



Successful delivery in today's high growth market is a challenge for both operators and contractors. Anders Opedal, the chief procurement officer for StatoilHydro, tells Barry Mansfield why all parties should work closely together to achieve their goals.

# Let's talk

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**W**orld Expro: What do you think are the key issues that must be addressed to support development in the oil and gas sector?

**Anders Opedal:** Managing talent, transforming new recruits into valuable assets and the need to plan further ahead with regards to supplier needs. One of the big preoccupations for us as an operator is to try to make the future foreseeable, to make it predictable, so that the supplier industry knows what's on the horizon and is able to follow our example by taking a long-term approach also.

We have high expectations of our suppliers. One of those expectations is that they build and retain competence. That's really important for us. But we also need to take a long-term perspective on what we can offer them. For example, trying to avoid the peaks and troughs in the amount of work we are able to offer the supplier industry. History shows that you can have cycles in this industry, having to lay off people and then hire them back again. You end up spending a lot of resources on training. This is why it's most desirable to forge a long-term perspective and build competencies together.

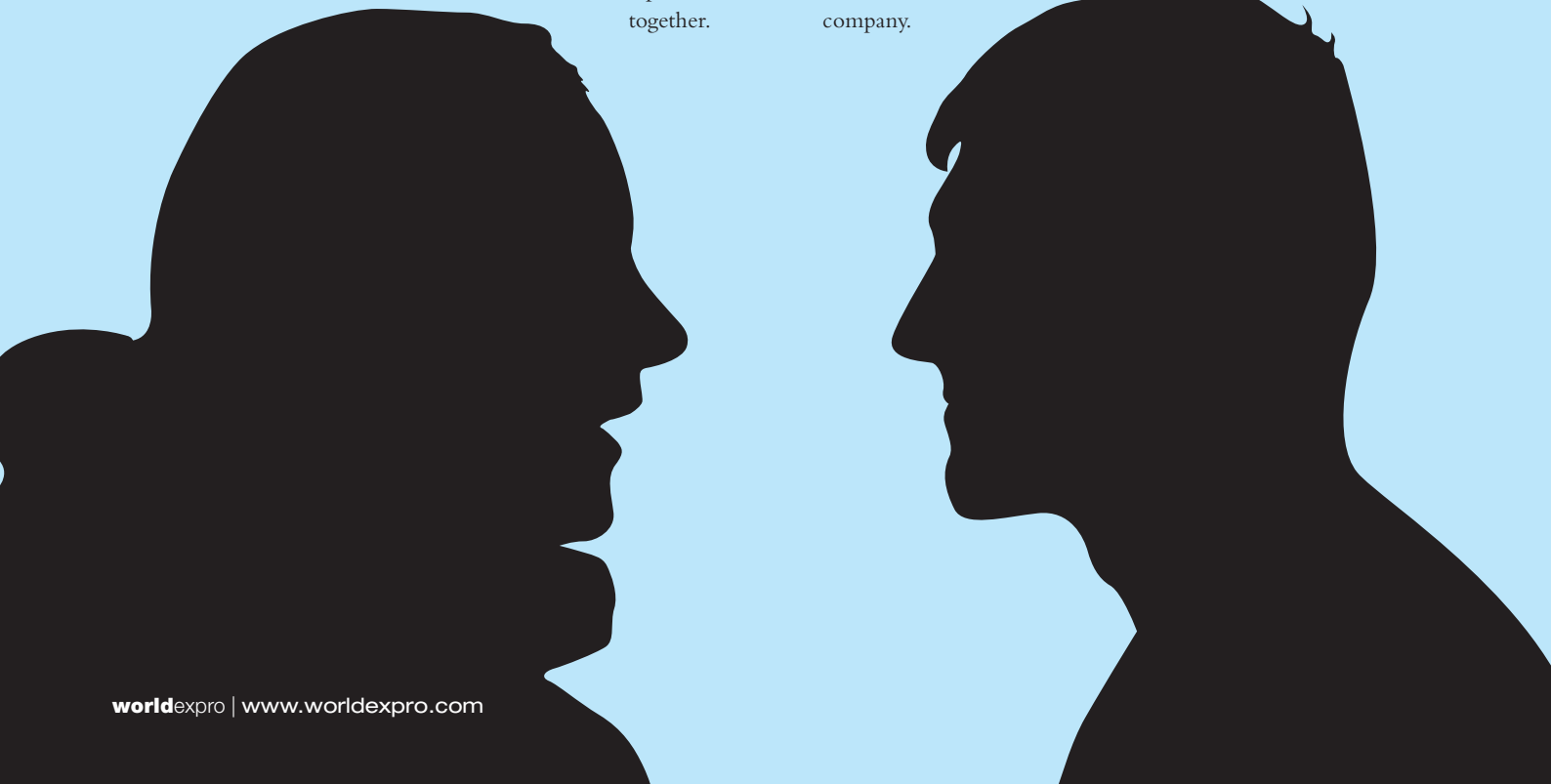
**WE:** How are you coping with the current skills shortage?

**AO:** Admittedly there is a skills shortage, but also a resource shortage within subsea engineering, drilling and wells. Part of our response to this is to make sure we have an effective succession planning system in place.

We have an event that we have termed our 'Dialogue,' which is a yearly appraisal for employees. Every leader has to nominate who will be his successor – or maybe two or three candidates. We spend a good deal of time on that and hold an extensive round of management sessions to identify the right talent, setting some challenges for those individuals and building them up.

**WE:** But you also have an early retirement programme?

**AO:** There's been a lot of discussion around the early retirement packages we recently announced at StatoilHydro. In the Norwegian newspapers it has gained a lot of attention. Many of our workers aged 58 and older have been offered a package to leave the company.



A lot of people see that as a risk in that we could be losing competence but it presents a great opportunity for the young talent in our company to make the step up and show us what they can do. We've really turned up this process over the last three years, and it has a stronger focus than ever now.

**WE:** *Have operators been quick enough to embrace new technology or is it fair to say that they have taken a risk averse approach?*

**AO:** I'm not sure we are risk averse at StatoilHydro. If you look at our important projects, they demonstrate that we are not scared of applying new technology. We are now able to develop ideas that would have been impossible just a few years ago.

There are some industry observers who want us to be even bolder, but I think it's important to find the right balance with new technology. We don't want to turn mega projects into technology development projects.

I think the history of Statoil and Hydro shows that we are technology innovators. If we weren't, then we wouldn't have been able to develop the Norwegian continental shelf in such a harsh environment, as we have done.

One of the expectations of the supplier industry is that we do want them to invest in technology. Extreme environments, and heavy oil and extra heavy oil, demand that. As we expand internationally we're going to be hunting for companies that can offer new solutions.

**WE:** *How might it be possible to balance risk and reward satisfactorily between operators and contractors?*

**AO:** That's a tricky question. When a company is delivering new technology, are they being paid appropriately by you, the operator? It's always a discussion. Should the contractor or supplier be paid for the cost of bringing the technology to the table, or should they instead be part of the reward? Do you pay for the oil, or for the service? That's a question that the supplier industry asks us at StatoilHydro.

The best way to reach a conclusion is to sit down together as operator and supplier and enter into a dialogue and work it out on a case-by-case basis, as the same arrangement won't be relevant to every technology application. The truth is it will vary wildly from one project to the next.

**WE:** *How has Norwegian state ownership affected the way you do things?*

**AO:** As far as our daily operations go, it's had no impact. But the Norwegian Government has always taken a long-term view with our companies. In some countries you see the operational conditions changing almost every day. But here in the Norwegian continental shelf, it's been a safe haven so far. It's all very predictable, fiscally and politically. State influence gives steady conditions to all the companies based here, which has contributed to our growth.

We have most of our activity on the Norwegian continental shelf at the moment. We are increasing production internationally and we will be building up a strong exploration portfolio in future. We'll be a much stronger player in the international arena from our suppliers' perspective in the years to come.

## [ StatoilHydro: two giants merge ]

In December 2006, Norway's Norsk Hydro and Statoil announced their agreement to merge the two groups' oil and gas operations to form a new national champion, later named StatoilHydro. The vision of Norway's two biggest companies of the time was 'driven by an ambition to grow in Norway and internationally,' according to a joint statement.

Norsk Hydro, the energy and aluminum group, has since continued as a focused global aluminum company. The Hydro shareholders hold 32.7 percent of HydroStatOil, with Statoil's shareholders holding 67.3 percent. The Norwegian government has raised its stake in the new company to 67 percent from an initial 62.5 percent. 'The new company will create huge values for Norway,' Prime Minister Jens Stoltenberg said in a statement. 'And the merger is an excellent foundation for meeting the challenges facing the oil and gas industry. The government sees the recommended merger as industrially and strategically well founded.'

The merger was finally completed on October 1st 2007. It has been noted within the analyst community that the new entity has much more competitive strength when viewed against its larger European rivals, including BP, Total and Shell, while also increasing the buying power of the company, helping it to make acquisitions that may have been out of reach previously, for example in the Gulf of Mexico. StatoilHydro is the ninth largest oil company in the world. For the nine months ended 30 September 2007, StatoilHydro's total revenue was 319bn Norwegian krone, placing it in the ballpark of the Fortune Global 500 list.

## [ StatoilHydro: operations ]

### Upstream

The newly-created energy company StatoilHydro is the largest operator on the Norwegian continental shelf, claiming 60% of total production. The fields operated include Gullfaks, Heidrun, Giltne, Huldra, Kristin, Kvittebjørn, Mikkel, Norne and Åsgard. The company has processing plants in Kolsnes, Mongstad and Tjeldbergodden.

StatoilHydro operates oil and gas fields outside the Norwegian continental shelf, in North Africa, Azerbaijan, Brazil, China, Iran, Libya and Russia, as well as the United States and Venezuela. StatoilHydro is said to be working on the identification of possible ventures in the countries of Mexico, Egypt, Qatar and the UAE.

The company has processing plants in Denmark, Belgium, France and Germany. In 2006, Statoil was given the go-ahead to develop the world's largest carbon sequestration project to date, with the goal of mitigating carbon emissions to the atmosphere.

### Downstream

StatoilHydro is operator of Statfjord in the Norwegian North Sea. The company is perhaps best known for running its three brands of fuel stations: Statoil, Hydro and 1-2-3. It has petrol stations across Scandinavia and the Baltic region, and also Ireland, Poland and Russia. Fully automated stations are operated under the 1-2-3 brand. StatoilHydro has in the region of 2,000 fuel stations across Europe.

**WE:** *How has globalisation affected StatoilHydro's procurement plans?*

**AO:** We find that we are affected by what's going on in the market much more than in the past. There are new suppliers springing up in all corners of the world.

Take steel as an example. We require a lot of high end steel for pipelines and tubing for our wells. Traditionally very few vendors have been able to supply such high grade metal. We're finding that there is a lot of movement going on in new countries like India, China and Russia, and we're monitoring the situation very closely so that we can benefit from these new competencies when they emerge. That's our market

strategy. We're not limiting ourselves by just looking at the market in Norway.

**WE:** *What do you think is the best way to improve collaboration between operator and contractor?*

**AO:** We like long-term relations with our suppliers. We believe in building strong relationships and having high expectations on delivery. Most of all, we think we can work much more effectively if we know each other well.

We don't use short-term contracts and we have always been keen to invite the supplier industry to participate when we work out our procurement strategies. That's because, as an operator, we feel we can learn a lot from the supplier industry. But it's not just us. Other operators would surely find the same.

**WE:** *With constant pressure to reduce operational costs, is the use of incentives and penalties the way to go in future?*

**AO:** That's an interesting point. We are looking for suppliers who can come up with new ideas, meaning innovative solutions to the question of how to improve operational efficiency. If you take drilling as example, maybe we have focused too much on penalising suppliers when there has been downtime. Why not instead reward them financially for good efficiency during the uptime?

**WE:** *So you think that a more positive management style can help operators to avoid false efficiencies?*

**AO:** Yes. Our prerogative, particularly in view of the huge size of the company after the merger, is that we are keen to listen to the supplier industry to find out what's working and what's not working. This is essential.

The new approach may not always lower costs, but it might produce more wealth, more oil. Maybe the current structure is not working 100%, so can we find another structure that's better? It's under scrutiny and we are open to making changes.

The merger was obviously based on the fact that we wanted to grow. That means increasing the range of the business, and we also wanted to expand our activities internationally. But we need the supplier industry to perform in order to do it. We need a highly specialised mix of suppliers and we aspire to be an active partner in working to develop the industry, both in Norway and further afield. ●

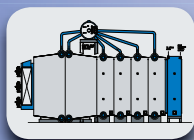
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[ Anders Opedal ]

Anders Opedal joined StatoilHydro at the beginning of this year as Chief Procurement Officer, succeeding Kjell-Erik Ost Dahl in the role. Opedal has a Master of Science in electronic engineering. He previously worked with Schlumberger.

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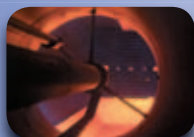
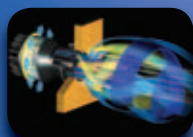
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