

ASSESSING THE BENEFITS OF AN OIL & GAS CONTACTOR TO A LOCAL ECONOMY: A MEASURE OF EXTERNALITIES' EFFECTS OF SAIPEM'S LOCAL CONTENT STRATEGY

Overview

Saipem, a global contractor in the O&G business, has implemented a sustainability business oriented model to support the creation of long term value for its stakeholders in the areas of operations. Given the maximisation of Local Content is a mean of achieving the integration of the business within the local socio-economic context and to strengthen its license to operate, reputation and business development, the company has adopted an approach to promote a more sustainable development in the local context, to contribute to the creation of wealth among local communities.

Methods

To provide a quantitative evaluation of the socio-economic effects of this strategy, Saipem designed a model to quantify and evaluate the so called "externalities" calculated as the direct, indirect and induced impacts generated into the local context in a specific timeframe and associated with Saipem's operations.

Three categories of impact were analysed and measured:

- 1) economic output - in terms of locally sourced purchases, taxes paid to local authorities, and remuneration of employees;
- 2) employment - total number of jobs created;
- 3) human capital development - increased life-time earning expectancy due to the training performed by Saipem.

For each category, the total impact (given by the sum of the direct, indirect and induced impacts) and the multiplication factors (which indicated the size of the impact) were calculated also by using some macroeconomic indicator.

The methodology has been applied to various areas where Saipem operates: Kazakhstan, Peru, Angola, France, Nigeria, Indonesia, Saudi Arabia and in two cases to O&G projects for clients: Suriname and Australia.

Results

In most cases results have been impressive, also in terms of percentage contribution to the country GDP. Results can be presented to local stakeholders: clients, local authorities and communities in order to show, in monetary terms, the contribution of Saipem's Local Content Strategy to the Country/region socio-economic system.

This methodology can also be used to optimize efforts of investments in the specific areas (including those for local communities) and to help clients, especially in relevant projects, to show the value of the operations to contribute to local development and to get interested parties' consensus (national authorities, project funders, local communities and organizations).

Conclusions

The model is actually a tool to quantify the economic impact and the growth that can be supported by a local content strategy, including the investment on local capacity through training and know-how transfer. It is a way to give a chance to sustainability to be a competitive advantage in providing evidence of the value generated to stakeholders.

References

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Abstract

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