



# Driving sustainable performance in the oil and gas sector

Supporting your health, safety, environmental and social goals

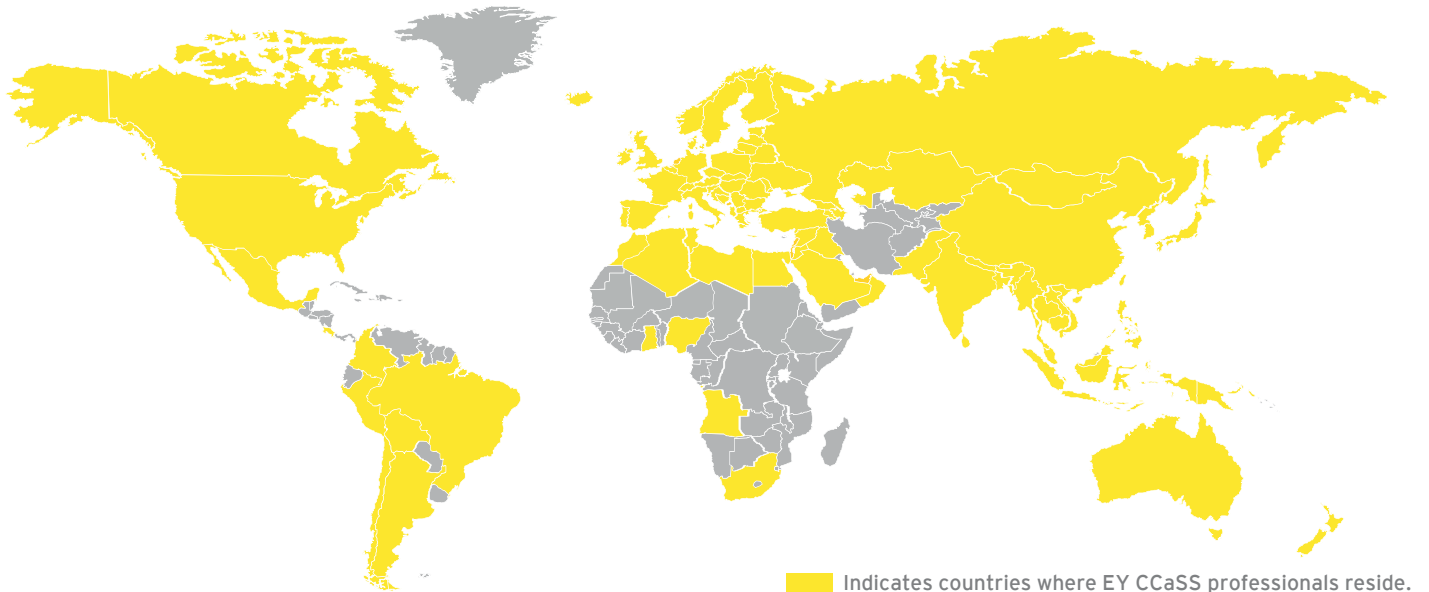


**EY**

Building a better working world

EY's Climate Change and Sustainability Services (CCaSS) focus on health clients, we utilize our industry knowledge and Global Energy sector team, centers that help upstream, midstream, downstream and oilfield services regulatory and reputational risks through an HSES lens.

## Who and where we are



Presence in 40 countries

800+ professionals worldwide

Most integrated among the Big Four

## Challenges facing the industry

- ▶ Price volatility is forcing re-evaluation of business models, operating practices and portfolios.
- ▶ Pressure is increasing to focus on value creation instead of output and reserve volume growth due to shareholder concerns about low returns on investments.
- ▶ Oil and gas resources are getting more complex to extract and technology plays a key role in unlocking the remaining resources.
- ▶ Demand for gas is expected to outstrip oil in most regions. There is sizable unconventional gas potential, but difficult hydrocarbons dominate future growth.
- ▶ HSES compliance remains critical, especially in the current environment of volatile prices and cost savings.
- ▶ Protecting the social license to operate continues to be very important in response to changing stakeholder expectations.

safety, environmental and social (HSES) issues. To serve our oil and gas clients, which includes more than 10,000 professionals across 15 geographic regions, our companies better understand and address their strategic, operational,

## The nexus of innovation, performance and risk

### Transforming data use

- ▶ Changes in technology are shifting the way the world operates and how companies do business. EY identifies this change as “the future of smart,” one of six global megatrends causing a revolution in the way the world works.<sup>1</sup>
- ▶ The future of smart incorporates technology as well as the ability to assimilate, analyze and make decisions in more complex and scalable ways to enhance effectiveness.<sup>1</sup>
- ▶ The digital future offers significant opportunities for companies to capture vast amounts of information; enter new markets; transform existing processes, services and products; and reconfigure value chains.
- ▶ The increased availability of digital tools and services helps organizations strategically drive their HSES programs and enhance sustainable value creation.

#### How EY can help

We help clients navigate HSES breakthroughs and improvements and enhance the efficiency and innovation that these opportunities provide.

### Operational excellence

- ▶ Given market conditions and increases in historical lifting costs, we help clients understand end-to-end processes, focusing on how to reduce costs to drive a sustainably lower-cost basis.
- ▶ Aging infrastructure and assets operating beyond the expected life cycle present operational risk. We assist clients with developing options for improving performance and maintenance costs of aging assets.

#### How EY can help

We help clients develop approaches in response to the changing oilfield worker demographics to capture and translate knowledge and help create performance predictability and repeatability, while allowing innovation as technological capabilities change.

### Risk assessment and audit support

- ▶ Business today can require HSES baseline compliance and focus on material risks, integration with daily operations and resulting measurable business value.
- ▶ Nontechnical risks, such as contractor compliance, safety performance, community and environmental impacts, are at the forefront, and business process controls are not enough. Ongoing monitoring, supplier and community engagement and collaboration, as well as local content reliability assessments, help protect operational integrity.

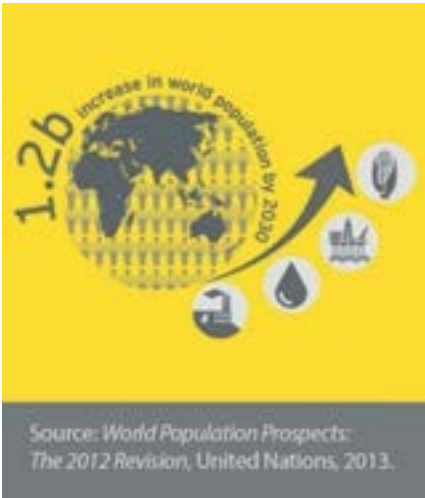
#### How EY can help

We help clients assess and mitigate HSES risks by diving deep at the operational and corporate level, utilizing both our HSES and audit experience. Through this process, we assist clients in identifying issues and understanding the root cause from an external perspective.

<sup>1</sup> *The upside of disruption: megatrends shaping 2016 and beyond*, EYGM Limited, 2016.

# Our subject-matter resources assist clients across

## Our services to assist clients



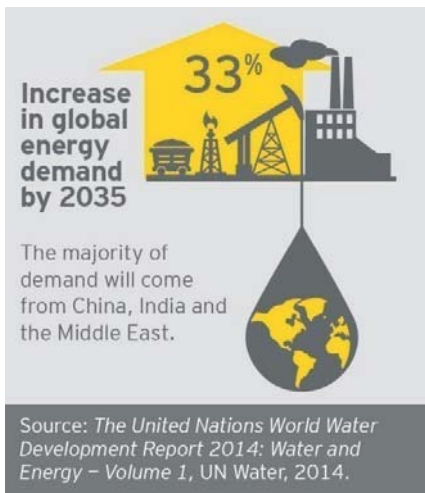
**Competition for limited resources will intensify.**

### Sustainable Transformation Services (strategy)

- ▶ Develop and implement a sustainability strategy that aligns with overall corporate strategy and purpose, and helps drive measurable benefits in the forms of increased revenue, reduced costs, stronger brand and shareholder value

### Sustainable Supply Chain

- ▶ Embed sustainability across the supply chain and procurement by helping clients map and mitigate risks and identify opportunities to build a business case, design programs, measure impacts, and report progress to internal and external stakeholders



### HSE and Sustainability Data Analytics and Technology (ES-DATA)

- ▶ Help clients manage, report and analyze HSE and sustainability data and information technology (IT) systems to make more informed, better business decisions that help make money, save money and manage risk

### HSE and Sustainability Risk (ES-RISK)

- ▶ Identify and mitigate HSE and sustainability risks across a range of risk areas, including strategic, compliance, operational, financial or reputational risk
- ▶ Assist clients through risk assessments, internal audit co-sourcing and outsourcing, transforming controls and support as part of mergers and acquisitions

## A snapshot of service delivery includes


### Large natural gas and liquids company

- ▶ Provided HSE risk and regulatory compliance co-sourcing services through internal audit
- ▶ Assisted the internal audit and HSE functions in managing risks tied to incident reporting, including obtaining an understanding of injury and illness reporting procedures, assessed injury and illness reporting documentation, and local response actions and reporting at three sites

### Global integrated oil and gas company

- ▶ Provided nonfinancial assurance services for client's sustainability report, online sustainability reports
- ▶ Assisted in the development of internal guidelines and engaged management to examine processes for managing disclosure

# Cross the complete oil and gas value chain.




Over the next 20 years

**unconventional sources of oil** will contribute to 70% of oil supply growth, while unconventional sources of **gas** will account for almost **50% of increases** in global gas production.

Sources: BP Energy Outlook 2030, BP, 2013; World Energy Outlook 2012, International Energy Agency, 2012.

**The increasing supply of unconventional and renewable sources of energy will change the dynamics of the global energy mix.**



Globally, renewable sources contribute one of every two megawatts of power.

**By 2030**, the share of electricity generated by **renewable energy** could reach **50%**.

Source: "The People's Climate," Project Syndicate website, <https://www.project-syndicate.org/commentary/monica-araya-and-hans-verolme-say-that-the-people-s-climate-march-was-just-the-start-of-popular-pressure-on-world-leaders>

## Nonfinancial Reporting Advisory and Assurance

- ▶ Assist across the full spectrum of reporting needs, from reporting strategy and governance to stakeholder engagement, materiality, assurance readiness and independent assurance over nonfinancial information; this includes assisting with reporting and compliance programs under the Securities and Exchange Commission conflict minerals rule

## Natural and Social Capital

- ▶ Support companies as they assess their natural and social capital risks, design strategies and implement processes for managing that capital, and measure the impacts of their efforts to capture benefits and demonstrate measurable progress toward their publicly stated goals

## HSE and Sustainability Operational Excellence (ES-OPS)

- ▶ Assist the HSE and sustainability functions to improve operational processes, performance and results through gap assessments (against peers, regulations, goals and other benchmarks), process transformation and more effective resource management (water, waste, energy, etc.) to reduce cost, drive compliance and achieve publicly stated goals

## Environmental Cost Assessment Services (E-COST)

- ▶ Help clients consider whether the estimating approach used by project managers or engineers is consistent with generally accepted accounting principles, International Financial Reporting Standards and Environmental Protection Agency guidance and industry norms, and whether the processes and controls used to estimate remediation liabilities and asset retirement obligations are reasonably designed and implemented

## Company Large, global offshore drilling company

services, including a review of the reporting and country international frameworks and ment at the corporate and local level g sustainability performance and

- ▶ Assessed the company's HSE management systems to support continuous improvement
- ▶ Identified risks and mitigation approaches at more than 60 offshore rigs in more than 20 countries, with activities including helping implement policy and controls for addressing HSE impacts during the contract bidding and negotiation process

# Driving exceptional client service

## UK integrated oil and gas company Challenge:

- ▶ With stakeholders including institutional investors and regulators scrutinizing nonfinancial reporting, the company wanted a reliable third party to assess:
  - ▶ The balance and accuracy of HSE and disclosures across its global operations, including emerging regions and countries with poor government oversight
  - ▶ Material topics to confirm whether disclosures contained reliable data, dealt with the key issues, and applied relevant guidelines to support internal performance objectives and externally disclosed goals

## Description

EY conducted an assessment of the client's reporting processes and controls to evaluate the accuracy and balance of the reported information. This involved:

- ▶ Assessing HSE and social data processes, and the application of data quality assurance processes
- ▶ Assessing the internal examination of control environments relating to HSE and social data reporting
- ▶ Conducting on-site assessments in more than 90 locations worldwide to evaluate local reporting processes
- ▶ Assessing the scope and balance of the reports relative to stakeholder engagements, issues reported by peers and issues of media interest
- ▶ Assessing stakeholder engagement processes, including key community development programs

## Outcomes

- ▶ Our team managed a multiyear, global project supporting the client in its reporting journey. Our work facilitated company-wide performance improvements and business unit collaboration. The outcomes for the client included:
  - ▶ Board-level and management engagement supporting effective risk management and opportunities for improvement of nonfinancial disclosures
  - ▶ Standardization of reporting to facilitate sharing lessons learned and fostering a culture of continuous improvement across different geographic markets and business units
  - ▶ Deeper analytics capabilities developed based on our feedback and observations, with a focus on streamlining reporting and consistent identification of potential risks when entering a new market or deploying new assets



# US integrated oil and gas company

## Challenge:

- ▶ Companies that manage natural resources require vast volumes of environmental data for strategic decision-making, business planning and regulatory reporting. With oil prices at a historic low, this data has become increasingly critical in helping oil and gas companies mitigate and decrease their environmental risk and liability as they look to decommissioning and asset sales to better manage operating expenses and enhance cash flow.
- ▶ Finding itself burdened by an overwhelming amount of data and an underutilized system, the company wanted to turn its environmental data into actionable, defensible information, enabling a rapid response to increasing internal pressures to reduce costs.

## Description

- ▶ Turning around a faltering program required a strong commitment from the company and EY.
- ▶ Thanks to our CCaSS team's specific knowledge in both environmental management and oil and gas, we were able quickly to build rapport as the client and EY jointly worked to develop technical requirements.
- ▶ With an extensive business partner ecosystem and more than 3,000 environmental remediation sites, the program required strong change management and business process management experience to align stakeholders around a single, standardized approach for managing environmental data.

## Outcomes

- ▶ The EY team used collaboration and innovation to help the company realize its environmental data management goals and successfully complete the large-scale transformation program on time and within budget.
- ▶ We helped drive the following improvements for the client:
  - ▶ 250% increase in environmental data actively controlled, owned and managed by the client
  - ▶ 450% increase in number of users effectively managing data through a single system of record
  - ▶ Improved data quality through standardized and automated processes
  - ▶ Compliance with corporate IT security requirements and IT strategy
  - ▶ Improved stakeholder engagement, with more than 500 internal and external stakeholders now unified around a standard environmental data management approach



For additional points of view from EY, please visit:  
[ey.com/us/sustainability](https://www.ey.com/us/sustainability) and [ey.com/us/oilandgas](https://www.ey.com/us/oilandgas).



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## About EY CCaSS

We provide a global network of more than 800 professionals in 40 countries with diverse backgrounds, including financial and nonfinancial auditors, engineers, regulatory and policy advisors, scientists, industry advisors and former sustainability leaders at global companies.

Our multidisciplinary teams combine experience in assurance, tax, transactions and advisory services with environmental, social, and health and safety knowledge of the oil and gas industry.

We provide tailored services supported by global methodologies to address specific business issues. Wherever in the world a business may be, EY can provide the right professionals to support each company's particular HSE and sustainability goals.

EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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### How EY's Global Oil & Gas Sector can help your business

The oil and gas sector is constantly changing. Increasingly uncertain energy policies, geopolitical complexities, cost management and climate change all present significant challenges. EY's Global Oil & Gas Sector supports a global network of more than 10,000 oil and gas professionals with extensive experience providing assurance, tax, transaction and advisory services across the upstream, midstream, downstream and oilfield subsectors. The sector team works to anticipate market trends, execute the mobility of our global resources and articulate points of view about relevant sector issues. With our deep sector focus, we can help your organization drive down costs and compete more effectively.

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