

## SCCoP NEWSLETTER - JULY 2014

The Supply Chain Code of Practice (SCCoP) was revamped and re-launched in 2013. The key update is the tiered compliance system which applies to new and existing purchaser signatories. Currently there are 171 signatories comprising 32 purchasers and 139 suppliers.

A new award category "Award of Excellence" was launched at the 2013 Share Fair. Thirteen (13) companies received this award, see table below;

			
EXCELLENCE	GOLD	SILVER	BRONZE
Aker	AGR	Halliburton	Bibby
AMEC	Apache	Marathon	
BG Group	Enquest	Nexen	
BP	Fairfield	RWE DEA	
Centrica		Taqa	
Chevron			
ConocoPhillips			
Petrofac			
Shell			
Talisman-Sinopec			
Technip			
TOTAL			
Wood Group			



## LOGIC Standard Contracts

The suite of LOGIC Standard Contracts are currently being reviewed by the Legal Issues Forum's LOGIC Standard Contracts Work Group. The Group was set up to update the existing standard contracts and members of Oil & Gas UK were asked to provide their 'standard specials' in relation to each of the LOGIC Standard Contracts. These 'specials' were collated and considered by the Work Group as they began their task with the Standard Contract for Services (Onshore and Offshore).

Standard Contracts at present are:

- Services (Onshore and Offshore),
- Construction,
- SME Services,
- Subcontract for SME Services,
- Design,
- Supply of Major Items of Plant and Equipment, and
- Purchase Order Terms and Conditions (Short Form).

The remainder of the LOGIC Standard Contracts; Well Services, Marine Construction and Mobile Drilling Rigs are expected to be fully updated by 2015.

## 30 Days Payment

The SCCoP recommends 30 day payment period following receipt of invoice. Delayed payment beyond 30 days is an issue that is regularly highlighted in the compliance report. This is a particular strain for smaller companies as their limited cash flow can cause organisations severe financial problems and even bankruptcy.

The 30 day payment goal has been a challenge to comply with by the industry at large. There have been various forums that have revealed that more work is required to support the industry in complying.

It has been recommended that the 30 day payment issue be discussed further at O&G UK's Operator and Contractor Council.

### **Food for thought**

The “food for thought” sessions have been re-launched by Oil & Gas UK to identify and highlight good practice by SCCoP signatories. The first session was held in May 2014 and the key discussions were around the SCCoP information pack and the 2013 compliance report. The information pack is expected to be used internally by signatories. The 2013 compliance report was published in July 2014 and it highlights ongoing high levels of compliance with the code. The 2013 compliance report can be downloaded at;

[www.oilandgasuk.co.uk/publications/viewpub.cfm?frmPubID=821](http://www.oilandgasuk.co.uk/publications/viewpub.cfm?frmPubID=821)

The next “food for thought” session will be held in November 2014 after Share Fair.

### **Some of the basic reasons behind the Supply Chain Code of Practice (Malcolm Wilson, Achilles FPAL)**

#### *1. Why do we have a SCCoP?*

- Prime reason is to make the UKCS more competitive by saving cost and streamlining the procurement process.

#### *2. What tools and initiatives are in place to support the SCCoP?*

- At a high level, the UKCS has adopted a uniquely collaborative way of working which is envied by other regions:
  - The PILOT Share Fair, the PILOT Forward Work Plans and Project Pathfinder inform the supply chain about opportunities and allow them to gear up to meet demand.
  - FPAL removes duplication of effort during the pre-qualification process.
  - A suite of five model ITTs have been developed which enable Purchasers to make full cost-effective use of the FPAL pre-qualification information.
  - LOGIC standard contracts help to minimise amendments and avoid potentially costly terms and conditions.
  - The IMHH scheme provides clarity in the allocation of liabilities and consequent avoidance of overlapping insurance of identical risks.

#### *3. Are we making full use of the advantages offered by these tools and initiatives?*

No. This industry has been described as being initiative rich but action poor. The industry has worked hard over the past 20 years to develop the above range of cost-effective tools which really do work and some organisations do reap the benefits but their use should be more widespread. The potential prize is significant. For example, when the model ITTs were launched, Ian Donaldson, chair of the Oil & Gas UK supply chain forum at that time, explained: “The new model ITTs will provide an easier and faster way to produce, issue and respond to invitation to tenders and bid packages. Using the model ITTs is beneficial to both parties alike as operators can cut costs in the stages of tendering and evaluation and contractors in preparing their bids. We envisage approximate savings in the region of £25,000 to £50,000 per bid and given the volume of spending across the industry this will translate into savings running into millions of pounds annually.”

*Recent publicity has focussed on the high and rising costs borne by the UKCS. The tools to make the UKCS supply chain more cost-effective are all in place, let's use them!*

#### **Upcoming Events**

##### **1. Oil & Gas UK Supply Chain Solutions Training Workshop - 10th Sep 2014 at Aberdeen Exhibition and Conference Centre (AECC)**

The workshop has been designed to give an overview of the contracting processes in the upstream oil and gas sector of the UKCS, for operator, contractor and supplier firms. For more information and bookings please follow the link;

<http://www.oilandgasuk.co.uk/events/event.cfm?frmEventID=643>

##### **2. Oil & Gas UK/CIPS Supply Chain Seminar - 18 Sep 2014 at AECC**

O&G UK and the Chartered Institute of Purchasing and Supply (CIPS) are delighted to host this annual seminar. The theme for this year's seminar is 'Dare to be different'. For more information and bookings please follow the link below;

<http://www.oilandgasuk.co.uk/events/event.cfm?frmEventID=644>