



Petrofac 

LSE Growth Commission

Promoting Enterprise and Skills for Growth

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Introducing Petrofac

- **Petrofac is the largest UK-listed service provider to the international oil & gas industry (FTSE #58)**, with more than 15,000 employees across the world
- **We have 30 years' experience and a track record of several hundred projects** across our key markets of the Middle East, Africa, CIS, Asia Pacific and UK Continental Shelf
- **Our capabilities span the oil & gas value chain**; subsurface, asset management, field development, engineering, construction, operations, maintenance and training
- **We provide these services as standalone offerings but increasingly we offer our capabilities as integrated services** to resource holders to enable them to develop their assets – we call this business “Integrated Energy Services” (IES)
- Whilst IES may deploy capital, **we are fundamentally a service company, not an oil company** – we don't do exploration and we don't seek to book reserves
- We have been **ranked number one EPC contractor in 2010 and 2011 in Oil & Gas Middle East** and annually train more than 50,000 delegates

Our UK presence

Main centres of UK activity

Aberdeen (4500 staff)

- Provider of operations & maintenance services as well as asset modifications
- Deliver offshore safety, survival, and emergency response training
- Petrofac provides O&M and Engineering services to over 25% of UKCS oil production

Woking (500 staff)

- Concept and Front End Engineering Design centre
- Centre of excellence for subsurface disciplines and drilling & well management

London (100 staff)

- Group corporate services
- Listed on the London Stock Exchange

Key UK projects

Dons/ Enquest

- Fast track development of Don field
- Formation of new FTSE company Enquest

Stella Area Development

- Equity holder in development
- Providing floating production unit

Laggan Tormore, Shetland

- Delivering onshore processing plant for TOTAL's West of Shetland development

Gas storage and CCS

- Development partner in Gateway natural gas store (Irish Sea)
- Developing Caledonia Carbon Capture and Storage project for DECC competition

Why did I set up in the UK?

- Stable rule of law – *a huge attraction*
- Geographically well situated between US and MENA/Asian Markets
- Global hub for financial and other professional services hub in London
- Strong, independent currency
- Good education system, high quality of life
- Home of the international language of business
- UK is currently ranked seventh in the world (and third in Europe) in the World Bank's Ease of Doing Business Index

The UK should encourage foreign entrepreneurs to build enterprises, not just inflate asset prices

Ideas to support enterprise development

- Link the beneficial personal tax situation for foreign high net worth individuals with a requirement to develop their business in the UK
- Offer tax breaks on bringing foreign earnings into the UK if they are used to create jobs and revenue
- Structure the Tier 1 investor visas with a similar requirement of demonstrating the jobs/revenues generated, similar to a Tier 1 Entrepreneur visa
- Offer tax breaks to foreign businesses to encourage enterprise start-up/expansion in the UK
- Promote the advantage of the UK's stability in a turbulent world
- Streamline the business registration process
- Establish a foreign entrepreneur “steering group” to support this agenda

The UK is in danger of falling behind other economies in its infrastructure development

Transport

- Heathrow and City Airports are at their limits – we need the new capacity
- We are not connected well enough to the emerging economies – BA from Heathrow only flies direct to 13 Far East destinations, while Emirates from Dubai flies to 30 destinations in the same geographies
- Cost of rail travel - UK season ticket costs for Medium distances (17-40km) are 1.88 times higher than the next most expensive country ¹
- We have 71km of High Speed Transit in operation, relative to 1185km in France

Energy

- Huge investment required in power generation & grid simply to keep the lights on!
- Further challenge to meet our CO2 emissions reduction targets

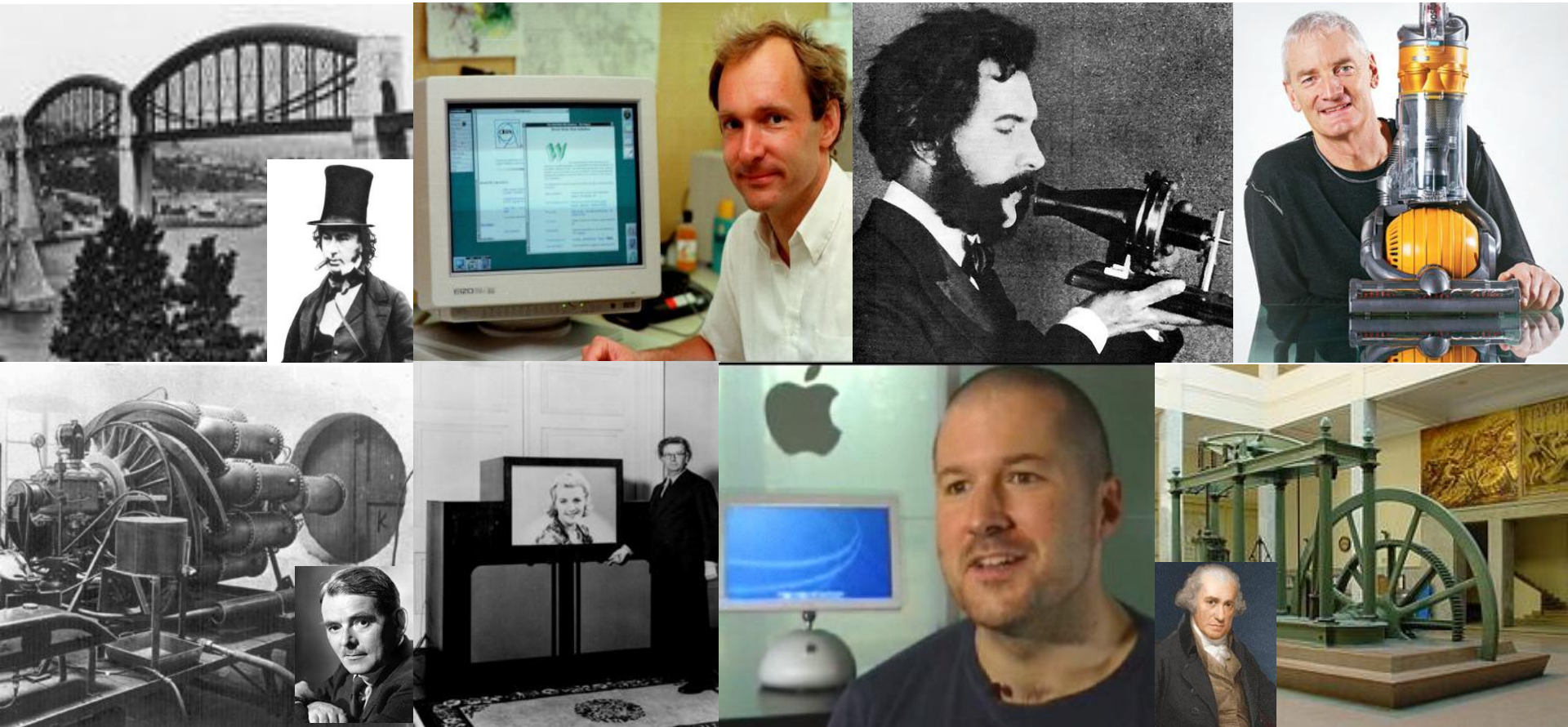
Communications

- UK has the 25th fastest average broadband speed ², making it slower than Moldova, Romania and the Netherlands

1) Passengerfocus: Fares & Ticketing Study 2009

2) NetIndex.com, 2012

Science and engineering have been a critical part of our economic past – we can't forget these roots



We need proactive mechanisms to develop the UK's technical skill base

Ideas to support development of the UK skills base

- Invest to promote UK science and engineering
 - celebrate UK successes to elevate the sector and career
- Create linkages between industry and education through scholarships, sponsorships, apprenticeships, awards, Reality TV competitions...
- Enhance the use of incentives (for both teachers and pupils) to increase focus on Maths and Science at school
- Use market mechanisms/financial incentives to encourage skills development in key areas for the UK economy e.g. In Engineering, Geology, Petrophysics...
 - Cheaper course fees
 - Lower student loan rates
 - Longer pay back periods



However, by focusing on a few strategic sectors I believe we can develop differentiated capability

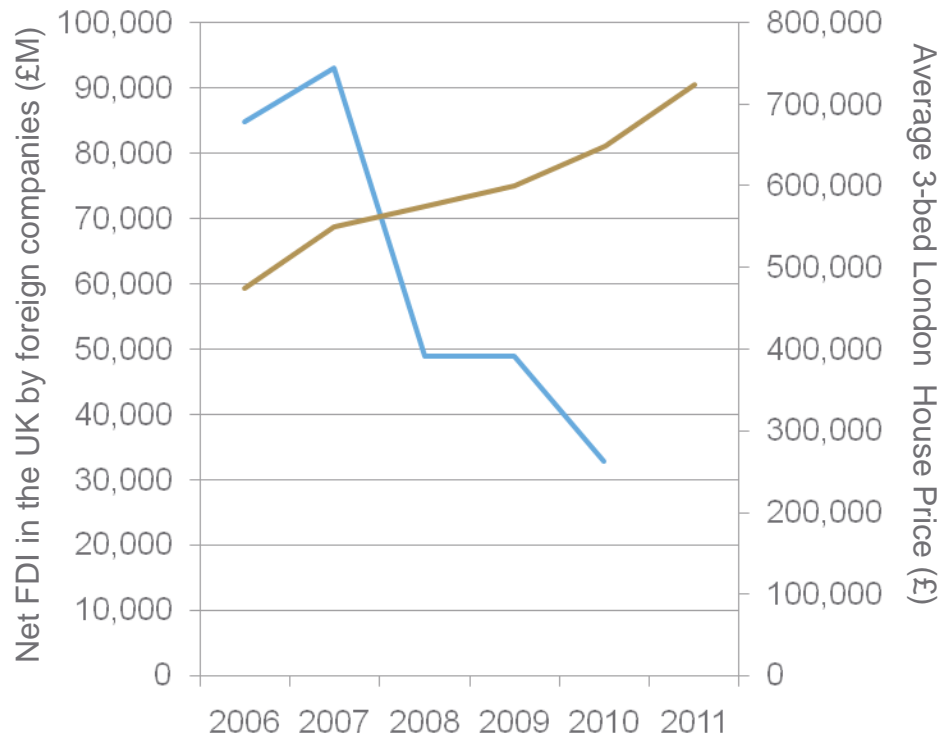
- Identify and select 3-5 strategic sectors to drive, excite, build and expand UK engineering and scientific talent
For example: Oil & Gas, Renewables, Aerospace, IT, Pharma/Biotech
- Use the UK's experience and mature market environment as a platform to develop top end capabilities that can then be exported globally to solve the engineering and scientific challenges of others
- Support this sector focus through:
 - R&D grants to universities in key enabling technology areas
 - R&D tax breaks to companies investing in these areas
 - Creation of innovation clusters with incentives to encourage start ups

Summary & thanks

Backup

UK FDI versus House Prices in London

Foreign Investment in the UK versus
Average 3 bed London House Price

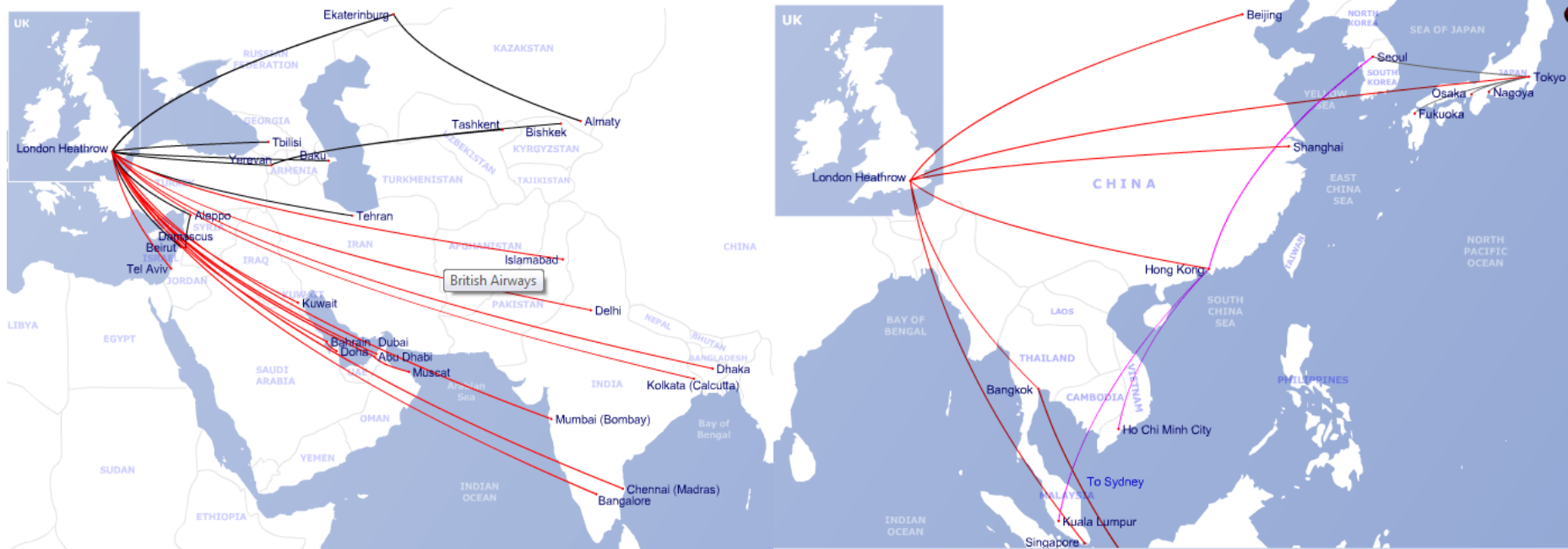


Source: ONS, London Property Watch

Dubai – Far East (Emirates) – 30 direct stops



London– Far East (BA) – 13 direct flights



Today engineering has a serious image problem - the value proposition is increasingly unattractive

Career path	Starting Salary	Career Path	Lifestyle
Manufacturing Engineer	£20,000-£25,000	3-5 years professional development before Chartership, often long engineering projects, but responsibility for people and assets	Often based in remoter parts of the UK, with less career mobility
Oil & Gas Engineer	£25,000-£30,000		Highly mobile career, but to less desirable locations (Nigeria, Iraq...)
Professional Services (e.g Banking)	£40,000+	On the job training, large bonus incentivisation, meritocracy based promotions quickly leading to seven figure compensation	London based with shorter business travel to other major cities