



Local Supply Chain: Make it Count?

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MANY HANDS MAKE LIGHT WORK. A VITAL ETHOS TO thrive in the great energy transition, as fossil fuels and renewables emerge as two sides of the same coin. Worldwide, local supply chains are often the unsung champions of affordable and sustainable growth. Muscat must keep turning up the volume.

Local expertise is an engine for growth; one that can tick over or one that can roar. The latter requires the celebration and increase of local entrepreneurs and small and medium-sized enterprises (SMEs). Team work lies at the heart of success, as best said by His Majesty Sultan Qaboos bin Said on the day of his accession on 23 July 1970: "My People, I will proceed as quickly as possible to transform your life into a prosperous one with a bright future. Every one of you must play your part towards this goal." This still rings true, nearly half a century later.

Oman also needs to keep pace with international progress. In the wider GCC region, SMEs are forecast to grow by 156% in the next five years, with the sector set to be worth \$920 billion, according to MENA Research Partners (MRP) last year. The SME sector in the Gulf will employ 22 million people by the early 2020s – gold dust for a region with high unemployment rates and endless potential for ground breaking ideas.

Accordingly, Shell Oman has been a key participant of in-country value (ICV) for nearly six decades through its joint ventures. The stronger the Sultanate's talent pool, the more ground breaking the results. Omanis account for more than 85%

of the in-country workforce in Shell companies in Oman and in 2018 Shell provided more than 66 training, further education and on-the-job development opportunities for our employees and the next generation of Omani professionals. We are far from alone; many in industry make a meaningful effort. In 2018, Petroleum Development Oman (PDO) has fully Omanised its hoist fleet for the first time after agreeing contracts with five local companies worth more than US\$800 million. Another ICV highlight from PDO is its National Objectives programme, which seeks to create more than 50,000 employment opportunities for Omanis since its launch in 2011. Shell Oman Marketing Company has provided more than 120 opportunities for local companies to be retailers and operators across its strategically located service station network in Oman.

PRIDE MATTERS

Building national pride in the local value chain is the first step. A more holistic celebratory approach can unlock novel ideas across the socio-economic profile. For example, energy companies in Singapore champion the CEO as much as the individuals at the bottom of the hierarchy so that all the 'slices in the corporate pie' are equally valued. In a chicken-and-egg scenario, this encourages government, larger corporations and financial institutions to help the local value chain overcome the oft-discussed hurdles. Supportive policies that accelerate progress, sharing of research and development, technologies and the accessibility of funds are at the top of challenges that more established parts of the energy

ecosystem can help the local value chain scale. This collaborative dynamic in Oman's oil and gas industry is constantly improving; these lessons must also migrate to the greener market. The two sides of the coin must be equally robust.

MORE CHOICE?

The Oman Power and Water Procurement Company (OPWP) has been very successful at tendering central generation and providing the bulk of supply for the sultanate. Historically, the Government's greater control has worked well for two reasons. Firstly, to ensure an affordable balance between demand and consumption, with a 6.5% surplus acting as a buffer for forecasted peak demand. In the last fifteen years, generation has only dipped below consumption once. Subsidies are the second reason; the government has had to keep a firm eye on spending to sustain this privilege.

But there's a catch. The current regulatory framework in Oman means one can only sell electricity to OPWP, and only if it is generated by a project that has been tendered by OPWP. Consequently, all immediate solar generation, especially larger projects, will likely be awarded to the lowest tariff for the tender. This risks diluting the sustainable ICV impact of a project, including the inclusion of the local supply chain. What can be done to broaden the profile of participants in this tender process?

As energy demand grows and the country's subsidy program is reshaped, an architecture with the option for distributed generation will help ease the pressure on government and sustain efficiency. Plus, surely stimulating entrepreneurialism, innovation and competition among SMEs won't hurt?

Occasionally, the make-up of an energy project will be too complex to 'unbundle' to give more opportunities to the local supply chain. In this case, an SME could 'shadow' the lead company or companies as part of a training program. This would strengthen the ICV of the local supply chain, reinforce SMEs' ability to bid on the next project, support the corporate and social responsibility (CSR) goals for the lead company and generally improve knowledge-sharing in Oman's energy ecosystem. In short, it's a win-win.

Inevitably, stumbling blocks will emerge. Some engineering, procurement and construction (EPC) contracts for SMEs act as

a cover to open a floodgate for expatriate workers, which dilutes the true measure of ICV and Omanization, for example. But this challenge is hardly insurmountable. Eagle-eyed stakeholders across the ecosystem – industry, Government, academia, financial institutions – with the common goal of supporting the local value chain can halt this activity.

GET ORGANIZED

How the local value chain is categorized matters; in terms of skill, size, capabilities, geographies and so on. Proper data management will ensure that the right local expertise can bid for the right projects. Steps in this direction are already being made, as illustrated by the Omani Authority for Partnership for Development, to manage the Partnership for Development program. The objective is economic diversification and support of strategic sectors through technology, leading to a knowledge-based economy ideally through joint ventures. Note the last two words: joint ventures. But this is just one step; many more are needed.

Aspiring for a knowledge-based economy as per the National Vision is no small feat. The more we know about the skills we have in Oman now, the more accurately we can nurture the skills needed for the 2020s and beyond. The sands are forever shifting. For example, a quarter of a century ago, chemical engineering was largely focused on raw materials and commodities. Today, it is primarily focused on specialty chemicals. Within this same time period, renewable energy has transformed from a bespoke utilization by a few into a mainstream method adopted by governments and multinationals.

More informational advertising campaigns that highlight the value of the local supply chain in this energy transition are essential to attract the brightest minds; today's best students are tomorrow's energy pioneers who will make the engines of growth roar. All hands are needed at the pumps. □