

COST EFFICIENCY IN TOTAL E&P UK

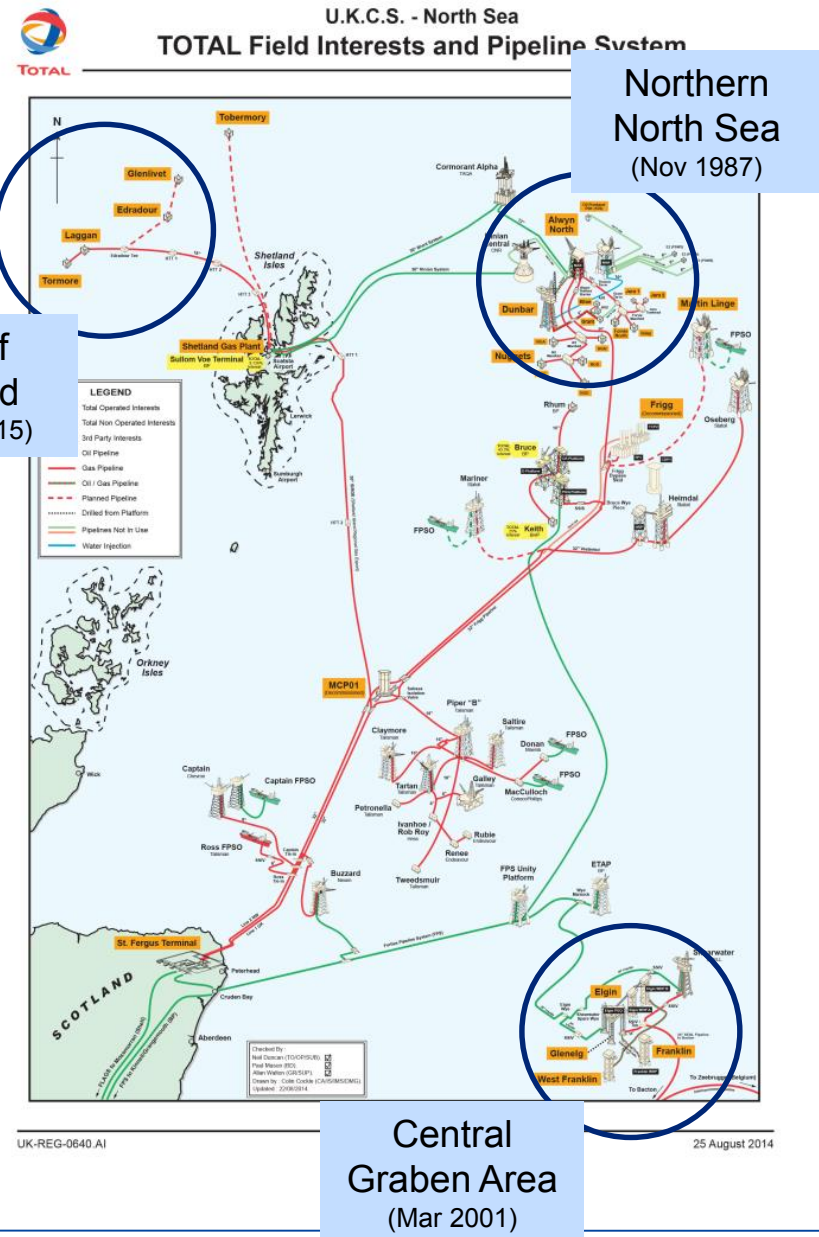
Oil & Gas UK Breakfast Briefing

London : 19 May 2015



TOTAL E&P UK LIMITED ...

- 3 production hubs
- 2015 key figures (100% operated) :
 - ~ 180 boe/d production (~70% gas)
 - ~ £2 Bn expenditure
- 1,000+ personnel
- major projects in execution :
 - Laggan / Tormore / Shetland Gas Plant
 - Edradour / Glenlivet
- rigs & wells to drill :
 - 2 platform rigs (↓ 1)
 - 6 mobile rigs (↓ 4)
 - 10 development wells
 - 12 workovers
 - 1 exploration well



TOTAL COST EFFICIENCY PROJECT : “4C&D” ...

Change Culture,



Compete on Costs,



& Deliver



THE 4C&D PROJECT ...

- **launched in March 2014 when oil > 100 \$/bbl**
- has a 3 year execution phase 2015 - 2017
- Group-wide scope : corporate, exploration & production, refining & chemicals, & marketing & services
- exploration & production scope includes HQ functions plus over 50 affiliates
- includes in scope all operating, capital & exploration expenditure, whether TOTAL operated or operated by others
- utilises common methodology & tools
- **targets sustainable culture change & reduction in cost**

STRONG TOTAL RESPONSE TO 2015 ENVIRONMENT ...

- ~ \$4 Bn cash impact from cost reduction initiatives :
 - **CAPITAL INVESTMENT** reduced from 26.4 B\$ to 23-24 B\$ (~ 3 B\$ upstream)
 - **OPERATING COST** savings of 1.2 B\$ (~ 0.8 B\$ upstream)
 - **EXPLORATION** budget reduced by 30% to 1.9 B\$
- ~ 1.5 B\$ additional cash flow from 8 upstream start-ups
- ~ 3 B\$ incremental net asset sales

... 8 B\$ CASH IMPACT REDUCES BREAKEVEN BY 40 \$/B

STRONG FOCUS ON ...

- **SAFETY** : always our “priority of priorities”
- **DELIVERY** : projects on time & budget
- **COST** : increasing savings & capital discipline
- **CASH** : new start-ups & dynamic portfolio management

... TO INCREASE PROFITABILITY

ROADMAPPING ...

- project comprises a number of discreet action plans – “roadmaps”
 - currently numbering 77 for TEPUK
- roadmap potential for savings range from <1 M\$ to >10 M\$ 100%
- roadmaps cover key areas of activity :
 - well construction & maintenance
 - field operations
 - geosciences
 - contracts & procurement
 - projects
 - logistics
 - information services
 - structure (organisation, finance, facilities management etc)

SOME EXAMPLES ...



**well
construction &
maintenance**

**implement simpler, less
complex well design**



projects

**challenge design
requirements & implement
“good enough” solutions**



**field
operations**

**implement ‘Lean’ & ‘Six
Sigma’ process
improvement principles**



logistics

**minimise vessel fuel
consumption through
improved planning**



geosciences

**optimise seismic
acquisition & interpretation
programmes**



**information
services**

**optimise spend on support
desk, telecommunications
& printing**



**contracts &
procurement**

**review & renegotiate
contracts with contractors
& suppliers**



structure

**actively manage staff &
contractor benefits**

SUPPLY CHAIN ACTIONS ...

- creation of 'Key Account Negotiator' role at Group level for 20+ strategic world-wide contractors/suppliers (representing ~50% of Group spend)
- enhance 'Category Management' process to apply sourcing strategies in ~ 20 major market segments
- review &, if appropriate, renegotiation of ~150 TEPUK contracts representing ~75% of spend
- enhance contract management through training
- stock optimisation & reduction
- supply chain efficiency review & improvement
- strong support for O&G UK initiatives :
 - rig time offered for 2015 & 2016
 - participating in spares sharing
 - investigating potential for wider supply vessel sharing
 - investigating potential for synergies during TARs at St Fergus

COMMUNICATION & CULTURE ...

- substantial effort being made to communicate “case for change” & expectations with all stakeholders – particularly staff & supply chain
- strong participation by all sought :
 - web-based ‘iSave’ tool implemented producing ~ 450 improvement suggestions to date
 - work-face “buy-in” during the first phase of ‘Lean’ very high
- good practice examples shared / communicated within TEPUK & with other affiliates
- e-Learning support developed around cost awareness / behaviour
- training provision being updated & reinforced with competence matrix to be established for all
- explicit objectives being set in annual appraisal process

FINALLY ...

- TOTAL has a strong, substantial, long term presence on the UKCS, centred on 3 production hubs
- we must however adapt so as to be able run our business in a sustainable & profitable manner over the longer term
- this is not just a short term reduction cutting exercise, the drive to achieve cost efficiency is here to stay
- we will work with all our stakeholders to achieve this

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