



## **REVERSE HACKATHON**

**AECC – June 25, 2019**

**Output Notes**



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**Bill Cattanach, head of supply chain at the Oil and Gas Authority said:**

“Proactive engagement between operators and the service sector is essential in unlocking innovative and cost saving approaches to decommissioning. This hackathon has touched on a number of critical challenges and opened up a positive new channel of communication, hugely beneficial in this growing sector. The Forth and Tay Decommissioning Alliance have been progressive in staging such a valuable and informative event.”

**Thank you to Decom North Sea for its help in hosting and capturing the discussion from this session as part of its June Bitesize Decom Networking event on June 25, 2019. Thanks also to all attendees and contributors**

## 1.0 Introduction

A reverse hackathon was held by Forth and Tay Decommissioning, with the help of Decom North Sea, on June 25, 2019. This followed on from a DNS lunch and learn session and all attendees were invited to stay and participate. In all, approximately 35-40 people participated, with representation from operators, supply chain, industry bodies and government.



This was a “reverse” hackathon in that the questions were posed to operators by the supply chain, rather than the conventional, opposite way. The topics were selected to meet at least three criteria:

- The topic was causing inefficiencies in the supply chain
- Operators could make the change, or help influence the change
- Finding a solution would add value to decommissioning through cost reductions and efficiency improvements, thereby benefiting all parties, including HMG

The chosen three topics were:

- Activity demand and timing
- Contractual and commercial models
- Giving more control to the supply chain

It was agreed by the participants that the topics were appropriate and, if addressed appropriately, would bring benefit to decommissioning outcomes.

It was further agreed that the regulators, particularly the OGA, were ideally situated to stimulate and encourage the changes needed to deliver the benefits, but acknowledged that change would also have to be tangible and genuine within the operating and supply chain communities. A summary of the outcome of each discussion is included overleaf, followed by a slightly more detail record of the discussion leading to the recommendation.

*Jim Christie*

Chairman – Offshore Decommissioning Services  
A member company of the Forth and Tay Decommissioning Alliance  
July 29, 2019

## 2.0 Summary of Questions and Recommendations



### QUESTION 1

What can the industry do to help communicate to others the likely timing of cessation of production, well abandonments and decommissioning projects?

*It was agreed that the industry would never be able to provide absolute certainty on Cessation of Production and other decommissioning dates. There is inevitability on uncertainty as things change, economically and technically, and this will impact project timing. It was agreed that any information would help, however, and that the supply chain understand and can work around a range of uncertainty.*

*There seemed to be agreement from operators to share more information, and that this would be best aggregated and communicated by the OGA, as an independent third party, but using operator data.*

*It was recommended that an approach be made to the OGA to see what it can do, with the data it already holds.*

### QUESTION 2

The current operator procurement, contractual and commercial processes may be stifling innovation and preventing the identification of optimal solutions for decommissioning projects, driving up costs.

*There was no disagreement on the position that the contractual and commercial processes used for decommissioning could be, and perhaps must be, improved. It was also agreed that more transparency on available data, while ensuring it is helpful and accurate could help drive down costs.*

*It was generally felt that the change in approach had to commence with the operators, but that the OGA and industry bodies OGUK / DNS could play an important role in managing the change process and identifying good practice.*

### QUESTION 3

How can operators get to the point where they are willing and confident to hand off work scope, decision making and execution to the supply chain, freeing themselves up to focus on the E&P aspects of MER UK?

*The concept of a decommissioning operator was seen as something that could develop over time, but would require demonstration by the supply chain of competence to manage the assets, and experience in doing so. Operators would be willing to consider this change, but there is a hesitancy to hand over the asset to entities less familiar with them than the operators.*

*The current activity in data capture and sharing was seen as something that could facilitate and accelerate this process.*

### 3.0 Discussion Notes from the Hackathon Session



## QUESTION 1

What can the industry do to help communicate to others the likely timing of cessation of production, well abandonments and decommissioning projects?

This question was posed, acknowledging that operators may not wish to share Cessation of Production or other decommissioning dates, and that operators were actively working to extend field life in order to maximise profitability and MER UK.

It was also recognised, however, that things have changed in recent years and that the best information is now available, collectively, within the OGA. This information is gathered as part of the annual Stewardship Survey.

It was agreed that the supply chain may have some good ideas on how to optimise decommissioning, but it was proving difficult to invest with the uncertainty around demand timing. Everyone is aware that decommissioning needs to be done, but not when. If the supply chain were given the opportunity to invest and be prepared for decommissioning all would benefit, but particularly operators:

- Operators would benefit from lower costs, higher quality and safer solutions
- HMG would benefit from lower costs to tax payers and the creation of exportable expertise
- Supply chain would benefit from increased ability to invest, expend and increase efficiency

An operator offered that this uncertainty on timing was inevitable and that dates would always keep changing due to many factors, including the desire to extend production and deliver MER UK. It was suggested that supply chain would understand the uncertainty around dates and manage to cope with this, but that any information would help. Question is; how can we better manage this.

Question from the floor was “why cannot we get the Government behind this?” They have the information, which they could collate and update regularly. It was asked if this is not what Project Pathfinder already does, but it was considered that this presented projects on a case by case basis and offered no aggregation for the overall UKCS, or by region (SNS, CNS, NNS).

It was acknowledged that the government may have some hesitation in issuing information as it could work contrary to MER UK and there may be confidentiality concerns.

Operators were asked if they would have a problem with providing additional timing information. In principle, but they could not be held to the dates. There was consensus that it would be better to ask the operators for the demand information, rather than the supply chain. When information does come out today, it tends to be fragmented and very late in the day, preventing the ability to plan or aggregate.

A suggestion was to aggregate demand by WBS element. This would help supply chain members plan investments.

It seemed to be acceptable that the industry encourage operators to share the information, and that the operators advise the regulator that this is acceptable to them.

## QUESTION 2



The current operator procurement, contractual and commercial processes may be stifling innovation and preventing the identification of optimal solutions for decommissioning projects, driving up costs.

The position that the current contracting and commercial models, including pricing methods, were not working well for decommissioning, nor contributing to the goal of overall cost reduction. It was offered that while some operators are demonstrating change and engaging early with the supply chain, many are applying traditional E&P processes to the contractor selection process.

An operator suggested that they were engaging early with the supply chain through the pre-qualification process by issuing scopes of work and allowing the supply chain sufficient time to prepare quality submissions. It was asked if the operators look at the second or third tier, to ensure the proper process, with adequate timing is being used for potential subcontractors. It was stated that they do not look beyond the first tier.

The selection process for the new Queensferry crossing was cited as a good example of going to the market with the problem rather than defined solution. This enabled the proposal of improved solutions by consortia of highly qualified contractors, resulting in significant cost reductions. Given the flexibility of schedule within decommissioning, this approach was offered as a viable alternative leading to better solutions and campaigns.

Discussion then moved to pricing and the operator's strong desire for lump sum pricing. This was seen as a risk mitigation tactic, but many in the discussion did not believe this was effective. There was strong opinion on the need to align pricing with the maturity of scope definition. This would avoid the need to include additional cost to cover for uncertainty and risk. There are examples of how this can be done both with oil and gas and other industries. One of the start-up companies in the current TechX programme are proposing the digitisation of dynamic pricing to protect both contracting parties. The Construction Industry Institute in Texas also have a number of case studies, papers and good practices around appropriate pricing structures for varying maturities of scope definition.

The need to provide transparent and accurate data to the supply chain to attract competitive pricing was also suggested. Several operators agreed that this was always the goal but sometime accurate data was not available, particularly where the assets had changed ownership during their lifetime. A caution was offered that it can equally be harmful to provide too much data, often not relevant to the decommissioning scope, to the bidders. This can confuse and create challenges given the timeframe allocated to scrutinise the data. The obtaining of accurate data is equally useful for operators in that it can ensure they are educated buyers, working with educated sellers.

The OGTC suggested that access to appropriate and accurate data could enable industry to not only scenario plan an entire decommissioning project, but also facilitate this across the entire basin. This may not require new technology, but merely better use of what we already have. This scenario planning may highlight a better contracting model that reduces cost and ensures profitability for the supply chain.

A question was raised on who is best positioned to drive a change in the contracting model and commercial arrangements. It was felt that the change had to come from the operators, and that they would be the primary beneficiaries. It was also suggested the OGA could drive and encourage an improved approach. The effort to drive the change could also be managed by OGUK and DNS, but it requires a concerted formal effort.

The recommendation in the first instance was to engage with the OGA to share the discussion at the hackathon.

## QUESTION 3



How can operators get to the point where they are willing and confident to hand off work scope, decision making and execution to the supply chain, freeing themselves up to focus on the E&P aspects of MER UK?

The concept of a decommissioning operator was tabled. This has arisen within European safety legislation but it was asked if we have done anything with this. The overall question raised some sub-questions:

- Will operators wish to transfer the work to the supply chain so they can focus on E&P?
- Is the supply chain ready to take on the ownership and responsibilities?
- Do operators want to self-manage; do they trust the supply chain?

The speaker was asked if there are any supply chain members already out there that are willing to accept the role and responsibilities. It was offered that while operators often do not want to become decommissioning specialists, they are hesitant to hand over asset to someone less familiar with the asset than themselves, particularly wells.

The key, it was felt, is data. The data is there, but often difficult to uncover. It was offered that the first critical step was educating ourselves by capturing the information and sharing it. This process, it was suggested, has begun and the OGA for example is making much more data freely available.

Even with the data, it was offered that the supply chain will have to offer and deliver what the operators want. There will need to be a building of trust between the parties. This has been seen on single operator well campaigns, where contracting strategies have changed and efficiencies have improved dramatically as the campaign progressed.

A challenge was put out as to whether the operators needed to “hand over the keys” to be successful. Is it not more valuable to look at contracting models and getting away from fixed price? Is it not better to look for “Best price”, designed to incorporate experience and good practice? Best price may end up at the lowest price.

It was agreed that operators will give something over to the supply chain if there is confidence it will be done well, managed well, and executed safely. A possible path forward may be to look at each WBS element and see what could be handed over first to build that confidence and experience.

The supply chain was asked how open it could be in providing transparency in pricing. This was viewed as possible, but would need some examination.