

## Chapter 5

# Effective Management of the FDP Process

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### 5.1 Key interactions for developing and approving FDPs

The FDP is a complex undertaking which requires an integrated multi-disciplinary project management process from both the companies and government. Effective development, review and approval of the FDP requires a structured series of interactions amongst the key stakeholders and broadly are in the following areas:

- 1) **Operator-led interactions on the FDP:** The key processes the operator will have to manage to seek various levels of agreement for the project to reach fruition are:
  - Internal approvals: as described in [Section 1.2](#), each company should have a stage-gate approach to developing a project and obtaining senior management approvals as the project progresses from discovery to first production. It is important to note that not all companies have the internal expertise to develop all aspects of an FDP and often will utilise external advisers.
  - Partner approvals: The Joint Operating Agreement (JOA) is the typical governing framework when there are multiple owners in an upstream petroleum project. The JOA will stipulate the interactions and approvals for the FDP among partners before it is to be submitted to the government. As part of reaching consensus among JV partners, a series of technical and commercial reviews would be undertaken.
  - Government approval in line with the regulatory requirements. This is typically granted by either the Minister or Regulator for the FDP. Other approvals will be needed depending on the nature of the project e.g. Ministry of Public Utilities and Transport for pipeline and facilities
  - Financiers' approval. Any external funders would also have specific requirements that the operator would have to factor into its planning process.
  - Consultations with community, NGOs etc: The company must plan for effective engagement with local communities etc as consultations and Free Prior Informed Consent (FPIC) is a requirement in some jurisdictions (in particular Indigenous Peoples).
- 2) **Government-Operator interactions on the FDP.** The legal framework will outline the procedures and frequency of interactions between the operator and the various government institutions. In so far as practical, discussions

between the operator and regulator on the FDP should leverage those processes. For example, via the Joint Management Committee (JMC) or in Technical Coordination Meetings. If the legal framework does not clearly provide for such ongoing engagements, it is in the best interests of both the operator and the government to nonetheless establish such a process.

As it pertains to the FDP, the government and operator should meet as soon as practical to set expectations and agree a front-end loaded FDP engagement plan. This would represent a critical shift from the government being involved when the FDP is officially submitted, to being involved as key decisions are made. This proactive approach throughout the development process would result in earlier alignment and efficient technical assurance. It should also result in faster review of a submitted FDP as the government would be familiar with all critical elements contained within.

Working in collaboration with the operator, the government should have at a minimum:

- A clear understanding of the operator's project management process that will be used and the key decision points. i.e. Appraise/Select/Define, key milestones, authorisations and supporting documents (e.g. concept selection).
  - The project schedule for the discovery – which will include timelines, key project milestones and critical path deliverables.
  - A focal point from the operator for FDP matters. As the project progresses, it is common industry practice for a project team to be constituted with a project manager. Understanding the organisational structure and key contacts should facilitate information sharing and communication.
  - Scheduled periodic integrated technical and commercial reviews. Establishing a cadence of formal government reviews with operator aligned to the timing of the project's internal key stage gate investment decision points. It should also include specific documentation required to be provided to the government at each stage. These reviews should take place in tandem with the project as it fosters internal assurance. This will help to identify potential areas of misalignment between the government and operator and also provide a mechanism to finding mutually acceptable solutions early on.
- 3) **Government-to-government interactions.** In order to have effective engagements with the operator it is vital the government establishes a structured process that promotes effective coordination and cooperation among the various government institutions (e.g. ministries, agencies, departments, state-owned enterprise) involved in the FDP. As the project moves through the Appraise/Select/Define Phases, this would enable each arm of the government to understand:

- The priorities and objectives of each institution and what can be realistically undertaken in the specific project being reviewed (create strategic alignment).
- Which institutions need to be involved at each specific stage, and what information is required by each. This will help to assign government officials' scarce time to when it is most needed.
- Clear timeframes that each approving or recommending authority will have to conduct their review of the FDP. This will help each institution to plan in advance in order to perform tasks in a timely manner.
- Clear understanding of the type of external expertise required to enable the adequate provision of time and money. It is vital that governments faced with capacity constraints and low industry experience utilise external experts to guard against regulatory capture.

## 5.2 Why is an internal government process required?

The operator uses an integrated multi-disciplinary project management process to create the FDP. The effective review by the government of the FDP will similarly require a multidisciplinary approach which will need a high degree of inter-agency co-ordination. This is because, whilst the operator submits the FDP to the regulator, the requisite expertise and “approval rights” will be spread across other ministries or agencies.

Establishing an internal government FDP process will enable coordination and can also help address several challenges that government officials face (as outlined in [Chapter 2](#)). This would provide the following benefits:

- Clarify roles and responsibilities among different government institutions. This should help in the efficient deployment of scarce governmental human and financial resources (avoidance of duplication of efforts).
- Provide a robust and consensually agreed government position for engaging with companies. A multidisciplinary/multiagency team should enable sharing of different perspectives, prioritisation of government objectives, identification of potential misalignments and provide a mechanism for resolution. A “whole of government” approach would also reduce the ability of companies to “play one agency off another”.
- Ensure maximisation of value to the country from the FDP. A proactive approach increases the ability of the government to safeguard the country's interests. The government will be engaged in the early stages of developing the FDP where the potential to influence project outcomes is greatest. Hence the opportunity to increase value to the country is higher.
- Facilitate communication and sharing of information. The process should also identify the information required by various agencies. The government

should seek to leverage existing reporting and technical review meetings with the operator (e.g. via a Joint Management Committee under the petroleum agreement). Streamlined information sharing would reduce the administrative burden and also facilitate stronger communication in the government-operator relationship.

- Enable efficient and effective government review of all aspects of the FDP. Sufficient planning could help provide timely technical assurance and early identification of critical issues to be addressed by the operator. An Intra-Governmental Team (IGT) should help overcome coordination obstacles between agencies. It would also aid in assessing relevant expertise in a timely manner to ensure effective technical assurance of the FDP. Sufficient planning may also reduce the timing and funding constraints associated with the use of external advisers. Overall this should expedite the review process without sacrificing national interests. This would also likely increase confidence in management of the sector.
- Aid in capacity building. In instances where there are multiple FDPs, it can enable transferring of learning from one FDP to the other. If external advisers are used, they can be a useful mechanism for mentoring and knowledge transfer.
- May also aid in minimising political interference if established as standard practice.

### 5.3 How to develop an integrated internal government FDP process

The steps below can be used as a guide when developing an integrated government FDP process.

**Step 1: Establishing an Intra-Governmental Team (IGT).** The composition and empowerment of the IGT would be central to effective stewardship of the FDP process. This would require:

- a A clear mandate. The IGT should be established with the ability to make decisions and recommendations on behalf of the respective agencies. The purpose of the IGT would be to ensure that the FDP is developed in alignment with government objectives, to provide technical assurance of the submitted plan and to ensure value is optimised for the country. Terms of Reference may prove useful for clarity on the IGT's mandate, scope of activities and also enable political support for the IGT.
- b A “Coordinating” Institution. The government institution that has the statutory role of approving the FDP, or making recommendations for approval, would naturally play a co-ordinating role. Depending on the legal framework, this may not necessarily be straightforward and hence should be identified to

**Table 5.1 Key skills needed for FDP review**

FDP Thematic areas	Skills/Expertise required
Strategic Issues: Area development, unitisation, monetisation of gas Subsurface	Strategy, industry experience
Wells Facilities and Operations	Geologist, Geophysicist, Reservoir Engineer, Petroleum Engineer Drilling Engineer, Completion Engineer Production, Facilities, Pipeline Engineers, Logistics, Integrity Management, and standards SMEs
Health, Safety, Security and Environment Legal	HSSE advisor, Process safety Lawyers
Commercial and Financial	Economists, Commercial analysts, natural gas developments requires additional expertise

facilitate smooth IGT processes, including scheduling of meetings, circulation of reports etc.

c. Clearly defined roles and responsibilities.

The IGT would need access to skills and expertise to review the components of the FDP which are summarised in [Table 5.1](#). The government should consider whether it has the capacity to staff the IGT in each of the above listed areas using in-house resources or whether external advisers will be needed. The structure of the IGT should be informed by the government's plans for building a cadre of national experts. Where external experts are hired, the contractual terms should include specific actions and timeframes for documentation, mentoring/coaching to facilitate knowledge transfer.

These skills will most likely be available in different institutions and will be determined by the statutory role the various arms of government play. A holistic approach to the FDP process would consider the changing needs of the government across the different phases of the FDP as, in some instances, its duration may exceed two years (discovery to final investment decision). As such, the role of the IGT during the Appraise phase of the project will be different from when the FDP is officially submitted to the regulator and requires technical assurance of submitted documents and reports.

Performing a stakeholder mapping exercise would identify the relevant ministries and agencies etc. that would need to be involved in the FDP approval. Not every government agency or ministry or entity will need to participate directly in the FDP review process, or indeed be represented on the IGT, but maybe called to provide guidance, information, verification, and input when required. Relevant agencies or entities may include but not be limited to:

□ Ministry of Energy

- Ministry of the Environment or Environmental Management Agencies
- Ministry of Public Utilities – Power, Telecommunications, Water
- Ministry of Transport – Civil Aviation Authority and Marine authorities
- Ministry of Health
- Ministry of Local Planning, Development, and Infrastructure – facilities, access, transport routes, ports
- Ministry of Social and Community Development
- Ministry of Labour
- Ministry of Agriculture/Natural Resources – fisheries department
- Ministry of Finance including customs, revenue authority departments

A RASCI matrix would help to clarify the roles of each identified government entity across the FDP review process from Appraise through to Operate.

The RASCI tool ascribes five types of roles in a collaborative approach to decision making which are Responsible (person who does the task), Accountable (decision maker), Supports (e.g. providing knowledge or resources), Consulted (knowledge sources etc. whose collaboration is necessary to achieve task) and Informed. An illustrative example is shown in [Table 5.2](#) wherein the minister provides the decision on whether the FDP is approved. For subsurface matters the regulator is the entity that will review the FDP and provide technical assurance, and will need to inform the NOC and require support from the Ministry of Environment.

**Table 5.2 Illustrative example of RASCI Matrix**

	Ministry	Regulator	NOC	Ministry of Finance	Ministry of Environment	Ministry of Energy/ Planning	..... etc
Strategic Issues	R	C	I	S	C	A	
Subsurface	A	R	I		S		
Facilities Design							
Drilling & Completion							
Health Safety	A	S	S	I	R	S	
Environment							
Economic/ Commercial	A	S	S	R	C	I	
Social, Community							

**Step 2: Establishing IGT protocols.** The IGT members working collectively should have a shared understanding of:

- a Chairperson and focal point for the FDP. This individual should be a sufficiently experienced and senior member of the IGT.
- b Communication and meeting protocols.
  - o IGT meeting frequency and objectives. These should be aligned to operator-government scheduled reviews. Particular attention should be paid to ensure alignment with the operator's project management process, timelines and key milestones. It is natural that meetings will intensify at critical junctures of the project and when the FDP has been submitted.
  - o IGT-operator. Clear mechanisms for two-way communication should be established between the IGT and the operator. In most instances, this would be part of the existing regulatory oversight processes, for example via the Joint Management Committee. Whilst care should be taken to avoid creating burdensome and duplicative protocols it is important that there is clarity on how information will be provided to the IGT, especially with respect to the timing of reports and findings. Equally as important is the clarity on how feedback will be provided to the operator in a timely manner.
  - o IGT members communication with principals. Part of each IGT member's role must be to ensure that they disseminate information and provide project updates to the relevant minister as well as counterparts who may not attend IGT meetings.
- c Process for categorising and working through issues. This would include:
  - o Ensuring the operator will be submitting an FDP that meets governments' requirements. In country's with relatively old legal frameworks, this will require assessing the national requirements (see [Appendix C](#)) and thereafter working with the operator to resolve any gaps. The use of technical submission guidelines may be useful in this regard. Please see [Appendix A](#).
  - o Resolving identified issues and misalignments between government institutions. One of the first items for the IGT to address is ensuring a shared understanding of government objectives from the project that will be reviewed. Each institution should identify government objectives and expectations for their relevant areas in the FDP. This would help to provide clarity on government strategic drivers, and identify potential misalignments (please see [Section 2.3](#) for some examples). This IGT should provide a mechanism to enable discussion on trade-offs and help to establish a whole-of-government position. This would enable the regulator to provide clear guidance to the operator on government expectations for the FDP in the early planning stages of the process.

- o Resolving identified issues and misalignments between operator and government (represented as a singular IGT position). It is inevitable that there will be differences between the operator and government. A system should be put in place for these to be resolved in a timely fashion. For example, “critical” or “strategic” matters which will have significant bearing on project design, versus areas for clarification. Maintaining an ongoing list of matters, or a dashboard or tracking tool for these, would prove vital over the course of the project lifecycle.
- d Decision making and escalation protocols. If agreement on critical issues cannot be resolved within the IGT, how will they be managed? This may not present in technical matters but may be of particular relevance on strategic issues.

**Step 3: Ongoing IGT engagement and Communication during FDP.** It would be natural that as the project matures IGT engagement would increase.

**Step 4: Close out and lessons learnt.** The IGT should undertake an evaluation of the process and outcomes to ascertain what worked well and where there were opportunities for improvements. This would help to create a basis for knowledge transfer, as well as increasing efficiency within the system.