

June 2019

OGUK CONFERENCE 2019

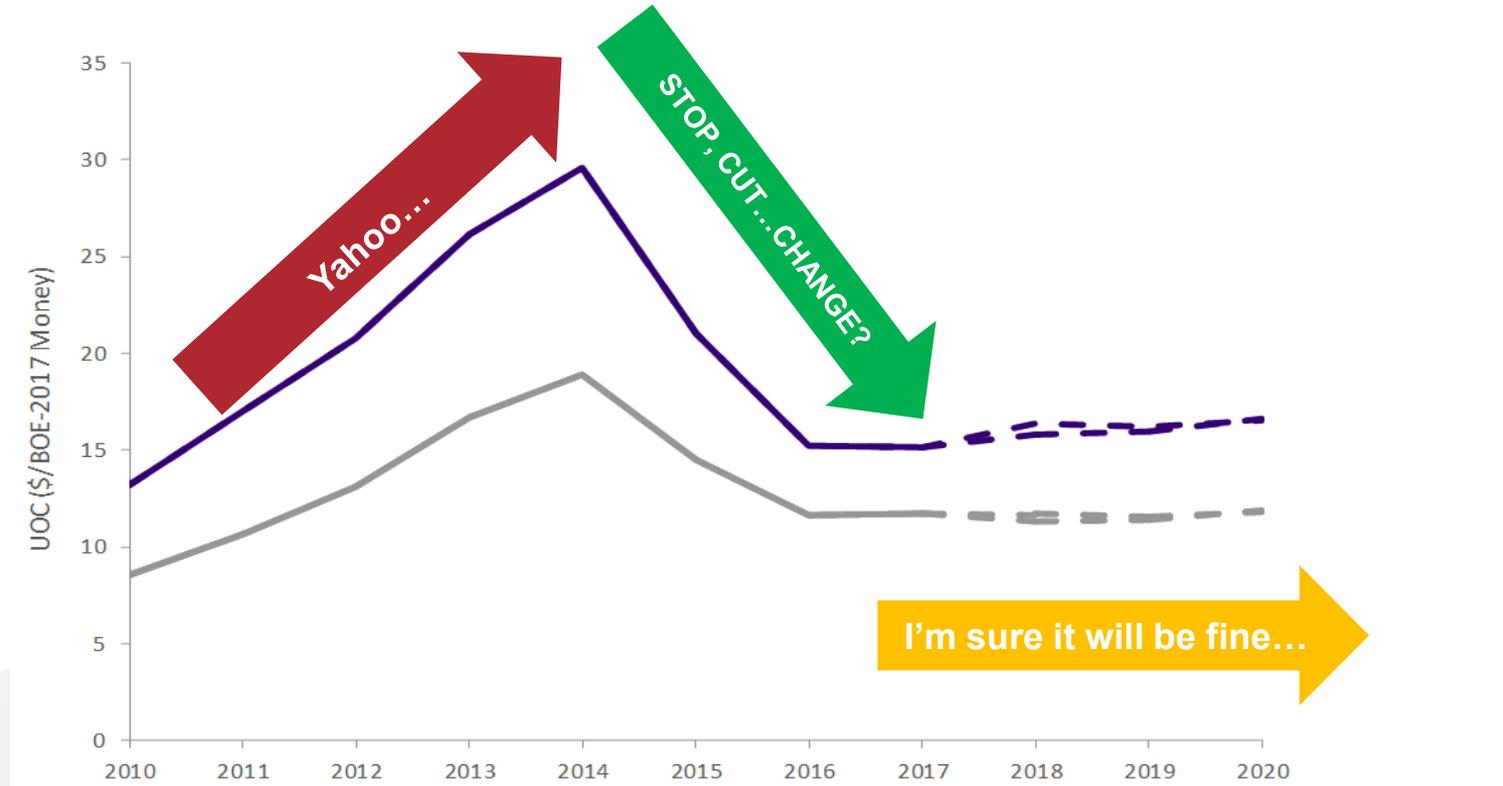
WHERE WILL THE NEXT 50% COME FROM?

John Pearson, Chief Operating Officer,
Petrofac Engineering and Production Services



Petrofac 

Together, we've done a great job on lifting costs

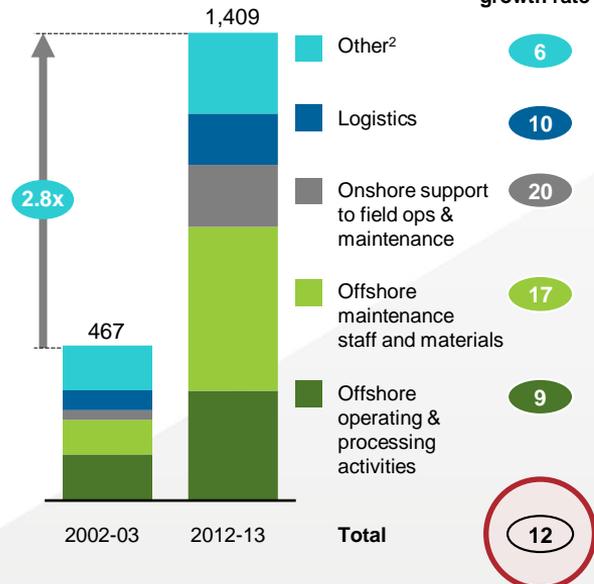


Q: Where did the OpEx growth come from?

A: Annual increased unit costs and general inefficiency

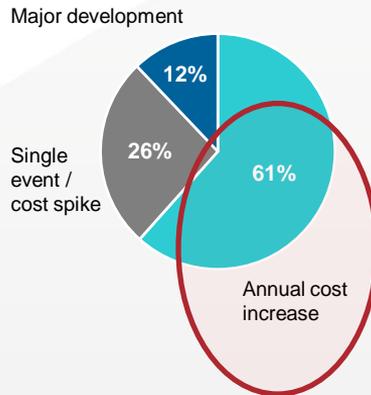
What have been the biggest opex categories?

Total opex breakdown of a sample of UKCS assets¹
£ million



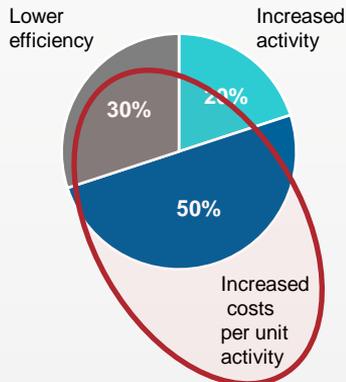
How has the opex increase been distributed over time?

% of total cost increase³
(2010-2013)



What have been the main drivers of opex increase?

Estimated growth drivers in total opex
% (2003-13)



¹ Based on a sample of 18 assets (representing 20% of UKCS production in 2013)

² Includes well maintenance, reservoir management, opex modification, admin support, business development, fees and headquarter/R&D

³ Based on the top 20 assets with the highest incremental cost increase between 2010-2013 (85% of the total increase during the same period)

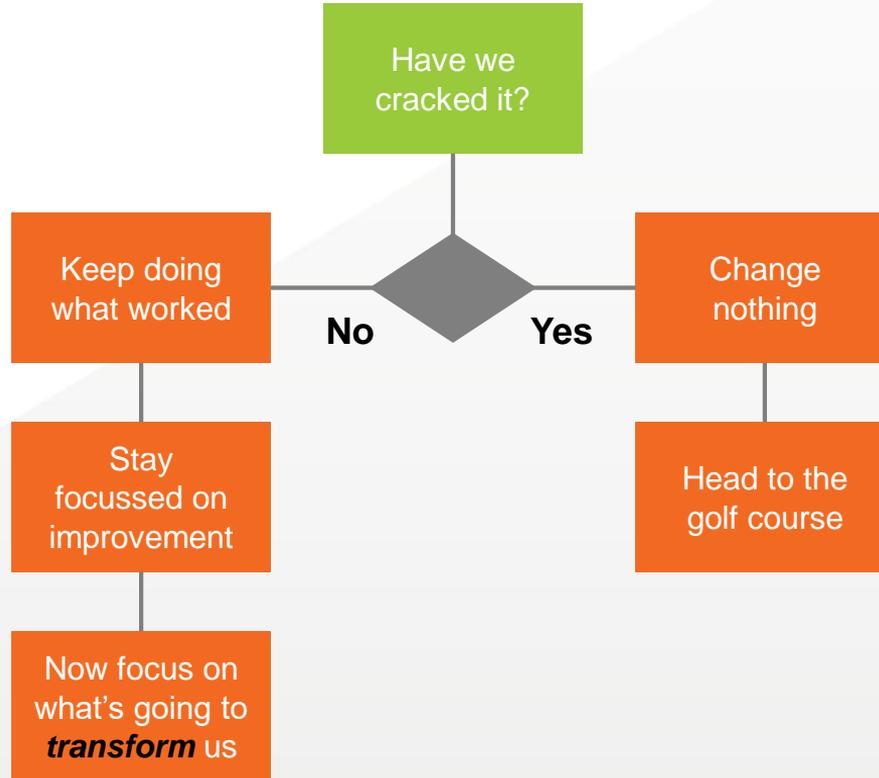
How did we cause the reduction in OpEx?

- Our OpEx (UOC) reduction has benefitted from:
 - Better production efficiency
 - Lower supply side pricing as demand reduced
 - Deferral of some OPEX and CAPEX spend
- Some business transformation
- Some of our efficiencies will endure, but **some won't**, as we get busier again

A personal view...

- Although we've done some good stuff, we haven't fundamentally changed how we work

So what do we believe...?



What do we have to do to secure the next 50%?

Let's learn from what seems to have worked so far:

- Realise we still need to keep transforming
- Recognise that we are “all in a supply chain” – it is hard to innovate from the middle / bottom
- Keep building on our “trust bank”
- Don't slip back into “the old ways and behaviours”

Take the next steps:

- Address the huge gulf in our application of modern digital methods
- Use Digital to **transform business processes**
- Keep our focus on \$, %, days
- **Be bolder, faster, more trusting**

Petrofac internal work shows that the next 50% is possible...