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Panel Discussion on Local Content  
**Subject:** An Oil Industry Perspective on Local Content

Good morning ladies and gentlemen.

It is a pleasure to be with you this morning to participate in this panel session and to discuss some of the various things that we are currently doing, both as an industry and as BP, on local content.

In this short presentation I want to discuss two aspects of local content – local suppliers and local workforce – which are, in many ways, closely interlinked.

Supporting and developing local companies at the small and medium enterprise (SME) level creates mutual advantages for both the oil sector and the Angolan economy. Studies around the world have consistently shown that SMEs are a major source of creating new employment and wealth generation in an economy, and finding ways to encourage their development is important for all of us. At the same time having a vigorous and capable range of local suppliers of goods and services benefits the oil sector by reducing downtime, delivery times and costs.

There are many parallels here with the development of North Sea oil more than 30 years ago. At that time the UK had very limited indigenous capacity to support the oil sector, and much of the development work was contracted to non-UK companies, so that in Aberdeen, at the heart of the North Sea oil industry, it sometimes seemed that you were as likely to hear a Texan accent as a Scottish one. But over the years, Scottish expertise and companies developed so that nowadays you are likely to hear Scottish accents anywhere in the world where oil is being developed.

With this experience and similar experiences in many other countries in which we operate, we in BP recognise the important role that Angolan companies and entrepreneurs can play in helping our industry to develop the country's natural resources. During 2004, for example, we spent over \$160m in Angola both directly through our Operator role in Blocks 18 and 31 and indirectly as a participant in Blocks 15 and 17. As we continue to invest in the development of these fields and as we move into full oil production we'll continue to look for ways to optimise our local content expenditure.

One study has calculated that over a ten year period the oil sector expects to invest more than \$35 billion in developing Angola's oil resources. Recognising the economic potential that this level of investment offers to local companies, Sonangol and the Ministry of Petroleum set up, jointly with other members of the oil sector, the Projecto de Desenvolvimento da Participacao Nacional (PDPN) to find ways to promote this process.

In the last year or so BP, Sonangol and several other oil companies have been working together under the auspices of the Projecto de Desenvolvimento da Participacao Nacional to develop and implement a programme that will enhance local content and improve the cost competitiveness of local suppliers. The programme, which is called the Supplier Training Initiative, will provide support and training to local companies to help them to increase their productivity and quality and to make them more capable of working with, and reaping the benefits of, the oil industry.

A core part of the Supplier Training Initiative is to establish a Business Support Centre here in Luanda. This will provide technical assistance, training and business services, including

- a. Providing training to build the skills and knowledge of local companies on how best to bid for and win projects with the oil industry;
- b. Offering technical and managerial assistance to individual companies, in areas such as quality, business planning, contract management and financial skills;
- c. Maintaining a database of actual and potential suppliers; and
- d. Providing assistance to local companies in Angolan legal procedures and structures.

The programme will do these both directly and through linkages to various other local content initiatives and to other available local resources in financing, investment and technology.

In the longer term the benefits of the Supplier Training Initiative will extend beyond the oil sector as local companies become better able to apply their capacities and skills to business activities in other sectors of the economy. It is this that will help to make the local content development process a sustainable one.

Turning now to the second area of local content - that of workforce development. Some work that we have carried out recently suggests that demand from the industrial sector for qualified technical and professional recruits is likely to exceed 1,300 people per year for the next six or seven years, that is more than 8,000 people. This demand is driven by the rapid growth in the oil sector and by Angola's overall economic growth and development of infrastructure. And these estimates exclude the recruiting needs of the state and educational sectors.

This creates enormous challenges for individual companies to meet their own staffing needs. But it also creates enormous challenges for the country as a whole, not least because a shortage of well qualified people risks affecting the development of local companies and their ability to meet the needs of the oil sector. And it is unclear at the moment how this demand for qualified people can be met from existing resources. Although both the industry and BP are currently exploring various alternative approaches.

Thus from my perspective local content represents several challenges both for companies working here and for Angola as a country. In order to meet those challenges industry and government and local institutions need to work together cooperatively to ensure that solutions are identified and implemented.

Thank you.