



Oil & Gas Project Development

'The Project Champion'

Over the past decade, there would appear to be a growing issue, even within the largest Oil Companies, of a lack of corporate confidence in the selection of project developments and their options, leading to a perception of possible missed opportunities and potential for disasters

Quote from a 'Big Four' Senior Development Executive

"We don't even know if we are building, or have built, the right project(s) any more"

Are current Refinery and Oil & Gas Projects too complex for Corporate understanding?

Factors contributing to this phenomena, may be the growing complexity of oil & gas projects, and with it the capacity for (or lack of) corporate understanding of the project and its development.

Linked to this is a lack of corporate experience to ensure the "right" project gets built – this may be the experience gap of individuals (caused by mergers and downsizing) or organizational (focus on asset development with individual groups competing for success and scarce resource) combined with individual / group attitudes ("we-know-it-all", "our project")

The ability to incorporate high technology issues into complex development decisions may also be questioned.

Do 'Gatekeepers' re-assure?

One common mechanism designed to address these issues – the "gatekeeper" reviews (name of function varies) has defined approval points. In these, the "gatekeeper" role and supporting reviews are designed to re-assure management, and facilitate approval.

Properly handled they may do just that- but does this ensure that the best or even the right answers are produced?

Do Asset Teams have agendas?

However these reviews can create "hurdles" which, combined with the "Asset Team" approach, may cause a reaction which promotes negative and defensive responses (cost cutting, ignoring or not recognizing problems, burying issues for later resolution, etc. – all in the name of getting "our" development over the hurdles in place).

These hidden agendas cause problems which emerge only later at significantly greater cost.

Is financial approval a total re-assurance?

Financial Institutions, insist upon the Role of Independent Engineer to re-assure them of the project soundness. Coming, usually at the end of sanction and start of EPC it tends to be only a "tick box" which confirms work done adequately to protect financial investors, it does not check the right project is underway, or enhance the project or offer any guarantee of success.



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Independent Reviews?

Similar FEL or IPA reviews only confirm work done – neither the correctness nor potential success of the work- although VIP's can enhance some elements of a project.

Is there a better way?

Assuming – for now that the design / development process itself and development teams are adequate - what can the Company management team put in place to assure a successful selection or rejection of a project at each development stage?

Create Company 'Values for Total Success'

Within the development process, set the values expected at each review stage and a mechanism to positively challenge and demonstrate these are met.

Culture change; encourage attitudes to get it right, open up communications, establish clear values & work ethic

Set short & long term financial, schedule, safety, environmental, risk and operational standards, corporate objectives, etc.

Change 'Gatekeeper ' to 'Champion'

To complement the development process and the review mechanisms the Company requires to appoint a **Project Champion** to oversee the development approval process:-

- capable of understanding the total project and its complexities
- able to question specific detail and to understand
- who can challenge –with authority

The **Project Champion** works **continuously**, with the project team, on behalf of the Company and **sponsors the project** to ensure and **assure** that the project **meets** the company **criteria for total success**.

Examples:

Deepwater offshore development missed / ignored implications of a key environmental requirement; extensive changes to platform structure required

Projects heading "off target"

Offshore platform cost-cutting eliminated spare compression, potentially missing contractual availability target, caused late re-installation

Platform debottlenecking cost cutting eliminated equipment, failed to implement replacement operational recommendation, creating new bottlenecks, missing production targets.

Onshore heavy oil development failed to recognize value of available gas field, omitting from development until late, causing re-engineering.

FPSO development missed link between fluid properties limitations and off-loading system design, causing late re-engineering and schedule delays.
