



Statoil IR Autumn Conference  
23 November 2015, Oslo

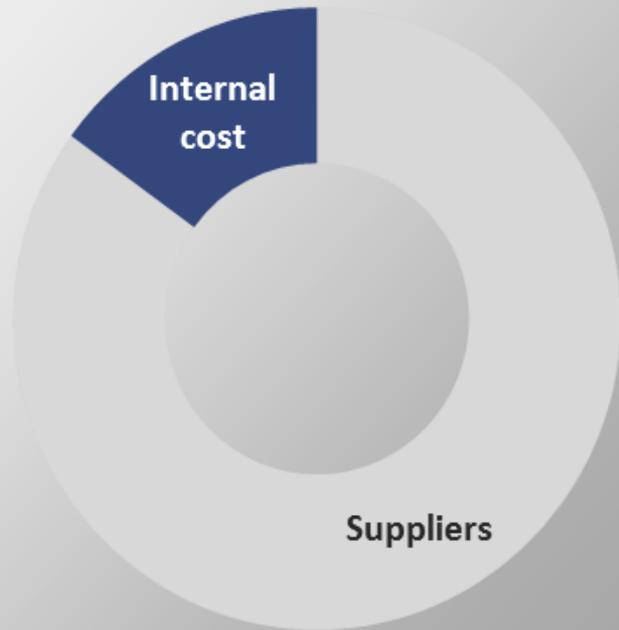
# Procurement and supplier relations

Jon Arnt Jacobsen, SVP

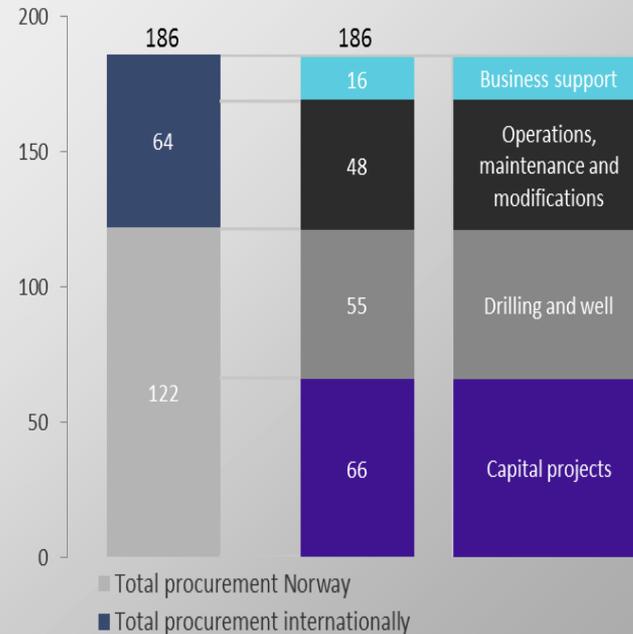
# Supplier performance key to our success

Strong relationships with high-quality suppliers drives sustainable competitiveness

The majority of Statoil's yearly expenditures arises from suppliers



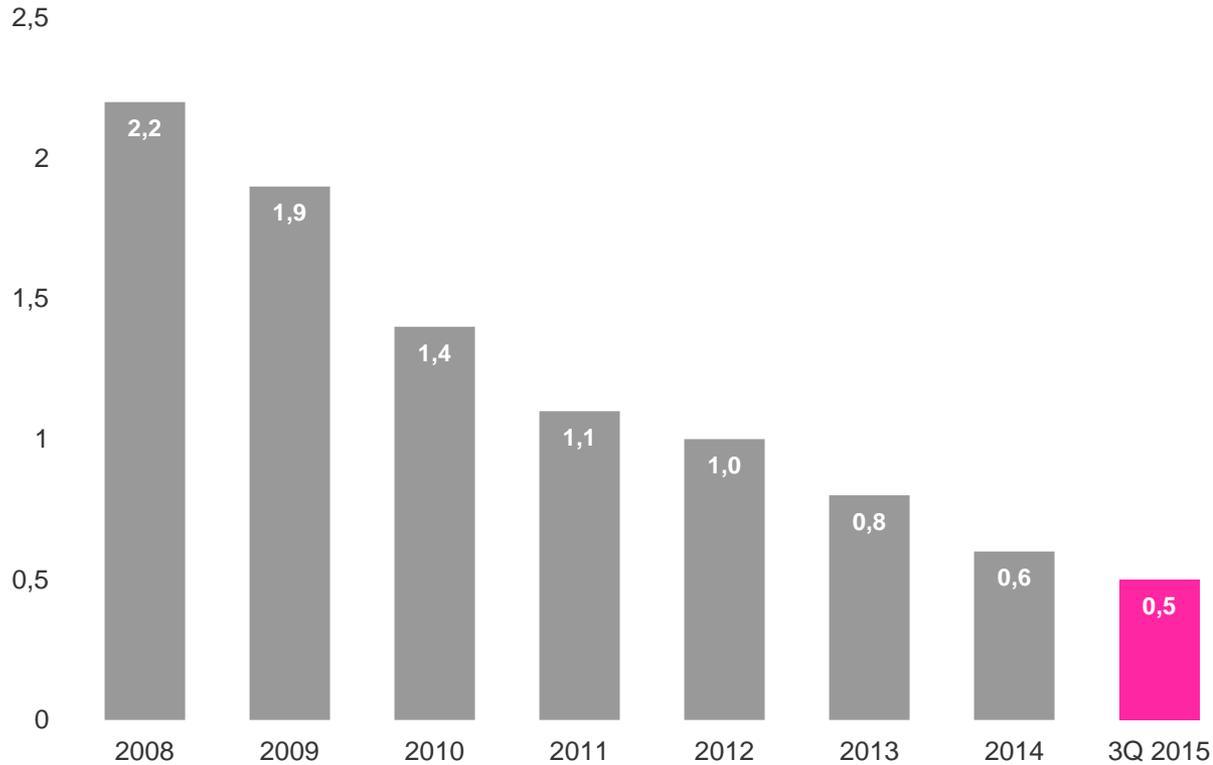
Statoil procurement 2014 in NOK Bn



# Safety and security – achieved together

## Serious incident frequency

Number of serious incidents per million work-hours, last 12 months

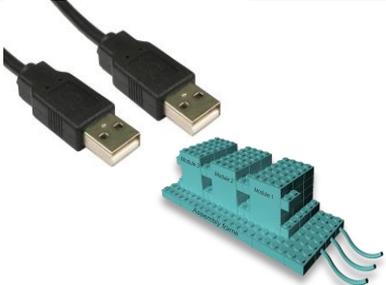


# Building blocks for future competitiveness

## 1 Further **standardisation**

**Selected potentials**

- Standardised equipment and modules <sup>1)</sup> → USD 150-300 million in savings
- Standardised platform concepts → 8-10% facility capex reduction
- Vertical X-mas trees <sup>1)</sup> → USD 0.8 – 1.0 bn over fields' lifetime
- Standard production wells → 10-20% lower average well cost
- "Subsea on slim legs" → 20-30% savings Versus subsea solution



"Subsea plug and play"

## 2 Targeted **technology** development



## 3 Operational **excellence**



## 4 Capitalising on **market opportunities**



# Responses and actions

## Capitalising on the current market

### *Internal improvements*



- STEP
- Contract management
- Follow up of suppliers
- Performance culture

### *Joint improvement programmes*



- Engineering
- Maintenance and Modification
- Subsea
- Drilling and Well

### *New contract models and incentives*



- Increased use of integrated deliveries
- Alignment of risk / reward
- Broaden and deepen key performance indicator sets

### *Renegotiations and retendering*



- Focused approach: potential and risk
- Significant difference between categories
- Positive reception but difficult negotiations

# Significant improvement within drilling and well



Long term competitiveness

- An industry leader on cost and efficiency
  - ✓ Standardised solutions
  - ✓ Perfect well approach
  - ✓ Supplier cooperation and performance

Average days per well

↓ **30**  
%

Average meter per day

↑ **50**  
%

Average days per completion

↓ **45**  
%

Non productive time

↓ **2.5**  
%

# Expectations go both ways

## COMPETITIVE COST LEVEL..



..with joint responsibility for total value chain cost and improvements..

..and with the right governing mechanisms in place



*Structured follow-up*

*Incentives and KPI's*

*Fact-based evaluation and reward*

**Supplier**



Thank you



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# Re-establishing a high performance and competitive MMO Industry

Terese Kvinge, SVP, PRO Brownfield

# Increased Oil Recovery on NCS – utilizing existing infrastructure

Low pressure production > 1,2 billion boe

Troll: 522 mboe



Åsgard: 280 mboe



Kvitebjørn: 220 mboe



Kristin: 160 mboe



Gullfaks: 22 mboe



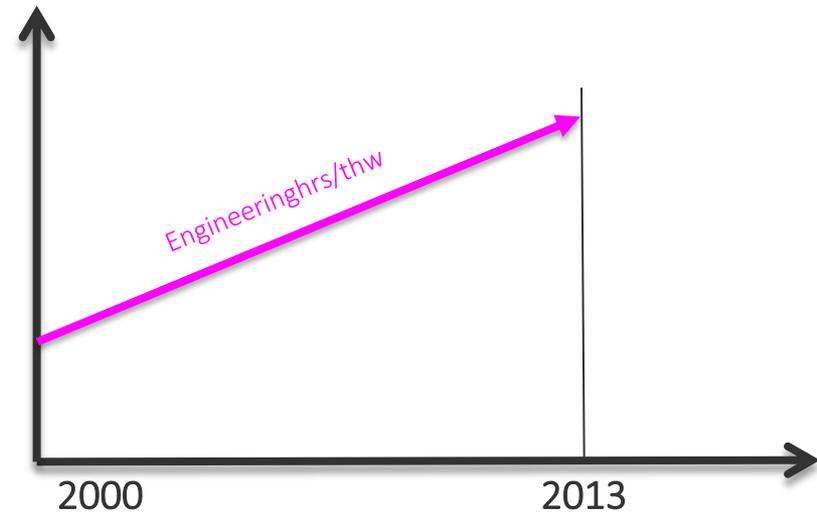
Heidrun: 7,5 mbo



# 2000 – 2013 MMO Industry

From good to poor performance.....

- 100% more engineering hours used....
- 80% more installation hours used....
- Significantly growth in sub deliveries during execution



# Top 10 key elements in creating a high performance culture

Our Challenge: Create a high performance culture within the Norwegian MMO Industry

- # 1 – Clearly define what winning looks like
- #2 – Spell out your “preferred culture”
- #3 – Set stretch targets
- #4 – Connect to the big picture
- #5 – Develop an ownership mentality
- #6 – Improving performance through transparency
- #7 – Increase performance through employee engagement
- #8 – Storytelling
- #9 – Internal communication
- #10 – Taking the time to celebrate

# MMO Common Improvement Agenda

A Joint MMO Industry initiative to Improve our competitiveness and predictability



Front End Loading  
&  
Engineering Efficiency

Life cycle information

Sub Suppliers

Offshore readiness  
&  
efficiency

# Improving with suppliers

## Front End Loading – Common MMO FEL toolbox

- Maximize reuse of existing infrastructure / equipment
- Chase «good enough» technical solutions
- Increased use of industry standard instead of customized solutions
- Involvement of critical sub suppliers in early phase
- Increased management focus wrt quality in early phase studies





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I'm in

## Enable our suppliers

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to deliver:

- Cost efficient projects based on industry standard
- Minimum solutions from the start – right the first time
- Simplified documentation, tagging and follow-up

**You are accountable.**

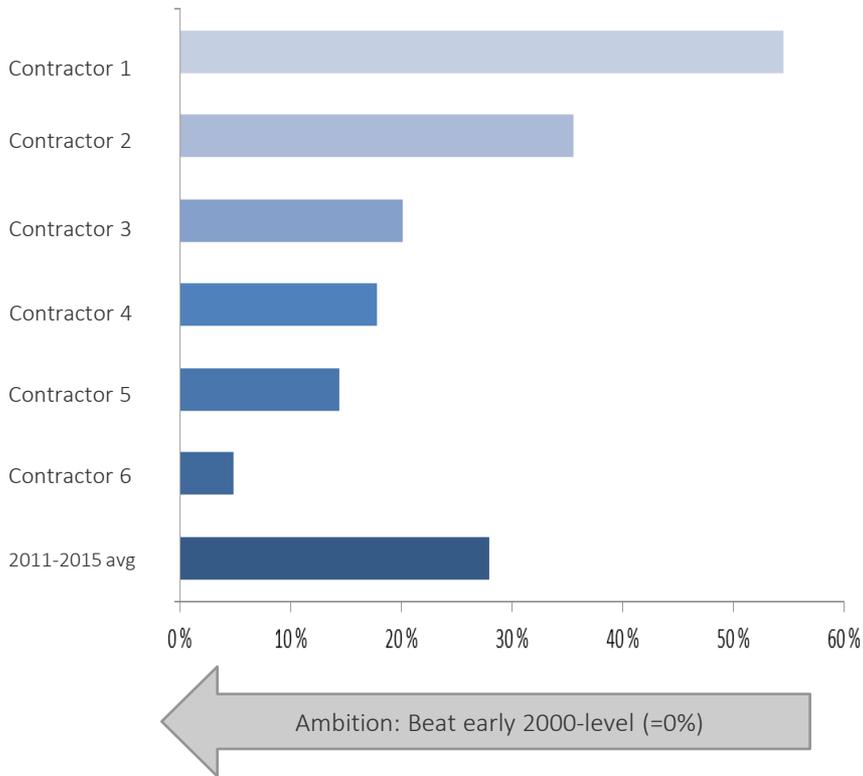
Make sure suppliers spend our money wisely.

# Improving with MMO suppliers

## Transparency wrt performance

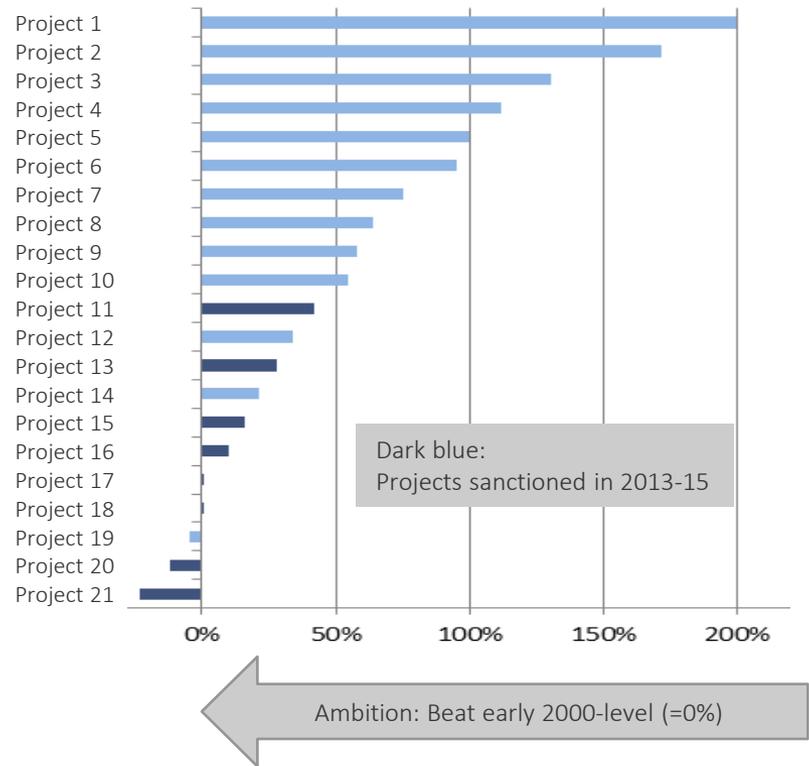
### Competitiveness benchmark

Contractor avg. cost performance vs. early 2000 level  
Projects sanctioned in 2011-2015 included



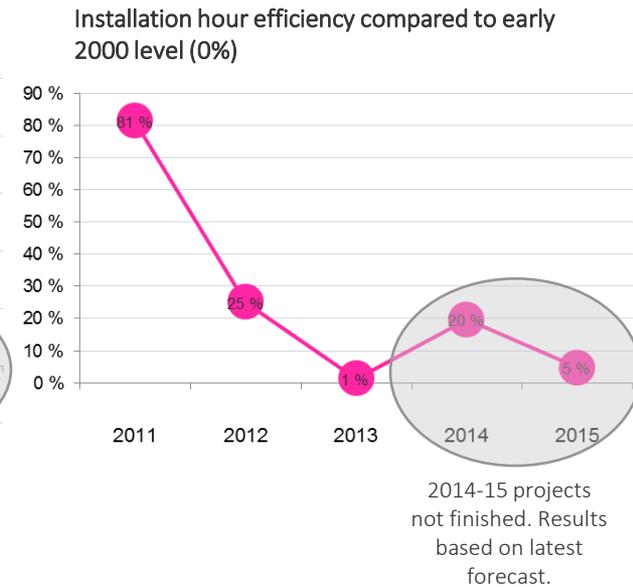
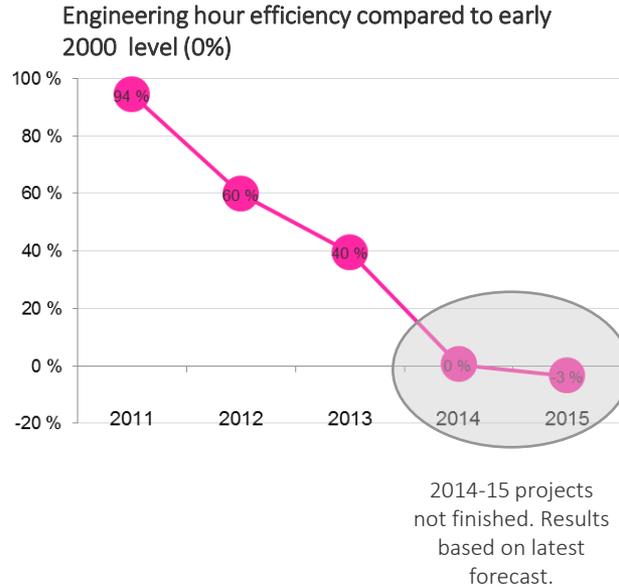
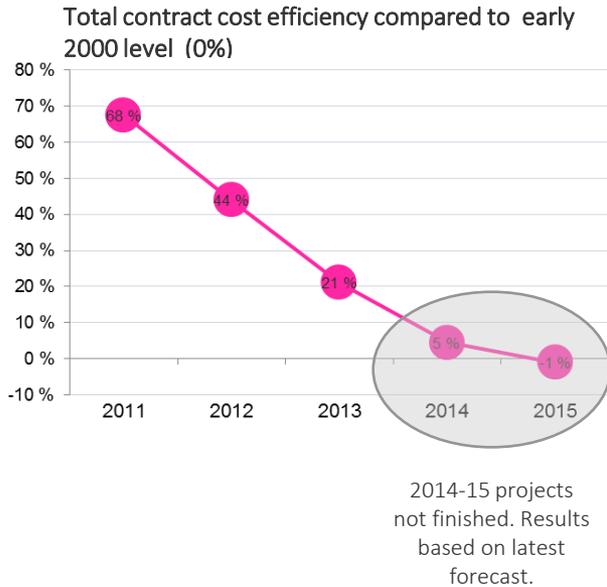
### Engineering efficiency benchmark

Engineering efficiency vs. early 2000 level  
Projects sanctioned in 2011-2015 included



# Improving with MMO suppliers

## Measuring improvements - Efficiency in execution (by sanction year)

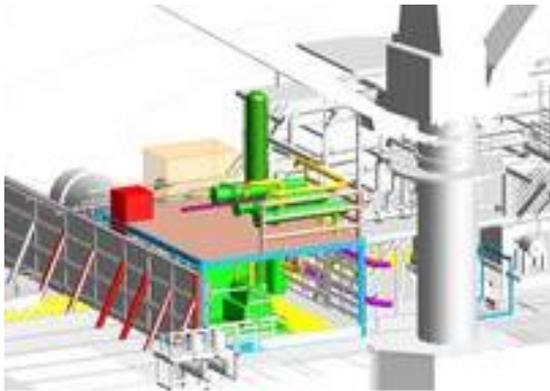


\*) In average 2-3 years duration from sanction to finished project.

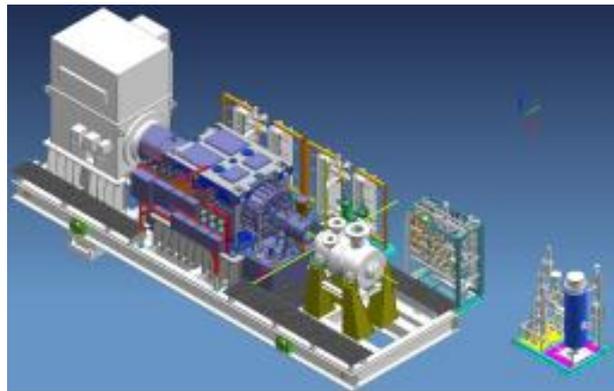
# Way forward - Standardisation opportunities

## LPP production – from tailor made to standardised

Degree of standardisation



Tailor made LPP production



Standardised equipment /  
building blocks



Standardised LPP  
module

Thank you

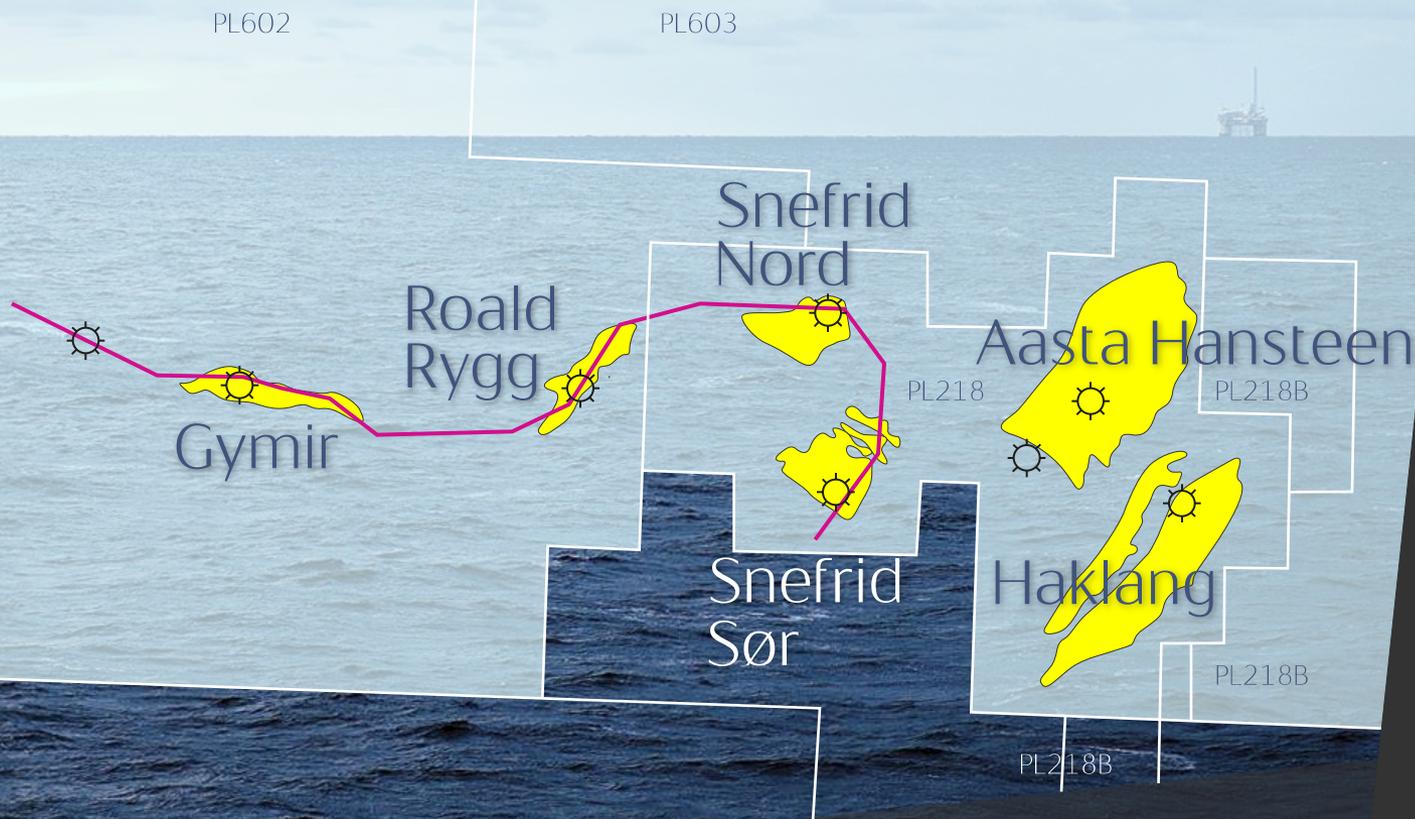


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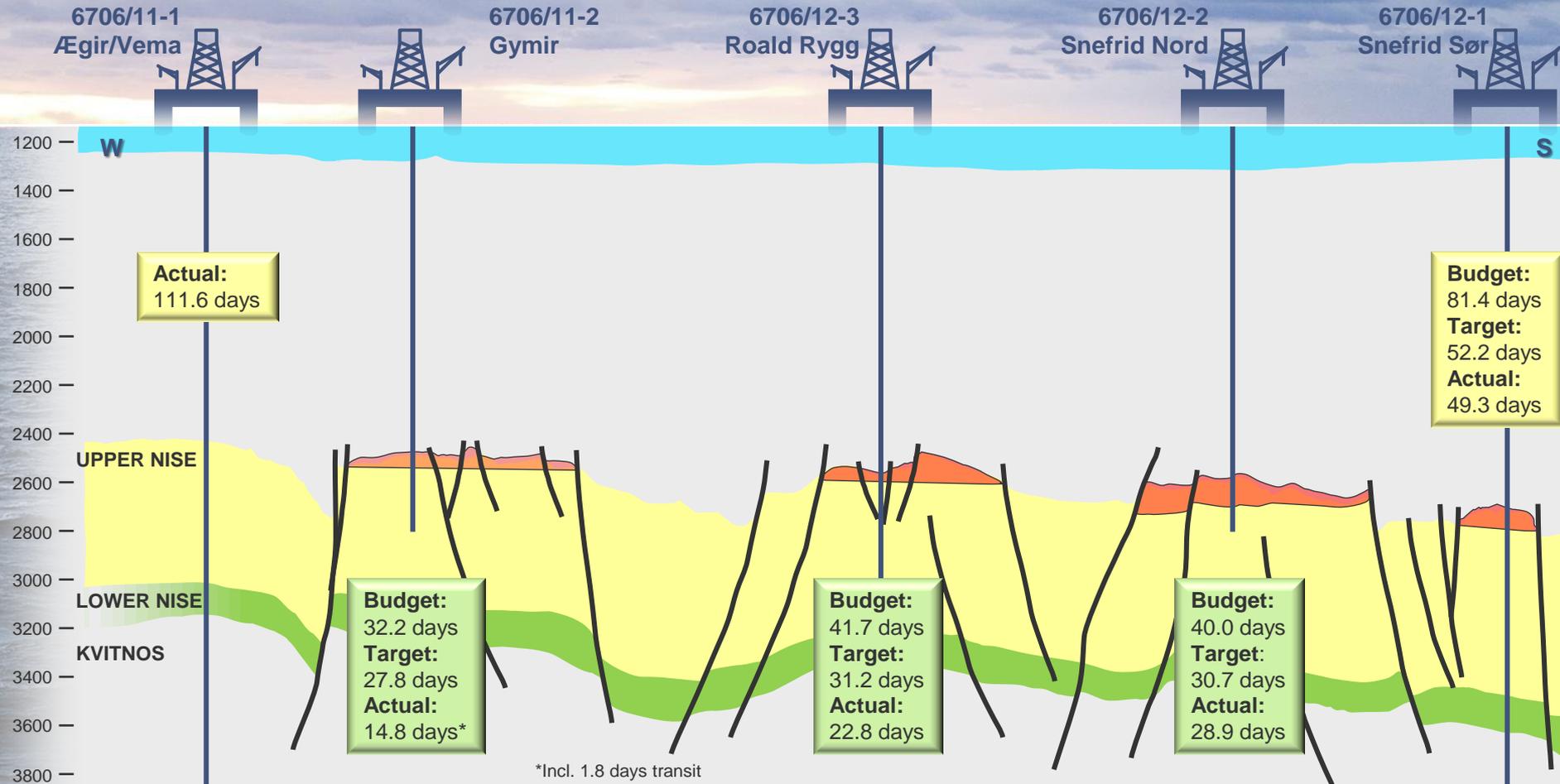
# Efficiency in exploration drilling

The story of a world class performance

Dagfinn Alm, Advisor Exploration

# A world class performance

155 days less spent – 1 billion NOK saved



# The components of a world class performance



**Mindset**

**Execution**

**Understand  
risk**

**Treat it as  
your own  
money**

**Continuity  
and  
experience**

# Statoil. The Power of Possible

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The story of a world class performance

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