



# BP Trinidad and Tobago Ltd



This case was compiled by the Arthur Lok Jack Graduate School of Business in collaboration with the United Nations Development Programme (UNDP) Guyana as part of a study of progressive Caribbean businesses.

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## Abstract

In April 2005, BP Trinidad & Tobago completed its Cannonball Project, which involved the local design and construction of an offshore gas-drilling platform employing an unprecedented proportion of domestic expertise. The Cannonball was meant to facilitate the birth of a sustainable engineering and fabrication industry in Trinidad, increase employment opportunities and significantly enhance local content in projects of such a technical nature.

## The Company

BP Trinidad & Tobago (bpTT) is part of the UK-based BP Group, operating in Trinidad and Tobago since 1961 through its heritage companies Amoco Trinidad Oil Company and BP Amoco. BP Trinidad & Tobago (bpTT) is one of the leading oil and gas production companies in Trinidad & Tobago accounting for more than 67% of the national production of oil and gas.

The company explores for and produces oil and gas in marine areas off the east coast of Trinidad where it holds exploration and production licences covering 904,000 acres. bpTT's combined oil and gas production in 2005 currently averages 407 million barrels of oil equivalent. The company employs more than 3,000 people directly and indirectly, through contractors and independent operators. It is the largest corporate investor in Trinidad and Tobago.



## The Motivation

bpTT's goal is to make a lasting contribution to a dynamic and sustainable economy. The company reviewed its role in Trinidad and Tobago's development around the year 2000 and recognised that it would be better for both the company and the country if their economic and social objectives were more closely aligned. bpTT recognised that natural resources themselves do not bring sustainable wealth and growth to a country and that countries unable to reduce natural resource dependency and diversify have lower standards of living.

The company's thrust for sustainable development harmonised with the Government's programme for the transformation of the country from "developing" to "developed" nation status by the year 2020. The Government's goal is to achieve a dynamic and sustainable economy through economic and human development. To achieve this it outlined the goals of maximising in-country expenditure, promoting local capability in businesses, creating a sustainable world-class services sector, and focusing on human development strategy.

The country's upstream services sector, in which bpTT is a key player, is uniquely positioned to play a pivotal role in achieving these goals, given its importance in the economy and its technological and innovative characteristics. Trinidad & Tobago's energy sector has been in existence for over 100 years, but traditionally

more than 90% of the country's industry inputs have been imported. As a result, bpTT sought to build a dynamic local upstream business through the initiation of the Cannonball Project. The initiative for developing business enterprise is being effected through the company's supply chain management strategy.

The benefits of this strategy include improved local supplier markets and increasing Trinidad & Tobago capability and capacity, thus leading to an increase in the National value of our total third party spend, which is significant in terms of Trinidad and Tobago Gross Domestic Product (GDP). Their contracting strategies are designed to increase local capability development and thereby enable maximum value-added in the local energy service sector. The country would also benefit by acquiring the requisite capacity to export high-value, knowledge-intensive skills and services instead of the traditional commodity products alone.

### **Taking Action**

The decision to manage and execute the Cannonball Project in Trinidad was a strategic decision to develop local expertise in offshore design engineering, fabrication, and project management, thereby improving the capability of the local services sector, especially the local offshore construction industry. The selection of a national Cannonball Project Manager, Mr Curtis Mohammed, was the first step.

At the outset, it was agreed that partnerships were required to complete a project of such magnitude. Thus, an alliance was formed between FLUOR Corporation (USA) and the local Trinidadian firm SUMMIT Engineering and Construction Company. The FLUOR/SUMMIT partnership took the responsibility for training 40 nationals in the area of engineering procurement and construction management. FLUOR assigned mentors to all nationals as part of the training. Additionally, a joint venture company TOFCO, was formed by US Chet Morrison Contractors (USA) and Weldfab Limited of Trinidad, to manage the construction of the platform.

TOFCO spent significant time training its 230 employees (80% of which were nationals) to successfully deliver the Cannonball Platform.

Cannonball Project Manager Curtis Mohammed observed that: "Effective partnerships between foreign and local enterprises, committed to the transfer of technology, was critical to the project's success."

One of the main challenges bpTT had to overcome was the development of skills and capability without compromising delivery. The budget was also a challenge initially as it would have cost US\$10 million less to import a platform fabricated in one of the established foreign construction yards. In this instance, bpTT considered whether the sustainable benefits of creating a local fabrication industry was worth the investment. A total of US\$54m (premium of US\$9m) was spent, achieving 40% local content. Nationals performed 65% of the bpTT project management hours and 85% of total fabrication hours, which is a significant increase from a previously almost non-existent local participation.

This was in line with the company's objectives which include the initiatives of establishing an upstream oil and gas industry, creating significant linkages with supply firms in other industrial sectors; diversification of the local economy; and developing a highly skilled and educated workforce capable of operating, managing and leading globally competitive upstream service companies.

### **Business Benefits**

The primary benefit to both bpTT and Trinidad and Tobago is the creation of a local fabrication industry in the particularly under-developed area of La Brea. Nationals performed over 85% of the man-hours spent on the fabrication of the platform, and 40% of the local labour came from the La Brea and surrounding communities. Additionally, 39% (an increase from the original 32% estimate) of the overall amount spent on the project will remain in Trinidad and Tobago.

bpTT benefits as it now has a local fabrication industry that has the expertise to respond quickly and efficiently to its specific needs. This, in addition to the export business that is likely to result in consequence of the country's ability to now produce offshore structures previously sourced from the US Gulf Coast, has and will ensure that direct and ancillary employment benefits the La Brea community. The local capacities developed in welding, fabrication, procurement, construction and project management, benefited and were aligned with bpTT's strategy for long-term sustainability.

Benefits to bpTT also include reduced costs over time, greater efficiency and improved platform safety, which all attributed to the platform design. The Cannonball design eliminates major pieces of equipment, thus requiring only quarterly maintenance, while maintaining the operational efficiency (99.9%) and production capability (1 billion cubic feet) of previous platforms.

## **Vision for the Future**

bpTT plans to construct another gas-drilling platform later in the year, with a further increase in the local content (specifically in terms of the participation of local experts) to significantly more than 40%. Eventually the company hopes to also develop downstream industries by sourcing more materials and equipment from local companies rather than from the USA, thereby further increasing local spend.

A further goal for bpTT is for the local offshore construction industry to become globally competitive by eliminating premiums, increasing productivity and further developing local capabilities. Additionally, Development Oriented Business Practices deliverables will include the creation of significant linkages with supply firms in other industrial sectors and the diversification of the local economy. bpTT's supply chain management strategy is being designed to increase local capability development through its contracts and thereby enable maximum value-added in the local energy service sector.