Supply Chain Development

Paul Goiak
Director
Industry Participation

statedevelopment.sa.gov.au  @StateDevSA
Disclaimer

The information contained in this presentation has been compiled by the Department of State Development and originates from a variety of sources. Although all reasonable care has been taken in the preparation and compilation of the information, it has been provided in good faith for general information only and does not purport to be a professional advice. No warranty, express or implied, is given as to the completeness, correctness, accuracy, reliability or currency of the materials.

The Department of State Development and the Crown in the right of the State of South Australia does not accept responsibility for and will not be held liable to any recipient of the information for any loss or damage however caused (including negligence) which may be directly or indirectly suffered as a consequence of use of these materials. The Department of State Development reserves the right to update, amend or supplement the information from time to time at its discretion.
Content

• Economic Priorities and Resource Industry Indicators
• Identifying Opportunities
• Government Support Programs
• 2015 Oil and Gas Supply Study Tour
Content

• **Economic Priorities and Resource Industry Indicators**

• Identifying Opportunities

• Government Support Programs

• 2015 Oil and Gas Supply Study Tour
South Australia – Economic Priorities

P1 – Unlocking the full potential of South Australia’s resources, energy and renewable assets

P4 – The Knowledge State – attracting a diverse student body and commercialising our research

P6 – Growth through innovation

P10 – South Australia’s small businesses have access to capital and global markets
South Australian Resources Industry Indicators

**$647.6 million EXPLORATION EXPENDITURE  2013-14**
- Petroleum ($531.3m) and Minerals ($116.3m)

**$1.8 billion CAPITAL EXPENDITURE  2013-14**
- ~$30 billion of potential capital for Minerals and Energy projects in the Major Developments Directory

**$7.5 billion RESOURCES PRODUCTION  2013-14**
- Minerals ($5.6 b) and Petroleum ($1.9 b)

**$4.8 billion EXPORTS  2013-14**
- Minerals ($4.6 b) and Petroleum ($0.2 b)
- 39% of South Australia’s total exports ($12.4 b)

**$291.3 million ROYALTIES  2013-14**
- Minerals ($157.4 m) and Petroleum ($133.9 m)

**13,509 people EMPLOYED  August 2014**
- more than double - 6,641 ten years ago
Content

• Economic Priorities and Resource Industry Indicators

• **Identifying Opportunities**

• Government Support Programs

• 2015 Oil and Gas Supply Study Tour
Focus on Value-Add

Strategic Capability Development

1970s
2000s

Value Added

Design Production Service

MANUFACTURING ACTIVITIES

Source: Veugelers, 2013, p.27, based on original concept by Shih, 1992.20,21
Example Supply Chain Gap Analysis

Pressure pumping (frac), drilling rigs, and water will drive nearly 60% of 3rd party costs in many plays

Operator 3rd Party Spend by Category (3-year)

Stimulation/Completion = 39%

Drilling Rigs = 11%

Water Treatment/Disposal = 9%

\[ \Sigma = 59\% \]

Source: PacWest Analysis; Macquarie

statedevelopment.sa.gov.au  @StateDevSA
Content

• Economic Priorities and Resource Industry Indicators

• Identifying Opportunities

• Government Support Programs

• 2015 Oil and Gas Supply Study Tour
Mining and Petroleum Services Centre of Excellence

The South Australian Government has committed $10 million over five years towards the development of strategically important capabilities in areas such as:

- deep gas well operations and training
- deep resource exploration and deep mining
- leading practice in mine rehabilitation and environmental protection
- mine-to-mill optimisation, ore selection and pre-concentration and mine logistics
- automating the resource sector through innovative ICT applications across the entire mining lifecycle
- leading practice in multiple land use policy and community engagement, and
- next generation minerals processing
Criteria for Funding Project

- Build on existing SA comparative advantage, either in terms of research, industry or natural endowments
- Have industry funding or in-kind support
- Have material impact and be identified as priority for industry
- Solve problems which industry can’t solve itself
- Have multiple partners and require a collaborative approach, and
- Be publicly reportable
Governance Structure

- **CoE Executive Committee**
  - Provides formal approval of project funding

- **MIPO Advisory Council**
  - Reviews projects and makes recommendation to the CoE Executive Committee on project prioritisation and funding
  - Generates recommendations for new projects to be considered

- **CoE Secretariat**
  - Entry point for inquiries and project proposals
  - Manages CoE activities and funding
  - Supports the Advisory Council and Executive Committee
  - Connects SMEs, resources industry and researchers

- Individual projects managed by lead project partner
Projects to date

The following projects are being supported by the CoE:

- Onshore Petroleum Centre of Excellence training facility;
- Australia's first comprehensive ICT Roadmap for Minerals and Energy;
- Brukunga Mine Skills Centre Feasibility Study;
- Remote Mining Operations Centre;
- Chair of Geo-statistics and Qualitative Geology;
- South Australian Research Fellowship in Unconventional Energy Resources;
- The Real-Time Drill Site; and
- Australian Copper/Uranium Transformation Research Hub
New Onshore Oil and Gas training facility at Tonsley
Remote Mining Operations Centre

• Implementation of a pilot project to determine the feasibility of a collaborative, open platform for the minerals and energy sectors

• $383k funding plus in-kind support from Oz Minerals & HP
Future Projects

- Can be generated by SMEs, the resources sector or researchers
- Can evolve through existing process
- Can be brand new ideas
- Need to meet CoE criteria
- Need to leverage SA comparative advantage
Business Model Innovation Program

• Helps companies to understand how they can be more profitable through innovative business models

Delivered by Professor Göran Roos – world renowned innovation expert

BMI Program includes:
- 7 one day modules – each approximately three weeks apart
- Each firm expected to have 3 participants, including the Chief Executive

• Past Participants

[Logos of past participants]

[Website and Twitter handle]
The Industry Capability Network (ICN) in South Australia

- ICN in South Australia is part of a National ICN Network with offices across Australia and New Zealand
- ICN provides the pivotal link between major project requirements and the best suppliers
- ICN draws on capability information on suppliers from its database of over 60,000 companies

[Logo of ICN]

[Website and Twitter handle: statedevelopment.sa.gov.au @StateDevSA]
ICN Gateway

- ICN Gateway is a powerful online tool that allows ICN to match suppliers with projects
- Currently there are currently over $319 billion worth of projects and over 60,000 registered suppliers listed
- ICN Gateway allows industry to open up new opportunities for Australian and New Zealand suppliers within major projects, both here and overseas

www.gateway.icn.org.au
ICN BP Portal

www.bpgab.icn.org.au

statedevelopment.sa.gov.au   @StateDevSA
Content

• Economic Priorities and Resource Industry Indicators

• Identifying Opportunities

• Government Support Programs

• 2015 Oil and Gas Supply Study Tour

statedevelopment.sa.gov.au  @StateDevSA
2015 Oil and Gas Supply Study Tour

Purpose:
To expose industry to supply chain, market intelligence and opportunities
## Proposed Itinerary

<table>
<thead>
<tr>
<th>Day</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday Feb 3</td>
<td>Arrive in Houston</td>
</tr>
<tr>
<td>Wednesday Feb 4</td>
<td>Meetings and site visits to facilities in Houston</td>
</tr>
<tr>
<td></td>
<td>Evening networking event</td>
</tr>
<tr>
<td>Thursday Feb 5</td>
<td>Australian American Chamber of Commerce (AACC) - Energy Conference</td>
</tr>
<tr>
<td>Friday Feb 6</td>
<td>Travel by bus from Houston to the Eagle Ford for site visits</td>
</tr>
<tr>
<td>Saturday Feb 7</td>
<td>AACC Energy Conference Gala dinner</td>
</tr>
<tr>
<td>Sunday Feb 8</td>
<td>Travel to Pittsburgh - Marcellus Shale</td>
</tr>
<tr>
<td>Monday Feb 9</td>
<td>Site visits and meetings in Marcellus Shale area</td>
</tr>
<tr>
<td>Tuesday Feb 10</td>
<td>Site visits and meetings in Marcellus Shale area</td>
</tr>
<tr>
<td>Wednesday Feb 11</td>
<td>Return to Adelaide</td>
</tr>
</tbody>
</table>
SOUTH AUSTRALIA
Department of State Development

PAUL GOIAK
Director, Industry Participation
Ph: 08 8303 2465
paul.goiak@sa.gov.au
www.statedevelopment.sa.gov.au