

LNG Talent Strategies: Time for a Re-think?

HARRIER HUMAN CAPITAL

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Securing LNG Talent

The opportunities are there.
But where are the people to
take advantage?

Over the last decade, Australia has established itself as the world's fourth-largest liquefied natural gas (LNG) exporter, and the third-largest in Asia Pacific. Seven mega-projects currently under construction, including three developing coal seam gas – an activity until recently relatively untouched here – serve to underline the enormity of untapped potential.

Yet skills shortages potentially limit businesses capitalising effectively on Australia's natural resources. Operators, contractors and support service companies alike face complex challenges in their efforts to attract and retain talent. With over \$424 billion already committed to major resources projects, and \$316 billion in the pipeline, it is estimated that at its peak, on-site labour force numbers stand at some 130,000 construction workers (at all levels), with some 20,000 more in engineering and technical roles.

Is it just about skill shortages? If only...

But the industry is operating against a context of continued uncertainty and periodic fears of decline in the global economy, and is subject – directly or indirectly – to the knock-on effects of turmoil in the Eurozone and a slowdown in the US. Closer to home, volatile foreign exchange rates, a thirst for commodities across Asia and the enormous investment required to satisfy demand, mean projects face increased scrutiny. Government and regulatory approval must be obtained on a host of complex, inter-related factors covering every aspect of design, implementation, execution and production, from environmental responsibilities and community engagement through to health and safety measures and sustainable energy strategies. And each of these considerations has implications for talent too, with often highly specialised knowledge and requiring experience that at the best of times may be thin on the ground.



Projects rarely enjoy an easy road. The engineering scope of the Ichthys gas field project had to be changed midway through front end engineering design (FEED) with its onshore facilities, originally planned for the Maret Islands, being moved to Darwin due to environmental concerns. This resulted in project delays, increased costs and substantially increased project complexity. Gorgon, the country's largest resource project, needed to overcome years of preliminary submissions and assurances before construction could finally commence in 2009. Meanwhile, projects such as Sunrise and Browse, both of which promise potential for sustainable production and significant economic contribution, continue to experience challenges associated with complex regulatory and political environments, environmental approvals and stakeholder management.

In Australia, these challenges are compounded further by high cost of living (with five of Australia's capital cities being included in the twenty most expensive in the world) and rising labour costs.

Talent strategies: time for a rethink?

It might be said that skill shortages are far from the only difficulties facing organisations. Yet it is people who ultimately hold the key to overcoming those challenges. For some operators and contractors, the importance of certain key appointments means that, on occasions, money has been no object. When reaching out to those rare people with the right combination of industry experience (whether engineering, operational, construction, or sector-specific executive and C-level roles) and a 'make it happen' mind-set, the focus quickly narrows to asking: what will it take to get them on board?

But Australia's skills shortage for core skills in oil and gas resources means employers increasingly seek longer-term solutions to fill their more urgent positions. The nature of the industry means companies need to work very hard to attract the most talented candidates with LNG sector experience. Even if operators are prepared to pay premium salaries, it is becoming increasingly important to find other ways to differentiate themselves from competitors. They attempt this through reviewing and refining their employee value proposition, offering attractive Fly-in Fly-out rosters, world-class facilities and a safe and enjoyable working environment.

Additionally, the complex skill sets required to deliver LNG projects has required a long-term investment in training and development across areas of technical skills deficit including engineering and geo-sciences.



Problems shared are not always problems halved

Construction vs. Operations

The LNG sector's labour shortage comprises two distinct but overlapping (and often competing) elements: construction, with talent required for planning, commissioning and building facilities, and operations, those responsible for exploration, production and output.

Construction: Workforce requirements tend to be ramped up during FEED and post-FID (final investment decision) stages, as contracts, responsibilities and resources are allocated. Increasingly, hiring tactics include promoting opportunities overseas to specialist engineering, construction and technical professionals, to make up for shortfalls in both availability and preparedness to move jobs amongst candidates in other Australian centres of LNG activity.

Operations: Oil and gas operators typically plan to identify and attract operations people once FID has been obtained; currently three such projects are underway and set to be producing by 2014, with a further two aiming for 2015 and another for 2016. Operations people with the right qualifications and experience (and a willingness to commit) are in high demand and short supply – to the extent that many in the industry are investing more in training and developing people, from apprentices and graduate trainees to those with transferable skills from energy, heavy process engineering and power sectors.

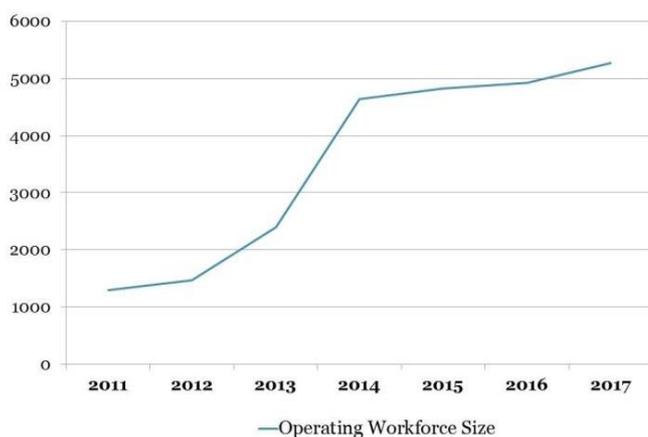


Figure 1: Growth in Australian and PNG LNG Operations Personnel

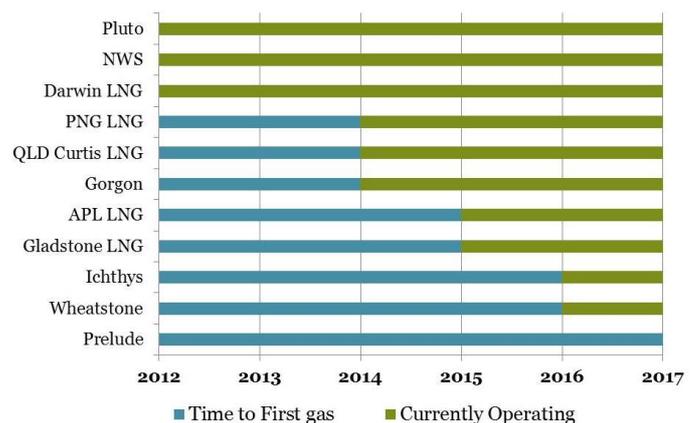


Figure 2: Lead up to operations



Dig in, it's going to take a while

Addressing today's skills shortages needs lateral thinking and agile mindsets amongst board executives, decision-makers and those in HR leadership roles, while building tomorrow's talent pipeline requires taking a more strategic view, with functional heads (in finance, procurement and IT) acting as vital business partners.

Recruiting on a traditional vacancy-by-vacancy basis has its place. But such a transactional approach can be both costly and short-sighted. Hiring requirements amongst construction firms and operators (and service providers) will only be amplified for the remainder of 2012 and beyond. Failure to secure the skills and commitment of key people may result in damaging project delays, budget blow-outs, reduced productivity and falling revenues.

Forward-thinking employers have already taken action – but it is not too late for those whom have been slower off the mark to gain ground. Each organisation will have its own unique set of factors that impact on the appropriateness of different solutions – but they might ask themselves a number of searching questions:

- **Workforce planning:** How can we ensure we have the right skills already in place and with sufficient mobility to respond to unforeseen increases in workloads or new projects without compromising on our capacity elsewhere? How robust are our succession plans?
- **Target operating model:** What is the most effective operating model to deliver and deploy our talent requirements?
- **Employee value proposition:** It is not just about what we want from both existing star players and potential new hires: what can we offer them in return? Are we offering (and communicating) the right training and development opportunities? And how do we shape up against our competitors?
- **Recruitment marketing:** To what extent might we be relying too much on traditional attraction tactics? How can we take advantage of developing technology in digital marketing and social media to engage with skilled professionals throughout the LNG – even if they're not actively looking to change jobs right now?
- **Supply chain management and optimisation:** How do we best leverage and manage third party relationships to deliver our business objectives? How can we ensure a quality candidate experience?
- **Diversity strategies:** How can we turn diversity efforts to our advantage? How informed and equipped are our line managers (and others who make hiring decisions) to see beyond employment legislation – and instead make good use of the most diverse range of skills and talent?
- **Globally mobile workforces:** Where and how can we reach out to LNG professionals in other countries? What would tempt Australians to return or prompt foreign workers to consider relocating?

Looking ahead, it's clear that a short term or tactical approach to immediate hiring needs is unsustainable and diverting resources to longer-term staffing solutions is becoming crucial. The Australian Mining and Metals Association (AMMA) says the country has the potential to become the world's leading LNG exporter by 2020. To fulfil that aspiration, employers throughout the sector must take stock now, and respond accordingly.



About Harrier

Harrier provides strategic HR, recruitment and managed solutions across Australia and the Asia Pacific. Calling on our people's expertise, best practice and instinctive service ethos, we help employers find the best people, mitigating risk while delivering tangible savings.

At Harrier, we recognise that people represent a primary source of competitive advantage. Our objective is to help our clients maximise the returns on investments they make in their own people.

Acting as trusted business partners – often working on-site, alongside our clients – we provide and tailor added-value services:

- **HR Consulting**
- **Managed Services**
 - Enterprise and Project RPO
 - Contingent worker solutions
 - Blended workforce optimisation
 - Professional Services
- **HR and Health Safety and Environment Resourcing**

Our clients include some of Australia's largest employers, operating across the country and throughout Asia Pacific. We also have specialist teams focusing on the specific HR and resourcing challenges associated with mining and resources, oil and gas, and business services.

To learn more about how your organisation can gain a competitive edge in the battle for LNG talent in Australia, email Kelly.Quirk@HarrierHC.com or call +61 8 6555 4300.

