



Oil & Gas  
Authority

# Supply Chain Action Plans Guidance

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## 1. Purpose

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As set out in the MER UK Strategy<sup>1</sup>, the Oil and Gas Authority (OGA) and all licensees must take the steps necessary to maximise the economic recovery (MER) of petroleum from the United Kingdom Continental Shelf (UKCS).

This requires a significant improvement in project performance predictability, in addition to the development and retention of a highly competitive and competent supply chain that can operate efficiently and innovatively to deliver the services and technologies which will unlock the full potential of the basin as defined in the MER UK Strategy.

As highlighted in the OGA report “Lessons Learned from UKCS Oil and Gas Projects 2011-2016”<sup>2</sup>, a significant number of recent projects carried out in the UKCS were delivered late and were significantly over budget. As a result, there was a loss of value for companies and for the UK through reduced revenue. The report identified a number of contributory factors and made recommendations for future improvement, including early engagement with the supply chain.

Such early engagement is an important part of promoting a competitive and collaborative supply chain as an input into reducing licensee costs. Recent case studies from the Oil & Gas UK Efficiency Task Force, Subsea Standardisations & Simplification<sup>3</sup> project demonstrated that such early engagement could remove up to 25% of project cost through process efficiencies, reduced administration requirements and alternative methods.

The purpose of a Supply Chain Action Plan (SCAP) is to facilitate and evidence that operators are deriving maximum value from UKCS project activity, including a reduction in capital expenditure and to support an operator’s demonstration that it is well positioned to deliver on its Field Development Plan (FDP) and/or Decommissioning Programme (DP) commitments. In addition, the SCAP will enable the operator to highlight how it intends to contribute towards Total Value Add through fair and open engagement with its chosen supply chains evidence of robust invitation to tender (ITT) assessment process and presented on an evaluation matrix.

Further, there is a clearly defined expectation set out in the OGA’s Asset Stewardship Expectations<sup>4</sup> (SE-05 Robust Project Delivery and SE-10 Planning for Decommissioning) that requires licensees to achieve full value from their licence assets.

In order to achieve this, operators and, where applicable, licensees must have effective working relationships across their supply chain. The SCAP, as part of the FDP/DP assessment process, will be used to support this. It is expected that SCAPs will be a project specific document and should relate clearly to an operator’s overall contracting strategy.<sup>5</sup>

In practical terms, SCAPs should be developed as early in the project select phase as possible and will be an informed part of the OGA’s FDP consent process or OGA’s response to the DP consultation process (as highlighted in the flowcharts in Annex D).

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<sup>1</sup> MER UK Strategy - <https://www.ogauthority.co.uk/media/3229/mer-uk-strategy.pdf>

<sup>2</sup> Lessons Learned from UKCS Oil and Gas Projects 2011 – 2016 - <https://www.ogauthority.co.uk/news-publications/news/2017/the-oga-publishes-five-year-review-of-major-oil-and-gas-projects-in-lessons-learned-from-oil-and-gas-projects-2011-2016-report/>

<sup>3</sup> Oil & Gas UK, Efficiency Task Force, Subsea Standardisation & Simplification - <http://oilandgasuk.co.uk/product/subsea-application-guidelines-january-2017-ef-01/>

<sup>4</sup> Asset Stewardship Expectations - [https://www.ogauthority.co.uk/media/2849/asset\\_stewardship\\_expectations.pdf](https://www.ogauthority.co.uk/media/2849/asset_stewardship_expectations.pdf)

<sup>5</sup> As referenced in SE-10 Planning for Decommissioning Asset Stewardship Expectation - [https://www.ogauthority.co.uk/media/2849/asset\\_stewardship\\_expectations.pdf](https://www.ogauthority.co.uk/media/2849/asset_stewardship_expectations.pdf)

## 2. SCAPs as components of FDPs/DPs

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### 2.1 Introduction

All projects requiring an FDP/DP should produce a SCAP. The timing for submission of the SCAP will vary depending on the project dynamics, but should be at an early stage of the project, in advance of any project specific contract award and, in the majority of cases, some time prior to FDP consent or DP consultation.

The OGA recognises that the majority of project deliverables are outsourced to tier 1 contractors; either via a specific tender process or as part of multi-project (or time-based) contract. In order to ensure that the SCAP is fully supported, operators are encouraged to request that their tier 1 contractors complete their own SCAP to confirm open engagement with the project's supply chain.

This recommendation applies only to tier 1 contractors with significant work scopes (i.e. an expected value greater than £25 million) within the relevant project covered by the FDP/DP.

### 2.2 Evaluation

This document provides assistance in structuring a SCAP. It is not prescriptive in terms of layout, although suggested contents are included in section 3.

Each SCAP will be reviewed on its content, with open dialogue to follow between the relevant parties – expected to be the OGA and the operator (extended to co-venturers and other third parties if applicable).

Where appropriate, the SCAP is an opportunity for licensees to promote the development of a decommissioning supply chain and capability which contributes to delivering cost efficiencies.

Each SCAP will be evaluated based on evidence provided in the following four broad criteria:

**2.2.1 Engagement** – early and continued engagement with supply chain regarding the specifics of the project, aimed at improving project performance. This may extend to evidence of adoption of current industry tool kits such as (but not limited to) those outlined in the Oil & Gas UK Supply Chain Code of Practice (SCCoP)<sup>6</sup> and ECITB Project Collaboration Toolkit<sup>7</sup>.

**2.2.2 Trust** – demonstration of trust and empowerment throughout the project life cycle – clearly identifying functional requirements and subsequently supporting the supply chain to deliver to their contractual commitments without bespoke, restrictive or client-specific requirements.

**2.2.3 Innovation** – encouragement and fair evaluation for the proposed use of alternative/new products, processes and/or contracting methodologies.

**2.2.4 Quality** – demonstration that historical performance, quality, employment practice and supplier culture is appropriately valued.

These criteria are further explained in Annex B. The OGA will review the SCAP and corresponding evidence based on the outcomes the activities have already delivered, or are predicted to deliver, and the demonstration of intent by the licensees to meet their MER UK responsibilities. Each SCAP will be considered by the OGA on the four areas described above.

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<sup>6</sup>Oil & Gas UK Supply Chain Code of Practice - <http://oilandgasuk.co.uk/wp-content/uploads/2015/05/SCCoP-Booklet-March-2017.pdf>

<sup>7</sup>ECITB Project Collaboration Toolkit - <https://www.ecitb.org.uk/Project-Management/Collaboration/Project-Collaboration-Toolkit>

## 3. Submission guidance

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### 3.1 Introduction

The OGA will provide practical support to operators in preparing and submitting SCAPs if requested. It is important to note that a SCAP will not be endorsed prior to submission and will be subject to the assessment process outlined in Annex B.

Submissions should include details such as:

**3.1.1** - The maturity of the project, demonstrating: the stage of development; expected date of construction; delivery of first hydrocarbons or, in the case of decommissioning, removal of first infrastructure.

**3.1.2** - A project plan including milestones of key interactions with the supply chain, e.g. procurement decisions, engagement events, strategy endorsements and award recommendations.

### 3.2 Format

There is no prescriptive format on how to achieve these requirements, or on how to prepare the required evidence. Every project and every operator has its own culture and the purpose of this guidance is not to create an incremental administrative burden for the industry. However, evidence of a procurement evaluation plan/matrix and the approximate weightings applied should be included.

It is expected that, within the freedom described above, the SCAP should be submitted as a single document where possible and should ideally have a maximum of 15 pages plus appendices. In order to aid consistent assessment, SCAPs should include the following sections:

- Executive summary
- Company overview and contracting policy
- Project overview
- Evidence of engagement, trust, innovation and quality

Each SCAP will be reviewed based on the engagement, trust, innovation and quality criteria, but it is for an operator to decide how best to highlight these areas in the SCAP it submits.

The OGA recognises that the financial value and/or complexity of the outsourcing strategy of the FDP/DP will dictate the size of the submission (i.e. a lower value submission may only require one to two pages, whereas a higher value submission will require a more detailed SCAP).

### 3.3 Timeline

For those operators who conduct projects in accordance with a standard stage gate process (assess, select, define, execute, handover), it is recommended that the SCAP be submitted during the select stage (when it is likely that the operator's own project execution strategy will be developed). This will then allow constructive dialogue and time for additional engagement with the OGA as necessary.

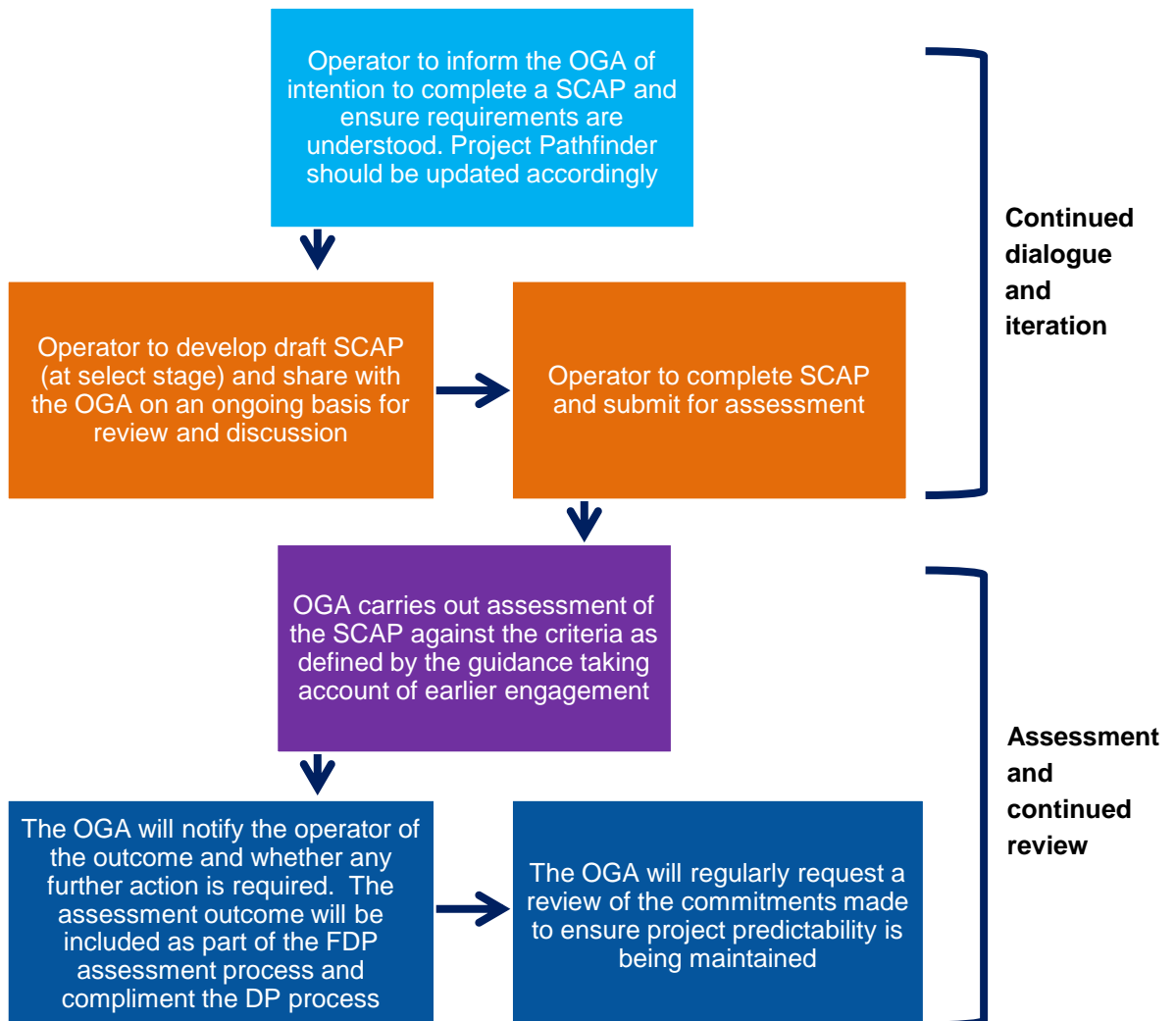
For operators which do not follow a standard stage gate process, it is recommended that the SCAP be submitted prior to internal approval of the project by the operator and its co-venturers.

The intention should be for the operator and the OGA to undertake regular engagement over a period where both contract strategy and key contracts are developed as part of the ongoing assessment process.

Following the OGA's initial review, any incomplete or unsatisfactory plans will be returned with comments/clarifications to be addressed. The operator can amend the SCAP during the appraisal time and there is no limit at that time to the number of times a SCAP can be amended following feedback from the OGA or the operator's internal review.

Following FDP consent or DP consultation process, the OGA will maintain regular engagement with the operator in order to review the commitments made during a SCAP and to assist, where possible, in future. This is to ensure project predictability is maintained, as well as learning lessons for future review of SCAPs (timeline table is at Annex A). This will also include a post-execution review at the end of the project.

## Annex A - SCAP timeline and assessment process



## Annex B - SCAP assessment process

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As defined in the section 2.2, SCAPs will be assessed on evidence relating to engagement, trust, innovation and quality. Operators are requested to submit a plan that demonstrates a focused effort in these areas. In addition, operators may evidence how they intend to pass these requirements onto their selected tier 1 contractors.

The OGA recognises that the financial value and complexity of the FDP/DP will dictate the ability of the operator to demonstrate capability to influence the supply chain in a number of areas to be evaluated.

For example, in some FDP/DP submissions:

- The strategy may be to use incumbent contractors to allow the project to proceed more quickly against pre-agreed rates and prices
- The intent may be to use proven standard specifications, albeit there may be scope to introduce innovation to contracting methodologies. In these cases this should be confirmed in the SCAP
- There may be limited opportunity to commit to training new personnel. It is however important that contracts do not specifically exclude the use of trainees or apprentices

Each of the elements will be considered individually and must all attain an acceptable marking for the SCAP to be endorsed without further discussion. The assessment will look for evidence that the operator has engaged with the service sector, such that the project is on a trajectory towards predictable performance and demonstrates enhanced value for all stakeholders. An example assessment matrix is included in Annex C.

### Evaluation Criteria

**Engagement** – the SCAP should demonstrate early and active engagement with a range of existing and/or new service providers, both individually and at industry level, providing wide awareness of the project and potential difficulties. As part of this process, the sentiment of the SCCoP should be fully exhibited as well as project details posted on the Project Pathfinder <sup>8</sup> portal.

**Trust** – There should be evidence to demonstrate that, once contracts are awarded, suppliers will be empowered to deliver on their stated commitments without excessive oversight and double marking. Where appropriate, operators should look to develop long standing relationships with their key suppliers and encourage a culture of mutual benefit, where additional value creation and cost savings will be rewarded.

**Innovation** – operators should demonstrate a willingness to consider new ideas and an open mind to creative thinking both in terms of adopting new technology or innovative contacting strategies. A demonstration that tier 1 contractors are engaging with their own supply chain in a similar manner would be assessed positively. Operators should demonstrate an open mind to engage with a wide spectrum of capable suppliers, using industry tools as a means to identify competent companies and adopting standard practices throughout the tender process.

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<sup>8</sup>Project Pathfinder - <https://www.ogauthority.co.uk/supply-chain/project-pathfinder/>

**Quality** – past performances and reputation are taken into account during supplier selection. Use of industry accredited metrics (alongside internal experience) would be seen as a positive means of promoting collaboration and cost efficiency for the industry as a whole. Operators should use this information to award contracts on value proposition as opposed to lowest cost (which has not always proved to deliver the optimum overall result).

### OGA internal process

As per the FDP/DP flowcharts (included in Annex D), early engagement between the OGA and operators will be instrumental to the success of this process. Dialogue should start in advance of submission of the full SCAP to enable a shared understanding around the opportunities for the supply sector.

Once the completed SCAP is submitted there will be an initial appraisal to check all areas have been considered and completed. The assessment process will be based on three categories: commendable; meets expectations; or below expectations.

To ensure robustness and fairness, there will be a two-tier approach as follows:

- Full assessment carried out by the OGA's Supply Chain team
- Second assessment/audit carried out by a representative from the relevant OGA Operations team.

### Outcomes

Once a fully completed SCAP is submitted, the OGA intends to provide operators with a response within 60 days.

Where all four evaluation elements are deemed to be acceptable, the SCAP will be endorsed with no further action.

In cases where one or more of the elements are deemed to be classed as below expectations, the OGA will seek improvement.

Where improvement then results in at least three of the four elements meeting expectations, then the plan will be endorsed with the area for improvement noted.

In cases where improvements cannot be achieved, final endorsement will be withheld pending discussion between the operator and the OGA Director of Operations.

## Annex C - Assessment matrix

The table presents example behaviours aligned to scores developed for the assessment of SCAPs. It is not intended that these behaviours are exhaustive or that all are present for the attribution of a particular score. The OGA fully acknowledges that good practice will vary depending on workscope complexity and criticality and that some examples below may not be applicable in all cases.

Evaluation criteria/behaviours	Score = 1 (below expectations)	Score = 3, (meets expectations)	Score = 5 (commendable)
<b>ENGAGEMENT</b> Early discussion and two way conversation based around functional requirements	ITTs issued without prior discussion	Pre-ITT discussion held with suppliers to present scope and expectations	Engagement session held where functional requirements were presented and integrated solutions were sought
	Operators hold bespoke supply chain forums where they present performance to their key suppliers	Operator personnel are available at industry events to share technical challenges and upcoming activity	Operators openly share expected challenges and opportunities and request support from industry to provide solutions
	Operators look to their own requirements that need bespoke solutions	Operators engage at trade body level to openly discuss challenges as well as to understand capabilities and participate when asked	Operators openly communicate project challenges on Industry Portal and are receptive to solutions & ideas
<b>TRUST</b> High performing relationships working at all levels, empowering each party to deliver for mutual benefit and delivery performance	Operator inserts extensive inspection team to oversee all activity. Contracting model stifles supplier incentive to deliver increased value (e.g. by claiming 100% of any upside)	Operators are open to supplier initiatives to reduce cost and are willing to share in savings.	All parties are actively incentivised to benefit from successful project performance – proportionate to the level of exposed risk/responsibility
	Operator dictates grades of labour to be used and compensates based on hourly rate plus mark up	Contractors are empowered to deliver as per contract requirements and retain responsibility for quality of work	Contractors are actively encouraged to develop new skills and facilities are made available for training where practical
	Supply chain required to conform to operator approved vendor lists. Functional requirements are embellished with bespoke technical requirements that limit supply chain ability to deliver standard solutions	Contractors are encouraged to seek improved value from alternative providers, subject to operator approval	Contractors are encouraged to meet functional requirements, delivering best value possible. Any change in vendor is notified to operator who can challenge in exceptional circumstances

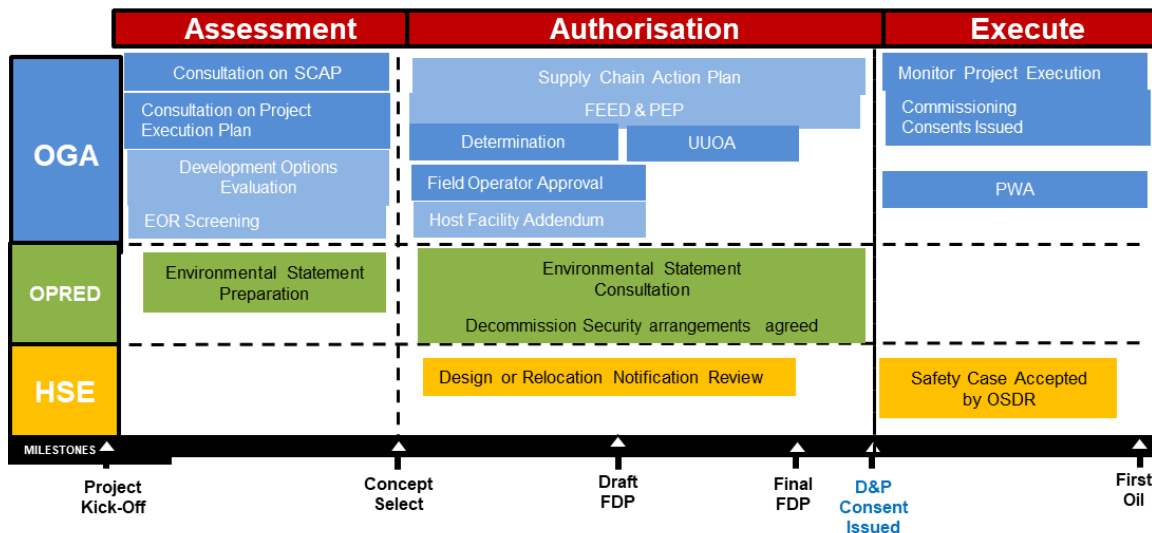


Evaluation criteria/behaviours	Score = 1 (below expectations)	Score = 3, (meets expectations)	Score = 5 (commendable)
<b>INNOVATION</b> Encouraged and evaluated alternative solutions and processes focused on cost efficiency and improved delivery performance	ITT issued and technical non-compliance leads to disqualification	Alternative solutions requested as part of ITT process and considered where appropriate	Suppliers encouraged to provide alternative technical solutions for discussion prior to ITT release
	Company specific documentation and admin requirements stated within ITT	Company-specific documentation and admin requirements stated within ITT with alternative proposal provision included for company consideration	Suppliers empowered to manage documentation and admin in accordance with their own procedures and industry standard
	Contractual terms and strategy set out clearly within ITT	Contractual terms and strategy set out clearly within ITT with alternative proposal provision included for company consideration	Contractual terms reflect responsibility and do not penalise innovative models. Mutually beneficial contract agreement in place incentivising cost efficiency and value creation
<b>QUALITY</b> Previous performance and industry benchmarks used as part of the decision-making process ensuring that operational value is understood	ITT list compiled via internal (Approved Vendor List ) AVL and associated supplier audit programme	Industry tool (FPAL) used to develop ITT list, in addition to companies previously known to buyer. All selected vendors required to complete a supplier audit assessment	Industry audit tool trusted to identify competent suppliers without additional pre-qual information
	ITT responses evaluated based on stated capability, schedule and cost	Prior experience and ability to manage weighted heavily in addition to capability, schedule and cost	High performers are regularly retained to provide repeat services for mutual benefit
	Company specific documentation and quality assurance requirements stated within ITT	Operator agrees to a bespoke document list as part of ITT, and reviews accordingly	Physical documents limited to industry standard requirements. Electronic documents retained at original supplier and made available on request (as per ISO requirements)

## Annex D1 – Field Development Plan Timeline

Indicative only

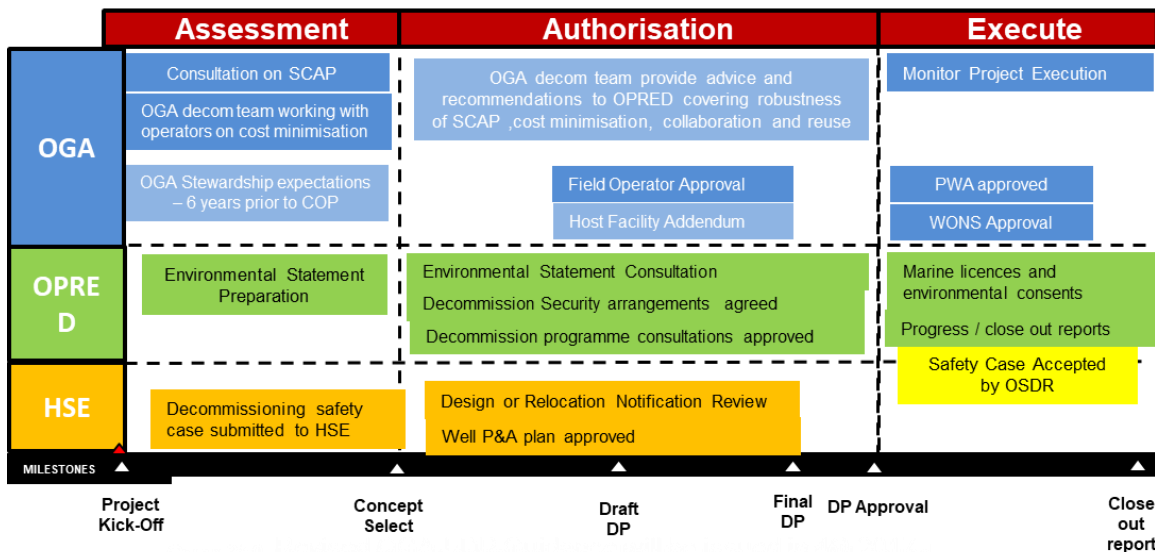
### FDP Approval Road Map



## Annex D2 - Decommissioning Programme Timeline

Indicative only

### DP Approval Process





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