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## **Drive for Local Content in Developing Nations**

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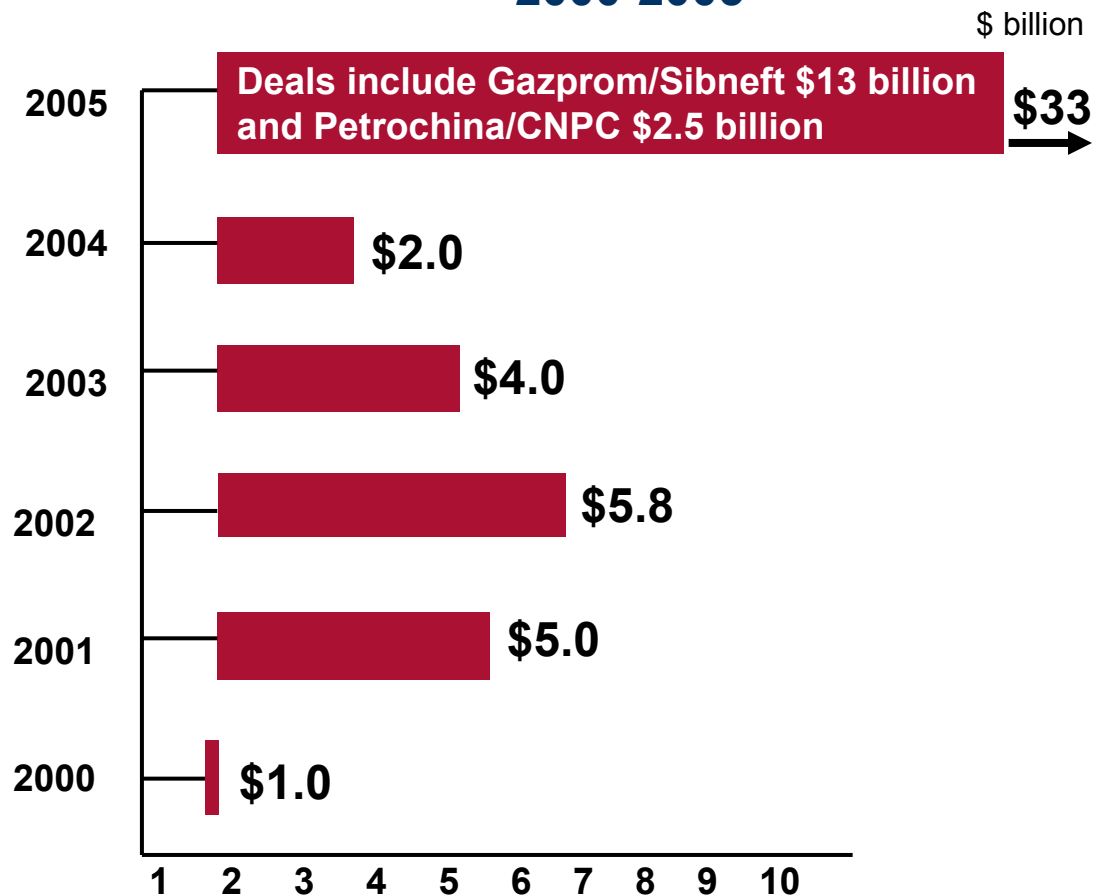
# IOCs and Service Companies face competition from the NOCs as industry dynamics have changed



## Changing industry dynamics....

- Increased competition for reserves
- Reserves located in frontier markets
- Lack of rigs and resources
- High demand and high oil price

## NOC M&A Deals 2000-2005



Source: JS Herold

# **NOC have different and changing priorities which require a new approach for IOCs**



## **Traditional Approach**

**Fixed plan**

**Project based approach**

**Social and Community Projects**

**Small scale community projects**

**Technical know how must be retained**

**Fulfill sole contract obligations**

**“Oil based” NPV calculation**

**Changing  
priorities  
of NOCs**

## **New/Emerging Approach**

**Operating an adaptable system**

**Apply a “here to stay” approach**

**Complex projects**

**Integration of multiple projects**

**Technical know how is an asset to be traded**

**Consortium**

**Value metrics from the total energy chain**

**Linking project returns to country development indicators**



## Typical NOC Priorities

### Key findings of Accenture NOC / IOC study

- NOCs increasingly have a transactional IOC (deal-based) view of partners
- NOCs want to play across the value chain and become integrated international oil companies

### Top NOC Priorities

NOCs Interviewed 1-10	1	2	3	4	5	6	7	8	9	10
Revenue growth										
Security Of supply										
Profit/ margin										
Local Economic development										
Intl/ diplomatic relationships										
Infrastructure development										

### Implications

- Develop deep knowledge and tailored strategy of resource holders / NOC
- Be creative in deal making
- Complement partner strengths

Source: Accenture NOC-IOC Study

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**The components of Country Facing Strategy cover areas which have impacted a country's development as well as the IOCs own goals**



**The IOC should aim to build a distinctive local business; run by locals, located in and led from the host nation**



## **National workforce development focuses on:**

- **Building workforce supply pool**
- **Achieving targets to use local people and manage culture change**
- **Creating a special offer for host country employees**



## **SOLUTIONS**

- **Sponsor educational and technical institutions**
- **Development and succession programs**
- **Differentiated recruitment**

**The IOC should aim to build a distinctive local business; run by locals, located in and led from the host nation**



## **Local supply chain development focuses on:**

- **Understanding sector characteristics**
- **Developing sector strategies**
- **Delivering (procurement, supplier development programs)**
- **Measuring local content**



## **SOLUTIONS**

- **Supplier development center**
- **Supplier databases**
- **Micro financing**
- **Contracting**
- **Clusters**