



North Sea
Transition
Authority

Supply Chain Collaboration and Cooperation

Stewardship Expectation 12

May 2021

1. Expectation

The Oil and Gas Authority (the “OGA”) expects relevant persons to collaborate and cooperate with their supply chain (those providing goods and services to the upstream oil and gas industry) to support the delivery of relevant activities (as defined in the OGA Strategy) on time and on budget¹.

This includes:

- 1.1 acting reasonably and fairly in all aspects of supply chain engagement;
- 1.2 pursuing value adding contract strategies; and
- 1.3 promoting these same expectations to their wider supply chain (of any tier).

2. Reason for the Expectation

To ensure that the UK has an effective and capable supply chain which (1) is present to meet industry needs through the delivery of UKCS projects and operations safely, on time and in budget²; and (2) continues to support and develop the skills and technology to help unlock solutions required to help the UK achieve the net zero target, the OGA considers that industry’s relationship with its supply chain must be mutually advantageous, transparent and constructive.

Therefore, effective from February 2021 the OGA has formally revised its Strategy (the “OGA Strategy”) to clarify that relevant persons must collaborate with their supply chain to support the efficient delivery of such upstream oil and gas projects and operations.

The OGA is aware of instances where the relationship between relevant persons and their supply chain is or has been undermined by detrimental behaviours and/or practices, in some cases by more than one party. For example, generally accepted industry standard payment terms of 30 days are not always reflected in supply chain contracts and this is reported as having a harmful effect on the liquidity of the supply chain. Additionally, it is apparent that tendering and contract negotiations can be, at times, unduly burdensome and time consuming, leading to increased cost and / or schedule growth. The OGA also notes that the 2020 UKCS upstream supply chain collaboration survey issued by Deloitte³ emphasises the need for greater stewardship and promotion of collaboration, including through the consistent adherence to the OGUK Supply Chain Principles⁴.

3. Delivering the Expectation

The OGA expects that a relevant person will demonstrate through all stages and levels of interaction with its supply chain contractors of any tier, it is delivering against this Expectation and any applicable OGA guidance in place at the relevant time. The OGA acknowledges that successful collaboration and co-operation is the mutual responsibility of both relevant persons and their supply chain.

A: Payment Terms

- A.1 The OGA notes and supports current industry efforts to achieve a common standard centred around a 30-day payment period and adoption of industry standard payment terms⁵ across all UKCS supply chain activities and the prompt payment of all such invoices within those agreed timeframes.
- A.2 Invoices should be paid, apart from the portion pertaining to a dispute, within the same agreed timeframes.

B: Visibility of Upcoming Work

- B.1 Regular and accurate updating of the OGA’s Pathfinder system to include all supply activity and relevant project information including, but not limited to:
 - upcoming projects e.g. those linked to an FDP or FDPA submission,
 - decommissioning projects,

- energy transition projects including, but not limited to, CCUS, electrification, hydrogen and other energy transition projects identified by the OGA,
- brownfield projects,
- maintenance and operations work.

B.2 Using Pathfinder for upcoming tenders – before the tender is launched, to allow supply chain sufficient time to pursue opportunities e.g., collaborating with other supply chain entities and to register interest in tendering for that scope, if applicable.

C: Reducing Burden and Adding Value

- C.1 Undertaking an internal assessment of current use of industry standard form contracts; where an industry standard form is not used, or is substantially amended, relevant persons should evaluate whether this own model adds value and does not create undue burden on the supply chain⁶. The aim should be, where possible, to implement standard agreements with the minimum necessary changes prior to final agreement, in preference to using the standard form as the opening point of a negotiation.
- C.2 Ensuring a fit for purpose tendering process that does not create an unnecessary burden for the supply chain. Relevant persons should devise and pursue tendering practices that aim to reduce tendering costs and waste in terms of time lost or unnecessary negotiations, especially where a valid contract between the parties exist and where industry tools are available⁷. Relevant persons should also ensure that all tenders have a complete, relevant and accurate scope of work that fully reflects their requirements. Should the requirements be purely outcome based then this should be clearly stated in the tender pack

D: Collaboration with the Supply Chain

- D.1 Using mutually beneficial remuneration models that, where appropriate, reward contractors' cost and time saving efficiencies to focus all parties on successful and safe delivery. This approach is intended to facilitate the move away from the, at times, adversarial relationships encountered in the UKCS between relevant persons and their supply chain counterparts⁸.
- D.2 Overall contractual limitation of liability should be reflective of the risks identified during the pre-tender process and not unduly burden the supply chain by accepting unsubstantiated risk which the relevant person is better positioned to retain.
- D.3 Supply Chain Action Plans (SCAPs) should be submitted in line with the OGA expectations ensuring early engagement with the OGA and in line with current guidelines⁹.
- D.4 Relevant persons are uniquely positioned to influence positive behaviours throughout their supply chain and in so doing request that contractual arrangements between a relevant person and their contractor relating to payment terms, remuneration models and limitations of liability as outlined above be reflected in any subsequent subcontract, of any tier, procured by the subcontractor to fulfil its obligations under the original contract.
- D.5 Regular engagement with supply chain and other relevant persons to identify opportunities to share supply chain and logistics synergies in support of the net zero target per Stewardship Expectation 11¹⁰.

E: Alignment with Cross-Industry Initiatives

- E.1 Proactively take into consideration and, where appropriate, adopting practices and cultures that align with cross-industry initiatives intended to support a collaborative and sustainable relationship across the supply chain. Such initiatives include, but are not limited to, the OGUK Supply Chain Principles and any aspects of the North Sea Transition Deal¹¹ designed to support and promote the UKCS supply chain.

4. Demonstrating Delivery

The OGA engages with relevant persons and the wider supply chain on a number of levels and in a number of ways, and information obtained from those engagements helps inform the OGA of the extent to which a relevant person may be delivering this Expectation. These include, but are not limited to:

- Annual UKCS Stewardship Survey

The OGA's Annual UKCS Stewardship Survey collects a range of data from licensees and operators for each production licence in the UKCS. The OGA may request additional information or reports. The OGA generally uses its powers under section 34 of the Energy Act 2016 to obtain such survey data and additional information.

- Performance Benchmarking e.g. the Annual UKCS Stewardship Survey

The OGA may produce benchmarking data on a variety of metrics derived from the Stewardship Survey data and other information provided to it. These data form the basis of various OGA publications and are also presented to industry in aggregated form in Tier Reviews with companies to improve performance.

- Operator supply chain Tier Reviews & operator engagement

The OGA will request an operator's participation in Tier Reviews in accordance with the OGA's Stewardship Review Guidance. That guidance provides further detail on the Tier Review structure, prioritisation, planning, execution and follow-up. The OGA's supply chain team will set the agenda for the Tier Review to focus on supply chain issues it considers present the greatest stewardship impact. In addition to the Tier Review meetings the OGA also holds CBQT¹² meetings where its supply chain team may discuss of adherence of this expectation.

- SCAPs

The purpose of a SCAP is to facilitate and evidence that relevant persons are deriving maximum value from UKCS project activity through effective working relations across their supply chain. The OGA expects reference to this expectation to be included and examples of such used.

- Industry Engagement e.g. through the annual collaboration survey and in providing active support to, and leadership of, industry initiatives including those sponsored by taskforces, trade associations and others.
- Participation on the Oil & Gas Pathfinder portal

The OGA will regularly review the Pathfinder system to ensure relevant information as set out in Expectation B:1 is included.

5. References

- 1 As may be adjusted from time to time in accordance with the contract
- 2 As may be adjusted from time to time in accordance with the contract
- 3 [Oil and Gas Authority: Lessons Learned from UKCS oil and gas projects 2011-2016](#)
- 4 [Supply Chain Principles - OGUUK \(oilandgasuk.co.uk\)](#)
- 5 c. 90% of operators pay within 30 days: see for example UK government website: 'Check when large businesses pay their suppliers - GOV.UK (www.gov.uk)'
- 6 See [Stewardship Expectation 7, Commercial Alignment and Delivery: E1 \(Contract\)](#)
- 7 E.g. relevant Supplier Qualification System (SQS)
- 8 See [Oil and Gas Authority: Lessons Learned from UKCS oil and gas projects 2011-2016 & UKCS upstream supply chain collaboration 2020 \(deloitte.com\)](#)
- 9 [Oil and Gas Authority: Supply Chain Action Plans \(SCAPs\)](#)
- 10 [SE11 - Net Zero](#)
- 11 [North Sea Transition Deal](#)
- 12 [Oil and Gas Authority: Collaborative Behaviour Quantification Tool](#)

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