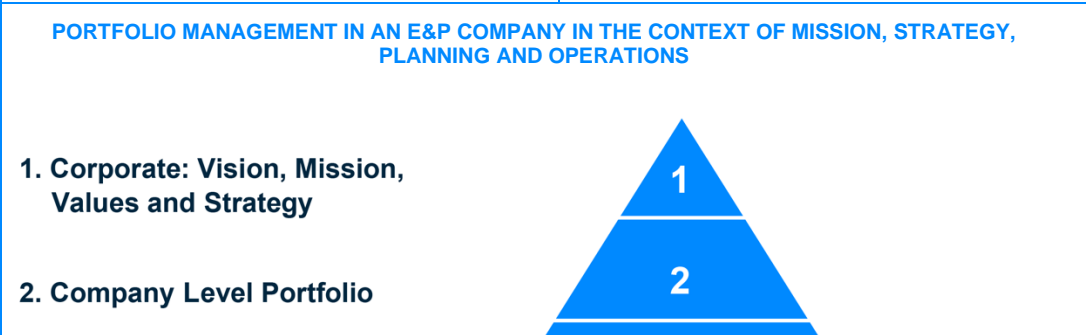


Risk and uncertainty abounds in E&P. Many decisions are highly complex. In this environment Portfolio Management helps executives make the best investments and maximise shareholder returns. A key aspect of portfolio management is building in the flexibility to change direction as the business environment changes. We call this optionality. Listed below are the Key Success Factors (KSF) for creating optionality at all different levels.

<p><b>1 CORPORATE LEVEL KSF</b></p> <ul style="list-style-type: none"> <li>• Strong strategic direction and engagement</li> <li>• Deep and broad sources of finance</li> <li>• Strong and current balance sheet</li> <li>• Well-defined decision-making process</li> <li>• Strong corporate and project governance</li> <li>• Respected management with track record</li> <li>• Ability to rationalise and consolidate</li> </ul>	<p><b>2 COMPANY LEVEL PORTFOLIO KSF</b></p> <ul style="list-style-type: none"> <li>• Balanced portfolio of projects</li> <li>• Deep and broad opportunity set</li> <li>• Strong JV and industry relationships</li> <li>• Flexible work force</li> <li>• Rigorous assessment of performance</li> <li>• Ability to leverage strengths and hedge weaknesses, across the value chain</li> <li>• Strong risk and knowledge management systems</li> </ul>	<p><b>3 BUSINESS UNIT LEVEL KSF</b></p> <ul style="list-style-type: none"> <li>• Evaluation of current resource levels</li> <li>• Efficient allocation of resources and planning across multiple projects</li> <li>• Efficient supply chain management</li> <li>• Coherent licence strategy across projects</li> <li>• Development and use of technology</li> <li>• Market and oil and gas</li> <li>• Tax optimisation</li> </ul>	<p><b>4 PROJECT LEVEL KSF</b></p> <ul style="list-style-type: none"> <li>• Accurate budgeting, forecasting and scheduling</li> <li>• Flexibility in design parameters</li> <li>• Flexibility in contractual and commercial terms</li> <li>• Effective project management</li> <li>• Managing pre-emption rights</li> <li>• Relationship with government and NOC</li> <li>• Stakeholder management</li> </ul>
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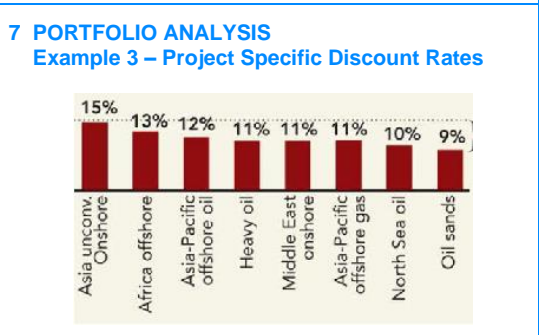
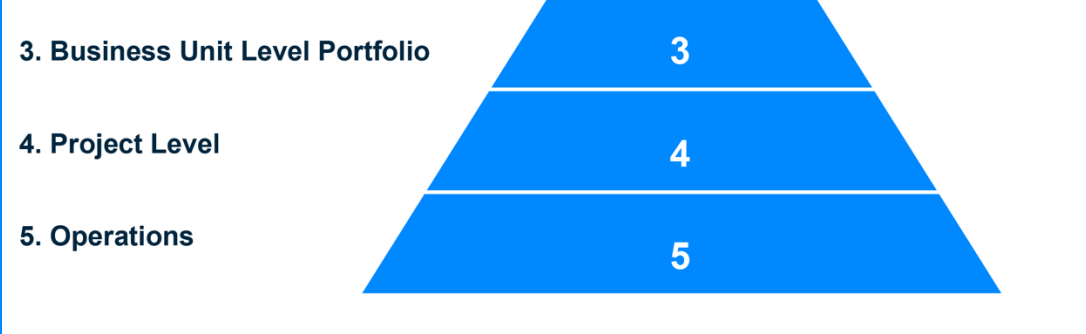
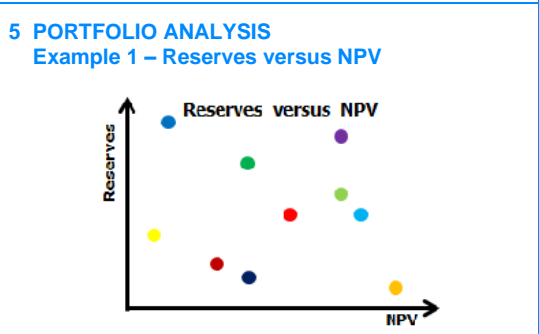
**OPTIONALITY**

“A company has optionality if it can quickly and efficiently shift its focus from underperforming assets to better-performing ones that fit with its strategy and enhance portfolio value.”  
– EY



**PORTFOLIO OPTIMISATION**

“Exploiting the interplay between existing and potential projects to arrive at the optimal balance of investment, risk and reward”  
– RPS Energy



- 8 MANAGING THE PORTFOLIO**
- 1 Regularly review the portfolio
  - 2 Make investment decisions:
    - a) In absolute terms and relative to other opportunities
    - b) On stand-alone and aggregated levels
  - 3 Seize opportunities and reduce risk with fast and flexible decision making
  - 4 Keep optionality on big decisions to ensure fast response to future changes
  - 5 Be prepared to take tough decisions

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