

Strategy for Increased Localization & Local Content

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Kazakhstan is placing great emphasize on Localization and Local Content development with a unified approach by the oil and gas industry



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The Aktau Declaration on Joint Actions is a unifying approach by the oil and gas industry in Kazakhstan that brings together operators, investors, industry stakeholders and government to share knowledge and create strategies for initiatives that will accelerate the progress of sustainable localization and local content development. Whilst operational challenges are to deliver the three world-class projects of Karachaganak, Kashagan and Tengiz within budget and timing in a secure safe environment, a structured approach towards national industrialization and the further supply of professional skills are being delivered through provisions of Aktau Declaration.

Recognizing that localization and local content strategy requires close cooperation and alignment between all sides of industry, the Aktau Declaration is made up of a Task Force membership drawn from operator signatories and industry stakeholders. All participants recognize the importance of social and corporate responsibility and are working together to ensure a culture of industry legacy for Kazakhstan. Specific objectives include the strengthening of Kazakhstan's professional skills and industrial base in order to further the maximizing of opportunities for the companies and citizens to benefit directly from oil and gas projects, as part of a strategy to develop an indigenous capability in the sector.

The operator Task Force use volunteer principles. It has become a model for an open and supportive environment of

understanding and common purpose engaging industry and government stakeholders, to create strategies required to accelerate sustainable localization and local content progress and achievement, and improving coordination and consistency of programmes, based on shared understanding of challenges and vision of a strong and vibrant future for Kazakhstan's oil and gas industry.

Whilst current individual localization and local content programmes continue to make progress and with the full recognition of the rights of operators and investors to develop their own strategies and programmes, the Industry Task Force enables a greater sharing of knowledge and a better coordination of effort, to avoid duplication and to accelerate outcomes toward a common goal to develop a domestic supply chain.

The Aktau Declaration's Task Force have agreed a strategy and the content of a forward engagement plan with stakeholders. Terms of reference use the frame work 'How It Is — How It Will Be', containing six key components:

- **Development of Services Sector;** Task Force will consider current challenges and forthcoming opportunities for the development of Kazakhstan's Manufacturing industries as part of a strategy to develop greater indigenous capability in the sector; these activities to include attracting cooperation agreements with technology transfer by companies in the global oil and gas supply

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- **Kazakhstan Industrial Capacity Register;** as a source of reference to identify current and potential capacity in the oil & gas sector and non-oil & gas sector. The Task Force will aim to understand the on-going work of RoK government agencies in this area and with reference to best industry practice consider how these efforts could be assisted.

- **Standards, Tendering Processes, Specification, Code of Practice, Health & Safety;** Task Force will consider how harmonisation can be linked to a Code of Practice

- **Training, Skills, Human Resource Development;** the Task Force will assemble available information on the programmes underway in Kazakhstan, develop a collective understanding and identify strategies to accelerate progress

- **Research and Development;** Task Force to make a strong connection to current R&D programmes that are taking place in oil & gas sector within the Republic of Kazakhstan and to identify additional opportunities in that effort.

- **Enterprise Development and Inward Investment Programme;** Task Force to utilise the current work already initiated by Contracts and Procurement Committee (target market opportunities) to consider

strategies to stimulate the Promotion, Growth and New Development of local companies with best practice examples to be reviewed. Task Force will use its knowledge and examples of best practice to consider how this might contribute to Kazakhstan's on-going efforts to promote inward investment in the oil & gas sector.

An immediate deliverable is to implement a gap analysis which will present a unique opportunity to contribute to successful results; the development and employment of the Kazakh workforce with expatriate contribution dedicated to training and education programmes; an increase of local sourcing; long term business agreements and development support; enhancement of the business environment and development of support for local businesses and foreign direct investment. This will allow for a comprehensive and clear view of project demand and supply, and a basis for scenario planning and new localization and local content development initiatives.

Quick-wins have been the creation of a joint operator working group of Contracts and Procurement specialists, drawn from each of the developments. The top commercial opportunities have been considered for investors and currently technical specifications are being harmonized where possible, which will allow for the fullest picture for investors to understand the depth of those opportunities. These opportunities will be circulated worldwide. Other matters such as realistic harmonized prequalification criteria, ensuring that bid opportunities are properly circulated and evaluated in a transparent manner, with debriefs by operators to explain why companies, and particularly to domestic companies, have failed are also considered an imperative.

There is no illusion as to the technical, commercial, and socioeconomic challenges of the programme. It is recognized that it will take time, investment, focus, discipline and commitment to develop. There are huge challenges ahead but these priorities can be delivered within existing contractual arrangements and international treaties with foresight, willingness, respect and innovation. Tremendous opportunities

present and the challenge ahead is relished, with solutions replacing impediments; success with teamwork.

Ensuring a culture of legacy beyond investment, developments and profits should be embraced as a norm