



Process + people + technology = Cost control

We are all having our turnaround accruals, budgets and forecasts put under the microscope these days. It's clear that cost control is paramount during tough economic times. But those of us who have a few decades of experience in the industry (that's code for "old timers") know the microscope was never really put away. The discipline and time required to develop and apply a rigorous cost-management process always has been a challenge.

Turnarounds are unique, dynamic

Make no mistake, I am not discounting the importance of the processes required to develop the project scope, to manage procurement and materials, to build an effective schedule or to formulate a comprehensive logistical and execution plan. A proven cost-management process is fundamental to the successful management of a turnaround/project cost simply because it is unique to large maintenance (expensed) projects like turnarounds and shut-downs. At the very minimum, the process should address the following:

- Establish an execution plan for the education and implementation of the cost man-

agement process.

- Facilitate the effective administration of contracts in the field.
- Facilitate effective materials management throughout the life cycle of the project.
- Lead to a detailed control estimate (the baseline).
- Establish contractor reporting requirements and training.
- Establish cost milestones and weekly status reporting.
- Track and report budgeted, estimated, requisitioned, committed and actual cost according to the client's needs on a daily basis.
- Facilitate analysis of progress and earned value daily.
- Forecast cost at completion daily.

A qualified and seasoned maintenance projects cost engineer should be at the helm of any cost-management implementation. They know the "how" and "why" of collecting, calculating and analyzing cost data to provide peers and management with leading indicators that can help project and, ultimately, help control costs. Data is meaningless until it is integrated into the context of a dynamic project.

One, two and three are interrelated

If a cost process and a seasoned veteran are the first and second requirements, then a good cost-management software program is a close third. In my most recent editorial, titled "The technology crutch," I advocated that knowledge and experience should drive the technology. If you're responsible for controlling costs, then knowledge and experience should definitely compel you to invest in software that can handle the demands of estimating, tracking, forecasting and reporting cost at completion. A robust cost-management tool can make a cost engineer and cost process more efficient and productive.

Recently, and all too often, we have come across major cost-management initiatives that depend on a complex set of slow and tedious spreadsheets. They have fragile cross references and intricate formulas that only a handful of team members can manage. Sadly, the results are rarely in a format that gives context to the data and facilitated the analysis.

There are many challenges

Constant change and interruptions, com-

plex interrelationships of resources, intricate interrelated estimates, inadequate training of participants, inadequate software tools, etc. all challenge an experienced cost engineer. Now factor in the increased pressure from a renewed interest in cost control.

We see more and more of our clients investing in state-of-the-art software cost tools like project cost forecasting (PCF) to handle the complexity and speed requirements of today's turnaround projects — not unlike the way Primavera® entered the turnaround scene over a decade ago. And, there are other good cost and schedule programs available today. The trick is to get tools that are robust enough for the size of your project and easy enough for qualified personnel to use. If you really want to be successful, commit to the required discipline to build, buy or hire a qualified cost process as your platform. Remember this simple formula for your next turnaround — process + people + technology = cost control.

For more information, contact David Frinsco at (281) 461-9340, e-mail sales@tamanagement.com or visit www.tamanagement.com. ●

NEWS UPDATE

BP exits jatropha biofuels project to focus on ethanol

LONDON — BP Plc has sold its stake in its jatropha biofuels project with D1 Oils Plc to focus on production of ethanol in Brazil and the United States and advance biobutanol development. D1 Oils agreed to acquire BP's 50-percent interest in the joint program, D1-BP Fuel Crops Ltd., which was set up in June to develop jatropha, a drought-resistant tree with seeds containing oil used mainly in biodiesel production.

The use of biofuels such as corn-based ethanol and palm oil has been criticized for pushing up the prices of staple foods or accelerating the clearing of tropical forests. However, a study published by the University of Twente in the Netherlands found that jatropha requires five times as much water as sugarcane and corn ethanol to produce a liter of fuel.

In a company statement, BP said, "BP has thought long and hard about its biofuels strategy for the future and has decided to focus on three key strategic areas for biofuels investment: production of ethanol from sugar cane in Brazil; lignocellulosic ethanol (using for-purposes energy grasses as feedstocks)

in the United States; and the advanced fuel molecule biobutanol.

"To ensure the success of these investments, BP is concentrating new business development in these areas and will no longer be directly involved in the jatropha as a biofuels feedstock."

BP remains open to the possibility of buying jatropha oil from D1 Oils Plc in the future.

BP retains an option from the original joint-venture agreement in 2007 to buy shares in D1 and remains open to the possibility of buying jatropha oil from the company in the future.

Although BP has scaled back investments in alternative energy in 2009, the company has said it is still on track to reach its target of spending \$8 billion on alternative energy from 2005 to 2015.

For more information, visit www.bp.com or call +44 (0)207 496 4630. ●

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