

## NAM Uses Innovative Contracting Methods for Decommissioning Gas Extraction Locations

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*After years of social debate, the Groningen gas tap is now really closing. However, this immediately begins the next task: the dismantling of the more than 350 gas extraction locations - a mega job that the NAM has awarded to Arcadis and WellGear. To promote joint value creation, an innovative contracting process was applied. Sibrecht Diender (YellowEverest) and Jeroen van de Rijt (Prowez) guided the parties through the process.*

Ten to fifteen years, that is how long the dismantling of the entire Dutch gas extraction system will take according to the current planning. It is therefore quite complex – both underground and above ground.

The approximately 800 gas production wells underground - sometimes as deep as 3.5 kilometers - must be permanently closed. A special type of cement is poured in to seal the wells tightly - crucial to prevent gas or water from escaping.



Above ground, all production facilities, locations and 1,700 kilometers of horizontal pipelines must be cleaned and dismantled. Where necessary, the land itself must also be cleaned before it is transferred to the landowners in its original state.

### **Close cooperation**

In short: a complex mega job, for which the Dutch Petroleum Company (NAM) [called in WellGear and Arcadis](#) . WellGear, which has extensive experience in maintaining and closing oil and gas wells worldwide, is responsible for the underground work. Arcadis takes care of the above-ground part.

But just as the gas extraction installations above and below ground form one whole, the work to be carried out cannot be so strictly separated in practice. “Close collaboration between NAM, WellGear and Arcadis is central to this long-term task,” says Sibrecht Diender, founder of Yellow Everest.

“The parties recognized that a relational contract would give them the flexibility and innovation capacity to achieve optimal win-win cooperation to get this job done. They used the Vested methodology for this,” adds Jeroen Van de Rijt, co-founder of [Prowez](#) .

### **Win together, lose together**

This methodology was developed to stimulate a different way of collaboration between client and contractor. “The fundamental idea behind the approach is that you strive together to create shared value,” Diender explains.

“The parties are jointly responsible for the end result and also bear the risk.”

This requires, first and foremost, that the focus is not on transactions or activities, but on the outcomes that you want to achieve together. “You don't start by dividing the work, but by formulating one Shared Vision and defining the results needed to realize that vision,” says Diender.

Van de Rijt: “This also means that not only the activities carried out are recorded, but primarily the results. And in order to make optimal use of the individual qualities of the various parties, extensive consideration is given to who best suits which activities. In addition, the 'how' based on the basic principle of autonomy is left as much as possible to the party responsible for those activities.”

“The parties are jointly responsible for the end result and also bear the risk for the end result: it is 'win together, lose together'. That makes this contract really different from a classic activity-oriented contract.”

### **Joint innovation**

These (and other) basic principles form the foundation for the innovative contract from within which NAM, WellGear and Arcadis will work together over the next ten to fifteen years.

“The approach is particularly interesting within long-term and strategic collaborative relationships in which the parties want to work closely with each other on the basis of win-win and transparency,” Diender explains. “In addition, there must be a conviction that shared value creation can take place through innovation initiatives that require cross-organizational measures. All these components were here.”

In addition to closing wells and cleaning up the installations, it will also be examined whether the existing locations can be used for sustainable energy solutions through jointly developed innovative solutions that can, for example, contribute to the local energy transition.



**Sibrecht Diender**



**Jeroen van de Rijt**

“The parties were clearly looking for a different approach, because they were convinced that the Desired Outcomes could not be achieved through a classic client-contractor relationship,” says Van de Rijt.

### **Change process**

At the same time, creating such an outcome-oriented contract is a challenge in itself. “In essence, a contracting process and implementation on which Vested principles form the basis is an intensive change process,” Diender illustrates.

Diender and Van de Rijt supervised the entire process. Van de Rijt: “We supported the three parties in elaborating their collaboration in a relational contract. We have formulated a Shared Vision with the team, created joint Desired Outcomes, developed a joint pricing model that rewards win-win behavior and set up a governance structure.”

Because of the change management dimension, stakeholder management was “crucial”, Diender emphasizes. “That is why we used a clear governance structure

throughout the process, with a core team, an additional layer and a steering committee, with a clear communication plan and additional training for the various stakeholders.”

In addition, it was essential that the parties trusted each other sufficiently in advance. “That is an absolute precondition,” says Diender. “Without trust up front, you should not start an outcome-oriented contract.”

### **Make the cake bigger**

With that trust, things went well between NAM, WellGear and Arcadis, and after about ten months the contract was signed. “The result is a flexible contract in which the core competencies of the organizations involved are used to the maximum,” says Van de Rijt.

“Despite the challenges, the parties have always managed to find each other.”

He is therefore very satisfied with the outcome of the process. “The most important thing is that the parties clearly have the same goals through a shared vision and desired outcomes that they want to achieve with this collaboration. The process aligns the interests of the parties to promote joint success.”

And the process itself was also very valuable, Diender indicates. “It creates a change of mindset among the team members involved. During the process, they really learn to think from a win-win situation. In addition, a number of difficult scenarios have already been thought out in advance during the process and developed into a price model, so that after signing, the focus can be mainly on achieving the joint objectives.”

And as the saying goes: together we go the furthest. “The big advantage of an outcome-oriented contract is that the parties think together about how they can make the pie bigger together, instead of each trying to grab a bigger piece of a smaller pie,” Van de Rijt explains.

### **Unique project**

All in all, Diender and Van de Rijt look back with satisfaction on a special assignment. Diender: “It was not an easy process, but one with peaks and valleys. Despite the challenges, the parties have always managed to find each other and maintain the jointly formulated intentions.”

“This approach is not completely new in the Netherlands – about eight deals have now been concluded based on the Vested principles – but these are usually long-term service contracts between two organizations. In this case, it is a long-term project and a collaboration involving three parties who then work together with many other parties in an ecosystem,” she explains. “That certainly makes this project unique.”