



COMMERCIAL / CONTRACTING STRATEGIES FOR OFFSHORE PROJECTS

Contracting Strategies for Offshore Projects:

an Operator's View Contracting Strategies for Offshore

You've got to reduce cost!
Focus on
core business !!

OIL PRICES



1998

consultant



Independent
Oil Co.

Major
Oil Co.

We must have
a single point
responsibility !!



No Risk Bank







OPERABILITY



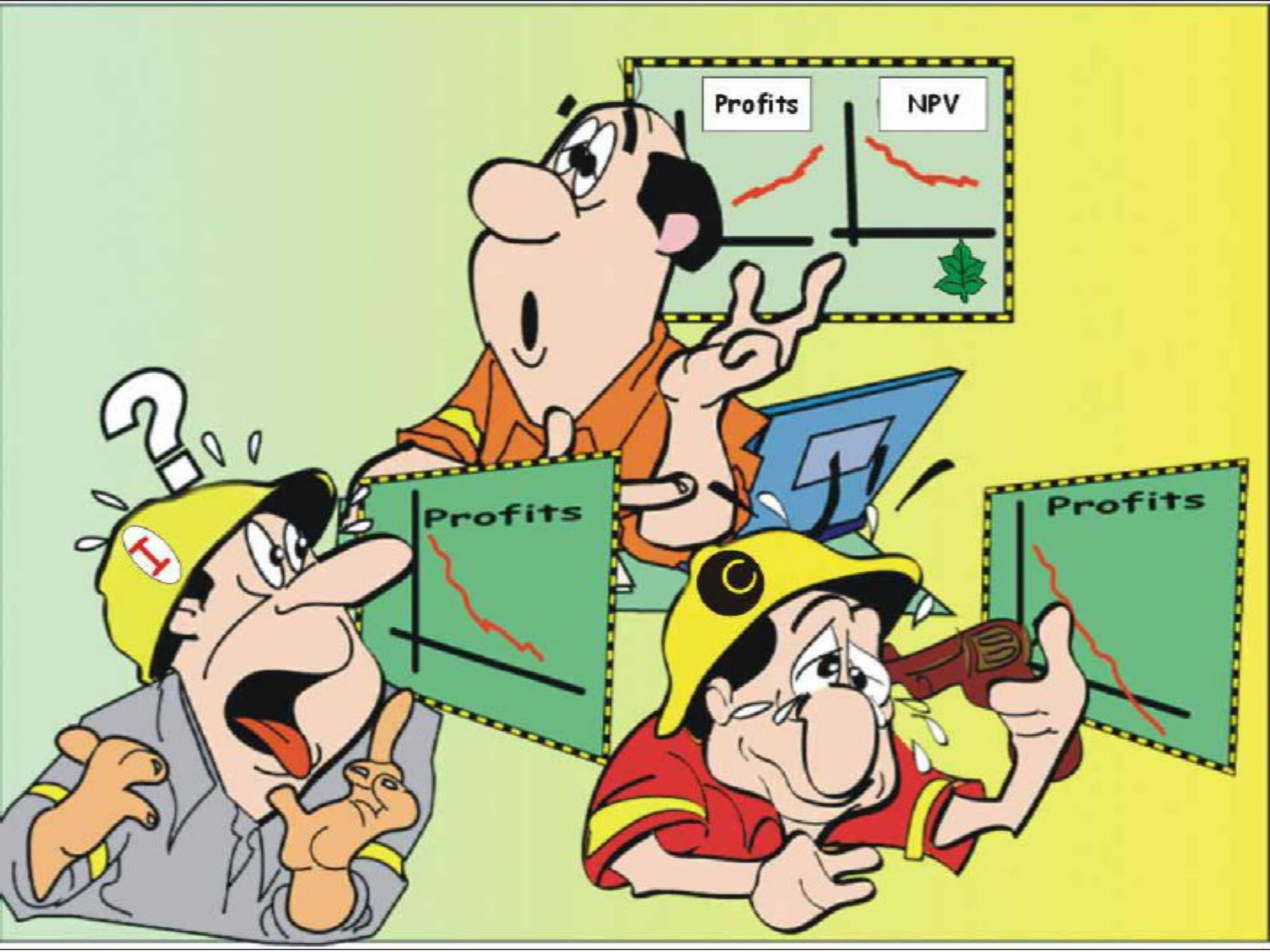
Cost

Actual
Estimated

SCHEDULE

Actual
Estimated

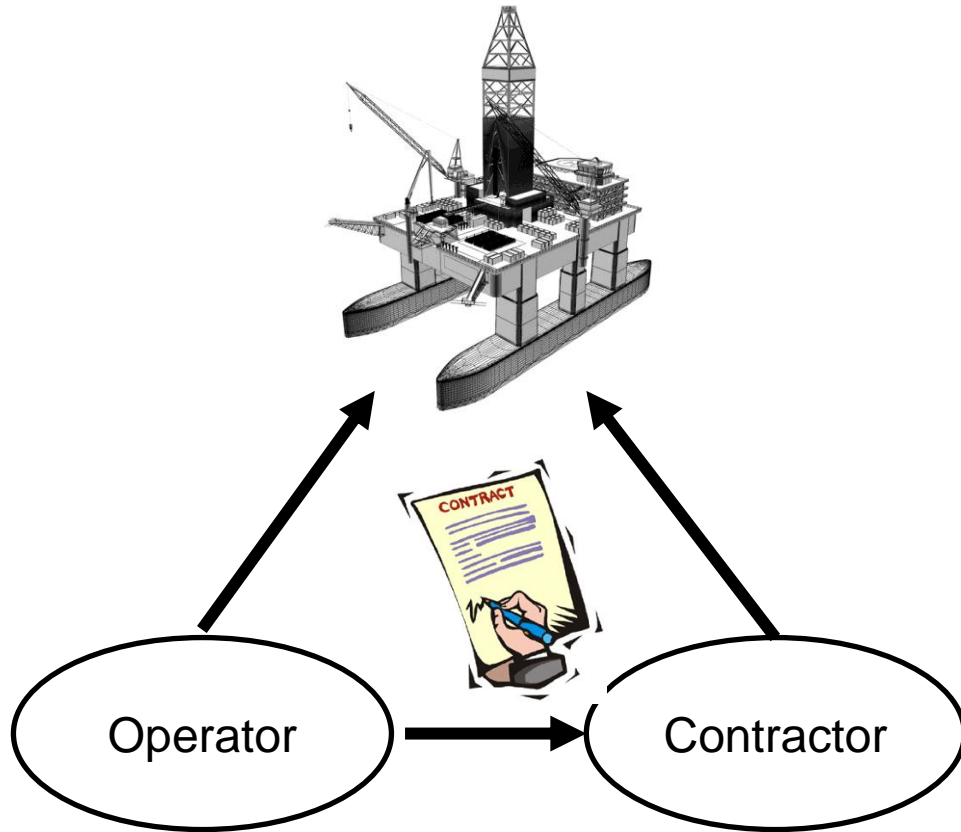








Align Interests



Allocate Risks & Rewards





Which Contracting Strategy to Choose?

- ✓ Partner Alliances
- ✓ Lump-Sum EPIC
- ✓ Reimbursable
- ✓ Project Alliances
- ✓ Mixed (Lump-Sum & Reimbursable)





Successful Projects Approach

To Do List

- ✓ **High Operator Involvement**
- ✓ **High Project Definition**
- ✓ **Well Focused Goals**
- ✓ **Balanced Risk Allocation**
- ✓ **Adequate & Skilled Staff**
- ✓ **Intensive Use of Feedback**
- ✓ **Long Term Frame Agreements for Critical Long Lead Items**



Unsuccessful Projects Approach

Not To Do List

- ✓ **Reduce Operator Involvement**
- ✓ **Low Project Definition**
- ✓ **Inaccurate Estimates**
- ✓ **Poor Project Procedures**
- ✓ **Inappropriate Shifting of Risk Towards Contractors**
- ✓ **Reduced Use of Feedback**
- ✓ **A Single Contract with One Contractor**
- ✓ **Unprepared or Unskilled Contractors**
- ✓ **Choosing the Smaller Price Instead of Best Price**

