

Let us speak post development de-manning

Construction activities related to a large oil and gas project require significant number of personnel in the surrounding area. By contrast, the operation phase will involve relatively few personnel and will therefore generate only limited new employment opportunities. There is therefore between the end of the construction phase and the first oil, a very abrupt reduction of the workforce which can have a significant impact directly (through unemployment) and indirectly (drop of consumption of goods and services) on the local economy. De-manning represents a social risk for an oil company and its major contractors particularly when a large part of the construction staff has been recruited locally. When badly managed, it can lead to acute social movements including strikes and even sabotage which can in turn affect the delivery of the project and the future production.

A typical example (Chirag Oil project-Azerbaijan) is presented in **Figure 1**. The national workforce peaked early 2011 exceeding 2000 for a period of approximately 18 months. Approximately 10% of the regional population¹ could benefit directly from the construction phase. The initial de-manning phase took place over a period of approximately one year with a very abrupt drop at end 2012.

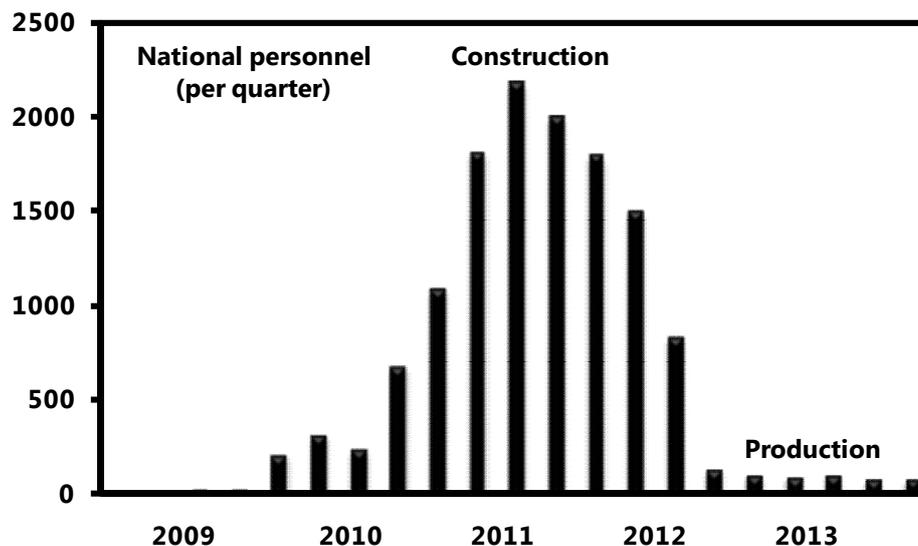


Figure 1 – Ramp up and de-manning of the Chirag Oil project² (Azerbaijan)

The giant Kashagan Onshore Processing Facilities located 30 km east of Atyrau which peaked at 22,000 workers (85% nationals and mainly recruited in the Atyrau region) in 2010 during the construction phase was reduced to a few thousands three years later when production was supposed to start. To minimize the impact of de-manning, planning for the conclusion of contracts will begin at the outset of the construction

¹ The regional population is estimated at 100,000 and 1 position is supposed to impact a family of 4 people

²http://www.bp.com/liveassets/bp_internet/bp_caspian/bp_caspian_en/STAGING/local_assets/downloads_pdfs/c/COP_ESIA_18_Socio_Ec_IA_en.pdf

phase. Staff communications will ensure the workforce is aware of project progress and completion dates and staff will be provided with financial planning advice to encourage them to make provisions for the post-construction period. Training programs will be developed for employees to be in a better position to seek employment once their contract ends.

A register of construction phase employees will be established prior to de-manning, and will attempt (as far as possible, and depending on the cooperation of departing staff) to track progress in securing subsequent employment. The register will be maintained for the duration of the construction phase.