

Next Level Report



Reaching the next level

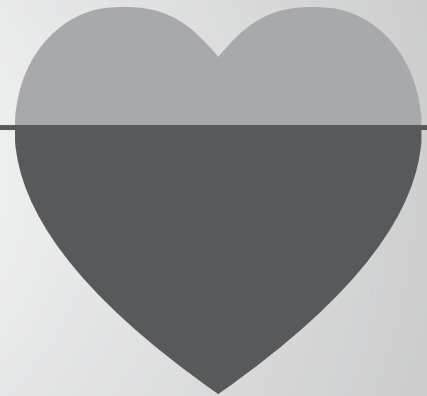
Despite short term trends like low crude oil prices, no one is predicting the end of the offshore exploration and production industry. However, growth has slowed causing disruption to some projects and applying pressure to the supply chain at every level.

With this in mind, the Next Level Report identifies ways in which the offshore industry can respond to this pressure.

As a sector with ever expanding horizons and performance envelopes, there are efficiency improving innovations waiting to be made at every level of every project. This report analyzes research based on the views of professionals across the offshore industry. It explores the performance of operators and the supply chain, identifying specific areas where progress can be made.



87% agree that the relationship between customers and suppliers has improved in the last decade



only **30%** are prepared to pay for added value services such as installation training and ongoing project support



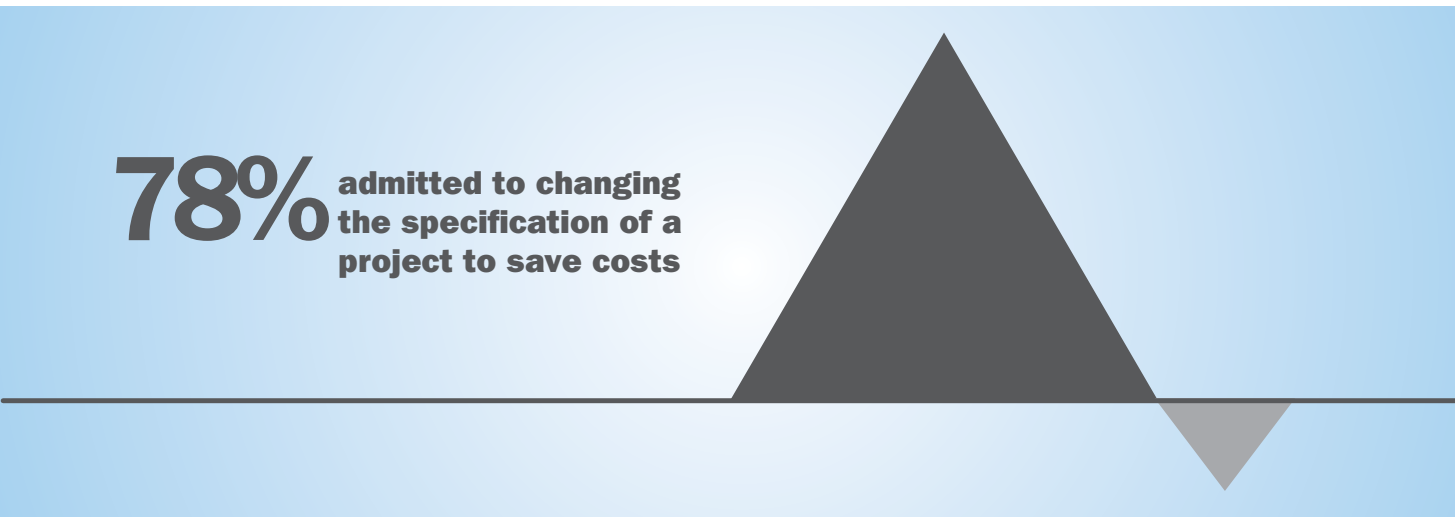
Supply chain squeeze

Those surveyed said they believed relationships between customers and contractors have improved due to better technical support, particularly from specialists dedicated to areas like R&D, installation and maintenance.

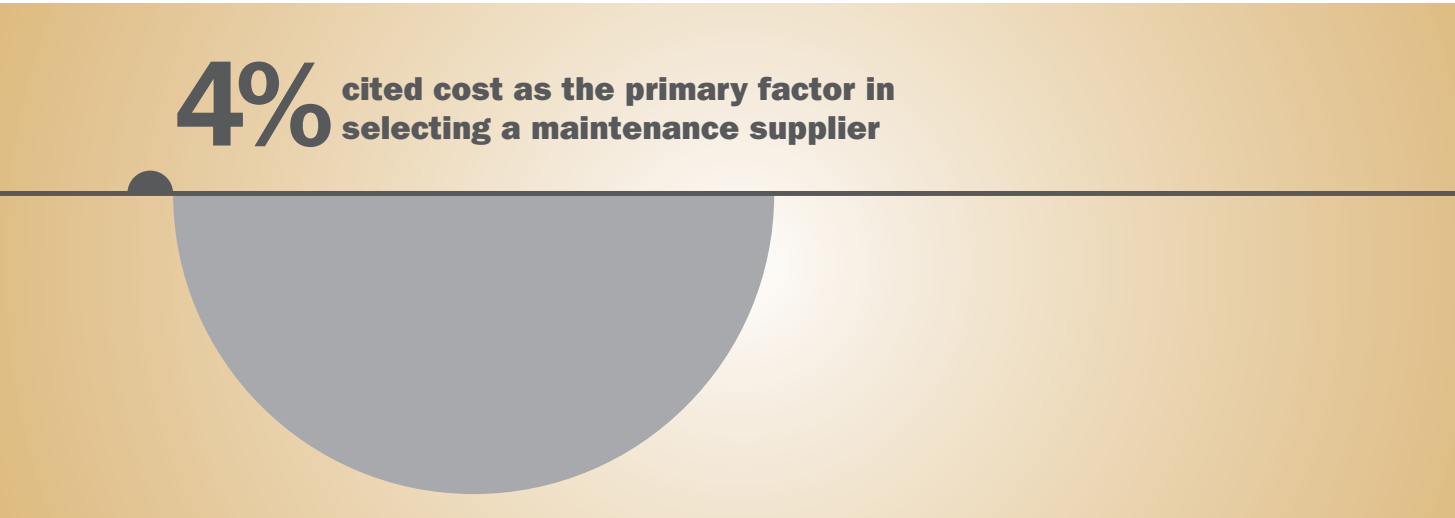
However, the majority stated that they would not be willing to work with a supplier that offers training and project support if it costs extra.

This highlights the need for suppliers to clearly communicate the value they deliver, and for customers to think more in terms of total cost of ownership.

A more realistic attitude toward the procurement of services might lead to greater transparency, a collaborative supply chain and a more efficient and effective industry overall.



78% admitted to changing the specification of a project to save costs



4% cited cost as the primary factor in selecting a maintenance supplier

Balancing risk and cost

The research revealed that the practice of changing specifications during a project simply to save costs is widespread and almost a third admitted to doing this on most or all projects.

Conversely, there was also evidence of decision making based on long-term value, with product quality, responsiveness and skills all being rated above costs as the most important supplier attributes.

There is no doubt that deviating from specifications carries risk. Closing the gap between what we know we should do and what actually happens in the field is the only way we can ensure this risk remains at acceptably low levels.

Positive compliance

A very small number of survey respondents said that a creative approach to a project brief was a valuable supplier attribute for reducing risk and ensuring compliance.

While this is not altogether surprising in an industry known for a “race to be second” approach to innovation, perhaps the balance between fear of the unknown and the need for progress is leaning a little too far in the direction of playing it safe.

This could mean that truly innovative suppliers could be overlooked as selections are made through box ticking alone, missing opportunities to create new solutions that could not only help to improve efficiency but actually help to meet ever tightening regulations as well.

Maybe it is time for the industry to change its thinking on compliance. Instead of feeling hampered by standards like API16F and API17L, they could be used for the purpose they are intended – guaranteeing safety and performance in new, more cost-effective products and solutions.

Most valuable supplier attributes for reducing risk and ensuring compliance:

| | |
|--------------------------------|-----|
| Depth of expertise | 37% |
| Track record | 29% |
| Breadth of resources | 15% |
| Geographical accessibility | 9% |
| Financial security | 7% |
| Creative approach to the brief | 3% |

Streamline to save

The findings indicate that offshore projects tend to involve a number of suppliers being asked to deliver specialized, individual solutions. As well as being high up on the list of desirable attributes for a maintenance provider, specialist skills are also the biggest single reason cited for improved client-contractor relations.

It's no surprise specialists are trusted in their areas but this means that there are likely to be opportunities to make savings by consolidating more services with suppliers offering a broader or end-to-end service portfolio.

A good example is product testing, where the survey found that dedicated testing houses were preferred by many. By choosing an OEM with robust in-house testing capability, project managers could reduce costs and risks, and if the portfolio of this supplier extended to training, installation and project support, cost savings could be even greater.

With the majority of the survey sample insisting on formal and detailed reporting, it's not hard to see how reducing the overall number of approved suppliers could reduce headaches and save valuable time.

Specialist skills is the third biggest reason for choosing a supplier after product quality and flexibility.

43% said customer contractor relations had improved through better specialist technical support

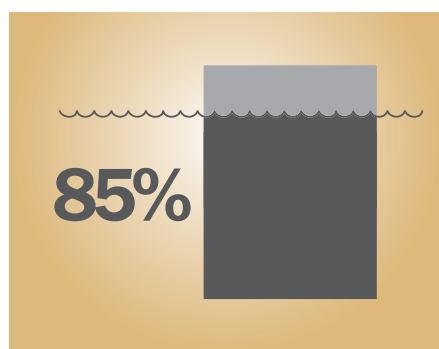
39% prefer to use an independent testing house

58% insist on formal and detailed reports to ensure that all parts of the supply chain remain fluent and risk-free

Levels of Knowledge

As a manufacturer operating at every level of the offshore industry Trelleborg Offshore has a unique insight into the uses of materials. The survey asked specific questions on this topic for professionals involved in three areas: topside, subsea and drilling.

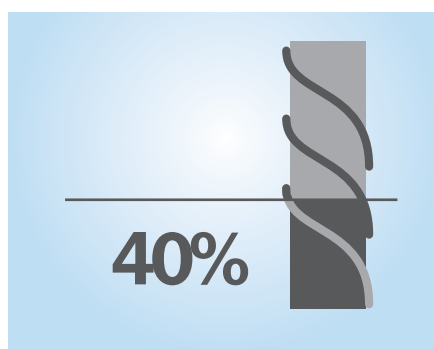
Subsea



85% say that subsea insulation is still very important for providing flow assurance in subsea trees

The subsea specialism demonstrated common knowledge of the importance of material properties, with all respondents appreciating the continued importance of thermal insulation of subsea trees and manifolds in maintaining flow rates.

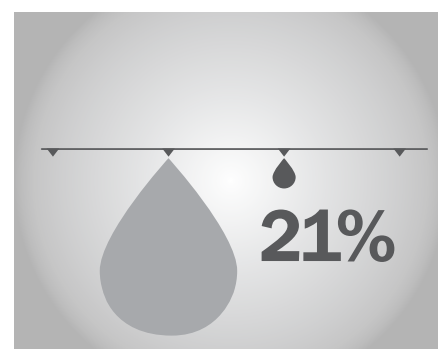
Drilling



40% rated durability as the most important consideration when specifying drill riser buoyancy modules

The results for drilling show good all-around knowledge of material properties and uses, with a high proportion of respondents appreciating the importance of durability in drill riser buoyancy modules for example.

Topside



21% are more likely to specify rubber for deluge systems

67% of respondents prefer to specify steel for deluge systems

Topside appears to be the level where the greatest opportunities for improvement lie. The majority of the survey sample said they would still specify steel for deluge systems.

Only 21% are more likely to specify rubber, indicating that the majority are still unaware of the performance and safety benefits of engineered compounds, that combined with natural corrosion resistance, offer an excellent alternative.

Taking it to the next level

The picture that emerges here is one of an industry that is a little set in its ways. Tried and tested methods and technologies hold sway thanks to an ‘if it ain’t broke don’t fix it’ approach.

There are certainly opportunities for improvement and those willing to embrace change could secure a competitive advantage.

Whether it’s a greater knowledge of material properties and applications, streamlining project management, or simply being more open to innovation, strategic partnerships will be crucial in unlocking these opportunities.

These will help to spread the costs and risks associated with the development of new and improved technology, and help operators access the cutting edge skills and knowledge required to drive progress.

Collaboration is the key to growth, as we drill ever deeper in search of success.



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