

# SH2030

## Transformation Plan

Houston, TX, 07 mars 2019



## Undeniable assets...

Favorable domestic geology,  
large (conventional and  
unconventional) hydrocarbon  
resources

Large skilled workforce and flow of  
new graduates

Privileged access to a large export  
market – notably Europe

# Why

sonatrach



#SONATRACH2030  
LEADING THE CHANGE

# ?

## ... yet, no longer sufficient

Domestic and international demand  
(liquids and gas) and price under  
pressure

Depletion of large long-time fields

Too partial reserve replenishment

Difficult regulatory environment  
(bureaucratic constraints, law on  
hydrocarbons...)

Renewed human resources,  
necessity to rebuild expertise

# COLLECTIVE THINKING LAUNCHED END SEPTEMBER 2017

Implementation has already begun

## Deep corporate thinking

**No sacred cows** in the status quo assessment

Definition of an **ambitious vision** by 2030

**150+** initial interviews

**200+** thematic work sessions

**50+** experts involved

**3.000+** employees surveyed

## Two time horizons

Next 5 years

Horizon 2030

### Turn around company's fundamentals

- Launch very deep transformation of Sonatrach's business, core processes and culture

### Turn competence into excellence

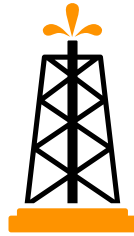
- Become a benchmark national oil company and prepare for energy transition

## SH2030 Vision

Transform Sonatrach into **an international reference** amongst National Oil Companies

Become one of the top 5 National Oil Companies

Promote **local content** up to **55%**



A National Oil Company amongst the most **performing** and **profitable** in the market

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Position Sonatrach along **value creating themes** to contribute to the national **economic development** and transition to **sustainable energy**

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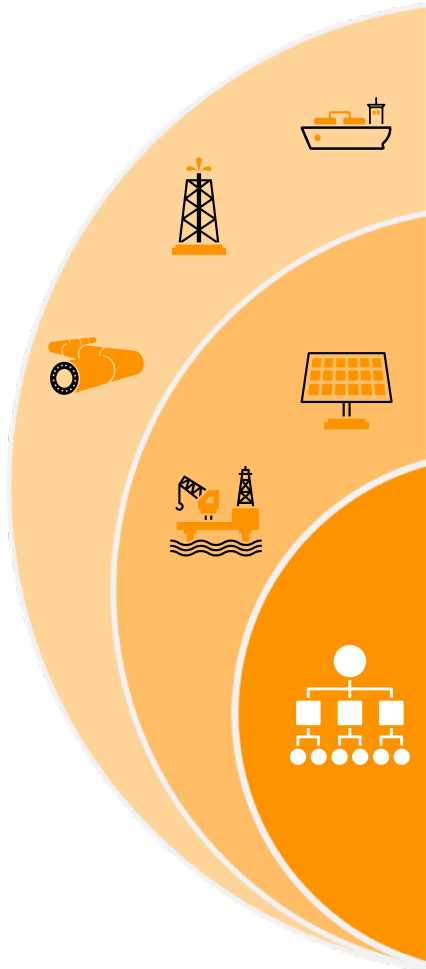


An **example** for the Algerian economy, promoting **excellence** and the **development of talents**

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# 3 types of initiatives from SH2030



## 3 Improved performance

- Exploration Performance
- Operational Performance
- Drilling Performance
- ...

## 2 Strategic Action Plans

- Development of unconventional resources
- Petrochemical strategy
- Solar development
- ...

## 1 Core transformation

- Deploying a new organization
- Definition and implementation of new core processes :
  - *Business Planning & Performance Management*
  - *Human resources*
  - *Procurement & Logistics*
  - *Engineering & Project Management*



# Our strategic goals for 2030 (1/4)

## Exploration-Production

### Exploration

**x2**  
annual discoveries



Increase frontier exploration  
Review our exploration processes  
Increase discoveries from 50 to 100 Mtoe / year

### Drilling

**x2**  
productivity pre rig



Increase wells / year / rig to 6 in development and 4 in exploration

### Large projects

**+3 Md\$**  
of anticipated benefits



Create a Centrale Engineering Project Management Organization, responsible for executing large CAPEX projects

### Performance

**+2 Mtoe**  
per years on existing oil fields



Optimize well performance (+2 Mtoe by 2022)  
Develop IOR/EOR technologies on our existing fields

# Our strategic goals for 2030 (2/4)

## New resources

### Non-conventional resources



20 bcm objective by 2030 and 70 bcm by 2040

Over 15 000 direct additional jobs



### Offshore resources in the Mediterranean sea



~100 000 km<sup>2</sup> of surface

Partnership development on prospects



### Solar energy



1,3 GW of solar energy to cover 80% of our sites' needs

Additional gas available for exportation



# Our strategic goals for 2030 (3/4)

## Downstream

### Sales

**50%** of gas on new markets and trading



Diversify gas exportation to other markets with added value

Optimize flows of liquid products

Create value by balancing quality, crude, fuel and nafta

### Petrochemicals

Development of a **Petrochemical Industry**



Focus our efforts on projects that create the most value: PDH-PP and ethylene/GPL hydrocracking

Mature our project portfolio: methanol chain, MTBE unit, LAB and complex ethylene

### Refining

Reinforce and optimize **Refining base** projects



Optimize our assets and margins

Integrate refining with petrochemistry

Focus our investments on value creating projects



# Our strategic goals for 2030 (4/4)

## International Development



### Resources

International development

- Access additional reserves
- Market and sell our know-how



### Refining

Acquire foreign refining capacity and establish partnerships



### Trading

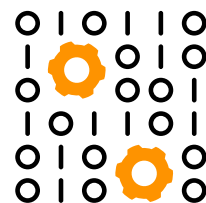
Develop international trading capabilities through a partnership





## Digital Catalyst of change

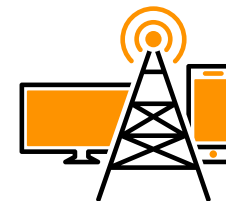
### ERP



Manage the business through  
an integrated and optimized  
view of the business in real time



### Digital tools



Improve Operations (CEOIII  
Solution, Private Cloud  
Smart Oil & Gas Solution,  
Innovation Center and FM & IS)



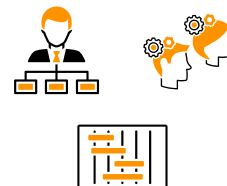


## Human resources

Redefining the value proposition to employees



### Macro-streams



Creation of 3 streams for a long-term career at SH, based on the identification of potential



### Career



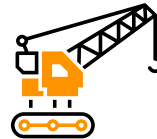
Organization of career paths for all employees, based on orchestrated internal mobility



### Performance



Performance monitoring and variable compensation to reward exceptional results



# Engineering & Project Management

Avoid 3 billion \$ in lost revenue per year



## Gouvernance



Simplification of the governance of major projects



## Performance



Improved control and performance of major projects



## Best Practices



Center of excellence for the creation and application of industry "best practices"



## Teams



Exploitation of synergies between activities to mobilize specialized teams





## Procurement & Logistics

Improve purchasing and logistics performance

  
**Time**



Reduced time to  
get parts

  
**Quality**



Better response to  
business needs in  
terms of quality of  
parts

  
**Performance**



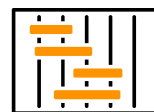
Improved logistics  
performance

  
**Costs**



Cost reduction (\$ 500  
million savings)



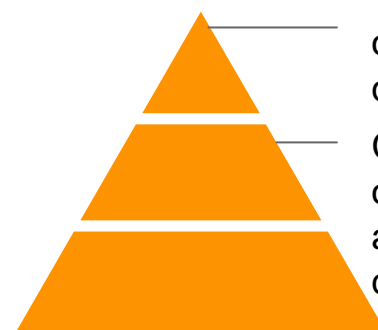


## Business Planning & Performance Management

Better control the overall performance of the company



### Annual objectives



15 corporate objectives disseminated

Cascaded objectives by activity and division

*Definition and Cascading done for 2019 (~ 100 KPIs)*

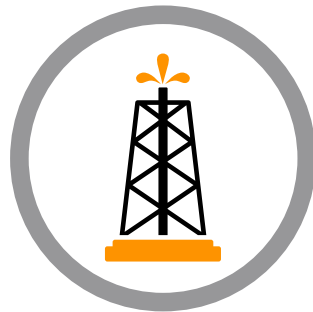


### Reporting process



*Reporting process in place as of February 2019*

Many  
opportunities  
ahead



### Shale & Tight Gas

- Huge unconventional natural gas potential to develop



### Equipment Production & Engineering

- Government support in the context of integration policy
- Privileged partnerships to invest in equipment production & engineering



### Downstream

- Growing demand for oil products
- Development of new refining units
- Development of petrochemical industry



### Offshore E&P

- Exploration program in the Algerian offshore

## How Algeria and Sonatrach can benefit from foreign partnerships

Over 30 partnerships today in the upstream

## Sonatrach is engaged in creating win-win partnerships

Partnership opportunities in multiple sectors :  
offshore, shale, solar energy, petrochemical, trading, ...

Hydrocarbon laws are being adapted to promote partnerships



Benefit from leading-edge technologies

Share risks and rewards :  
technical, financial, resources, environmental

Contribute to a wider global sustainable effort







THANK YOU

