

Inspired conversation: Uncovering real approaches to industry-wide collaboration

Solutions and recommendations
for oil & gas operators, suppliers,
industry groups and government



Contents

The action imperative	3
Challenges to successful collaboration	3
Barriers	4
Collaboration: what's working	5
Creative solutions—a deeper dive	6
Driving collaboration in the UK	9
Recommendations	10
The need for collaboration to change public perception of the industry	13



The action imperative

It is no secret there are a number of headwinds blowing in the direction of the Canadian oil and gas industry today. Even as crude oil prices begin to recover from the collapse of 2014 that heralded the deepest downturn in a generation, Canadian operators face generally higher costs of production, tightening market access issues, growing regulatory oversight and unenthusiastic public support for the industry. Those gusts are layered on top of larger concerns over new climate change-related policies at home and abroad, and a growing consensus that the days of ever-increasing demand—and prices—may be over. Lying in wait for another boom is not an option.

While there is little the industry can do about the lower price environment, there are ways to deal with the other side of the equation: costs. Western Canada has long been recognized as a relatively high-cost base environment in which to operate. It is also characterized by a proliferation of service and supply companies that are an essential component of the sector, feeding into long and complex supply chains operated by increasingly outmoded procurement processes. As a result, a focus on controlling costs—and inefficiencies—to the detriment of operations has crept into the process. This has brought about calls for a deeper level of collaboration to streamline and improve the process in ways that benefit both operators and suppliers. But while the industry has long talked about upping its collaboration game, few solutions have gained any traction. An often overly bureaucratic and lowest-cost bid procurement process remains largely unchanged as a carryover of the cut-cut-cut mindset that came about in response to the crash in prices and hasn't yet reversed as prices have started to recover.

Cost control and efficiency are key to remaining competitive regardless of the price environment. Creative and collaborative solutions are urgently required to improve and sustain the industry's competitive advantage, strengthen community endorsement and continue to attract investment to the basin.

Inspired conversation

As part of efforts to support and develop a stronger and more competitive service sector, JWN Energy and Grant Thornton recently hosted a roundtable discussion to address these issues. Senior leaders from the exploration and development sector, the service and supply sector, government and industry associations discussed the main challenges and possible solutions to bring a higher level of collaboration and efficiency to the procurement process. This report is a summary of these discussions, including recommendations for moving forward.

Challenges to successful collaboration

According to the discussion, two of the biggest barriers to successful collaboration include a pervading low-bid mentality that is a product of a business culture that excessively rewards price over value; and a procurement process that tends to focus on the price of each component of a project to the exclusion of an overarching procurement program focused on risk management and total value.

Other issues included a lack of leadership to drive collaboration throughout organizations and between operators and suppliers, and a dearth of institutional memory that would allow successful collaboration lessons to carry forward and new collaboration initiatives to take hold.

On the latter point, there is so much turnover through the boom and bust cycles that people must often start fresh to develop new connections, making it challenging to establish the kind of long-term deeper relationships that build trust and ongoing cooperative businesses practices. Cost-cutting in the down cycle often sees experienced and higher cost employees replaced by lower knowledge administrators. The situation is exacerbated today by the large number of baby boomers reaching retirement age and the desire of those entering the workforce to find work perceived to be more stable.

“I have seen the low-bid culture throughout my career and that whole approach doesn’t work. How can you be collaborative when every job has to be rebid?”

Also discussed were a lack of industry-wide standardization, best practices and government involvement in standards and compliance. A failure to bring suppliers into the project planning process early, resulting in added costs later, was another concern—as was a failure to enable collaboration at the appropriate levels within organizations.

Further, there is a need to encourage a greater level of technology adoption—recognizing that the service sector provides many of the industry’s technological enabling solutions—by ensuring risk and reward are appropriately balanced.

The following are specific observations from roundtable participants on the barriers to collaboration and the potential solutions.

Barriers

Corporate culture

Culture is the biggest factor preventing operators and service companies from collaborating, concluded most roundtable attendees. In larger organizations, senior leadership wants collaboration to occur, but this doesn’t filter down through the organization. And people are still rewarded for lowest possible price outcomes over full value outcomes.

The problem is partly one of reluctance to change in response to new circumstances. The industry faces bigger challenges in today’s high cost-base environment than can be solved by simply waiting out the lower-for-longer price environment. Yet that remains a strategy for some. One operating company attendee said too many people in the industry don’t want to change. Previous practices worked well for so long—at least as long as prices were healthy—that they just want things to go back to the way they were.

Another attendee said the industry has to change its reward structure to encourage collaboration and that company leaders need to be the ones to drive this change. He said there is a misalignment between the procurement model, which is based mostly on price, and the actual risks that exist in projects. This results in procurement departments focusing on small savings in price that could put overall project productivity at risk.

Low-bid culture

Another operator pointed out that a strictly enforced “low-bid” philosophy can be an impediment to collaboration. When the emphasis is solely on securing the lowest possible bid, the process works to the detriment of other considerations, such as working together with vendors to find creative solutions that may offer greater value over time.

The low-bid culture can also create a vicious cycle where vendors feel forced to bid below cost when times are tough and they are desperate for work, and then attempt to make up for their losses by overpricing when times are good. Operators ought to have a good idea what a product or service is worth, which would make it easier for operators and suppliers to collaborate and help maintain the overall health of the sector to the benefit of both sides. (See *Creative Solutions—a deeper dive on Page 6*).

Loss of institutional memory

Too often, lessons are forgotten rather than learned, due in part to the industry’s boom and bust cycle. Demographic change has a major impact on collaboration as, in many cases, there are new employees lacking historical knowledge and experience who have to rediscover the need to work

together. The high level of layoffs among operators in the most recent downturn has led to situations where the bidder has deeper knowledge than the customer.

“We’re doing a terrible job with knowledge management,” said one attendee, noting alliances and collaboration are developed when times are good but, once the cycle shifts and alliances end, the knowledge of how to create them is lost. “There is value to review what has been done before,” he said.

Another attendee from an exploration and production (E&P) company said the level of collaboration in the industry is underpinned by the economic climate. “The frustrating thing is, we do [collaborate], it’s successful, and then a downturn happens and everybody forgets about it, and then you have to re-educate a different set of management to actually get on to it,” he said.

Sharing risk and reward

Both E&P and service company attendees expressed concerns about sharing the risks and rewards of successful collaboration, feeling that one side or the other is being asked to take on a disproportionate amount of the risk in developing and implementing new technologies. Innovation is stifled where the levels of risk and reward are not meaningfully balanced between the two.

For example, an attendee from a large service and supply company said his company could engineer a solution that would bend the cost curve in a full cycle environment, lowering costs per barrel of production. The company is asked to do the first jobs for free or at a discount to drive the technology forward with customers. But after it becomes a commercial success, the technology is replicated by other



companies in six months time, before the company can recoup its initial investment. “There is really no shared risk at that point; the service company is really bearing all the risk and all the cost.”

Conversely, an attendee from an operating company noted this problem works both ways. His company did work with a service company to develop a technology, only to have the service company abandon them and take the technology to the United States where they could make more money.

Clearly, where cost cutting innovation benefits both sides, and the industry as a whole, it behooves them to meet in the middle to encourage investment in new technology wherever possible. Joint funding of technology development would help drive such win-wins. Increased transparency to show where the benefits of technology implementation go would also help, said another participant. “After implementing [a new technology], we

learned that the savings were going 10 percent to us and 90 percent to them. But once we managed to get that transparency, it went to 50-50.”

Collaboration: what’s working

Lessons can be learned from large-scale capital projects in which shared risk emboldens higher levels of collaboration, some attendees said. That level of collaboration could serve as a model to be applied to all projects.

A major E&P company representative who agreed the culture of bidding is a constraint on collaboration said this can be overcome when projects have a large enough scope to make a higher level of collaboration indispensable. He pointed to a recent four-year, \$2 billion effort in his company that worked well. In this program, a dozen suppliers were put under an agreement that covered 50 to 60 percent of the total spend and

they didn’t have to do any bidding again for two years.

Additionally, instead of getting an engineering, procurement and construction (EPC) firm to do engineering before purchasing many products, they simply decided to buy the pipe and fittings for the project at rates comparable to previous purchases. The result? Rather than taking 14 weeks to procure the material, the time was cut to four days.

Most attendees agreed it is easier to collaborate when there is a lot of upfront risk that needs to be managed. One attendee pointed to the development of the Hibernia offshore field as an example. His company supplied chemicals to the development and established a strong relationship with the operator upfront, built around managing risk. “You get collaboration where there are really big risks,” he said. “There was a real need to make sure that you made the right decisions around your partners, because you have

a lot of capital dollars going in, and the risk and consequence of failure if those plants do not start on time and on spec was huge.”

This same attendee said the oilsands presented a similar high-risk scenario—and still does where new technologies are being introduced—and that drives a lot of collaboration and trust among companies involved. “Everyone was keen and built

good relationships,” he said. “Price was important but it wasn’t the driver. At the end of the day, risk and results drive decisions.” But once the risk of development lessens, collaboration moves to the background, he added. “The next bidding round comes around and the competition starts. You only have so long to make your money and then it goes to a procurement-based decision.”

Alignment of interests

Many attendees said alignment of interests is the key to successful collaboration. And that alignment has to happen before the conversation turns to money, said one participant. The concept of alignment means rallying people around a core concept, he added. Companies need to engage very early with customers and start to centre along aligned values.

Creative solutions—a deeper dive

No single solution will apply to all companies and all circumstances. A nimble junior operator may have more flexibility than a major multinational, and a mid- or downstream organization may have different options available than an E&P company or its suppliers. Here, we expand on some different solutions to different challenges faced by companies in different sectors of the industry.

Benchmark costs, bid less and collaborate more

“A good deal is where both the service provider and the service receiver make money, and that starts by knowing what it costs,” a representative of a mid-size producer said. That basic premise allows a company to bid less often and, when it does bid for work, to do it more smartly.

He said those who work at E&P companies need to understand the value of the products and services they buy. “It makes a lot more sense if the folks paying the bill, i.e. the E&P company, understand what that particular task should cost, as opposed to simply going out and having a whole bunch of energy and staff set up to try to find out who will do that task the cheapest. It sounds fairly subtle but it isn’t—it’s important. We ought to know what a particular task should cost, what a fair and reasonable price for that is and then work collaboratively with the supplier or contractor to get to that price.”

For example, it doesn’t make sense to bid each time a company needs a load of pipe delivered to a drill site—something the low-bid culture would favour.

“There is a time and place for bidding, but our approach has been more collaborative. I have a general idea of what that should cost, so when I get through that process I don’t go out and bid it to five or six different guys, I work with the company that generally hauls our pipe. We simplify it by just saying, if I am bringing a load of pipe from one place to another, this is generally what it should cost, and if costs are going up for no apparent reason, I should be able to determine that.”

He added: “If all we do is try to bid everything out and we don’t really have a functioning sense of what that job should cost, that allows some other company to come in, do a loss-leader, haul two or three loads really cheaply and then really jack up the price.”

Many companies have the misguided notion that the way to drive down costs is to “grind contractors”—i.e., force them to take a lower margin than they would otherwise take, he said. “Our approach is to be more collaborative; we are not there to grind, we are there to work with them. I don’t want to work with a guy that is prepared to grind margin to get my work. I want to work with a contractor who is prepared to be smart and figure out how to more efficiently provide the service.”

It works both ways, he noted. The contractors will know they don’t have to start out at square one every time the operator needs a product or service, as long as they are providing a fair service at a fair price.

While it may not be an option for the largest operators, he said his company essentially delegates procurement to the departments closest to the work, who know it best, rather than work through a procurement department that may be staffed

“We're doing a terrible job with knowledge management. A downturn happens and everybody forgets, and then you have to re-educate.”

Once they are aligned on values, they need the tools on the ground to bring everyone else to align around those values. This creates ownership. He said while these may sound like clichés, they are the reality.

The attendee added that, at the end of the day, people want to bid on jobs. They want to show their expertise, they want to say “don't just trust me, let me demonstrate it to you.”

Another attendee said collaborative relationships allow operators and suppliers to have a longer-term conversation and also provide some security of work for service companies, which benefit from a fixed stream of revenue they can plan on and then pursue other business.

Continuing the conversation

One attendee from a large operating company said one way to keep collaboration going and build trust is to have a two-way performance evaluation with key suppliers where they grade each others' performance on set standards. In his example, they evaluated each other on six aspects of their arrangement. He said they built standards and created a toolbox to measure performance. The two-way

by people with less knowledge about what a job should entail. “Our guys in the field or the person that does the work makes those decisions based on knowledge of the costs.”

This means the company very seldom takes the lowest bid, he said. For example, the company may accept a bid to drill a well that is 15 to 20 percent higher than the lowest bid received. Because company employees have the expertise to know what the cost should be, and can take into account other factors beyond base price that will inflate the eventual end price, they know in the long run the company is getting the better deal. In this case, they know the supplier offering the cheapest bid price would take 25 to 30 percent longer to complete the well, leading to a higher cost.

“That's where discarding all of these notions of what represents value works. And we allocate capital based on full cycle rates of return and that gives you the full picture.

“It also forces contractors to become a lot more creative and a lot more collaborative, because they know they can't just come to us and lowball and get the work. That isn't the pathway to success. The pathway to success is to come in and show why it makes sense to use that contractor.”

Early engagement and alignment of values

An attendee from a midstream company said his firm bids for most work, but takes a different approach upfront to ensure they work with service companies with values that align strongly to their own.

“Our expectation with our vendors is that they participate with us on things that are driven by our values, so if they want to work with us, they tend to be strongly encouraged to come alongside us in the values we espouse.”

The midstream company disdains the more commonly-used “prequalification process” for what it calls “early engagement,” the attendee said. “In that process, we spell it out to them: this is how we are going to run the project, this is how we are going to interact with you and this is what we are going to expect of you in return, through that early engagement process.”

It serves as a sort of weeding out process where companies that see the process as a burden, requiring them to “jump through too many hoops,” tend to bid less aggressively, whereas those that share those values bid more aggressively. So the company already has an idea who the best candidates will be based on the process and past experience, he said. “And true to form, every one that we invited to the table, they all jumped, saying this is the kind of company they want to work with.”

The early engagement piece leads so well toward the ultimate objective of what the company is trying to accomplish that the financial side—which is discussed last—tends to be what he calls an “indirect outcome.”

“We still go through the bidding process because you want the transparency to say that you have tested the market to make sure that the pricing is at or better than market. And by the time we get to the bidding stage of the project, those that have embraced the values and the way that we communicate the projects, they tend to bid the most aggressively, because they want to work with us. That's why I call [price] an indirect outcome.”

evaluation worked well. “They said to their partners, here are our expectations and got them to do the same. We got them to write it down and we found our key agreements and signed it.”

Another attendee said his company had seen collaboration with its manufacturing suppliers develop organically, starting at the top when senior executives sat down and talked about their visions and principles and then filtered this down to the work groups. “Our engineers sit down with their engineers at the facility. They get together twice a year and have monthly calls. We get together as owners to review where we are at, what’s worked well, what hasn’t. We didn’t put a lot of paper around it, we just work together right down to the shop floor. It’s worked out very well,” he said.

A service company attendee said it is important to remember that all sectors of the industry are “in it together” and they have to work together over time to make the economics work through industry cycles. He pointed out that in the last few years many companies and people have disappeared because they couldn’t make it work. A healthy service and supply sector is one that has the funding available to invest in research and development (R&D) to create solutions that will assist their customers as well as themselves. The benefits of new technology accrue to both sides, but they won’t be developed if companies are struggling just to keep the lights on.

A number of attendees pointed to the success the United Kingdom has had in collaborating to help turn a high supply cost region into a globally competitive one (See *Driving collaboration in the UK on Page 9*). They said the government played a key role in maximizing economic



recovery in the UK offshore by working with industry to rein in costs and attract new investment. Similar opportunities exist here to coordinate with governments and industry associations to encourage innovation and bring new efficiencies to the industry. Some examples already

exist. For instance, the Government of Alberta collaborated closely with industry in the recent royalty review, resulting in new incentives to bring about investment in technically challenging activities.



Driving collaboration in the UK

Many roundtable attendees pointed to successful collaboration models in other jurisdictions, such as the United Kingdom. Said one attendee: “Recognizing that the North Sea is in decline, they have done a tremendous amount of work between producer and supplier to really figure out how to look at the world differently and how to collaborate.”

As with Canada, the United Kingdom faces a high cost base and, as with the oilsands, high capital cost projects where cost escalation can scuttle marginal projects. It faces the additional challenge of a mature basin that offers less attraction to investors.

But in the United Kingdom, operators and service and supply companies, government and industry associations, principally the Oil and Gas Authority (OGA), have clearly taken a more proactive stance in driving collaboration to maximize the economic recovery of oil and gas production on the UK Continental Shelf and foster a more efficient and competitive industry.

In developing a supply chain strategy, the OGA recognized in 2015 that there had been “only relatively low levels of collaboration to address issues such as cost escalation and slow technology deployment. New solutions and different ways of working across the whole asset lifespan are urgently required to improve efficiency.”

The UK response was to launch the kind of interagency collaboration that Canadian operators would be familiar with in regard to efforts surrounding the Alberta royalty review, where cooperation between the province and industry led to a model that promoted the interests of both sides. Similarly, the Alberta orphan well program sees industry and government coordination to secure the orderly long-term process of remediating abandoned wells.

The industry, with OGA monitoring and support, targets sustained improvements of 30 to 40 percent from the supply chain in the short term. The long-term prize: if the service sector builds on its global competitiveness and can attract the necessary investment, additional turnover of over £200 billion can be generated over 20 years, the OGA estimates.

A number of its efforts focus on tendering and contracting behaviours and relationships between operators and different tiers of the supply chain. To that end, some of the initiatives launched include:

- Establishing an Efficiency Task Force in response to the increases in costs, decreases in efficiency and a drop in production that left the industry exposed to the fall in oil prices. Key themes include cultural change, simplification and standardization, and improving the efficiency of

business processes, which has a proven track record of driving business performance in other industries, such as manufacturing and aerospace. Encompassing its work is the ongoing drive for behavioural change through smarter, more collaborate working practices to drive down costs and become more resilient whatever the price of oil. It also created the Oil & Gas UK’s Efficiency Hub to promote the task force’s work, with a portal featuring information, news, case studies and industry initiatives [oilandgasuk.co.uk/efficiencyhub/#].

- Establishing a Supply Chain Code of Practice that outlines a set of best practice guidelines to improve performance, eliminate unnecessary costs, add value and boost competitiveness. It covers plan, contract, perform and pay. Signatories are registered on an oil and gas supply chain database that allows purchasers to identify, select and manage current and potential suppliers.
- Initiating Supply Chain Action Plans (SCAPs) for projects with a capital value over £25 million that summarize operators’ contract strategies, key activities and accountabilities. SCAPs enable consideration of the best overall value to maximize economic recovery, along with ensuring there has been a level playing field for the service sector. The concept was established previously in other sectors and proved successful in driving enhanced value and collaborative behaviours into new projects, according to the OGA, which believes SCAPs provide a golden opportunity to drive behavioural change and promote a culture of active engagement between operators and the service sector.

Early results show as much as a 30 percent reduction in the cost of subsea infrastructure—and the opening up of at least three new resource deposits that would not have been developed otherwise. As well, the third annual review of the level of collaboration, published in December, indicated the initiatives are showing success. A survey of over 150 operators and suppliers returned the highest collaboration index score—a measure of the effectiveness of companies as partners in collaboration—to date. For example, 43 percent of respondents considered their collaborative engagements successful in 2017, up from 27 percent in 2015. “The results demonstrate that for most operators and suppliers, collaboration is shifting from being an aspiration to a reality,” concluded Mariesha Jaffray, Oil & Gas UK’s continuous improvement manager.

Recommendations

A number of recommendations arose out of the discussion and subsequent conversations. While not a comprehensive list, they point the way forward for those companies seeking to disrupt current practices and create a new level of collaboration across the industry.

Revamp procurement practices by incentivizing value over price



Start by reviewing procurement department incentives with a view to rewarding success differently. Companies must reward the collaborative behaviours they seek, moving beyond past practices of incentivizing company-first, strictly bottom dollar bids. Avoid procurement department silos by integrating incentives across the entire organization. A change in corporate culture is deemed necessary to overcome the inertia and resistance to change that presents a barrier to moving forward. This must be delivered from the top; the C-suite has to walk the talk.



Move beyond the “low-bid” approach by developing new collaborative bidding processes that work to benefit both operator and supplier. Approaches to this include establishing longer-term contracts and choosing a few key suppliers for the duration of a project or program to reduce the level of re-bidding. Coordinate with those working most closely with service companies—drilling engineers interacting with drilling contractors, for example—who have the most expertise with which to judge value when making contracting decisions as opposed to basing decisions solely on price of work.



Engage with suppliers at the earliest opportunity to build trust and draw out efficiencies early in the planning process, before changes become complex and costly. Where suppliers are brought in early in the project design cycle, they can provide input on cost cutting measures and efficiencies that could be put into place during the planning process. Use suppliers’ expertise where the operator may have lost some through turnover.



Consider the integrated project delivery method

used in the construction industry. This involves a collaborative alliance of people, systems, business structures and practices in a process that draws on the insights of all participants to optimize project results, increase value to the owner and maximize efficiency through all phases of the project.



Seek to implement supply chain program management rather than individual project management. Often efficiencies can be found from taking a big picture approach that are not apparent or available when contracts are broken up on a project-by-project or task-by-task scale. It is important to have all main disciplines represented in developing contract strategy. Project owners should do this using cross-functional teams that are aligned to predetermined program objectives. These teams force people to think about different ways to contractually execute a project’s scope, generally ending up with a hybrid approach of contract models, which tends to achieve the best results. Companies should consider overall program objectives, project and contract risks, and the different ways they can contract a project.



Apply value engineering principles to

streamline the procurement process, including:



- standardization;
- simplification and efficiency focus;
- early procurement and extended lead times; and
- improving interconnected work processes.



Look to other jurisdictions such as the United Kingdom

where initiatives like an approved supplier list and supply chain action plans have standardized the bidding process and led to greater efficiencies. Government and industry associations must play a role for this to be effective industry-wide.





Optimize bidding opportunities



Look at the bidding process as an opportunity, not just a race to the bottom on price. Use it to demonstrate your value, expertise and differentiation from other bidders. Differences must be clear to ensure the customer understands why the supplier is different and why their bid is superior in terms of overall value. Build the relationships that will help with future collaboration. Communicating as early as possible in the process and establishing an ongoing rapport can reveal creative solutions that neither party may have come up with on their own.

Drive collaboration and relationship building



Build long-term relationships and maintain regular communication, with a focus on creating a personal connection to create a sense of ownership on both sides. This can start by turning the prequalification process into an “early engagement” process where you can meet on an eye-to-eye level and determine if values are aligned going forward. Continue the engagement with a two-way performance feedback process that promotes a “we are in it together” mindset and inspires win-win solutions.



Advance new technology throughout the business cycle



Take a long-term view to technology development, working to even out R&D investment over a full cycle—in good times and bad. Few industries undergo the boom and bust extremes experienced in the oil and gas industry, which makes R&D investment a challenge. When times are good, companies put all their efforts into increasing production, and when times are bad, they cannot spare the capital for technology investment. Companies that keep their focus on R&D over the long haul are the ones that emerge most strongly from the downturn, and remain resilient in any price environment.



Seek creative ways to introduce new technology



Look to creative models to introduce new technologies, such as offering the first use/job for free, while ensuring both sides profit from any benefits eventually derived. Start by establishing balance of risk and reward between all parties so as to avoid one party benefitting from the investment of another, which stifles innovation over the long term. Operators ought to be rewarded for taking a chance on new technologies—by receiving a discount for offering up a wellsite for testing, for example—while service providers need to know they will have a chance to recoup their investment such as through long-term contracts when a new technology is successful.



Use technology where appropriate, but remember technology is simply a tool. “Technology doesn’t collaborate, people do.”



Work to improve knowledge transfer



Create an appetite to learn from the past so knowledge is not lost and does not have to be re-learned. The knowledge is out there, however the industry needs to find ways to tap into it before it is gone. Companies should prioritize knowledge transfer as part of their succession planning process, starting by determining what knowledge and experience they already have in-house, documenting it and ensuring it informs company policy going forward. Industry associations can also play an important role in finding ways to tell industry stories, such as through panel discussions with sage leaders, those who have become experts in niche areas and people who have made mistakes and learned valuable lessons from them.





Craft a policy around how you undertake collaborative contracting, put it in writing and review regularly. As noted earlier, too often lessons learned are forgotten rather than learned and permanently absorbed, due in part to the industry's persistent boom and bust cycle and demographic change. If policy is well documented, future employees will have access to this, and lessons learned in terms of collaboration are more likely to be followed on an ongoing basis.



Move the needle on public perception



Invest in the education of the greater community and our youth to change the perception of the energy industry. Stigmatization of the industry is often based on misinformation and bias, which too often goes unchallenged.



- Start by telling the good news stories, to friends, family and the media.
- Stand up for the industry when the opportunity arises, write letters to politicians at all levels and respond to inaccurate media coverage when necessary.
- Engage with youth, promoting the industry through school events like career days and providing speakers, and support youth activities such as sponsoring sports teams.



Develop community partnerships, invest in community projects and donate to local causes. For example, the Oil Sands Community Alliance (OSCA), with 15 industry members, pursues innovative solutions to build thriving communities, in four main focus areas: Aboriginal community relations; infrastructure; community wellbeing; and workforce. Collaboration, says the OSCA, builds relationships and creates opportunities for dialogue, information exchange and shared success. Such initiatives show that companies have a stake in the community, are investing for the long haul and care about the wellbeing of the communities in which they work.



Communicate success stories. There is much to tell, beyond creating jobs in these communities and helping them thrive. Husky Energy, for example, recently announced support for construction of a helicopter landing pad to serve a hospital in Lloydminster, Saskatchewan, on the heels of announcing its partnership with regional colleges and institutions to foster development of much sought-after skills for the oilpatch—initiatives covered by the media. A representative of another company said it worked with local schools and assisted with apprenticeship programs, among other things, to bolster public perceptions (See *The need for collaboration to change public perception of the industry on Page 13*).



There is also a role for governments and public institutions to **promote the industry by advocating and educating** more effectively on the benefits created locally, nationally and globally. Improving perceptions about the industry will also help to recruit new workers and increase investor confidence.





The need for collaboration to change public perception of the industry

Many roundtable attendees pointed to the negative perception of the industry among the general public as an impediment to their activities. Those members of the public with few direct ties to the industry are often more exposed to its critics and opponents and may not see the full picture of the economic and societal benefits derived from it. This can create barriers to doing work in local communities by, for example, making project approvals a challenge, as any pipeline company can attest. It can also affect the ability to attract investment and personnel to the sector going forward.

This presents a challenge beyond the scope of the supply chain—one which must be tackled by all sectors of the industry. But there are ways companies can take on the challenge in the communities where they work, offered one attendee from a midstream company. His company puts a great deal of emphasis on community values, which not only benefits the company and the communities in which it works, but its contractors and the industry in general.

“This is something we love to promote because it is where we feel that the biggest macro issue is against our industry, is that we don’t have effective engagement with community, and you have to do that by starting with the question, why? Why should we support your projects? Why should we support what you do in our backyard?”

“We can’t just talk about the chequebook or some appropriate compensation, or some windfall in tax or royalty payments that the government gets, because that doesn’t directly affect them on their ranch or farm, in the safety of their children and their groundwater and all of those things that they really care about. We need to make them part of our world,” he explained.

Among other things, the company has worked with local schools, provided tours of its facilities, organized trade shows and actively promoted programs to assist locals with apprenticeship programs.

“As a midstreamer, we are building a plant that is going to be there for 30 or 40 years, so when we talk about protecting your groundwater, or about engagement and meeting social need and purpose, we actually can live by it. We are a very active and engaged participant within the community, and that means we want to demonstrate our purpose to the community. If you meet them there, and if that’s part of your core purpose, then they support you, or at least that’s what we have found.”

This is easier to accomplish with a midstream company whose time in a community is more often measured in decades, compared to the months or years upstream operators might be engaged and who often struggle to get community buy-in, he acknowledged. But that creates an opportunity for those companies to work collaboratively with a midstream company that can serve as a platform for them in “partnering with the community in a very deliberate way” for the period of time they are in the community.

“It takes some investment, it takes some conscious effort, but in this day and age I think people appreciate being invited to stand up in opposition to this narrative that the industry is all bad. We think it creates value, which really talks about social purpose, addressing social needs within the community and that kind of thing, and whatever that investment is, it comes back around and benefits us, and creates the long-term economic sustainability desired on all sides.”





Guarded optimism is penetrating the oil and gas industry as commodity prices stage a comeback and demand forecasts gain steam in the developing world. Investment is on the rise and drilling activity has firmed up. However, the industry has changed since the last boom ended in 2014. New technologies, that unleashed a torrent of production from shale and tight oil and gas reservoirs, have upended the market, creating a new swing producer in the United States that will keep a lid on prices for the foreseeable future.

The shale and tight oil and gas revolution has also transformed Canada's largest customer into our biggest competitor, forcing Canadian producers to secure new markets for our oil and gas—and the means to deliver it. There will undoubtedly be many challenges ahead, accentuating the need for the sector to become more efficient and technologically advanced to maintain its competitiveness in a new world of energy abundance. A lean and efficient supply chain—optimized through collaboration among operators, service and supply companies, government and industry associations—is an essential component to ensuring the Canadian oil and gas sector remains as competitive as any around the world.

Standing still is no longer an option.

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