

BIZVOICE

OPINION

BEWARE OF THE INEXPERIENCED LEADING OIL COS. AMID THE SLUMP



THINKSTOCK



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A total of 351,410 jobs have been slashed by oil and gas companies worldwide, with the oil field services sector bearing much of this burden, according to a May 2016 report in Oilprice.com. Since then, it is now informally estimated that more than 500,000 industry jobs have been lost. A trend of headcount reduction notifications continued to barrel through the summer of 2016.

While sketching out a wicked scenario, spawned nearly three decades ago during the 1980s industry downturn, volatility of the '90s, the financial crash of 2008, commodity price fluctuations of 2015-16, a future rife with potential for calamity emerges.

The resultant future prediction should evoke a chill down the spines of the most seasoned and oil and gas professionals.

While this article is not intended to insult or diminish the integrity or inherent talent of the Gen-Xers and Millennials entering the oil and gas workforce, it is suggested that oil field operational risk will increase as a result of the intersection of many factors at play. When the oil and gas industry makes a turnaround, people, younger than ever before, will assume positions of authority. And those people will be taking on positions of authority with less experience than ever before.

The industry downturn of the '80s, its large-scale job losses and flight of technical professionals out of the workforce (many never to return) set the stage for a weakened and uneven age-experience distribution. Along with the impact of the ongoing "Great Crew Change" as Boomers retire, and deep staff losses recorded through 2015-16, a shaky picture emerges, setting the stage for safety and environmental transgressions.



WHAT OFTEN HAPPENS DURING A DOWNTURN IN THE OIL AND GAS BUSINESS?

- ▶ **Reduction/cessation of drilling activity and delay or cancellation of major capital projects.** Large projects have in the past served as real-time training grounds for young professionals under the mentorship of older, experienced workers.
- ▶ **Interruptions to scheduled maintenance.** As part of capital budgets and cost-cutting actions, normally scheduled maintenance activities may be delayed or reduced in frequency.
- ▶ **Operational and safety training sent to the backburner.** The oil and gas industry sees a reduction or cessation of important training in operational and workplace safety practices; it is a time-tested industry occurrence that with downturns the "first thing to go" are training courses and drills.
- ▶ **Loss of mentorship through staff reductions and retirements.** As Baby Boomer oil and gas professionals (making up 71 percent of the workforce according to the American Petroleum Institute) are retiring in droves, an exacerbation in a shortfall of technical expertise and mentorship is taking place. Highly experienced and "field-tested" Baby Boomers fill a critical role in mentoring younger staff and as role models for safe oil field practices.

Through these pressures on the system, significant safety concerns are growing. With younger people being thrust into positions of responsibility, jinxed by inattention to operational, safety training and lacking real-time field experience, it is only natural that workplace safety and environmental considerations will be compromised.

Well-known in the history of the oil and gas industry is the very tragic Piper Alpha disaster. The event occurred in July 1988, resulting in a loss of 167 lives. The

Piper Alpha disaster occurred as the oil and gas industry was starting to expand two years after the bottom of the 1980s downturn. The Piper Alpha investigation came up with over 100 recommendations in the Cullen Report. Through these recommendations, the offshore oil and gas industry was able to improve safety management practices.

Professor Andrew Hopkins is a renowned Australian sociologist having written numerous books on major safety incidents such as Longford, Texas City, and Macondo events, as well as participating in the incident review boards. He said, "In my own work, for every accident I studied I asked myself whether cost-cutting was a contributory factor. In most cases it was possible to demonstrate that cost-cutting had been taking place prior to the accident, that it had resulted in cutbacks in training, supervision and maintenance, among other things, and that weaknesses in these areas had in turn contributed to the accident. On this basis one could say that cost-cutting was a contributory factor to these accidents."

When the industry does eventually pull out of this latest downturn, significant effort and resources will be required to ensure there is no lack of experience, or loss of focus on safety for people in key operational or leadership roles. Short Service Employee programs are common in the industry on the rig floor or worksite, to help track the mentoring and manage the risks involved for blue-collar workers. A similar process to manage risk will be critical for people who move into leadership or operational management roles. A last piercing question is "who" will be available to mentor our fledgling technical professionals in the aftermath of the 2015-2016 downturn-accelerated "Great Crew Change?"

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