Deloitte.

Sustainable Cost Transformation in the Energy and Chemicals Sector

February 2026

DISCLAIMER

This document sets out the rationale, scope, and methodology for sustainable cost transformation in the energy and chemicals sector. International oil companies (IOCs) are used as illustrative examples throughout the document. However, the principles, findings, and recommendations can be applicable to a wider range of energy and chemicals companies and, in many cases, to organizations in other sectors.

While this document addresses cost transformation broadly, its primary focus is on operating expenditure (OPEX). Deloitte's experience also indicates that similar transformation approaches can deliver (significant) capital expenditure (CAPEX) benefits, although these are not examined in detail in this document.

All figures and analyses are based on publicly available sources and are provided for illustrative purposes only.

Summary

- Over the past decade, revenues of the top international oil companies (IOCs)[1] have closely tracked oil prices. With prices expected to remain subdued in the medium term and **operating expenses (OPEX) largely fixed**, companies face **sustained margin pressure**, making reliance on cyclical rebounds increasingly risky.

- Despite more than **$ 40B of OPEX savings announced** since 2015, underlying **production and SG&A costs have continued to rise**, as inflation, stranded costs from divestments, and renewed cost creep have more than offset reductions. This results from an approach that has largely focused on **reactive cuts to remove obvious inefficiencies**. **Additional value potential remains** by complementing these efforts with a **more fundamental and sustainable cost transformation** that addresses underlying complexity end-to-end.

- Sustainable cost transformation combines radical **cost transparency**, end-to-end **simplification**, scaled **automation**, and optimized **delivery models.** This approach delivers OPEX savings while also unlocking CAPEX efficiency across the asset lifecycle. Artificial intelligence (AI) can accelerate and reinforce these savings, while lasting impact depends on a **cultural change toward an "owner's mindset,"** enabled by incentives, explicit supply–demand trade-offs, visible role modelling, and consistent communication.

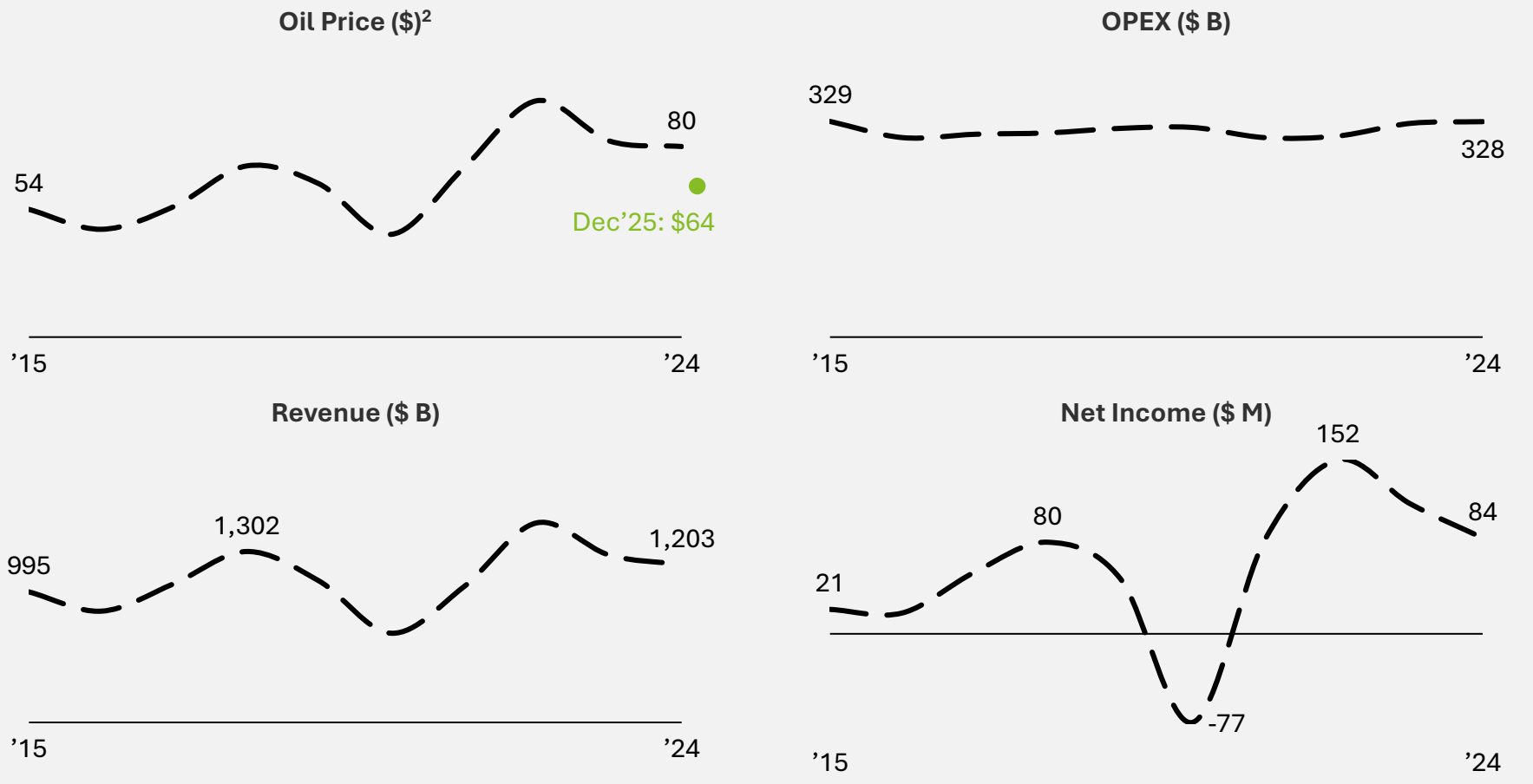
- Delivering this transformation requires a fundamental **shift in how cost programs are governed**. Companies must move beyond benchmark-driven, top-down initiatives to business-centric governance that places **ownership and accountability at the front line**. **Execution sits where costs are incurred, while central cost functions ("Transformation Architects") act as integrators** – linking business and enabling functions, unlocking synergies, managing trade-offs, and maintaining a single, transparent source of truth on costs and progress.

- Done well, cost transformation could unlock **up to $ 50B in structural OPEX savings across the top IOCs** – improving net margins by up to ca. 4 percentage points and lowering breakeven oil prices from around $ 50 to ca. $ 40 per barrel.

[1]This document analyzes the performance of top **IOCs as a proxy for the broader energy and chemicals sector**. The insights can apply to most other companies in the sector.

IOCs are exposed to significant profitability fluctuations, as their revenue remains tied to global oil prices, while OPEX has been largely fixed

01. Oil price and key performance metrics of top IOCs[1] (2015 – 2024)



Despite efforts to diversify, international oil companies' (IOC) **revenues continue to track oil price movements**, which have **fluctuated sharply** over the past decade. Oil prices were elevated during the COVID-19 pandemic and the geopolitical shock period of 2022–2024 but have since **fallen back to ca. $ 60 / bbl.**

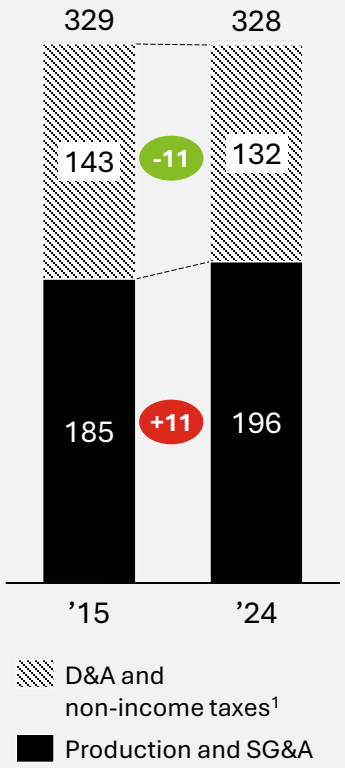
While revenues fluctuate widely, **operating expenses (OPEX) remain largely fixed**. The relatively modest cost cuts achieved during COVID-19 were more than reversed over the last three years. As a result, with OPEX largely inflexible, **net income has closely mirrored revenue volatility.**

This dynamic creates upside in periods of rising oil prices but leaves the companies **exposed during times of oversupply or economic uncertainty** – conditions that are expected to persist in the coming years (explored further in the document).

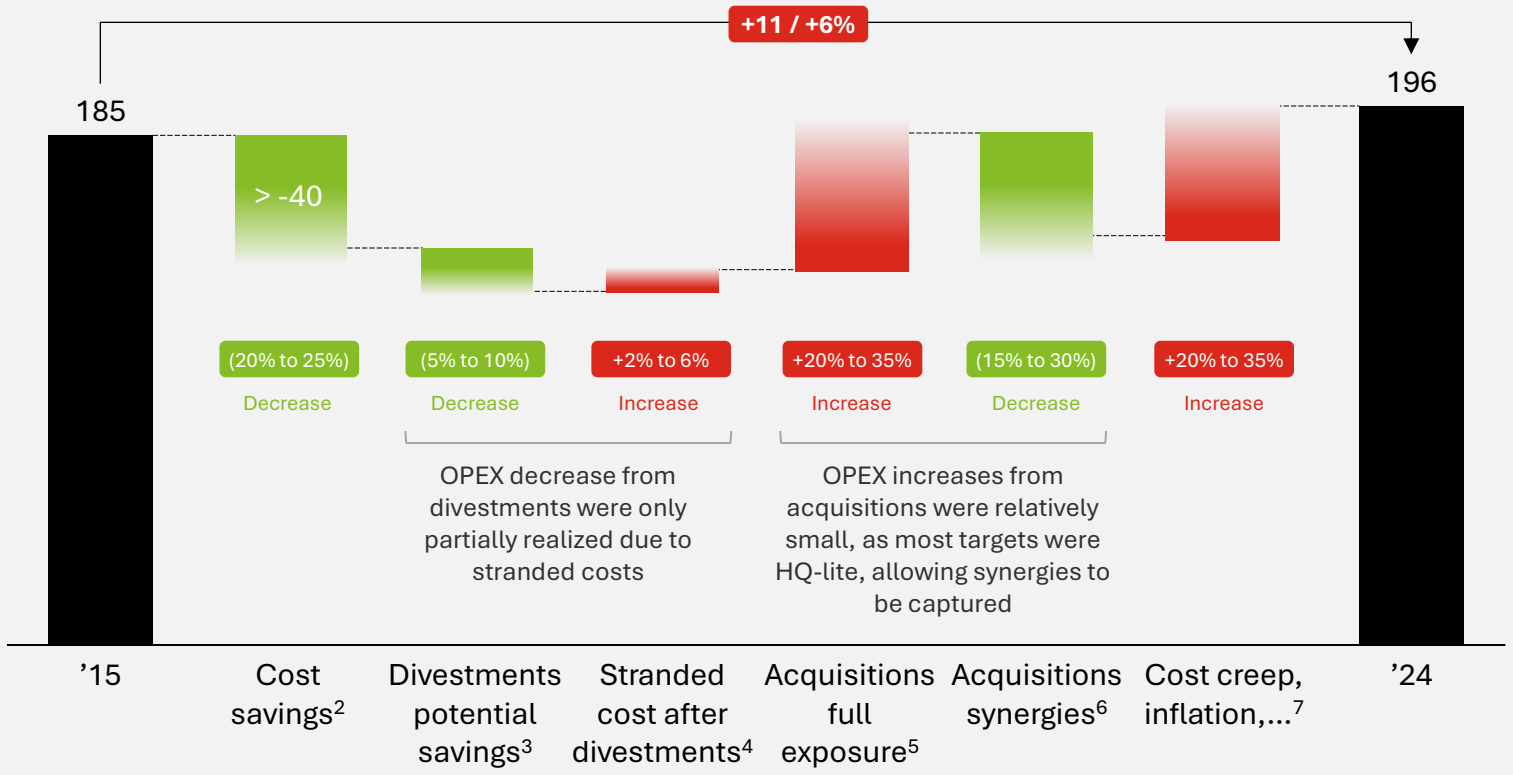
1) International Oil Companies (ExxonMobil, Shell, TotalEnergies, Chevron and BP); 2) Annual average of Brent Crude Oil Futures Prompt Month
Source: Company reports; CapitalIQ; Deloitte analysis

Flat reported total OPEX masks rising costs of production and SG&A, despite flat production volumes and over $40 B in structural savings announced since 2015

02. Top IOCs OPEX components ($ B)



03. Top IOCs production and SG&A OPEX development ($ B) – ILLUSTRATIVE



Total production volume of the top IOCs in the period remained flat

Flat total reported OPEX at top IOCs masked two opposing trends: declines in depreciation and non-income taxes, offset by **increases in the cost of production and SG&A**.

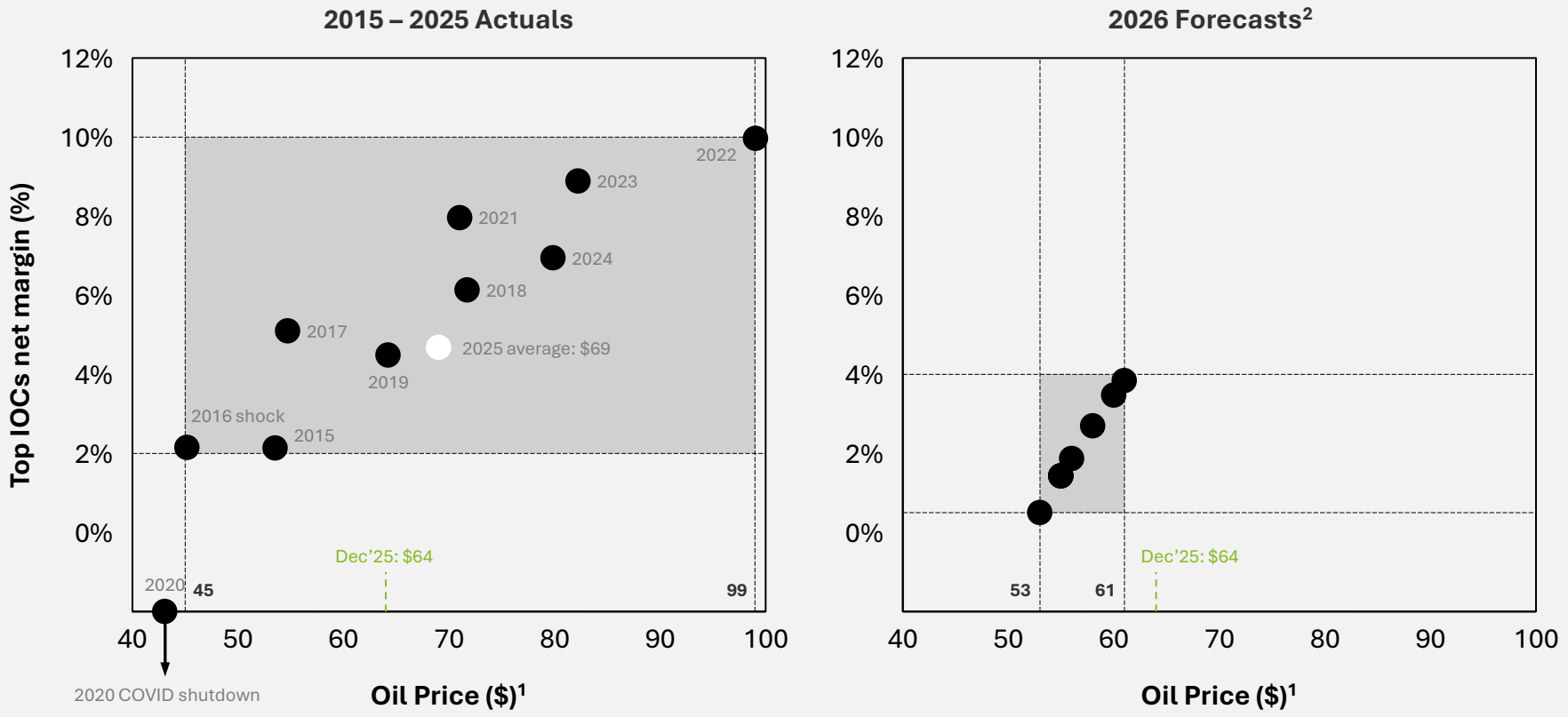
This increase occurred despite **more than $40B of structural OPEX savings** announced over the period.

With production volumes unchanged, **OPEX growth was not volume-related.** While HQ-lite acquisitions largely delivered synergies, they were outweighed by other factors: divestments fell short of expected savings due to stranded costs, while cost creep returned, partly fueled by overall high inflation.

1) D&A = Depreciation and amortization, incl. impairments. Non-income taxes are largely royalties; 2) Total savings announced by five IOCs in the period; 3) Illustrative pro-forma savings from divestments if OPEX decreased in line with the value of divested assets; 4) Based on Deloitte experience, ca. 30% - 60% of OPEX remained stranded after IOC asset divestments. These costs related for example to top leadership, central functions, infrastructure and central programs; 5) Illustrative pro-forma OPEX increase in line with the value of acquired assets; 6) Based on Deloitte experience and empirical IOC data, for every 10% increase in value of assets through acquisitions, OPEX can increase by 2% - 4% (synergies are 60% - 80% of pro-forma increase) ; 7) Balancing figure
Source: Deloitte analysis based on company reports and project experience

In the coming years, lower-price, higher-volatility environment will test companies' margins, requiring further cost reduction efforts to preserve and increase value

04. Global oil prices and profit margin of top IOCs – ILLUSTRATIVE



● A dot represents average annual oil price each year (horizontal axis) and a net profit % of top IOCs in that year (vertical axis)

Over the past decade – excluding the COVID shutdown and the 2016 supply shock – **oil traded above $65/bbl** in most years. In those periods, **net margins of top IOCs often exceeded 5%** and at times neared 10%.

Looking ahead, oil price dynamics are expected to become more challenging. Current prices sit below mid-term averages, and for 2026 forecasts are unusually aligned: absent major geopolitical disruptions, **oil prices are expected to remain below $60/bbl**, creating pronounced near-term pressure, even with continued cost reductions.

Although prices might recover in the long-term, volatility is expected to persist, as new supply (e.g., Guyana) comes on stream and electrification of parts of the energy system continue.

In this environment, **further cost reduction will be critical** to protecting margins and adapting to heightened external uncertainty.

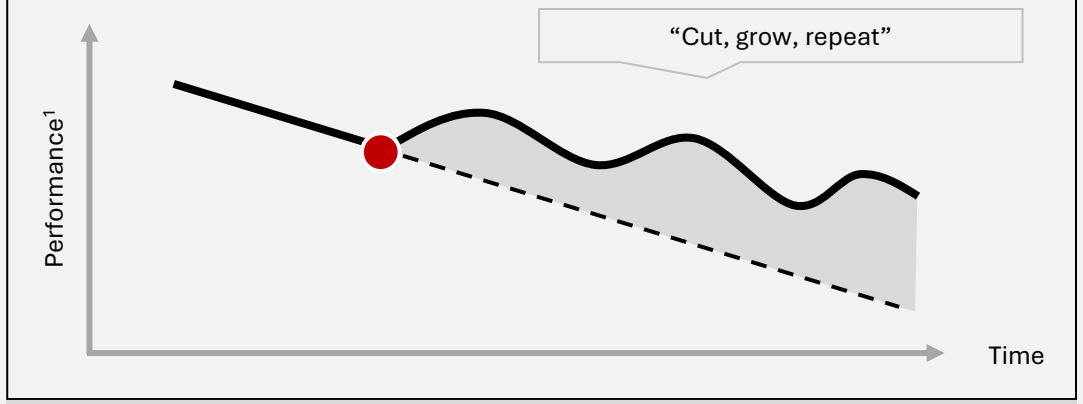
1) Annual average of Brent Crude Oil Futures Prompt Month; 2) 2026 forecasts are illustrative regression-based averages reflecting historical relationship between oil price, OPEX and net margin
Source: Company reports; CapitalIQ; IEA; EIA; JPMorgan; ABN Amro; Goldman Sachs; IMF; World Bank; Rystad; Tenet; Deloitte analysis

Past cost reduction programs largely focused on reactive cuts to remove obvious inefficiencies; value potential remains from sustainable transformation that addresses underlying complexity

05. Types of cost reduction

Paradigm shift needed

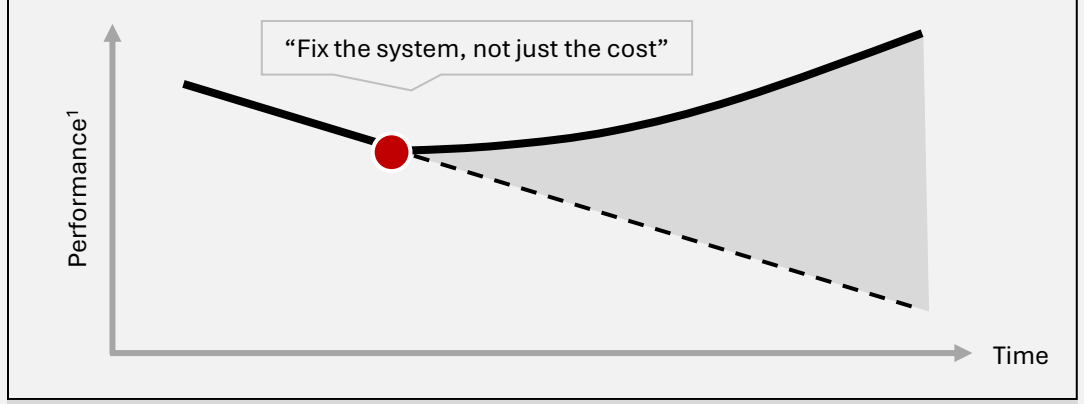
REACTIVE CUTS → TEMPORARY RELIEF



In recent years, many companies in the energy and chemicals sector have approached cost reduction as reactive cuts. These efforts often relied on **top-down initiatives and focused on obvious inefficiencies** – such as organizational flattening or offshoring – while the **underlying complexity and lack of cost transparency remained unchanged or even increased**. As a result, cost improvements were hard to sustain, leading to gradual cost creep and repeated cost reduction waves that strained organizations.

Move beyond top-down reactive fixes that provide temporary relief but keep root causes and strain the organization.

SUSTAINABLE TRANSFORMATION → RESILIENCE



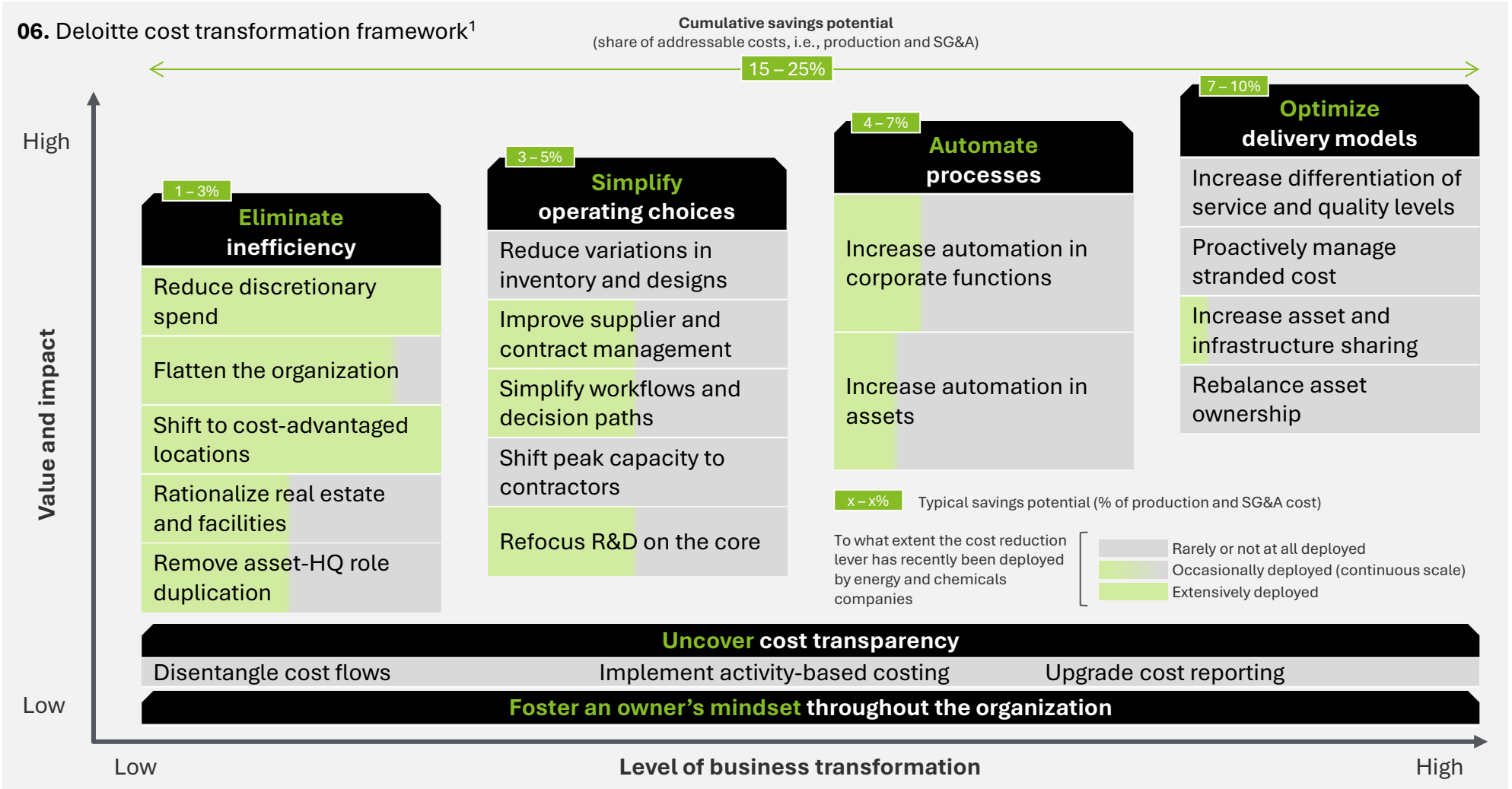
To break the "cut, grow, repeat" cycle and create resilience needed to prepare for future market demands, companies should consider adopting a transformative approach to cost reduction. Tactical actions remain necessary, but they must be paired with **simplification**, **automation**, and delivery-model **optimization**. The foundation of such sustainable cost transformation is a **radical cost transparency** and an improved cost **culture**.

Lead with cost transparency, pull all the levers, and shift the culture towards an 'owners' mindset'

1) The performance axis serves as a proxy for typical company profitability (e.g., net income) excluding exceptional items. It is not to scale and is shown solely to illustrate the conceptual difference between the types of cost reduction
Source: Deloitte

Sustainable cost transformation requires a balanced portfolio of levers, supported by greater cost transparency and an owner's mindset across the organization

06. Deloitte cost transformation framework[1]



1) Excludes continuous improvement initiatives in production (e.g., better catalyst, less steam)
Source: Deloitte

Sustainable cost transformation rests on **radically improved cost transparency and an 'owner's mindset' across the organization**.

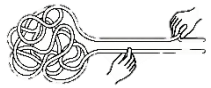
Companies should double down on eliminating inefficiencies, while shifting toward simpler operating choices and radical process automation.

Delivery models should also be optimized, moving away from fixed-cost, one-size-fits-all solutions toward more tailored, flexible approaches.

When executed well, and depending on company-specific circumstances, **these levers may even reduce quarter of production and SG&A OPEX.**

Cost transparency is the often-neglected foundation of sustainable cost transformation, enabling true accountability and improved decision-making

07. Uncover cost transparency – EXAMPLE initiatives

Uncover cost transparency		Key considerations
Disentangle cost flows 	Establish visibility into how HQ function (e.g., HR, engineering) and central program (e.g., R&D) costs flow through to asset P&Ls. Streamline interfirm cost recoveries, simplify cost-center structures and ERP architecture.	☑ Reconcile **function and asset views** so every material charge in P&L can be traced back to the cash out in functions and assets ☑ Give each cost item **one accountable owner**, instead of dozens of cost-center managers guarding only their "slice" of costs and allocations ☑ Strip out **redundant allocation layers and legal entities** – remove steps that do not add more value (e.g., fiscal benefits, internal loaded cost fees) vs cost to maintain
Implement activity-based costing 	Expose true (loaded) cost-to-serve for key activities (e.g., permit-to-work) and internal services (e.g., service desk cost per IT user), incl. clarity on variable-, step-, and fixed-cost components.	☑ Clarify what really impacts **cash cost levels** versus only impacting cost allocations ☑ Involve **assets (demand) and functions (supply)**, so there is early buy-in into cost drivers and analysis methods ☑ Use **simple, objective cost drivers per activity** (e.g., time spent, number of licenses), standardize allocation keys and communicate on both supply and demand sides
Upgrade cost reporting 	Implement near real-time cost KPIs (leading and lagging) in executive dashboards, embed short-loop cadence to explain variances and plan corrective actions.	☑ Steer on **real cost flows from functions to asset P&Ls**, not on top-down allocations ☑ Enable **roll-up and drill-down** – from total OPEX impact to zoom-in on (big) cost initiatives and specific teams / cost items in one place ☑ Ensure **data ownership sits with the business (functions and assets)**, with IT providing infrastructure for automation and data flows

CASE STUDY

An oil and gas supermajor sought to reduce OPEX across functions but, due to a **matrix structure and internal pricing system**, lacked a clear view of how costs flowed into the business.

By **tracing cost flows across multiple allocation methods in over 100 entities**, Deloitte created detailed links between cash out in functions and P&L items in the business units and assets, giving leaders granular insight into the sources and drivers of cost in each spend category.

This visibility enabled the leaders to **effectively manage supply and demand and tackle root causes of inefficiency**. The result was a disciplined, repeatable approach to cost management that lowered OPEX and improved function-asset collaboration.

Source: Deloitte

Systematically removing inefficiencies can generate early wins and builds momentum for broader cost transformation

08. Eliminate inefficiency – EXAMPLE initiatives

1 – 3% **Eliminate inefficiency**		**Key considerations**
Reduce discretionary spend	Reduce controllable spend not tied to core business, e.g., travel and expenses, consumables, sponsorship, non-essential licenses.	☑ **Tighten rules on travel and expenses**, including when in-person presence is required ☑ **Lower approval thresholds** for new discretionary spend, with named accountability ☑ Tie discretionary budgets to **planned activity levels** (e.g., project travel plans) instead of top-down allocations and 'previous year +x%' approach ☑ Challenge cost owners in **short loops** to justify need, alternatives, and compliance
Flatten the organization	Remove management layers, increase spans of control, reduce number of meetings, improve meeting effectiveness.	☑ Delayer vertically and **collapse parallel teams horizontally** where there are synergies ☑ Cut recurring meetings and approvals that existed mainly to serve multiple layers, and **reset meeting norms** (e.g., discourage 'FYI-participants') ☑ Reset **decision rights and forums together**: assign one clear accountable owner per decision and retire duplicate committees to cut latency and meeting load
Shift to cost-advantaged locations	Expand offshore and remote delivery models, moving some corporate and engineering activities to global centers in lower-cost countries.	☑ Focus on shifting **stable, codified work** to reduce cost but maintain quality ☑ Harmonize **tools and templates** first so local teams do not spend time reworking output from global centers ☑ Keep **high-value-add and safety-critical roles** near HQ and decision centers, to maintain decision quality and speed
Rationalize real estate and facilities	Align office space with new capacity and flexible work schemes, explore lower cost, rental and shared spaces for some teams.	☑ Use **utilization data** (e.g., badge swipes, bookings), not headcount, to size the required real estate needs ☑ Eliminate **unnecessary duplication** (e.g., labs, regional offices) but consider local skills profiles and proximity to decision centers ☑ Tie real estate savings **to an operating-model shift** – not standalone space cuts
Remove asset-HQ role duplication	Move some asset-level roles (corporate and technical) into country or central hubs to reduce duplication and standardize execution.	☑ Differentiate roles that truly require **asset-specific judgment** (e.g., asset integrity engineer) from those that can be standardized and consolidated across assets ☑ **Redesign end-to-end workflows first**, then relocate roles, to avoid centralizing fragmented or inefficient ways of working ☑ **Assign process owners** to prevent assets and functions recreating shadow roles

CASE STUDY

A large offshore operator faced **rising logistics cost due to reactive planning and low utilization of shared transport**. Extra flights were routinely booked because teams lacked a coordinated view of demand.

By implementing an integrated planning model that aligned workforce schedules, maintenance plans and logistics capacity, the operator established a **single, data-driven process for matching demand with available transport**.

As a result, **logistics cost per traveler fell significantly**, extra flights dropped, and utilization consistently approached 90%, significantly reducing discretionary spend.

Source: Deloitte

Simplifying operating choices can remove hidden costs, making the organization faster, cheaper, and easier to manage

09. Simplify operating choices – EXAMPLE Initiatives

3 – 5% **Simplify operating choices**		**Key considerations**
Reduce variations in inventory and designs	Limit equipment types, spare parts, and engineering designs used across assets to lower procurement, inventory holding, and maintenance costs.	☑ Target **high-value and fast-moving items** first for disproportionate impact ☑ Engage **operational teams** but disincentivize the "each asset is different" mentality ☑ Actively manage **legacy designs and spare parts** to avoid obsolete inventory ☑ Cleanse **inventory master data** (e.g., codes, units) to avoid issues from re-emerging
Improve supplier and contract management	Consolidate vendors, tighten rate and scope controls, shift incentives toward shared outcomes and productivity gains.	☑ Build an **enterprise-wide spend cube** to identify consolidation opportunities ☑ Model supplier cost (top suppliers) to **break information asymmetry**, and negotiate based on underlying cost drivers, not price ☑ Deploy **contract terms adherence monitoring,** both pro-active and retrospective ☑ Involve **business to redefine needs** rather than just chasing low rates
Simplify workflows and decision paths	Simplify end-to-end processes by removing non-value adding steps, handovers, and approvals while preserving quality and control.	☑ Start from the **decision or output needed** and remove reviews, handovers and controls that **do not materially improve value, risk mitigation or safety** ☑ Standardize **low-risk repeatable flows** – reserve governance for high impact cases ☑ Reduce "internal customer" loops by **simplifying legal entities and recharges** (e.g., fewer entities, fewer pass-through invoices)
Shift peak capacity to contractors[1]	Right size internal teams (e.g., in R&D and engineering) to cover baseload demand and shift flex work to contractors, especially in non-core areas.	☑ Match **contractor models to specific workload patterns** instead of using generic time and materials resourcing (e.g., shift suitable scopes to outcome-based contracting) ☑ Use **probability-weighted planning** to mobilize contractors only when scopes are firm, preventing early standby cost
Refocus R&D on the core[1]	Rationalize R&D and innovation project portfolio, remove pet projects and focus on areas with plausible path to value.	☑ **Concentrate R&D resources** instead of spreading experts thin across small initiatives ☑ Apply **strict stage-gate kill criteria tied to value** so resources are freed up quickly ☑ Link the **R&D portfolio explicitly to strategic priorities** ☑ Make R&D **cost base as variable as possible** to remove incentives to "stay busy"

CASE STUDY

A global upstream operator struggled with long project lead times and high indirect hours, driven by inconsistent delivery practices across assets and fragmented coordination with suppliers.

By introducing a data-driven standardized project delivery model – **simplifying workflows, aligning role ownership and integrating suppliers into one common planning process** – the operator reduced duplication and improved stage-gate discipline.

As a result, selected projects delivered **almost half in cost savings**, indirect hours were cut by more than half, and progression from early concept to final sanction **accelerated by several hundred days**.

1) In some companies, a more radical variant of these initiatives involves transferring entire functions (e.g., standard engineering, IT support) to external contractors. This allows the organization to concentrate exclusively on core, differentiating activities. As this approach represents an extension of the two initiatives, it is not shown separately. Source: Deloitte

Digitization and automation can deliver lasting savings by reducing manual effort, increasing reliability, and enabling scalability of operations

10. Automate processes – EXAMPLE initiatives

4 – 7%	Automate processes	Key considerations
Increase automation in corporate functions	Deploy robotic process automation (RPA), Artificial Intelligence (AI), including Machine Learning (ML) to high-volume, repeatable activities in corporate functions, reducing manual effort while improving speed, accuracy and control.	☑ Focus automation on **repeatable processes that drive high workload.** Sample opportunities include: • **Finance:** invoice matching, journal entries, account reconciliations, payroll validation, intercompany settlements, reporting and variance analysis • **Procurement:** monitoring pricing, volume commitments, and indexation clauses, flagging deviations, and identifying leakage • **Tax and legal:** streamlined document review, filings, and regulatory reporting ☑ **Redesign and simplify end-to-end processes** before automation to avoid hard-coding complexity or shifting bottlenecks elsewhere ☑ Align **rules and limits across the business** (e.g., purchase order thresholds) before automating to avoid creating exception heavy processes ☑ **Redesign roles and work practices** so labor savings are actually captured
Increase automation in assets	Deploy AI/ML for asset operations and maintenance, reducing downtime, improving utilization and throughput and increasing maintenance efficiency.	☑ Prioritize automation where assets **repeatedly balance the same variables**, rather than bespoke, one-off engineering judgments. Sample opportunities include: • **Maintenance:** use of drones, sensors, and computer vision to inspect infrastructure and detect corrosion, leaks, or integrity issues. Optimized maintenance intervals, reduced unplanned outages, better spare parts planning • **Operations:** optimization of throughput, energy use, and yields. Improved work scheduling and field operations by optimizing crew and material deployment ☑ Embed **automation directly into asset workflows and systems** (e.g., planning, logistics) so insights trigger action by default, rather than adding parallel analytics ☑ Fix **asset master data** (e.g., maintenance history) before automating - otherwise predictive tools optimize noise ☑ **Redesign roles and work practices** so labor savings are actually captured

CASE STUDY

A major offshore operator **faced high maintenance cost and rework** due to fragmented processes and manual documentation. Routines differed across installations, creating compliance risks and extra workload.

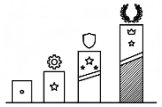
By introducing automated workflows – from **data-driven preventive updates to risk-based failure assessment and streamlined work-order planning** – the operator standardized execution and improved data quality.

As a result, numerous installations adopted the new model, **thousands of preventive-maintenance program improvements** were implemented, and **rework fell significantly**, reducing cost and strengthening compliance.

Source: Deloitte

Optimizing delivery models can help align cost levels with the current and future value creation potential of assets in the portfolio

11. Optimize delivery models – EXAMPLE Initiatives

7 – 10%	**Optimize delivery models**	**Key considerations**
Differentiate service levels 	Implement multi-tiered service models that match services to the role and needs of each asset, avoiding unnecessary "gold-plating." Proactively manage supply-demand trade-offs.	☑ Based on improved cost transparency (e.g., activity-based costing). establish **demand management processes and tools** as part of standard business planning to pro-actively balance what "customers" (asset teams) need and are willing to pay for and what "suppliers" (support functions) can deliver ☑ Match **operating and service delivery models to asset maturity and competitive situation** to avoid over-servicing and overcharging some assets (e.g., late life, low carbon) with corporate costs that can price them out of the market
Proactively manage stranded cost 	Immediately and fully stand down business, support function, and vendor teams as projects stop or assets are divested to capture full benefits of reduced activity.	☑ Map **central charges early and in detail** to reveal cost pool that will not "automatically" disappear after a project termination or an asset divestment ☑ Secure **cost-out commitment** ("handshake") between the business and corporate services **at a senior leadership** level prior to divestment or project termination ☑ Build in service and cost ramp-downs into **transition service agreements,** in alignment with how the cost will be leaving the organization
Increase asset and infrastructure sharing 	Pool selected assets (e.g., boats, choppers) with competitors and the ecosystem to increase utilization. Explore secondary market schemes.	☑ Focus on **non-differentiated assets** with consistently **underutilized capacity** ☑ **Synchronize operational schedules with partners** so shared assets can run consistently ☑ Use **transparent, usage-based cost allocation** to maintain trust and prevent withdrawal when workloads diverge ☑ Standardize **operating procedures** to avoid duplicated assurance
Rebalance asset ownership 	Move some assets (e.g., late life) to JVs, or outsourced operations to take them off the cost sharing, and align overhead with market needs.	☑ Start with **late-life or non-core** assets suitable for transfer to joint ventures (JVs) or outsourced operators. Consider also **"core-but-different"** assets (e.g., low carbon) ☑ Align **RemainCo overhead and HQ cost** with the reduced asset base ☑ Align JV operating model, culture and incentives with the new role, and ensure **visibility on OPEX, shutdown plans, decommissioning triggers** etc. – otherwise cost and liability simply reappear in partner budgets

CASE STUDY

An offshore operator aimed to reset the operating model of a **mature asset** whose activity levels and cost base no longer matched its late-life profile. Maintenance, organizational roles and support levels were **driving unnecessary cost and complexity**.

By introducing a **dedicated late-life model** – streamlining activity sets, simplifying organizational interfaces and refocusing maintenance and operations on essential work – the operator created a leaner and value maximizing way of running the asset.

Annual OPEX was reduced significantly, and the asset moved into a **top-quartile cost position without compromising safety and integrity**.

Source: Deloitte

AI can accelerate and reinforce sustainable cost transformation by removing inefficiencies, streamlining operations, and automating repetitive work, and supporting decision-making

12. Artificial Intelligence (AI) potential in cost transformation - EXAMPLES

AI CASE STUDY:
Eliminating procurement cost leakage

A global chemicals company faced **procurement cost leakage and control risks** through off-standard spend, limited transparency, and inconsistent buying behaviors.

Deloitte deployed a scalable **agentic AI procurement platform to classify purchase requests in real time, detect off-standard demand, and trigger structured remediation workflows** – delivering savings of approximately **1.5% of total external spend.**

The platform is now being expanded to enable **demand intake management, automated sourcing, value-leakage prevention, negotiation agents, and post-award contract management**, with initial savings estimates **above $ 300M.**

Eliminate inefficiency	**Simplify operating choices**	**Automate processes**	Optimize delivery models
Uncover cost transparency			

AI CASE STUDY:
From weeks to real-time maintenance decisioning

A large NOC faced slow maintenance decision-making across upstream assets – ca. 30k annual inspections of which ca. 20% resulted in repair recommendations, where each took 2-3 weeks to assess.

Deloitte partnered with the client to design and deploy a **generative AI maintenance assistant trained on proprietary engineering data.**

Integrated into existing workflows and optimized through an on-premises deployment model, the solution generates **expert maintenance recommendations in real time, supporting reliability engineers and accelerating decisions from weeks to near real time, resulting in multimillion dollar annual efficiency gains.**

Eliminate inefficiency	**Simplify operating choices**	**Automate processes**	Optimize delivery models
Uncover cost transparency			

AI CASE STUDY:
Preventing downtime and enhancing productivity

At a global offshore services company, unplanned engine failures drove vessel downtime, while manual steering of operational parameters (e.g., speed, pipe angle, jet pressure) constrained productivity.

Deloitte supported the deployment of **AI-driven asset intelligence solutions across the fleet**. An AI **anomaly detection** model monitors critical engine variables and alerts on-vessel crews to prevent failures, while an AI **optimization** model analyzes operational data to recommend configuration parameters in real time during asset operations.

The solutions improved **asset uptime by 2–5%** and increased **asset productivity by ca. 5%.**

Eliminate inefficiency	Simplify operating choices	**Automate processes**	Optimize delivery models
Uncover cost transparency			

xxx Main cost reduction levers impacted

Source: Deloitte

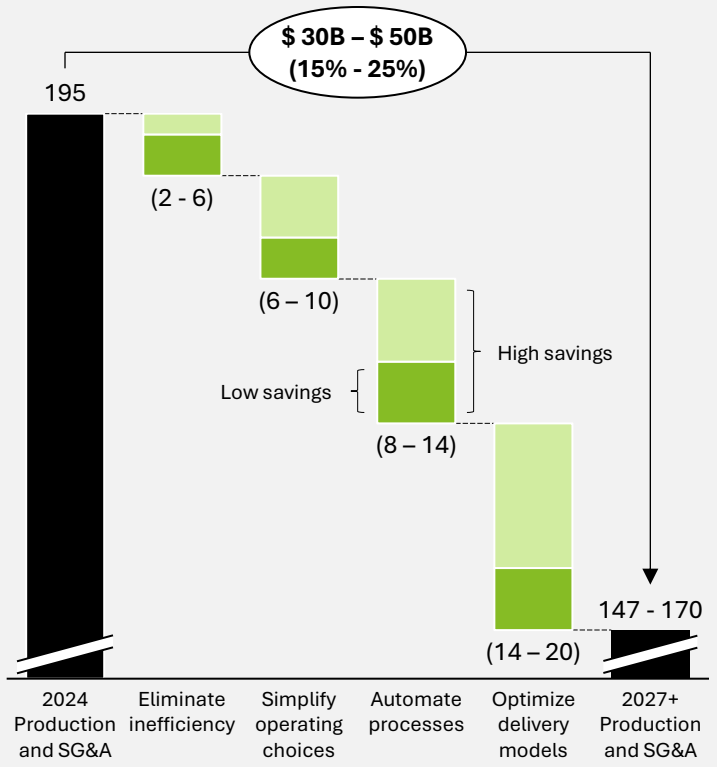
AI can accelerate cost transformation by amplifying savings from across the cost levers and by unlocking new opportunities. Its greatest impact is in **high-volume, repetitive processes, areas prone to errors, or where pattern recognition enables improved decisions.** By automating routine tasks and integrating data, AI can free teams for higher-value work.

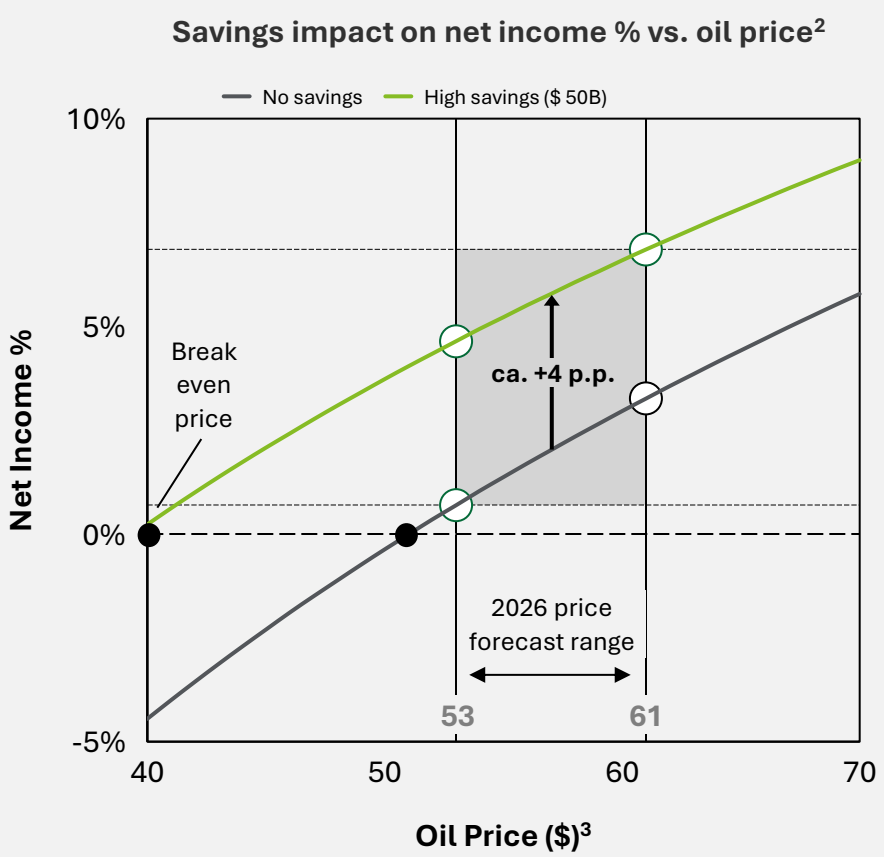
Beyond efficiency gains, AI can **strengthen governance and reduce value leakage** by flagging spend outliers, enforcing policies, and supporting decision-making. It can also improve operations through smarter planning, workflow optimization, and operational choices.

Crucially, **AI helps sustain savings over time**. By monitoring cost drivers post-transformation, it can reduce reliance on manual controls, prevent cost creep, and provide real-time insights into cost dynamics, making it a central enabler of smarter, more sustainable cost management.

Effective cost transformation could result in up to $50B in sustainable savings across the top IOCs, which would lower breakeven oil price to ca. $40/bbl

13. OPEX savings and illustrative impact on net income margin of top IOCs – ILLUSTRATIVE





By applying the cost transformation levers discussed, the top five IOCs could unlock **$ 30B – $50B in structural OPEX savings**, versus the 2024 production and SG&A cost.

Actual outcomes will vary by company, asset mix, operating model and strategic choices, but are expected to be **higher and more sustainable than the net savings realized in the last decade.**

Across the range of 2026 oil price forecasts, net-income margins could improve by ca. 4 p.p., and **breakeven oil price could fall from ca. $50/bbl to ca. $40/bbl**.

Together, these structural changes could strengthen **profitability and resilience in an increasingly uncertain demand and price environment**.

1) Savings related to production and SG&A cost, excludes D&A and non-income taxes; 2) Forecasts are illustrative regression-based averages reflecting historical relationship between oil price, OPEX and net margin; 3) Annual average of Brent Crude Oil Futures Prompt Month
Source: Company reports; CapitalIQ; IEA; EIA; JPMorgan; Goldman Sachs; IMF; World Bank; Rystad; Tenet; Deloitte analysis

Beyond OPEX benefits, cost transformation also increases CAPEX efficiency through simplification across the asset lifecycle

14. OPEX and CAPEX impact of cost transformation – EXAMPLES

Selected cost transformation levers	OPEX impact (operations & maintenance)		CAPEX impact (design & execution)
Reduce variations in inventory and designs	Simpler operations and maintenance with fewer spare parts and training requirements. Shorter and less frequent turnarounds.	⟷	Lower EPC complexity, engineering effort, and procurement costs. Shorter project schedules and reduced execution risk.
Simplify workflows and decision paths	Leaner operating model with fewer handoffs and coordination layers. Faster issue resolution and lower support costs.	⟷	Faster approvals and shorter project cycle times with lower execution overhead. Reduced contingencies and rework.
Increase automation in asset operations	Higher operating efficiency through predictive maintenance and remote operations. Reduced unplanned downtime.	⟷	Reduced commissioning time and startup risk, with lower requirements for capital redundancy. More efficient turnarounds.
Increase asset and infrastructure sharing	Shared fixed operating costs trough higher utilization and lower steady-state operating costs.	⟷	Lower capital intensity through shared facilities, equipment, and logistics. Avoided duplication of infrastructure and capacity.

Effective cost transformation can fundamentally simplify both asset and function operations, directly reducing OPEX. This simplification and standardization can also enable CAPEX projects to be designed for lower complexity, faster execution, and lower cost from the outset.

These effects are mutually reinforcing: most OPEX efficiency initiatives translate into direct CAPEX savings, while CAPEX simplification (e.g., standardized designs) reduces ongoing operating costs – creating a virtuous cycle of capital efficiency across the portfolio.

Source: Deloitte

Realizing full benefits of cost transformation requires shifting from top-down benchmark-centric approaches to a business-centric governance model, with accountability near the front line

15. Typical cost transformation governance models

	BENCHMARK-CENTRIC TARGET-LED	BUSINESS-CENTRIC INITIATIVE-LED
Description	**Targets and initiatives defined centrally** based on **benchmarks and cost ratios**. Cost cuts largely **indiscriminate and applied uniformly** across the organization, with limited operational insight or nuance. **Management team** (MT) typically sets ambition and reviews progress at an **aggregate level.**	Targets set **centrally with business input**. Initiatives identified **bottom-up by cost owners and validated and de-risked** against targets. **Delivery owned by the business** and functions, enabled by a tight reporting cadence. **MT plays an active role** in steering the initiative portfolio, removing obstacles, and unlocking synergies.
Speed	H Fast to launch due to broad brush top-down target setting	M Slightly slower upfront due to bottom-up initiative identification and validation
Organizational buy-in	L Perceived as imposed, often cuts across local priorities. Reinforces “center vs. business” dynamic	H Change is embedded into day-to-day operations, giving teams responsibility while keeping them accountable
Accountability	L Diffused, often stopping at target level. High risk of “accounting adjustments”, or one-offs to hit targets	H Each initiative has a named owner and timeline. Visibility and MT scrutiny reduce room for accounting tricks
Savings potential	M Captures obvious benchmark gaps but initiatives tend to be generic or superficial, and miss local opportunities	H Surfaces granular, context-specific, higher-quality initiatives closer to operations and realities
Sustainability of savings	L Because of limited buy-in and capability building, savings often erode once pressure is lifted	H Savings embedded in processes, specs, and operating models, building cost discipline and value mindset

High | Medium | Low

More details on the next page

The fundamental demarcation between cost governance models lies in **how deeply operational insight is embedded** in target setting and the identification of initiatives.

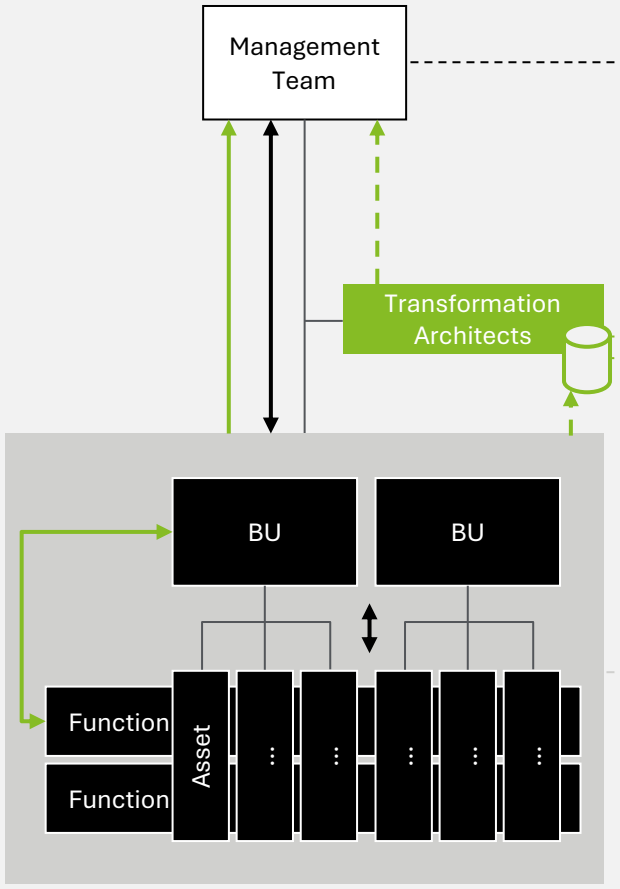
In traditional models, benchmarks are translated into top-down, largely indiscriminate actions across the organization, often limiting savings potential and undermining sustainability.

In more effective models, initiative identification and ownership sit close to where costs are incurred, enabling higher-quality, more durable savings with less organizational disruption.

Source: Deloitte

In a business-centric governance model, Transformation Architects link the assets, functions and management, enable synergies and trade-offs, and maintain a single source of truth on progress

16. Example roles in a business-centric, initiative-led governance model



- **Set and cascade targets**, based on business input and alignment with strategy
- **Define implementation principles** for managing risks and trade-offs
- **Remove roadblocks**, allocating capital and talent to key opportunities
- **Lead "owner's mindset" initiatives,** incl. incentives design and communication

- **Enable synergies,** activate initiatives that span assets, functions, geos and layers
- **Coordinate supply-demand** (function-asset) **trade-offs**
- Orchestrate **performance cadence**, incl. high-frequency information flows up and down
- Share learnings, **enable replication**, support community-building

- **Maintain single source of truth on cost and progress, incl.:**
  - Tracing cost and savings from functions to asset / BU P&L, and out the door
  - Aligning transformation KPIs with performance reporting (no shadow accounting)

- **Design operationally-grounded initiatives**; define plans, risk-adjusted savings and resource needs, extract synergies, address cross-team/site opportunities
- **Agree demand–supply trade-offs,** align service levels between BUs/assets and functions based on business needs and ability to serve, in alignment with cost targets
- **Deliver initiatives and manage cash out the door**, report on progress, escalate risks, build in durability plans

Targets and implementation principles ↔ Initiatives (identification, progress) ⇢ Cost and initiative data flows

In the business-centric governance model, accountability for identifying and delivering savings sits with the assets and functions. At the same time, management must have timely, granular visibility to allocate resources effectively, manage risks and remove obstacles.

Transformation Architects team plays a central role in enabling this governance. Acting as the critical link between the front-lines and management, the team **orchestrates the transformation end-to-end**. Crucially, it maintains a single source of truth on costs and progress – providing the transparency and discipline required for the costs to be managed out the door.

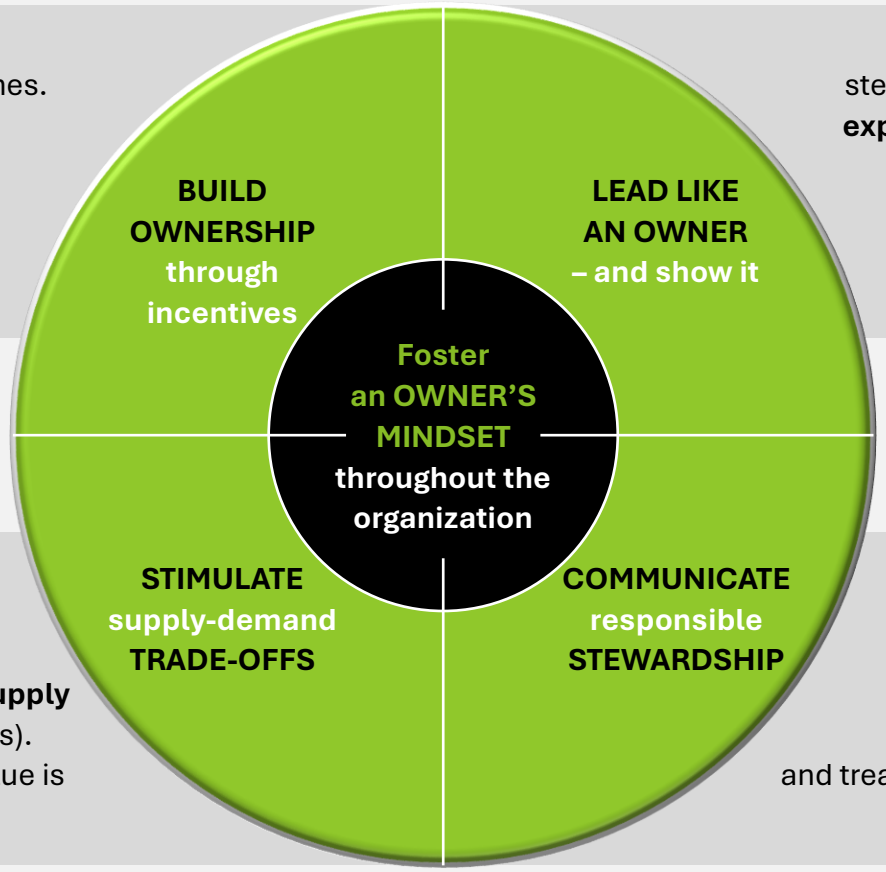
Source: Deloitte

To sustain the savings, companies should foster an ‘owner’s mindset’ in the organization through incentives, visible leadership, deliberate trade-offs, and communication

17. Making cost transformation sustainable through changes to the organizational culture

Tie rewards to value creation, cost discipline and durable outcomes. **Incentivize simplification, efficiency and long-term savings** rather than growth for its own sake.

Ensure senior leaders model stewardship: **make trade-offs public, explain budget allocation decisions, and demonstrate frugality** in daily behaviors.



Replace entitlement budgeting with **explicit choices on what not to do,** and with continual **dialogue between demand and supply** owners (assets, corporate functions). Strongly limit activities of which value is not recognized by the front-lines.

Communicate a shared narrative that cost management is a professional hallmark. **Publicly recognize** teams that simplify, stop low-value activity and treat company resources as their own.

Source: Deloitte

Enabling and sustaining cost transformation requires a cultural shift: **everyone, from the front line to senior leadership**, must adopt an owner’s mindset.

Cultural change starts with incentives that reward cost discipline and value creation. Supply–demand dialogue needs to be maintained to surface trade-offs, while senior leaders must visibly model the behaviors they expect. Finally, responsible stewardship should be publicly celebrated to embed desired behavior.

Together with concrete cost levers, these steps can create a **self-correcting organization that manages for value and reduces the need for repeated transformation programs.**

Deloitte is uniquely positioned to design and deliver sustainable cost transformation in the energy and chemicals sector

18. Deloitte energy and chemicals sector cost transformation practice

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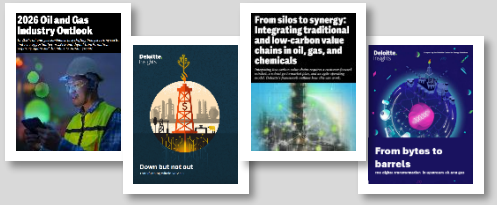
Designing and delivering sustainable cost transformation in Energy & Chemicals

Leading advisors to energy and chemicals companies

Serving companies **across the value chain** – from O&G IOCs and NOCs, global petrochemicals, to small caps, and specialty producers.

Deep, practical understanding of **market** environment, **asset operations** and **HQ** functions.



Thought leadership examples

Hands-on cost transformation architects

Extensive experience delivering **direct bottom-line impact** through end-to-end transformation.

Creating **cost transparency, unlocking internal and external savings, and driving simplification to cash.**

Leading **hands-on** execution of **functional** initiatives, such as supply chain, finance, HR.

Only real one-stop-shop for business transformation

World's largest professional services firm, bringing **integrated solutions** that are **practical, implementable, and adopted** – driving real change by speaking the organization's language.

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Selected integrated capabilities

Best-in-class accelerators and methodologies

Achieving results faster using our proprietary tools, accelerators, and methodologies.

- Gross-to-Net Cost Transparency Models
- Stranded Cost Analytics Frameworks
- Integrated Program Management Processes & Dashboards
- Culture, Change, and Communication Frameworks

Selected accelerators

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List of terms and acronyms

$ M, $ B	million US dollars, billion US dollars
AI	artificial intelligence
Asset(s)	umbrella term for physical operational assets and other types of businesses
bbl	barrel
BU	business unit
ca.	circa, approximately
CAPEX	capital expenditure
D&A	depreciation and amortization
EIA	Energy Information Administration
EPC	engineering, procurement and construction
ERP	enterprise resource planning systems
Function(s)	umbrella term for various corporate departments (e.g., Finance, HR, Legal)
HQ	headquarters
HR	Human Resources
IEA	International Energy Agency
IMF	International Monetary Fund
IOC	international oil company
IT	information technology
JV	Joint Venture
k	thousand
KPI	key performance indicator
M&A	mergers and acquisitions
ML	machine learning
MT	management team
NOC	national oil company
OPEX	operational expenditure
P&L	profit and loss (statement)
p.a.	per annum
PMO	project management office
p.p.	percentage points
R&D	research and development
RemainCo	Remaining company after divestment
RPA	Robotic process automation
SG&A	selling, general and administrative (costs)

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