

The E&P Business Case

E&P Boards almost always rely on a structured Business Case to assess competing ideas when allocating scarce capital and resources, to understand the What, Why and How of a project, as well as its strengths and weaknesses. This is a real opportunity for managers to develop an impressive and compelling story for their ideas, and understanding how to do this well is a vital part of anyone's career development. A typical E&P Business Case will be drawn from the following:

WHAT/WHERE

Resource

- Play and basin analysis, prospectivity
- Size, potential for material business, growth prospects
- Type and quality of hydrocarbon
- Risks and uncertainties
- Reserves, contingent resources, prospective resources

Local/Country/Regional Assessment

- Politics, government and institutions
- Security and social order
- Economic policy and conditions (e.g. inflation, currency)
- Local and regional capacity and capability building
- PESTLE: Politics/Economics/Social/Tech./Legal/Environ.

Market Assessment

- Markets served: location, size, growth, competition, type
- Characterisation of customer(s)
- Transportation, storage and blending issues
- Prices and volumes achievable, contracting mechanism

Local Laws and Regulations

- Industry structure (ministry, NOC(s), regulator)
- Local versus company standards
- Stability of politics, laws and regulations
- Local content and national oil company involvement

WHY

Strategic Fit

- Any important technology developed and/or deployed
- Geology, hydrocarbon type, E&P life cycle stage
- Markets served and synergies with existing business
- Geopolitical, country and regional aspects

Economics

- Opportunity for material value creation
- Economic metrics (NPV, IRR, PI)
- Sources of value (competition), decision quality
- Risks and uncertainties: ranges, upsides and downsides

Downstream Opportunities

- What further processing will be required, costs
- Any trade-offs with upstream
- Hydrocarbon, operational and commercial synergies
- Control of infrastructure, product trading synergies

Competition

- Competitive strength of opportunity and business
- Competitive threat and response
- Potential joint venture partners
- Bidding strategy and premium

HOW/WHEN

Granting Instrument

- Petroleum regime, contract/licence type
- Fiscal terms
- Stability of terms and investor protection
- Minimum work required
- Duration of granting instrument and major milestones

Development + Production Feasibility/Concepts

- Recovery scheme, wells, facilities and offtake
- Life cycle costs, production rate, recovery, reserves
- Major trade offs and optimisation
- Schedule, major milestones and resource availability

Finance

- Amount of funds required
- Phasing of funding
- Use of funds
- Source and cost of funds

Infrastructure and Export Systems

- Integrity and access (capacity, timing and cost)
- Existing versus new build (ownership, control and costs)
- Capital expenditure versus operating expenditure
- Other infrastructure: roads, bridges

Health, Safety, Environment and Security

- Major hazards present
- Major environmentally sensitive issues
- HSSE management requirements resource and costs
- Risk mitigations

Supply Chain and Logistics

- Supply chain risk management and sustainability
- Optimisation of specifications
- Total cost of ownership
- Supplier performance management and innovation
- Category and contracting strategies

Courses

- 3 Day MBA in Oil & Gas
- Risk Management in Oil & Gas
- Project Governance
-and others

Other WBC Guides:

- Petroleum Economics
- Production Sharing Contracts
- Business Writing
-and others

Contact Details

info@warrenbusinessconsulting.com
www.warrenbusinessconsulting.com