

ECRI

Sponsors Meeting Abu Dhabi, UAE



**“Dealing with IOC / NOC Client JV’s and
Enforced JV’s on the Contractors Side –
Issues, Difficulties and Solutions”**

Monday 7th December 2009

ECRI
**ENGINEERING &
CONSTRUCTION
RISK INSTITUTE**

WWW.ECRIONLINE.ORG

KBR



Global Recovery



V

U

W

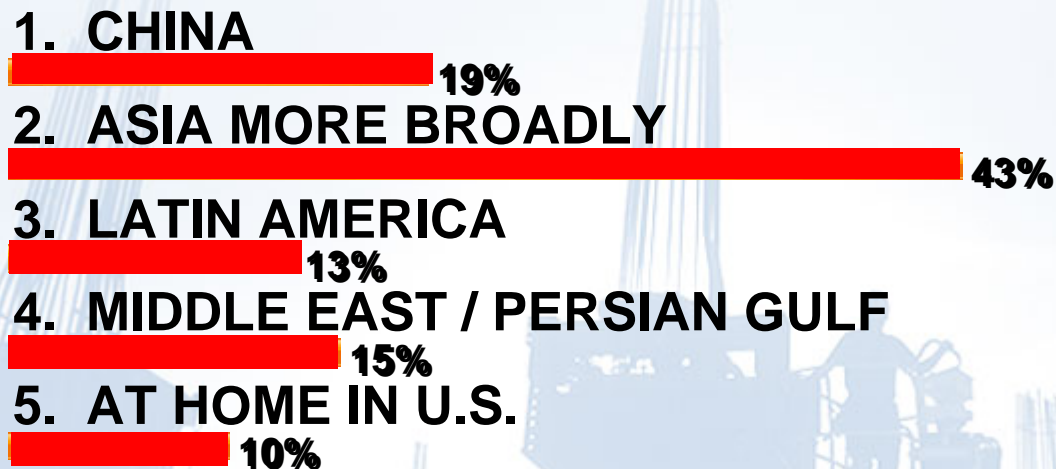
L





Polling Question # 1 ECC September '09 Conference

**WITH REGARD TO GLOBAL ECONOMY, WHERE
ARE THE BIGGEST OPPORTUNITIES?**



Polling Question # 2

ECC September '09 Conference

CONCERNING GLOBAL ECONOMY, WHAT WORRIES YOU MOST?





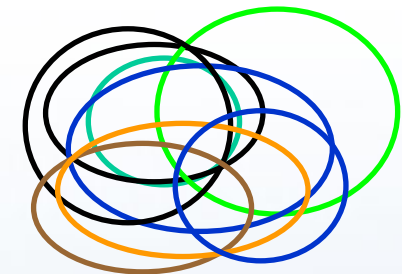
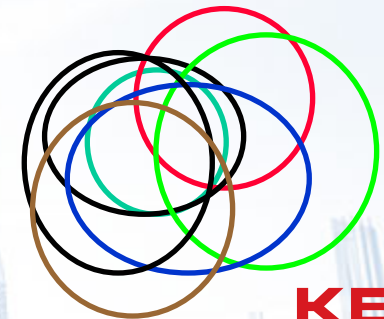
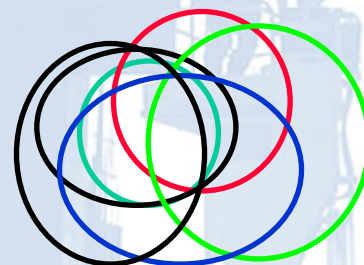
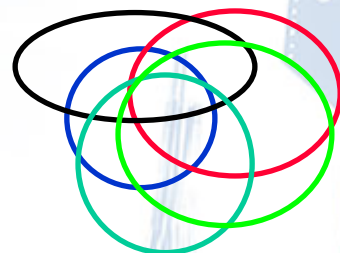
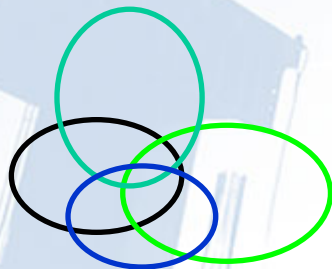
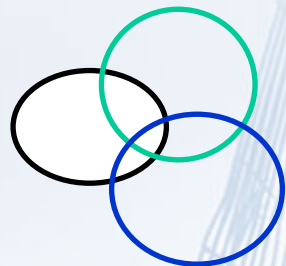
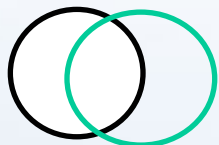
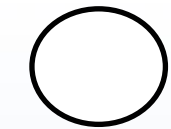
Polling Question # 3 ECC September '09 Conference

IN THIS CURRENT MARKET, WHICH CONTRACTING STRATEGY ARE YOU SEEING (USING) MORE?

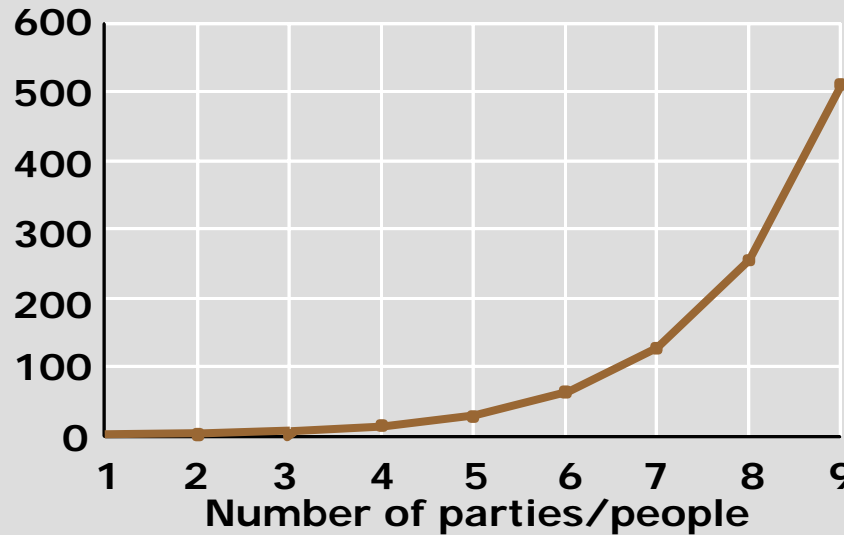
- 1. Open competitive bidding**
 37%
- 2. Selective competitive bidding**
 50%
- 3. Single source negotiation**
 3%
- 4. Growth under existing master contracts**
 10%



Complexity grows exponentially with the number of relationships



Number of overlaps





Top Five Issues that Frustrate Client JV's

- Contractors assure the NOC they can do something that the IOC said wouldn't work...disrupting the JV's alignment
- Contractors work to influence the JV's contracting strategy to their advantage
- In cases where the contractor is also a joint venture, contractor's participants cannot agree on execution strategies, or continuously blame each other for failing to achieve performance milestones
- Contractors fall out of favor on another project in the country resulting in a host government or NOC backlash against the JV's project
- Contractors that game the system with unrealistic cost or schedule to win the bid, then work to recoup their losses with claims





Top Five Issues that Frustrate Contractors

- JV assigns risk to the Contractor which it cannot influence or manage
- IOC or NOC designates a local subcontractor for a key portion of the work without due consideration of implications to the Contractor
- IOC and NOC have different business drivers, wanting different things out of the project, and do not resolve these issues prior to engaging the Contractor
- JV is not effective in managing government entities needed to support the project
- JV allows “Non-Qualified” bidders to participate in the bid resulting in unrealistic pricing which does not allow bidders to recoup bid costs





“Dealing with IOC / NOC Client JV’s and Enforced JV’s on the Contractors Side – Issues, Difficulties and Solutions”

Can we work together better?

What are some solutions?

