

OMC 2009 - Workshop promoted by SPE Italian Section

“Competitiveness: what future in the E&P industry?”

Main outcomes and ways forwards

(Ravenna, March 26th, 2009)

The aim of the workshop held in Ravenna in occasion of the Offshore Mediterranean Conference and promoted by SPE, was to collect inputs on how to conceive competitiveness in the 21st century in the oil and gas business. The intention of the event, by its multidisciplinary approach, was finalized to go outside the perimeter of the oil industry and to explore the issue from the different perspectives of the heterogeneous panel of speakers. Many issues have emerged and this document aims to go through them and to wrap up some conclusions.

Setting the scene

O&G industry is facing a multi competitive context which is changing rapidly and increases its complexity as local Governments and National Oil Companies (NOCs) become increasingly aware of the importance of making good use of local natural resources in order to maximize the well-being of their countries and populations.

Together with high technology requirements, difficult geo-political conditions, human resource shortage and supply chain reliability, the oil business is facing many different pressures like:

- Market volatility
- Growing pressure to address deterioration of eco-systems & climate change
- Greater strategic partnerships with suppliers to address S&E risks
- Tightening regulatory environment but growing leniency towards responsible companies
- Greater differentiation in S&E performance of product/services
- Rapid growth in demand for technological solutions to social and environmental challenges
- Growing interest towards ‘responsible’ companies
- Growing pressure to address social concerns and boost local development
- Power of reputation as a business asset

As a matter of fact many resources rich countries experience poverty, environmental degradation and stark health disparities in the context of great resource wealth (*Paradox of plenty*).

Oil Companies contribute to improve the economy of the hosting Countries through payment of royalties and taxes, direct and indirect employment, induced economic activities, social programs, etc. A more conscious way of engagement with the local context is taking place.

But this is not enough. Something is still missing as they continue to be looked at with suspicion and negatively perceived by the general public opinion. Sustainability is becoming an abused term and, as it is conceived, it is no more an element of competitiveness as many of its components are institutionalized and given for grant. Is there a potential for a step forward? The concept of competitiveness itself is changing as well as the relationship between Oil Companies and contractors. All these elements drive to the need to investigate something else and to explore new potential ways to go along with the complexity of the actual situation with a positive and proactive attitude.

Elements of competitiveness

During the workshop many issues have emerged and the different inputs given by both the panellists and the audience made this event a very creative and challenging laboratory of ideas. Here below a description of the main subjects highlighted during the works.

Human capital: focusing on health issues considered with an integrated approach is a way for putting the basis for a further development by overcoming social disarray and potential risks. To contribute to the effectiveness of the local health system involves a long-term vision, the capability to interact with local, national and international institutions, the promotion of local capacities and local communities' active participation and ownership. The health of both workforce and local communities is a crucial investment that represents on the long run a competitiveness factor.

Innovative approach to HSE: the curve of growth of sustainability issues highlights that there is a different level of maturity of the single components. Those on which competition should focus on are at a latent or emerging level of maturity and thereby represent the key elements that can make the difference. Nowadays a short list of them is composed by such as Social Responsibility, Local Content Development, Human Rights, Sustainable R&D and Carbon Management. To achieve a competitive advantage on these aspects it is necessary to manage HSE and Sustainability topics in a fully integrated strategic approach, that is, to develop such a degree of culture and awareness throughout the company to systematically manage them together with economical and financial evaluations.

Local content development: carrying out part or whole of goods and services by local enterprises, developing the local industrial fabric, developing the skill and the know-how of local people and developing the community (socio-economics), all these factors can drive towards a competitive advantage. This can affect also the relationship with contractors who often are the key element for the promotion of local employment and local capabilities.

Investing in people: considering them as key assets. The promotion of the development of their competencies, involves also concepts like culture of safety, diversity management, training. All these investments have a high rate of return. It is crucial to move from individualism to team work, to allow people to give the most of themselves in a team with common goals.

Promoting partnerships: to make the relationship between companies and contractors/suppliers a win-win element brings an added value to the business in terms of stability, increase the potential for investing in innovation, and involves better opportunities for local content promotion.

The value of intangibles: recognising and bringing out the industrial value of business sustainability. In an overall context where intangibles have a continuously growing relevance, what really makes the difference is the concept of enduring perception of the Company. The relationship between performance and reputation/brand has its equilibrium point in the capability to understand impacts, manage risks, realise opportunities, all factors that belong more and more to non technical sphere. In this sense, only if based on a solid capability to cope with not technical variables, the perception of the company can last and really create a competitive advantage. This is the path that drives a Company from a conservative to a transformative approach.

Multidisciplinary approach: competitiveness can also come from the capability to seize opportunities coming from different perspectives and to combine varied competencies in a fruitful association of new ideas and approaches. In this sense, the competencies coming from the world of NGOs, especially from those ones focused on the social development, can positively contribute to improve the relationship between the Company and the local context as far as it creates tangible benefits in a sustainable way sharing the development opportunities and amplifies the points of contacts between local expectation and business related issues. As qualified NGOs often act as facilitators of this inclusive social and economic development, the integration of their capabilities inside the business activities and the activation of sound collaboration can bring a great added value to the presence of the company in the different context and a competitive advantage in terms of consensus and social license to operate.

Also the inputs coming from archaeology when combined with geological and environmental sciences can promote new forms of projects taking into account both the past background and the challenges of nowadays. The integration of historical, social and environmental elements represents a powerful ground for defining and implementing sustainable projects based on the protection of the environment, the proper exploitation of the natural resources, the observance and safeguard of the local communities and their culture. The capability to integrate this kind of multidisciplinary approach in the business activities can really contribute to manage the more and more non technical issues that the oil sectors has to deal with.

As a wrap up of the main results of the workshop we can conclude that it is evident that there isn't one single solution to foster competitiveness, but many different combinations of the above described "ingredients". The more we try to exit from the ordinary schemes of thinking without losing contact with the reality, the more challenging will be the opportunities we can encounter and seize.

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