

**The Supply Chain Code of Practice has reached a milestone. Since its launch in January 06, 110 major companies have signed up to adopt and implement its best practice guidelines, which aim to improve the way business is conducted along the oil and gas industry supply chain.**

Companies signed up to the new Supply Chain Code of Practice represent 80% of expenditure in the UKCS (on an operated reserve basis).

Those companies represent over 80% of expenditure in the UKCS.



**Photo caption:** On 25 October 2006 the co-chairs of the oil and gas Industry Leadership Team (ILT), Dave Blackwood, director for BP's North Sea business and Tom Smith, managing director, Nessco Ltd joined ILT members, who represent the majority of major companies operating within the UKCS, to mark the occasion.

**Current sign-ups...**

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| <ul style="list-style-type: none"> <li>Aberdeen Fluid Technologies</li> <li>Aiken Group</li> <li>AKD Engineering</li> <li>Aker Kvaerner Offshore Partner</li> <li>AMEC</li> <li>Apache North Sea</li> <li>Aramark</li> <li>Argon Isotank</li> <li>ASCO UK</li> <li>Atlas Engineering UK</li> <li>ATR Group of Companies</li> <li>Avanteq</li> <li>Baker Hughes, UK</li> <li>BEL Valves</li> <li>Bev Recruitment</li> <li>BG International</li> <li>BJ Services Company (UK)</li> <li>Blairchem</li> <li>Bon-Accord Metal Supplies</li> <li>BP Exploration</li> <li>Burlington Resources (Irish Sea)</li> <li>Caledus</li> <li>Caledyne</li> <li>Canyon Offshore</li> <li>CETCO Oilfield Services Company</li> <li>Champion Technologies</li> <li>Chevron Upstream Europe</li> <li>ConocoPhillips</li> <li>Consafe Engineering Services</li> <li>Cooper Cameron (UK)</li> <li>Craig International Supplies</li> <li>Denascreen Print</li> <li>Det Norske Veritas</li> <li>Dominion Technology Gases</li> <li>Dron &amp; Dickson</li> <li>Eni UK</li> <li>Enterprise Engineering</li> <li>Evolve Training</li> <li>ExxonMobil</li> <li>Flameskill</li> <li>Forfab</li> <li>Franks International</li> <li>Gaz De France Britain</li> <li>Halliburton</li> <li>Hunting Oilfield Services (UK)</li> <li>HVAC &amp; Refrigeration Engineering</li> <li>Hydrasun</li> <li>Hydratight</li> <li>IGL Oil &amp; Gas Consultants</li> <li>Imes Group</li> <li>Integrated Engineering Services (Aberdeen)</li> <li>Intersum</li> <li>J.W. Fairbairn</li> <li>Kem Edwards</li> <li>Labtech</li> <li>Logical Advantage</li> <li>Lundin Britain</li> <li>MacDermid Offshore Solutions</li> <li>MacDonald Energy</li> <li>Maersk Oil North Sea UK</li> <li>Marathon Oil Company</li> <li>McKenzie-Midlane</li> <li>McNulty Offshore Construction</li> <li>Mech – Tool Engineering</li> <li>Mechserv</li> </ul> | <ul style="list-style-type: none"> <li>Moduspec Engineering (UK)</li> <li>Nesscolnvsat</li> <li>New Digital Business</li> <li>Nexen Petroleum UK</li> <li>Noble Drilling</li> <li>Noordze Helikopters VL</li> <li>North East Telecommunications</li> <li>Odfjell Drilling (UK)</li> <li>Offshore Design Engineering (ODE)</li> <li>Oil States Industries (UK)</li> <li>Performance Improvements (PI) Group</li> <li>Petro-Canada UK</li> <li>Petrochem Carless</li> <li>Process Systems International Ltd</li> <li>QServ</li> <li>RBG</li> <li>Rollstud</li> <li>RSD Supplies &amp; Services</li> <li>RWE Dea UK Holdings</li> <li>Salamis (M&amp;I)</li> <li>Schlumberger</li> <li>Scotgrip (UK)</li> <li>Scotia Instrumentation</li> <li>Shell U.K.</li> <li>SLP Engineering</li> <li>SPM (UK)</li> <li>Subsea 7</li> <li>Swire Oilfield</li> <li>Talisman Energy (UK)</li> <li>Technip Offshore UK</li> <li>The Safety Hub</li> <li>Total E&amp;P UK</li> <li>Transocean Offshore (North Sea)</li> <li>Trinity International Services</li> <li>Umax Pipeline Welding Contractors</li> <li>Uniconn</li> <li>Universal Sodexho Scotland</li> <li>Upstream Technical Consultants (UTC)</li> <li>Venture Production</li> <li>Walker Technical Resources</li> <li>Weatherford UK</li> <li>Wenaas UK</li> <li>Wilson UK</li> <li>Wood Group Engineering (North Sea)</li> <li>Xpert Facilities Management</li> <li>Zeta-pdm</li> </ul> |
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Access the new code and sign-up sheet at **www.pilottaskforce.co.uk** and send your signed form to:

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**“PLAN” aims to ensure transparent planning of contracting activity by major purchasers to supply chain capability...**

**PILOT Share Fair 8  
Wednesday 8 November 2006  
Aberdeen Exhibition and Conference Centre**

This year PILOT Share Fair 8, sponsored by RBG Ltd, opened its doors to around 600 delegates at the Aberdeen Exhibition and Conference Centre.



Sixteen oil and gas operators and major contractors showcased their activity plans for the North Sea for the next 18 months to delegates, who represented small and medium-sized suppliers from across the UK and overseas including China, Norway, Australia, Netherlands, US and Belgium.

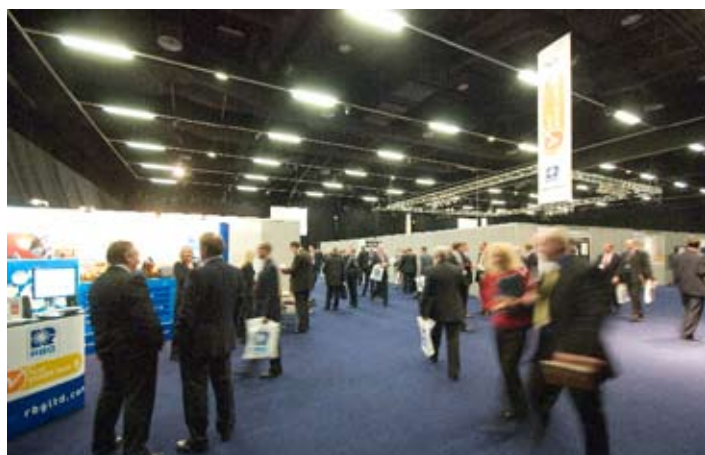
Aceryg, AMEC, BG Group, BP, Chevron, ConocoPhillips, Halliburton, Maersk Oil North Sea UK Ltd, Marathon Oil UK Ltd, Nexen, Shell, Technip, Total, Wood Group, Petrofac and Subsea 7 all took part and the potential new business opportunities were estimated to be worth in the region of £5 billion.

The companies outlined their strategies for the North Sea, including upcoming drilling programmes, technology requirements, Brownfields, environment and integrity projects; plans for operations and maintenance; decommissioning and development projects; as well as giving out company contact details. Delegates listened to group presentations and gained



detailed information in pre-booked private one-to-one sessions with representatives from the presenting companies.

In a separate area 22 exhibitors showcased their products and services to delegates who networked amongst hundreds of industry colleagues.



Tom Smith, managing director, Nessco Ltd, and co-chair of the Industry Leadership Team said: “We are delighted with the response to this year’s PILOT Share Fair. As activity in the North Sea has heightened and pressure on resources increased, planning horizons have been extended further than we have seen for many years. We are being required to be ever more efficient at allocating our people, goods and services to ensure that we maximise every opportunity to recover the UK’s oil and gas reserves. The Share Fair is the perfect mechanism to allow suppliers to keep abreast of business developments and industry to gauge suppliers’ appetite for staying committed and focused to developing the UK continental shelf.”

By presenting at or attending PILOT Share Fair, purchasers and suppliers took a step towards compliance with the Supply Chain Code of Practice. Under PLAN, in the code’s guidelines, major purchasers are required to take part in “Transparent planning of contracting activity ... to improve supply chain capability.”

**Some comments about PILOT Share Fair 8 ...**

“The focus of the whole set up meant that customers, contacts, colleagues, friends and suppliers were all milling around providing a positive environment for intense networking.”

“We gathered some excellent contacts and have already arranged meetings with key people for follow up on forthcoming projects so it was very positive for us.”

“Access to senior company executives for presenting firms.”

“Meeting the right people – that would normally take months.”

“We also actively encourage open feedback from suppliers on our performance using the FPAL Report 3 Form as it helps us to improve our working practices and become more efficient. It’s a valuable process and saves us a huge amount of time, effort and money.

“Fundamental to satisfying the principle and our obligations under the Code is the use of the FPAL supplier database. Aker Kvaerner Offshore Partner Limited does not maintain a supplier database, FPAL is our database and we encourage all suppliers who want to do business in the UK Oil and Gas Industry to register.

“A key aspect of the feedback regime is maintaining our “VERIFY” profile in FPAL, the latter part of our presentation used HSE performance feedback to emphasise this.

**Supply Chain Code of Practice  
Food for Thought Sessions**

The Supply Chain Code of Practice Food for Thought series aims to raise awareness of how implementing and adopting the code’s best practice guidelines can drive an improvement in efficiency across the entire North Sea oil and gas supply chain, as well as provide real benefits to the individual companies who participate.

Each session is hosted by an individual company who provide information on the Code, FPAL, the industry’s supplier database, and information on the host company’s upcoming projects. The lunch sessions facilitate networking among industry colleagues, are a chance to hear about upcoming business opportunities and allow participants to share best practice techniques.

Our requirements for feedback from the supplier community, is described under our HSE operating model. The metrics are evaluated by our HSE team on the basis of whether we can control HSE performance under Contracts, influence HSE performance through third party contracts or monitor safety behavior in the wider supply chain.

“The purpose of measuring performance indicators is to lead us to a position under Control, Influence and Monitor where we can further enhance Aker Kvaerner, and Client, HSE performance.”

Malcolm Wilson of FPAL advised suppliers on how FPAL can assist them in working within the Code’s guidelines.

Mike also provided some information on upcoming business opportunities including Talisman, Maersk, Nexen and Bluewater.

**AKER KVÆRNER**

At the close of 2006 Mike Hepburn, Supply Chain Manager, Aker Kvaerner Offshore Partner Limited, hosted a Food for Thought session at the company’s HQ in Dyce, which attracted over 40 supplier representatives from a range of companies.

Rod Buchan, Managing Director, Aker Kvaerner Offshore Partner Limited, welcomed guests with an opening statement and Mike provided background information on the company and the SCCOP.

Mike Hepburn said, “We use the principles contained within the Code to engage in two-way feedback with our suppliers. Providing feedback to suppliers on their performance using the FPAL Report 1 Form, ensures that they have a clear understanding of our expectations and the degree to which they have met those expectations, which, in turn, identifies gaps and enables them to provide an improved service.

**ConocoPhillips**

ConocoPhillips’ UK managing director Archie Kennedy hosted a lunch in support of the Supply Chain Code of Practice.

The UK operations and maintenance supply chain manager, Allison Thomson said: ‘ConocoPhillips is a signatory to the code and actively looks to support its principles of improving performance, eliminating unnecessary costs, adding value and boosting competitiveness.’

A selection of key contractors were present at the lunch on the 30 November, which aimed to reaffirm support for the code by the companies present, as well as to raise awareness of ConocoPhillips procurement processes and actions being taken to improve its relationship with vendors.

**“CONTRACT” works to simplify pre-qualification, tendering and negotiation processes, reduce bidding costs and remove duplicate information ...**

### Case Study: An Example of Best Practice

#### CIPS award for Venture Production and Subsea 7

Congratulations to Venture Production and Subsea 7 who received the prestigious CIPS Supply Management Award for Best purchaser-supplier partnership.

Alistair McGregor, until recently, Venture’s chief procurement officer, received the award at a glitzy-ceremony dinner held at the London Hilton on Park Lane on 26 October 2006.

The two companies were recognised for establishing a long-term strategic partnership to ensure that work can progress on a number of North Sea projects at a time when costs are rising at an alarming rate.

One of the projects, a £250 million deal with engineering firm Subsea 7 for marine and subsea construction, secured the team the best purchaser-supplier partnership award.

Rather than work to a fixed term or use cost and margin as the base, the contract is anchored on performance and delivery. “If you are designing a contract for the long-term, you need a mix of objectives.” Explains Alistair McGregor. “While some must be hard and measurable, others need to be soft so they can be sustained over the length of the contract.”

Soft objectives include alignment between business models, companies and individuals; longevity of the relationship; and flexibility.

Termination provisions were extended to 12 months as a minimum and, in return, Subsea 7 agreed to offer Venture preference on deploying assets and resources, advantageous pricing and quality of delivery.

The partnership also saved Venture time and expense on tendering for new projects. An example was the replacement of the Kittiwake Loading Buoy in the North Sea with a Subsea anchor loading (SAL) system. It was expected that the installation would cost £15 million and take 65 weeks to execute. However, Subsea 7 executed the project 10 months faster and at around half the estimated cost.

The promise of vessel availability from Subsea 7 was very important, as was the ability to price a complex job without a formal tendering exercise. This meant that Subsea 7 and Venture could bid for the SAL system before any other party could consider it.

The total cost-saving benefits for 2005-06 were in the region of £45 million, 22 per cent of the company’s spend. Availability of supply is also ensured, enabling Venture to deliver 12 projects in 12 months, resulting in increased production equivalent to 25,000 barrels of oil a day.

About 50 Subsea 7 staff work on the Venture projects full-time McGregor says: “It’s about being an attractive party to do business with by being fair on price and in sharing risk, rewards and creating trust, alignment and interdependence.

“This is the most highly prized of all the awards – it’s where you turn theory into practice and where there are the most tangible business benefits.”



**“PERFORM & PAY” encourages two-way performance feedback and shortened payment cycles ...**



**You say you’re the best. You know you’re the best...but can you prove you’re the best?**

FPAL Performance Feedback offers a simple, industry recognised tool for recording company performance. By completing Performance Feedback reports systematically, during, or after each contract or purchase order, a track record of business performance can be produced.

More importantly the reports are saved online and accessible anytime to provide a snapshot of how your company is performing and developing over time. This offers a valuable business development tool that all organisations would benefit from adopting.

The fact that FPAL Performance Feedback reports are industry recognised contributes to sustaining an organisations reputation and adhering to industry guidelines such as the SCCOP.

Companies operating in the oil & gas industry are continually striving for best practice. One critical element of such a journey is to adhere to the guidelines set out by the SCCOP. The three commercial stages in the Code: improve performance, eliminate unnecessary costs and add value and boost competitiveness combine to achieving best practice. The first step could arguably begin with performance. An increase in company performance leads to the elimination of unnecessary costs, therefore adding value to the company and boosting it’s competitive position.

As a member of the Code, why not start with best practice number one and look to improve your organisations performance?

Surely then you could say you’re the best. You would know you’re the best...and could prove you’re the best?

**Other news**

**Model ITTs**



The Model ITT (Invitation to Tender Template) for Mobile Drilling Rigs was launched early in 2006 and is now being used successfully by a number of operators.

The guideline document provides a standard layout for suppliers to follow when structuring their response to a buyers request for services and/or equipment. The major benefits for those who follow the Model ITT framework include reduced costs, which can be in the region of £25,000 to £50,000 per bid, and time saved by eliminating duplicated information.

Model ITTs for Well Services, Marine and Facilities are being drafted and are scheduled to be available for use in Spring 2007.

**ACCESS MODEL ITTs at <http://www.fpal.com>**

**Supply Chain Managers Network**



Ian Donaldson, supply chain manager, Talisman, has been elected to take the position of chair of the Supply Chain Management Network for 2007 and Ian Rattray, supply chain manager, Subsea 7, was elected to take the role of Vice-chair of the group for 2007.

If you are interested in taking part in the Supply Chain Managers Network please contact Rebecca Lennox at the DTI on 01224 254047 or email [Rebecca.Lennox@dti.gsi.gov.uk](mailto:Rebecca.Lennox@dti.gsi.gov.uk)

## **Calendar of Upcoming Events/Networking Opportunities**

### **Supply Chain Managers Network**

Meeting Dates: To be held at the offices of:

March 28th	Technip
May 30th	ExxonMobil
July 25th	Petrofac
September 26th	Marathon
November 28th	Nexen

If you are a supply chain manager and would like to take part in developing and maintaining an efficient supply chain for the North Sea oil and gas industry you are welcome to take part in our meetings. These are held on the last Wednesday of every other month in the afternoon from 2pm until 5pm at the offices of network members. Email Rebecca Lennox at [rebecca.lennox@dti.gov.uk](mailto:rebecca.lennox@dti.gov.uk) if you would like to attend.

***“Implementing and adopting the code’s best practice guidelines can drive an improvement in efficiency across the entire North Sea oil and gas supply chain, as well as provide real benefits to the individual companies who participate.”***



### **UKOOA Winter Breakfast Briefing, 13 February 2007, Aberdeen Beach Ballroom** **SOLD OUT**

#### ***Appetite for Activity – The UKCS in 2007***

UKOOA reveals findings from its latest activity surveys mapping members’ exploration and production plans for the UKCS in 2007, with views from the supply chain on the likely impact on their business.

#### **Speakers:**

Mike Tholen, Economics & Commercial Director, UKOOA  
Bob Lyons, Chief Operating Officer, AGR Peak Well Management

For further details contact [events@ukooa.co.uk](mailto:events@ukooa.co.uk) or 01224 577250

### **UKOOA Winter Breakfast Briefing, 14 February 2007, Herbert Smith’s offices, London**

#### ***Appetite for Activity – The UKCS in 2007***

UKOOA reveals plans of North Sea industry for expenditure and production in 2007 and the years ahead.

#### **Speakers:**

Malcolm Webb, Chief Executive, UKOOA  
Mike Tholen, Economics & Commercial Director, UKOOA

To register your free place: contact [events@ukooa.co.uk](mailto:events@ukooa.co.uk) or 020 7802 2400

### **HAVE YOUR SAY!**

**Has your company presented its forward plans to suppliers?**

**How have Model ITTs helped you in your negotiations with clients and suppliers?**

**What do you think of the E-Bulletin? What other information would you like to see or include?**

**Let us know and we’ll give your company a mention in our next E-Bulletin! Contact Elisabeth Glover on 01224 577264 or at [eglover@ukooa.co.uk](mailto:eglover@ukooa.co.uk)**