



Statoil IR Autumn Conference
23 November 2015, Oslo

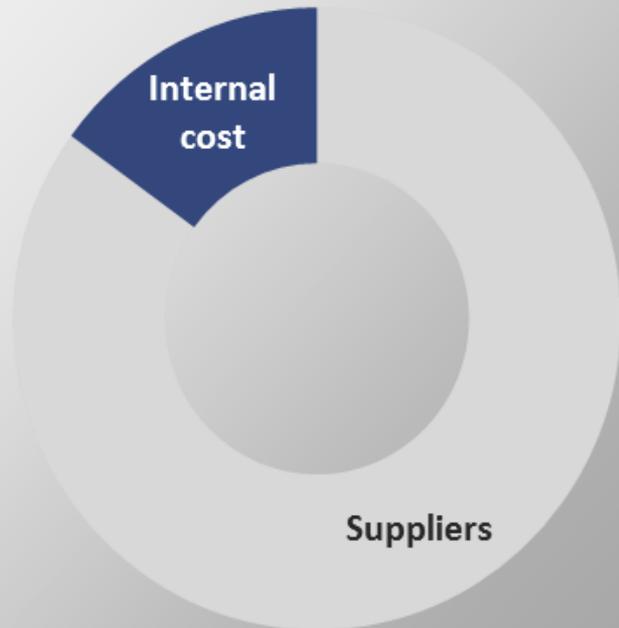
Procurement and supplier relations

Jon Arnt Jacobsen, SVP

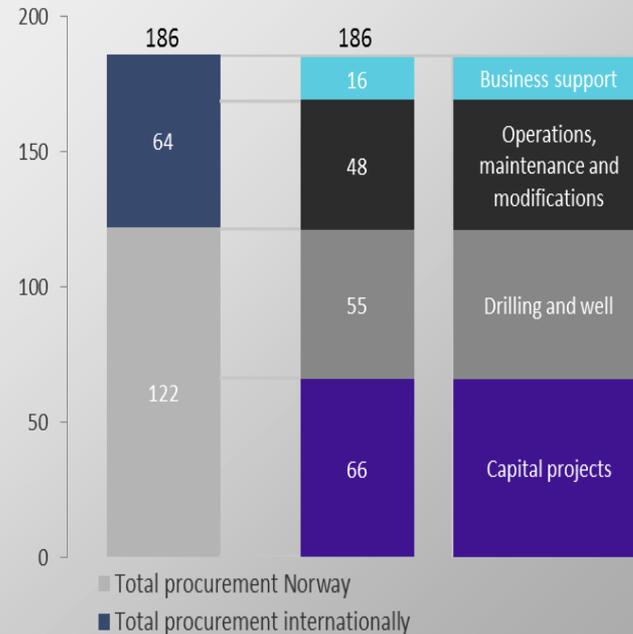
Supplier performance key to our success

Strong relationships with high-quality suppliers drives sustainable competitiveness

The majority of Statoil's yearly expenditures arises from suppliers



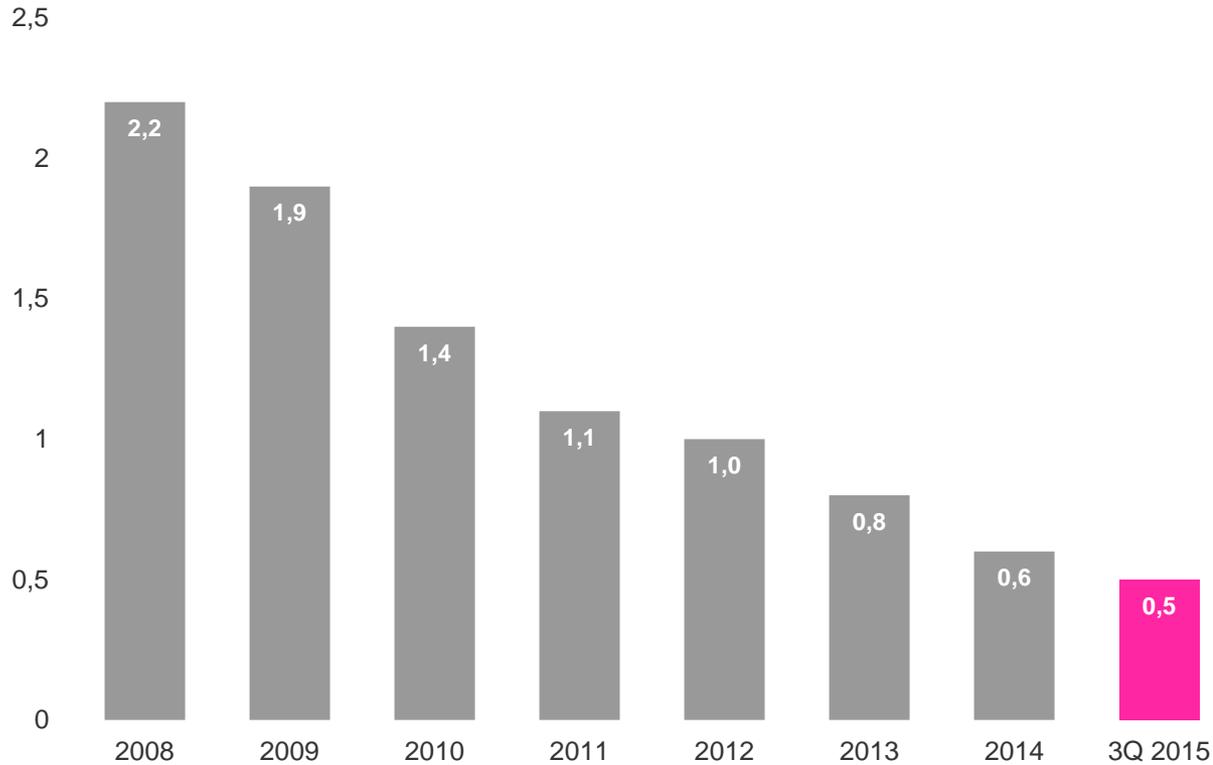
Statoil procurement 2014 in NOK Bn



Safety and security – achieved together

Serious incident frequency

Number of serious incidents per million work-hours, last 12 months

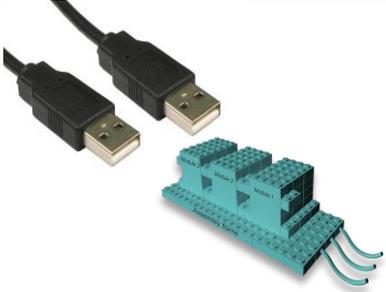


Building blocks for future competitiveness

1 Further **standardisation**

Selected potentials

- Standardised equipment and modules ¹⁾ → USD 150-300 million in savings
- Standardised platform concepts → 8-10% facility capex reduction
- Vertical X-mas trees ¹⁾ → USD 0.8 – 1.0 bn over fields' lifetime
- Standard production wells → 10-20% lower average well cost
- "Subsea on slim legs" → 20-30% savings Versus subsea solution



"Subsea plug and play"

2 Targeted **technology** development



3 Operational **excellence**



4 Capitalising on **market opportunities**



Responses and actions

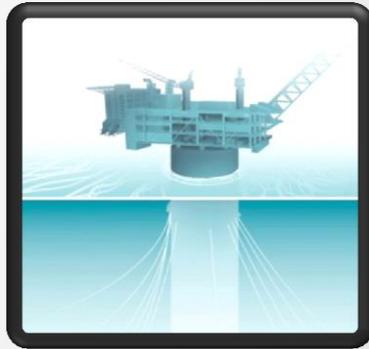
Capitalising on the current market

Internal improvements



- STEP
- Contract management
- Follow up of suppliers
- Performance culture

Joint improvement programmes



- Engineering
- Maintenance and Modification
- Subsea
- Drilling and Well

New contract models and incentives



- Increased use of integrated deliveries
- Alignment of risk / reward
- Broaden and deepen key performance indicator sets

Renegotiations and retendering



- Focused approach: potential and risk
- Significant difference between categories
- Positive reception but difficult negotiations

Significant improvement within drilling and well



Long term competitiveness

- An industry leader on cost and efficiency
 - ✓ Standardised solutions
 - ✓ Perfect well approach
 - ✓ Supplier cooperation and performance

Average days per well

↓ **30**
%

Average meter per day

↑ **50**
%

Average days per completion

↓ **45**
%

Non productive time

↓ **2.5**
%

Expectations go both ways

COMPETITIVE COST LEVEL..



..with joint responsibility for total value chain cost and improvements..

..and with the right governing mechanisms in place



Structured follow-up

Incentives and KPI's

Fact-based evaluation and reward

Supplier



Thank you



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Re-establishing a high performance and competitive MMO Industry

Terese Kvinge, SVP, PRO Brownfield

Increased Oil Recovery on NCS – utilizing existing infrastructure

Low pressure production > 1,2 billion boe

Troll: 522 mboe



Åsgard: 280 mboe



Kvitebjørn: 220 mboe



Kristin: 160 mboe



Gullfaks: 22 mboe



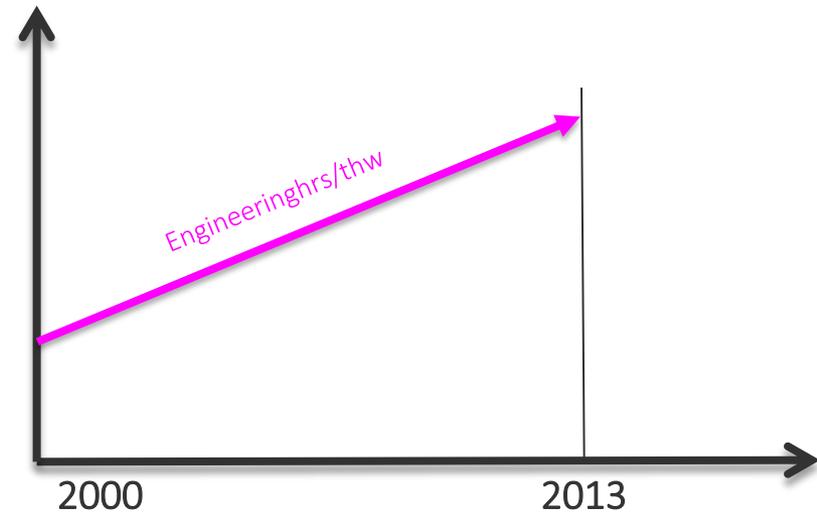
Heidrun: 7,5 mbo



2000 – 2013 MMO Industry

From good to poor performance.....

- 100% more engineering hours used....
- 80% more installation hours used....
- Significantly growth in sub deliveries during execution



Top 10 key elements in creating a high performance culture

Our Challenge: Create a high performance culture within the Norwegian MMO Industry

- # 1 – Clearly define what winning looks like
- #2 – Spell out your “preferred culture”
- #3 – Set stretch targets
- #4 – Connect to the big picture
- #5 – Develop an ownership mentality
- #6 – Improving performance through transparency
- #7 – Increase performance through employee engagement
- #8 – Storytelling
- #9 – Internal communication
- #10 – Taking the time to celebrate

MMO Common Improvement Agenda

A Joint MMO Industry initiative to Improve our competitiveness and predictability



Front End Loading
&
Engineering Efficiency

Life cycle information

Sub Suppliers

Offshore readiness
&
efficiency

Improving with suppliers

Front End Loading – Common MMO FEL toolbox

- Maximize reuse of existing infrastructure / equipment
- Chase «good enough» technical solutions
- Increased use of industry standard instead of customized solutions
- Involvement of critical sub suppliers in early phase
- Increased management focus wrt quality in early phase studies





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I'm in

Enable our suppliers

to deliver:

- Cost efficient projects based on industry standard
- Minimum solutions from the start – right the first time
- Simplified documentation, tagging and follow-up

You are accountable.

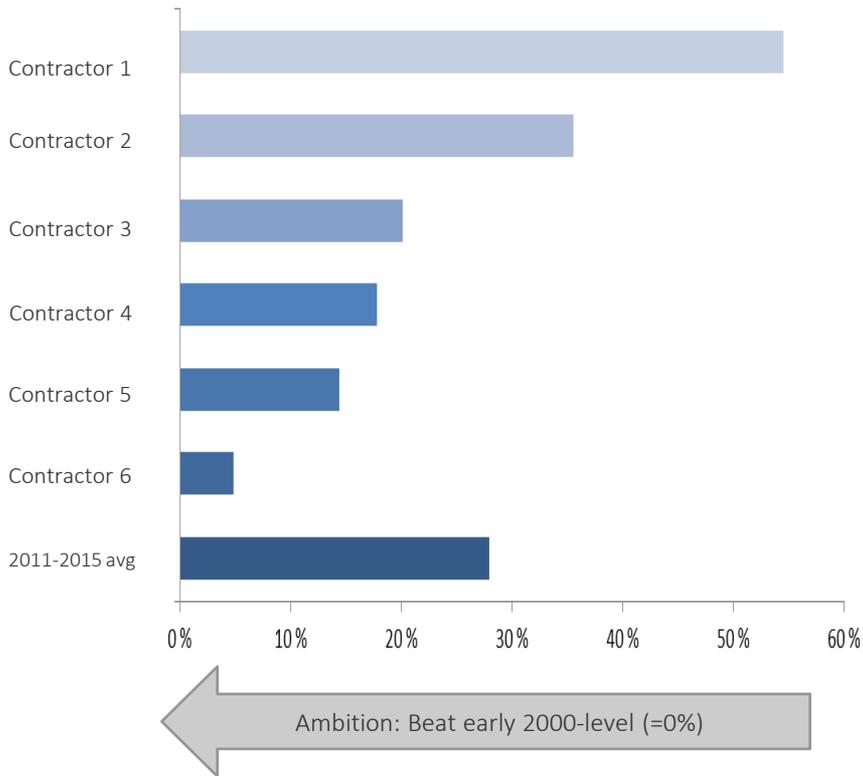
Make sure suppliers spend our money wisely.

Improving with MMO suppliers

Transparency wrt performance

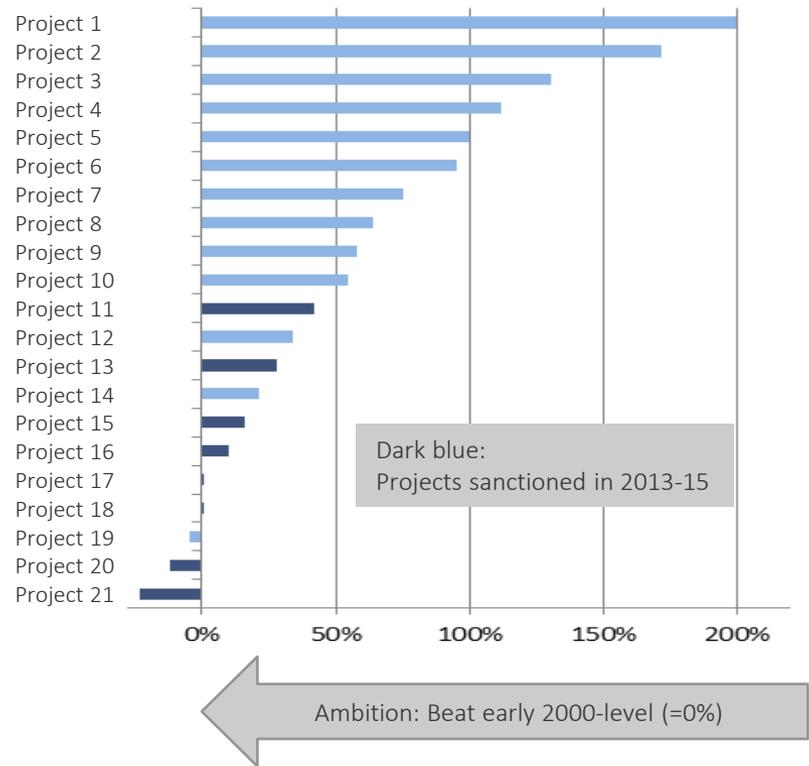
Competitiveness benchmark

Contractor avg. cost performance vs. early 2000 level
Projects sanctioned in 2011-2015 included



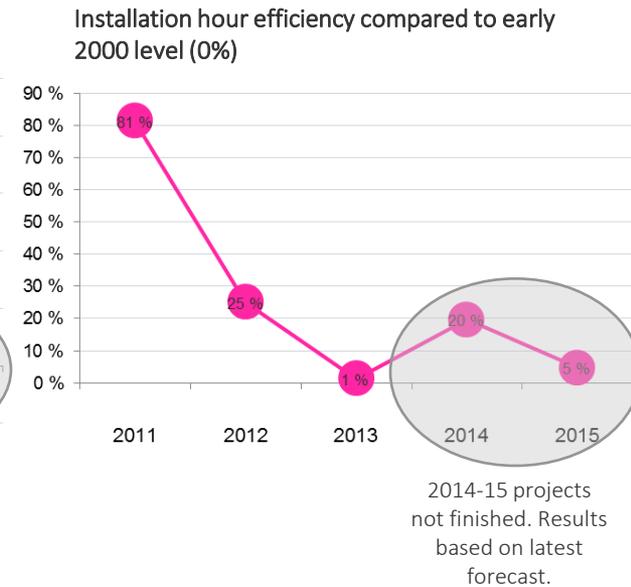
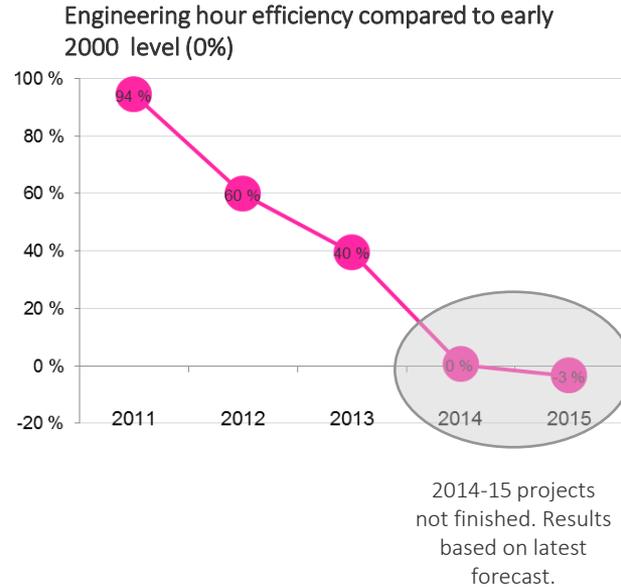
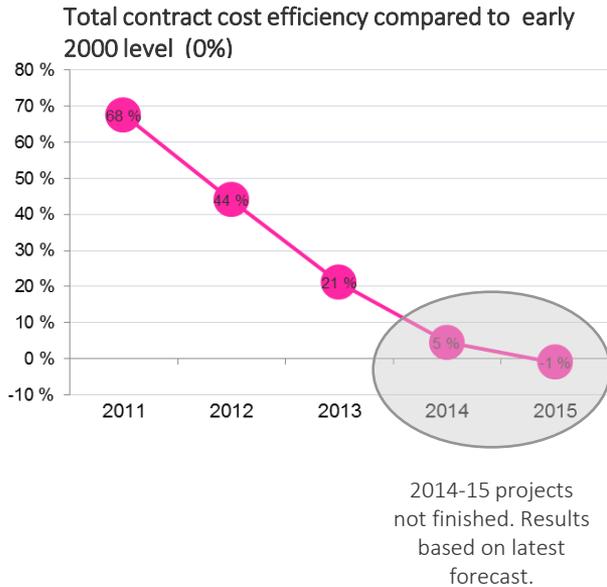
Engineering efficiency benchmark

Engineering efficiency vs. early 2000 level
Projects sanctioned in 2011-2015 included



Improving with MMO suppliers

Measuring improvements - Efficiency in execution (by sanction year)

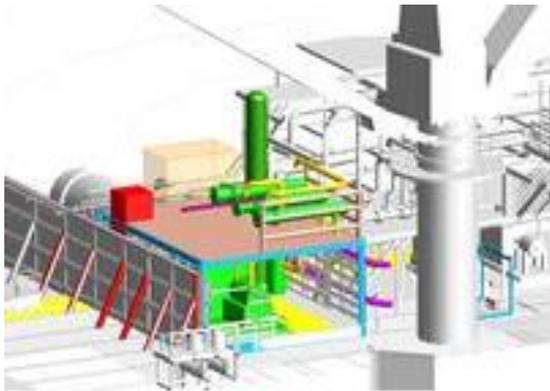


*) In average 2-3 years duration from sanction to finished project.

Way forward - Standardisation opportunities

LPP production – from tailor made to standardised

Degree of standardisation



Tailor made LPP production



Standardised equipment /
building blocks



Standardised LPP
module

Thank you

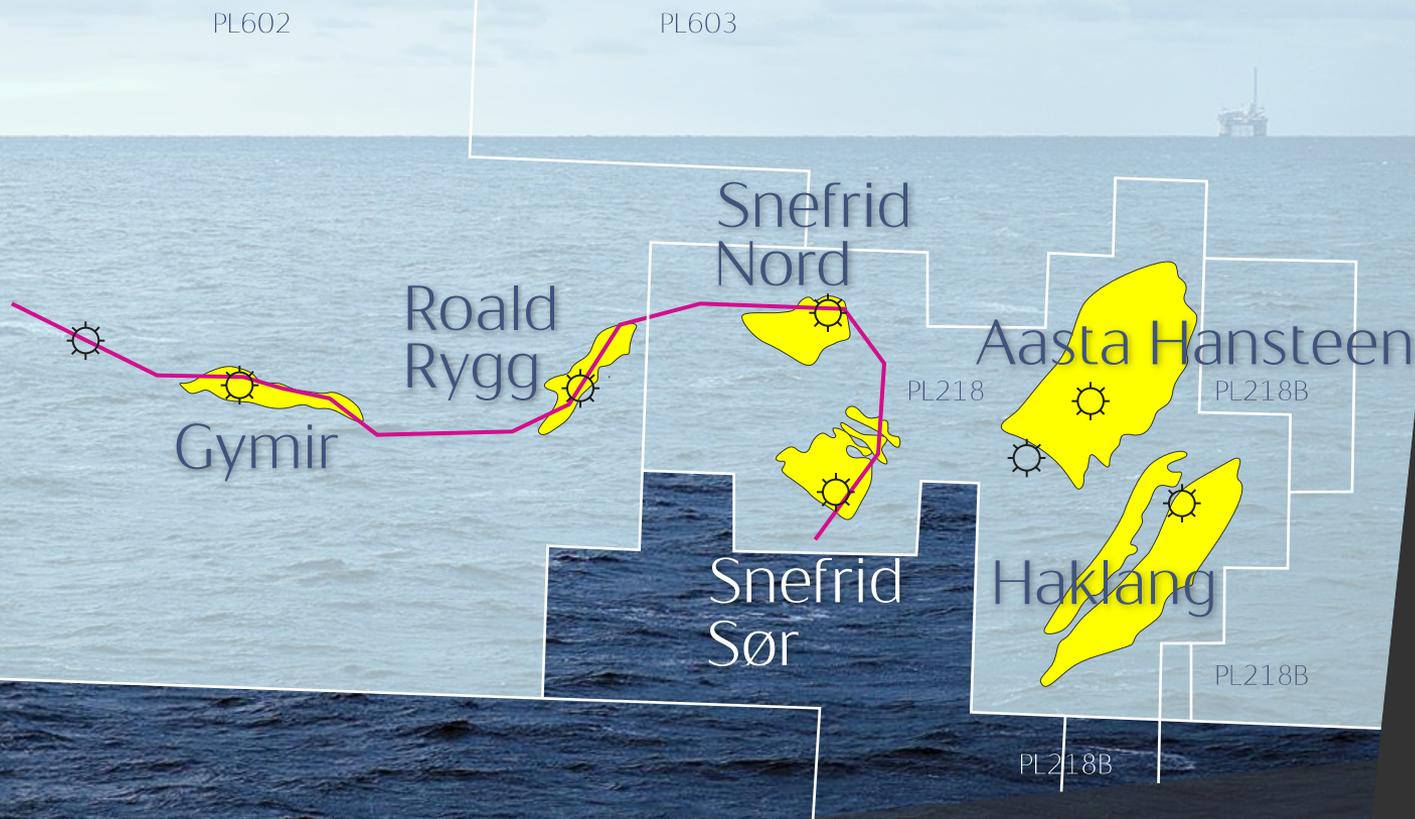


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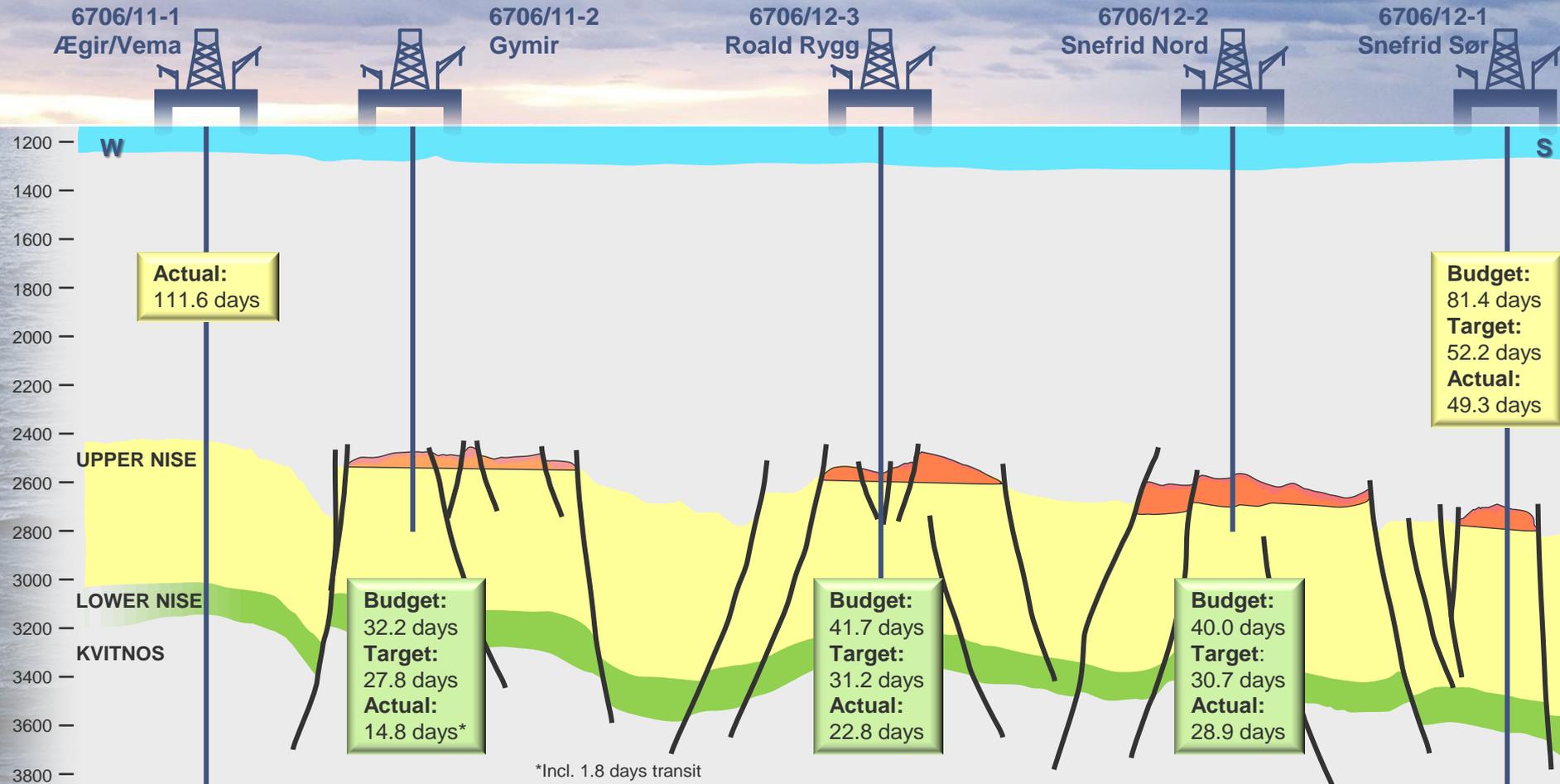
Efficiency in exploration drilling

The story of a world class performance

Dagfinn Alm, Advisor Exploration

A world class performance

155 days less spent – 1 billion NOK saved



The components of a world class performance



Mindset

Execution

**Understand
risk**

**Treat it as
your own
money**

**Continuity
and
experience**

Statoil. The Power of Possible

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www.statoil.com

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