The Society of Petroleum Engineers’ (SPE) International Conference and Exhibition on Health, Safety, Security, Environment, and Social Responsibility (HSSE–SR) is one of the oil & gas industry’s premier global events to share best practice and learnings on how to address some of the HSSE-SR challenges facing the sector. ERM was once again pleased to support this event as a major sponsor and help foster the dialogue it generated. The conference was naturally dominated by issues surrounding the current low oil price (such as how to manage HSSE-SR risks successfully in a resource-constrained environment), but there were also discussions around the streamlining of opportunities the current situation (the “new normal”) presents. We were delighted to see that sustainability had such a prominent focus at the conference, as evidenced by the conference theme itself: ‘Sustaining Our Future through Innovation and Collaboration’.

One of the most enjoyable aspects of the conference was the sharing of insights with our valued clients, either within the various technical sessions, in discussions over coffee/lunch or through the many conversations either at our exhibition stand or at our cocktails reception at the Oil Museum. In this document we have picked out some of the trends and issues which resonated most at the conference, as well as some of the insights we contributed. We hope you find it useful in stimulating further thought, or reinforcing your own thinking, which we would be happy to discuss with you.

Ian Loveday
Managing Partner, EMEA Oil & Gas
The world is in a very different place to where it was in the two short years since the last SPE HSSE & SR International Conference held in Long Beach, California. The world faces a series of megatrends such as population growth; increased urbanization; the food, water, waste nexus; and most pressingly; climate change. With regard to the latter, subsequent to the COP21 agreement reached in Paris last year, we have seen a fundamental shift in the global response to climate change. This, plus the economic and geopolitical headwinds we face have combined to create a far more complex operating environment for us all.

On top of this has been the latest – and in some ways deepest – of oil price drops, which has had a profound impact on the sector. This has manifested itself in many ways, most noticeably in major impacts on both CAPEX and OPEX spend in the sector. The result has been the cancellation and deferment of major capital projects and significant workforce reductions both in terms of direct staff and third party contractors. With oil prices forecast to remain low for at least the short to medium term, this situation may be considered to represent the “new normal.”

HSSE and related functions have not remained immune to such cuts. Despite this, even in times such as these companies still need to sustain HSSE performance and risk management, and indeed to a significant degree the current megatrends add new challenges to be addressed, particularly with respect to sustainability-related matters such as the need to address the potential impact of climate change and the ever-increasing complexity surrounding social and community issues.
Hot Topics from the Conference

While a broad range of topics were discussed at the conference, there were several recurring themes that emerged and seemed to foster the most wide-scale discussion and interest with attendees.

**Learnings from outside the oil & gas sector**

There is a growing interest from oil and gas companies to learn from other industries. We see this not only at conferences (such as SPE Stavanger 2016 where mining, aerospace, and healthcare openly share their approaches to safety and sustainability) but also through cross sector studies to drive energy efficiency (as commissioned by Oil & Gas UK in 2015) and also, and perhaps most impressively, through active technical partnerships to seek out opportunities for operational and environmental performance improvement, Statoil and GE for example.

Whilst everyone is likely to agree that cross sector learning and partnerships must be a good thing for improving efficiency, effectiveness, and promoting innovation within the industry; achieving this in practice is very challenging. Doing it piece meal and through friendly but non-committal workshops will not lead to the level of transformation, nor with the required level of pace that the industry needs. A much greater level of partnership and collaboration is needed within the sector simply to achieve the required efficiency gains. Transformation and innovation are only likely to occur if oil & gas companies reach out to other sectors and work in true partnership on practical and financially material projects. This happens most effectively when it is sanctioned from the top of the organisation with a sense of urgency.

**Trends in management of social issues**

Despite cutbacks, O&G clients still need to manage their non-technical risks, especially social impacts, which are likely to worsen in some locations given extant issues such as Indigenous Peoples (IP) issues (for example in Mexico) and the geopolitical situation in the Middle East and North Africa. Furthermore, project delays and cancellations as a result of company cutbacks also represent loss of income opportunities for communities and risks to businesses, making company-led internal and external stakeholder engagement even more critical.
Recently, costs related to social risk management have been pushed down to the project-level. This trend is challenging companies to develop cost-effective solutions and approaches to implement traditional community investments, human rights commitments and, where appropriate, properly apply Free, Prior and Informed Consent (FPIC). Some companies are taking the lead by embracing the challenge and finding innovative ways to manage cost while still making positive impacts in communities. The use of FPIC, applied even in non-indigenous contexts, is proving to these companies to be one of the strongest tools for mitigating the high percentage of non-technical risks which result from social opposition.

O&G companies continue to struggle to communicate meaningfully to their stakeholders about the contributions of their sustainability programs. This opacity of socioeconomic benefits is in large part due to the fact that business communications have tended to be focused on the inputs into activities (e.g., dollars invested in HSSE) and outputs of activities (e.g., tonnes of waste avoided). However, these input and output measurements do not adequately reflect the positive socioeconomic impact that business activities can have. As a result companies are looking to social impact measurement, social impact investment and social business as innovative ways to not only manage social risk, but also share their impact with stakeholders. These programs are expected to proliferate in these challenging economic times. A stellar example of this is Total’s continued play away from social investment and into the social business space with their Awango by Total brand.

Climate change: what does the future hold?

There is a great deal of interest within the oil & gas sector about what the future might hold in a post-COP 21 world and how responding to societal climate change concerns would change the way the sector operates as a whole. Indeed, given the importance of this topic, this was the focus of the opening keynote session. There appear to be mixed views as to the effectiveness of government-led cap and trade programs, but the general view seems to be that managing climate change concerns is becoming a standard part of doing business, so it will be imperative for the sector to help be part of the solutions. While it is too early to determine what these specific solutions may be, there was broad consensus that a shift from oil-based to more natural gas-based technology and long-term growth in renewables are both essential components in how the sector can help manage these concerns. Rupert Thomas, Vice President of Environment for Shell, stated that achieving climate change objectives would need to be achieved through both government programs and improvements in the industry to become more carbon efficient. He stressed that carbon capture storage (CCS) remains an integral part of their strategy for climate change management, and depending on the results of some of the pilot applications of this technology, as a sector we could see a great deal of growth in the application of this technology.
Streamlining safety programs in the current environment

The economic pressures in our industry mean that every dollar spent on operational cost can make the difference between viable production or shutdown. In response to these pressures, ERM saw many operators and key suppliers at the conference getting smart about how they deliver HSSE. As Martin Goose, a retired UK regulator and speaker at one of the safety panel sessions reminded us, “regulators don’t change the rules according to the oil price.”

So, we still need to deliver great, consistent HSSE performance but the effort should be proportional to risk. Being smarter about where your risks lie and how well your risk control strategy is working relies on sound data management. This doesn’t just mean collecting data on the health of your controls, it means making smart decisions with the data.

Managing controls effectively is an investment. Maintaining the health of safety critical controls requires time and effort. This too can be proportional. You can use your risk control data to plan work and to right-size your organization to maintain proper risk control more efficiently. This can even identify opportunities to eliminate work that isn’t providing real risk reduction benefits.

It is important that such an approach be underpinned by a good understanding of the organization’s current risk profile and risk appetite. A true baseline needs to be established of cost/risk/work being undertaken by the HSSE function so that informed decisions can be made. The goal is to ensure that the resource levels and HSE management system are appropriate and proportionate to the prevailing level of risk.
ERM is proud to have contributed to the event by providing thought leadership across a wide range of topics. This included delivering training on the art of facilitation, organizing the panel session on sustainability innovations, participating on a panel session around Free Prior and Informed Consent (FPIC) as well as one about the implications on HSE management from fluctuating energy prices. We also presented a number of technical papers on topics including critical issues analysis, impact assessment standardization, driving change in safety culture and an FPIC practical case study.

**Training**

*The Art of Facilitation: How to Make Any Course Engaging;* Colleen Watson, Partner, USA

**Panel Sessions**

*Sustainability to Drive Innovation and Value;* Tom Woollard, Partner, UK

*FPIC: Learnings to Date;* Karin Nunan, Principal Consultant, USA

*Learnings and Reflections from Fluctuating Energy Prices;* Ian Hamilton, Partner, UK

**Technical Papers**

*How Free, Prior and Informed Consent in Mexico Will Make or Break the Burgeoning Hydrocarbon Sector;* Karin Nunan, Principal Consultant, USA

*Critical Issues Analysis: Lifecycle Approach for Optimized Execution of Capital Project;* Betsy Green, Partner, USA

*Exploration Impact Assessment Toolkit: Maximising Efficiency through Standardisation to Deliver Robust Impact Assessment;* Shana Westfall, Principal Consultant, UK

*Safer Together: Driving a Safety Culture Change in a Challenging Environment;* Annette Nienhaus, Technical Director, Germany

Please contact us at marketing@erm.com if you would like to receive further details about any of the information ERM presented at the conference.
About ERM

ERM is a leading global provider of environmental, health, safety, risk, social, and sustainability related consulting services. We have more than 160 offices in over 40 countries and territories employing more than 5,000 people who work on projects around the world. ERM is committed to providing a consistent, professional, and high quality service to create value for our clients. We have worked with many of the Global Fortune 500 companies delivering innovative solutions for business and selected government clients helping them understand and manage the sustainability challenges that the world is increasingly facing.

For over 40 years we have been working with clients around the world and in diverse industry sectors to help them understand and manage their environmental, health, safety, risk, and social impacts. The key sectors we serve include oil and gas, mining, power, manufacturing, chemical, and pharmaceutical. All face critical sustainability challenges and our clients in these and many other areas rely on our ability to assist them to operate more sustainably which has a positive impact on our planet.