# Innovative Contracting Strategy for Deepwater Subsea Developments

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# Agenda

- Innovative Contracting Strategy
- Procurement process
- Execution Contract
- Pros and Cons
- Why Deepwater?
- Conclusions









## **Integrated Subsea System Scope**



- Integrated Subsea system workscope (SPS+SURF) is tendered as single EPCI workscope
- Interfaces between SPS SURF are resolved during tender
- Single integrated schedule is delivered by Contractor No CPI





# Innovative Contracting Strategy

## Subsea System Competitive FEED



- Single EPCI Contract is tendered as Design Competition
- Contractor lead FEED solution subject to CPY input/control
- EPCI tender developed in parallel to FEED solution

- Interfaces between SPS SURF are resolved during FEED
- Subsea technical package endorsed at contract award
- Development cycle reduced
- FID Accelerated



## **Two Step Contracting Process**

#### **Concept & Pre-FEED**

Bidder 1	
Bidder 2	
Bidder 3	
Bidder 4	

### Step 1: Competitive FEED Tender Gate

- Enhanced Contractor engagement during Pre-FEED
  - Budgets
  - Schedules
  - Technology Analysis
- Company defines essential functional specification & interface data for FEED competition:
  - Well locations
  - Delivery point
  - Fluid composition
  - Operating conditions



- Procurement process:
  - Balance competition versus number of FEEDs to be managed
  - Normalises against functional specification
  - Delivers comparable EPCI Tenders
- Company manages multiple FEEDs during Tender period
  - In-house resource
  - Owner's Engineer



# **Fit For Purpose**



- Subsea FEED defines unique solution
- Generic to suit all bidders
- Normalised
- Compares apples with apples





- Solutions meet fundamental parameters set by Company
- Solutions comply with Company spec.s
- Each Contractor proposes most competitive combination of his products/assets



## **Subsea System Execution**

FID

START UP

#### **Subsea System Execution**

- Typical EPIC contract
  - Scope includes EPC of SPS
  - Traditional work package breakdown still applicable
  - Single integrated schedule
- Contract conditions as usual for EPCI
  - SPS scope under EPCI conditions
  - Joint & several liability of all contracting entities
  - Key dates against completion of scope post installation
- External interfaces remain Company responsibility



## **Do We or Don't We?**

• Not all projects will favour this strategy – the pros must outweigh the cons:

	PROS	CONS
Separate Scope	<ul> <li>✓ Flexible combination of SURF and SPS Contractors</li> </ul>	<ul> <li>SURF – SPS interfaces managed by Company</li> </ul>
Integrated Scope	<ul> <li>✓ Cost efficient execution plan</li> <li>✓ Reduced interface risk exposure for Company</li> </ul>	<ul> <li>Combinations of SPS &amp; SURF contractor fixed</li> <li>Innovative Contracting Strategy</li> </ul>
FEED Competition	<ul> <li>✓ Cost efficient solution adapted to Contractor products and assets</li> <li>✓ Shorter Tender cycle = accelerated FID</li> <li>✓ Endorsed design = reduced contingency for overspend</li> </ul>	<ul> <li>Interface with other elements of project may be less mature</li> <li>Normalisation of bids is less transparent</li> <li>Company manages multiple FEEDs</li> </ul>

#### Why Deepwater?

- Higher complexity = opportunity to reduce interface risk, cost and schedule
- Contractor led technology, differentiation between products and assets



## CONCLUSION

Integration of complementary workscopes = efficiency in execution

Competitive FEED contracting strategy = significant reduction in Development Cycle

Contracting strategy already applied to surface facilities

Competitive Contractor environment exists



