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Adapt to survive: competition in Europe

The positive impact that shale gas development has had on U.S. industry has been widely documented, not least in terms of the competitive advantage that U.S.-based refiners and operators have gained from the availability of cheap ethane to use as feedstock.

By stark comparison, Europe's refiners have suffered in the face of political and social opposition to shale exploration as well as from aging infrastructure built for processing naphtha. The current reluctance to allow ethane exports from the U.S. also means that even if European operators could get access to cheap American ethane, the cost of transporting and processing it could erode a hefty amount of the margin advantage gained from importing it.

Invest or optimize

However, while many complain that Europe is at the negative end of the cost curve at the moment, if refiners and processors are willing to commit to qualitative improvements at all levels, the disintegration of Europe's refining and processing industry is not a foregone conclusion. Even in the face of the U.S.' advantage when it comes to shale, the current political resistance to it in Europe may decrease dramatically when considered in comparison to reliance on Russian gas, paving the way for faster exploitation. Equally, further North Sea and Eastern Mediterranean investment could pay dividends in years to come if companies are prepared to play the long game.

In this environment, European operators have fundamentally important strategic decisions to make: whether to admit defeat and focus on other more lucrative businesses elsewhere, or to follow in Total's footsteps and commit to huge capital investment to update assets to a global standard and adapt products to market demand – making more diesel instead of gasoline for example.

Those that share Total's sense of "industrial responsibility" must ensure that such large capex projects are managed properly. It is crucial that teams are fully integrated from Corporate, Project Engineering, Production,

Maintenance and Process as a clear path from basic to detailed engineering, construction and commissioning – involving all of their skills – will need to be navigated well ahead of the project start. A Project Manager will need to be responsible for ensuring teams are exchanging information properly and regularly, owning accountability throughout the value chain.

Higher uptime and lower costs

Companies taking the investment road must beware that the need to improve availability and to reduce Maintenance costs remains paramount beyond the successful completion of large upgrades or investments. The focus must be on the quality of operational processes to ensure long-term sustainability, rather than on short-term cost cutting measures.

This requires the implementation of robust work order management processes, an organization where roles and responsibilities are clear, with established trust relationships between Maintenance and Production and a contractor strategy based on knowing where strengths and weaknesses lie. The qualitative improvement of maintenance work processes is key to ensuring future sustainability so Production, Process and Maintenance departments will need to work together to build a detailed picture of the nature and criticality of reactive and planned maintenance measures. A comprehensive understanding of personnel deployment, skills, materials and related costs will help to create a portrait of where Overall Equipment Effectiveness (OEE) can be improved. Productivity studies which ascertain precise OEE performance, trends and variations can then be used to forge tighter and more targeted planned and preventive maintenance processes, in turn contributing to higher uptime.

Active management

With that in mind, the perfection of processes in an organization will not bear fruit if it lacks the proactive management of staff and resources on the part of supervisors and managers. Whether that is as simple as a list or as detailed as a process map, both sides should be clear as to what is expected, as well as to how that



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performance will be measured – for example, against internal best practices or industry standards.

Then, committing to giving honest feedback in regular performance meetings is crucial, even if they take the form of an informal chat. Supervisors must listen to their teams, as specialists often report that the same recurring problems stem from the same root causes but complain that they are not heard by their managers. If change is to be accomplished, understanding what the root causes of obstacles are that are preventing teams from carrying out their jobs is vital.

Long-term survival

Given the current level of competition in Europe and indeed globally, managers must do all that they can to ensure that any improvements that are implemented – whether on a large capex scale or more targeted – will continue to contribute to long-term survival in a rapidly changing market. Whether governments warm towards shale development remains to be seen and cannot be banked upon, so in the meantime the focus must be on strategic and operational adaptability. In order to face shifting demand and competitive disadvantages head on, considerable investment and process optimization at all levels cannot be avoided.