



PRESENTS

# 360° of Oil & Gas Risk Management

Presented by



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# Introduction

- A vital component of a successful project is the identification and management of all risks throughout the project life cycle.
- Economic risk factors are beyond the scope of this presentation, but the role of hazard and insurance risk management is very important to the outcome of any major project
- We will look at a project from the conceptual stage, through development, construction, operations and decommissioning.

## Introduction (cont'd)

- Key themes of this presentation will revolve around constant and effective communications with all stakeholders, how to manage when it goes wrong, and the need for flexibility to adapt to changing environments over the long life cycle of a major project.

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# Conceptual Phase

- Lands purchase / lease agreements
- Regulatory regime
  - Domestic or foreign
  - Financial responsibility requirements
- Establish communication with potential joint-venture interests

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# Exploration Phase

- Contractor considerations, eg.,
  - Seismic
  - Geotechnical
  - Mutual hold harmless, exceptions
- Regulatory requirements, eg. financial responsibility, especially pollution

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# Project Design and Sanction

- F.E.E.D. agreements
- Regulatory approvals
- Dialogue with joint venture partners
- Establish risk sharing philosophy
- Invitations to bid
- Updates to potential insurers

# Development and Construction

- Contractor negotiations
  - Apportionment of risk is a key consideration
- Construction Insurance
  - Protection of various interests, eg., partners, contractors
  - Multiple locations, jurisdictions
  - Supply chain risk and contingencies
  - Lender requirements if project financing
  - Use of captives / mutuals
  - Claims management protocols
    - Incident reporting
    - Manage contractor relationships
  - Insurer relationships
    - Regular updates

# Transition to Operating Phase

- Start-up, testing and commissioning
- Approach to operating risk philosophy
- Communicate with risk transfer partners
- Dealing with management expectations around budgets and project economics
- Ability to compromise
  - Market capacity
  - Insuring terms and conditions
  - Risk appetite
  - Changing economic/commodity environment



# Operating Phase

- Inventory of Risks
  - Operation of facility
  - Protection of assets, profit
  - Liability risks
  - Transportation and marketing agreements
- Management of Change
  - New suppliers
  - Human factors
  - Production profiles
  - Shutdowns (planned and unplanned)
  - Modifications and expansions
  - Additional or changed partners
  - Internal budgets
- Claims Management

# Field Decline and Abandonment

- Reduced values
  - Philosophy towards replacement or not
- Regulatory requirements for decommissioning / abandonment
- “Reverse Construction”
  - Contractors
  - Regulatory and societal changes over project life
  - Well plugging and abandonment
  - Perpetual risks from abandonment

# In Conclusion

- Long life projects
- Adaptability to changing circumstances
- Communication at all levels is critical
- Risk / reward trade offs

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