A Culture of Collaboration

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subsea 7

MCEDD
DEEPWATER DEVELOPMENT

Strong Industry performance in improving cost efficiency is well documented and a driving force for recovery

Structural changes in Early Engagement

Technology

Raw materials

Field Design Change

Using time to recycle

Integration

Product and component Design Change

Standardisation, modularisation, simplification

Phased developments

Improved work processes across life cycle and at the coal face

Deflation in the supply chain driven by overcapacity

Culture and attitude - Waste removal

Woodmac Buckskin project breakeven from $90 in 2014 to $50 in 2017

IHS Markit Deepwater full cycle breakeven from $60+ to $40-

Statoil Castberg from $16B in 2014 to $6B in 2017

Rystad breakevens on selected projects down 40-60% since 2013

MCEDD DEEPWATER DEVELOPMENT

Continued efforts will be required

- What is **structural** (sustainable) and what is **cyclical** (will reverse)?
- Estimates are that only 50-70% sustainable if we revert to business as usual – a return to business as usual would represent a risk to recovery
- Continued focus on Structural change is needed to lock in and extend gains
  - Technology and Integration
  - Continued improvement of our ways of working
  - Driven by the right commercial and Contracting models
- Collaboration models are a key enabler for these structural changes and represent the most effective framework

Subsea 7 Collaboration models

- Different collaboration models with our Customers
  - Formalised multi-project / region Client partnerships – Premier, Spirit Energy, MOL, Okea
  - Fully integrated Client Alliances – AkerBP
  - Project based collaboration with focus on setting of common objectives, ways of working, performance measurement and transferring knowledge
  - Early engagement through design competitions and concept-FEED

- And within oilfield services supply chain
  - Subsea Integration Alliance (Subsea 7 and OneSubsea)
  - Numerous other supplier collaborations across the industry (full M&A, Joint Ventures, Alliances and Partnerships)
  - A key theme of these collaborations - deliver structural changes through new technology and execution solutions

Observations on Subsea Integration

- Supporting Subsea Integration (SPS-SURF and beyond)
  - Supplier led solutions and supplier led standardisation
  - Early engagement, technical optimisation, and “right first time”
  - Reduced project execution risk and controlling cost escalation post sanction
  - Technology viewed from system perspective (across segments rather than only within segments)
  - A holistic approach towards CAPEX and OPEX
  - Cost synergies

- Significant market already established with demonstrated benefits

- But not the solution for all projects and all clients so maintaining flexibility has a strong value

Concluding Remarks

- We are seeing a shift in Contractual and Commercial models towards increased collaboration as the market recovers
    - Client partnerships
    - Contractor and Client Alliances
    - Integration
    - Design competitions - FEED to Installation

- This is delivering clear results for the industry and its in focus for Subsea 7

- We need to continue this Structural change to ensure Sustainable gains in Subsea value creation

- Expect to see continued development and uptake of these models over coming years

Thank you

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