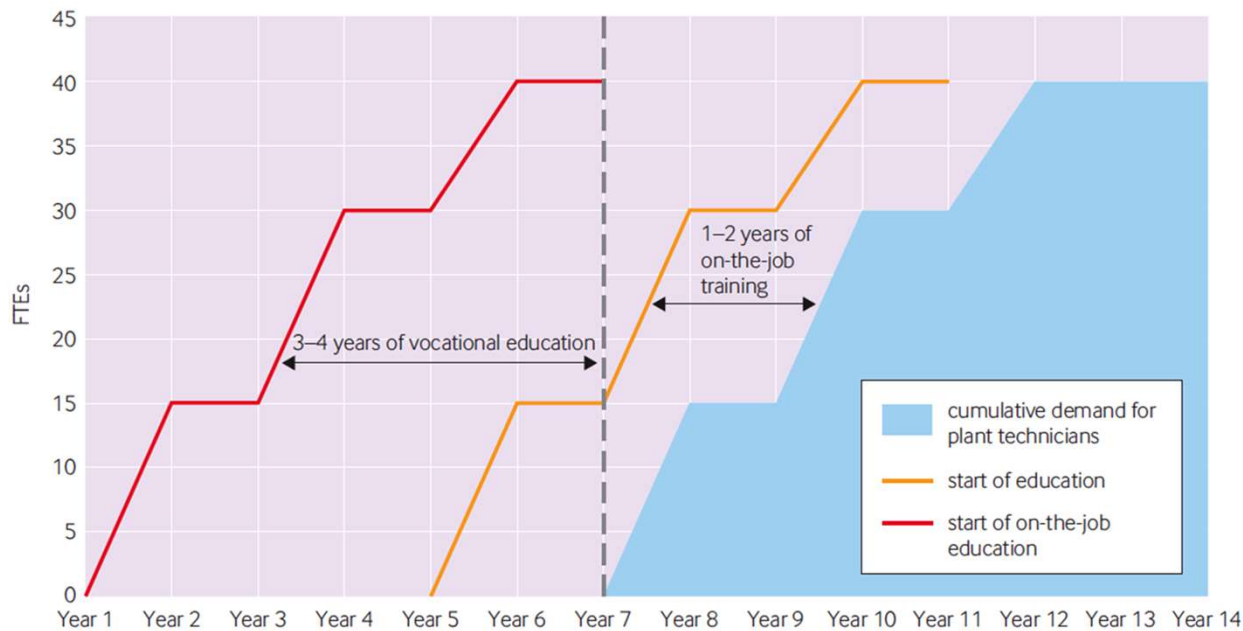
Oil and gas project lifecycle

Local content opportunities by phase



Oil and gas project lifecycle

Importance of starting workforce and supplier development early



Engaging proactively with the government throughout the entire project life cycle helps to:

- Coordinate LC efforts among key stakeholders
- Ensure alignment between LC policies and industry's demand

Illustrative demand and lead times for plant technicians

Baseline studies

Analyzing the demand-side and supply-side



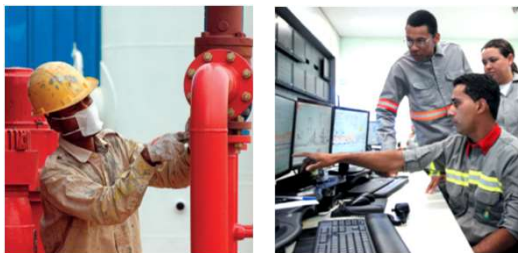
Demand-side

- Identifies the needs of the industry
- Uses data on host country socioeconomic conditions and enabling environment
- Requires estimates and potential timelines on an aggregated basis for goods, services and workers

Supply-side

- Identifies the capacity of the host country
- Uses data on the market conditions specific to the O&G industry's needs
- Analyses the challenges and opportunities associated with meeting local employment and sourcing expectations

DETAILED GAP ANALYSIS



Local workforce skills



Local suppliers' capabilities

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Demand for goods and services by phase

Opportunities for local businesses participation



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 optimisation • 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

Demand for goods and services by phase

Opportunities for local businesses participation (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)

Due diligence in the procurement process

Increasing local business access to opportunities



Methods used by IOCs

- Including LC considerations in tender processes
- Breaking large contracts into smaller ones (unbundling)
- Providing guidance in the preparation of tender proposals

Four types of demand-side interventions:

1. Communicating opportunities
2. Simplified procurement contracting
3. Supplier pre-qualification
4. Involving lead contractors and suppliers

Identifying and mitigating risks:

- Corrupt practices
 - Conflict of interest and favoring suppliers
 - Bribes
 - Facilitation payments
 - Offering and receiving gifts
 - Fraud
 - Utilising offshore companies to protect real ownership
- Adherence to labor laws, human rights, and environmental standards
- Operations in conflict-affected areas
- Negative impacts of LC development efforts on communities

References



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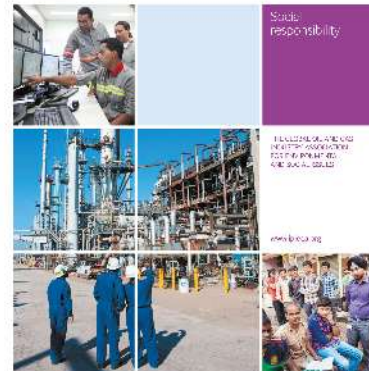
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on local content

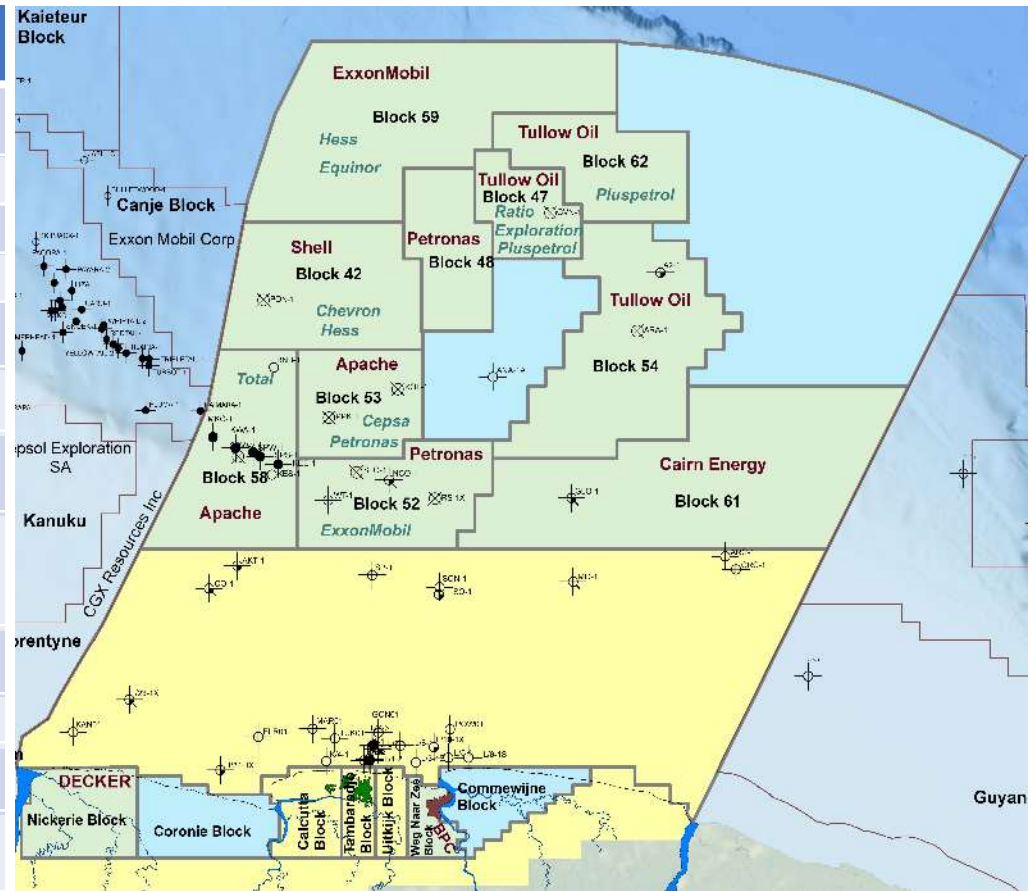


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International Oil Companies (IOCs) in Suriname

Operator	Block	Phase	Discoveries
ExxonMobil Exploration and Production Suriname B.V.	59	Exploration	0
Tullow Suriname B.V.	62	Exploration	0
Tullow Suriname B.V.	47	Exploration	0
Tullow Suriname B.V.	54	Exploration	0
Petronas Suriname E&P B.V.	48	Exploration	0
Petronas Suriname E&P B.V.	52	Exploration	1
B.V. Dordtsche Petroleum Maatschappij (Shell)	42	Exploration	0
Total E&P Suriname B.V.	58	Exploration / including Appraisal	4
Apache Suriname Corporation LDC	53	Exploration	0
Capricorn Suriname B.V.	61	Exploration	0
Decker Petroleum and Marketing CO.LTD	Nickerie	Exploration	0
Challenger Energy Group PLC	Weg naar zee	Exploration	0



Q&A Session

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Webinar on 'Local Content in the O&G Industry'

Registering at SRP

If you want to offer goods and services to the Surinamese offshore oil and gas industry, please register your company at www.staatsolie.com/suriname-srp