TLB Workshop on non-digital blockers to digital progress

Breakout session 1: Contracting & Supply Chain

Introduction

Digital brings time and costs efficiencies for all those involved in the energy industry, and can enable transformational value creation. But capturing this value in contracts can be hard. The legal team's job is to ensure the contract manages cost, scope, and risk for the company and the contractor. How do companies engage in the supply chain to ensure risk in a more digital delivery model is fairly apportioned, the value from cost and time efficiencies is appropriately shared, and at the end of the day, the contract delivers for the customer?

Participants were asked to speak about one example in your business where they'd had success in realising digital value through contracts and the supply chain; and / or one challenge that must be addressed for this to happen.

Outputs

The breakout session ran twice, and was guided by the inputs and context of each group of participants. The first session focussed on challenges in procurement and supply chain teams and processes, while the second considered question of trust, partnership, and fair apportionment of the outcomes of collaborative while; and the impact of contract processes on how well digital collaboration is represented in current contractual forms.

Outputs were captured in flip charts, which are shared as an appendix to this document.

Key learning and actions for the Technology Leadership Board to consider were as follows:

1. **Procurement and Supply Chain Teams are not digital experts.** What training / support is available to ensure awareness and understanding of digital requirements, the value arising from these, and how this value is captured and evaluated in tender and contractual processes?
2. **Maintaining the 'Golden Thread' of data requires consistency of approach across the value chain.** To protect the value and efficiency arising from data and digital-centric ways of working, all companies in the supply chain – from operator to SME – must adopt a common base level of consistency regarding data and digital requirements, and ensure these are clearly and effectively captured in contracts. This ensures reasonable data standards are specified, and clear expectations on digital working practices and deliverables are set out, so that valuable data and modern digital ways of working are maintained and exchanged across all links in the contractual chain.
3. **An Industry Digital Charter should set out minimum expectations between suppliers and buyers regarding digital working practices.** With a common foundation of consistent digital expectations placed on buyers and suppliers alike, industry working practices will transition to a basis of 'presumed digital', delivering the long term, full lifecycle benefits of digital working.

4. **Contract Forms should be updated to incorporate basic digital expectations.** New contracts are often created through modification of the previous contract, perpetuating historic contractual norms, and creating a significant barrier to change. Legal procedures should be updated to ensure explicit consideration of current digital requirements; and the LOGIC Standard Contracts should be reviewed to determine how best to ensure current digital requirements are considered in the context of an otherwise standard contract form.
5. **The Supply Chain Action Plans (SCAPs) provide an opportunity for the NSTA to monitor for, and encourage more digital working practices.** Albeit the SCAPs focus solely on new projects, their aim of maximising value from project activity aligns perfectly with the adoption of digital working practices. SCAPs should be modified to require explicit consideration of how "presumed digital" working practices may become the norm across the value chain, and how this expectation is included in contracting strategy, and contract forms.

Flip Charts