

ADIPEC 2018 UPSTREAM ROUNDTABLE

WHAT NEEDS TO BE DONE IN UPSTREAM

The Upstream Roundtable was led by Thought Leader Partner Accenture



while the benefits of digitisation have been widely accepted and pursued for some time, success to date has been somewhat siloed, with scalability beyond the pilot stage an enduring challenge.

Building alliances and collaborative partnerships is a natural step to overcoming this stalemate, however how and where to collaborate is not so apparent, with confidentiality and competitiveness along with overcoming traditional procurement barriers of key concern. Pursuing collaborative partnerships in areas of common challenge, such as climate action, is perhaps one path to resolution with OGCI one example of a suitable forum to explore possible modes of engagement.

Beyond collaboration, attracting the right talent will be key to realising and sustaining digitisation ambitions, however competing forces on non-traditional fronts will be a major challenge and the industry will need to do a better job engaging our youth and positioning our industry as a priority destination for top 'tech talent'.

The topic of sustainability also surfaced, and the general consensus was that while decarbonisation efforts vary in success and maturity across the industry, more affirmative and collective action is required. This led to the discussion on portfolio and value chain choices, with one NOC participant noting that whilst their value chain is almost ~50 per cent more carbon efficient than the industry average, they can and must do better. This will require 'low-carbon' to become central to industry strategy, whether that be IOC or NOC, with increased investments committed to balancing portfolios and accelerating decarbonisation across the value chain.

The oil and gas industry, like many long-established sectors, continues to be challenged by significant disruption on multiple fronts. And despite a recent bounce in prices, this indeed creates yet another inflexion point that will test the level of fundamental transformation and associated resilience that has been achieved.

Much has been done to respond to and survive the recent lower price cycle, the question however is whether this can be sustained or whether more fundamental changes are required to thrive and compete 'through the cycle'. With this challenge in mind, oil and gas leaders met at ADIPEC during the Upstream Roundtable hosted by Accenture's Global Managing Director for Energy, Andrew Smart, to discuss a more fundamental transformation, one in which digital is set to play an increasingly important role and a path to incubate and scale new areas of capability required for longer-term

optionality and sustainability. Cost, as always, was central to the discussion and the general view was that while we have made big progress in stripping out fat off the back of the recent down-cycle, we need to avoid complacency and maintain the same intensity despite price movements. Doing so is expected to demand a more focused, yet flexible and agile business. Focused in the sense of 'fit-for-purpose', demanding the need to take a step back and not only question the decisions we are making for business today, but also in how these decisions will endure longer-term in an industry that is likely to look very different to what it does today.

The common view was that digital technology is going to be central to this future, the application of which must start from the reservoir and extend across the value chain, penetrating every aspect of our business from investment decisioning to contract management. This includes revisiting how we generate value through our legacy positions, in many cases those being reservoirs and fields developed 50 to 60 years ago, and in our future investments that will need to deal with a more volatile and uncertain

world. Doing so will require a two-speed approach, in which value is created in incremental fashion from the bottom up and transformation efforts are led from the top down, with widespread belief that 'digital' is a fundamental capability that must be embedded in the oil and gas milieu.

In delivering on this ambition we will see the cost and nature of operation fundamentally change, with new standards, processes, structures and technologies tailored to the specific needs of an organisation versus the blanket industry wide tried and tested 'best practice' approach. Operators will need to put skin in the game and back ambitious digitisation journeys that are 'fit-for-purpose'. These journeys will inevitably see transformations on the traditional fronts, with automation, centralisation and standardisation all driving the typical cost benefits. The true value of digitisation however will be realised through unlocking the unparalleled volumes of data that the industry has created over the last century and the insights and decisions that are expected to come from it.

There is recognition that we are at early stages of this journey and

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