

# 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.

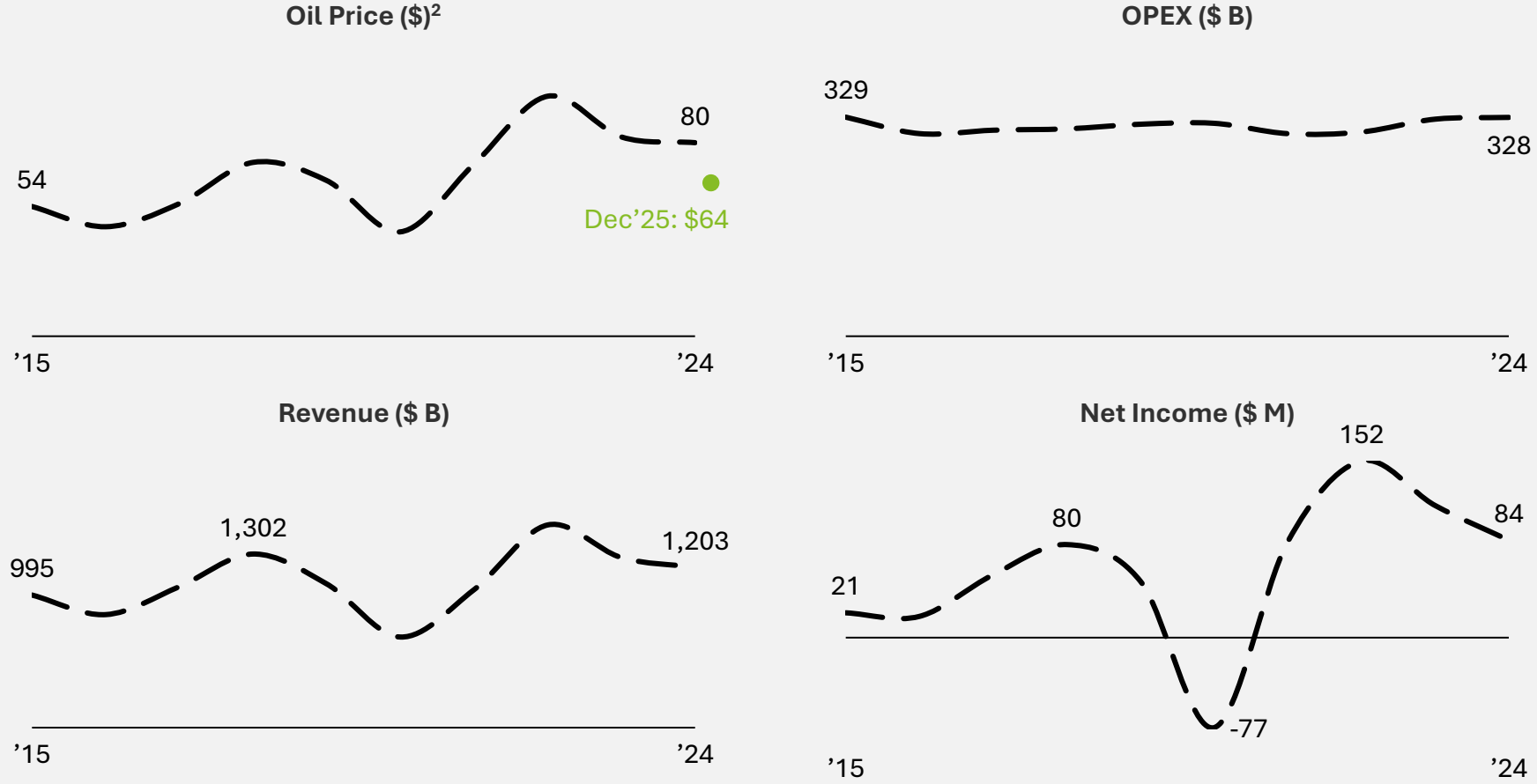
# Summary

- Over the past decade, revenues of the top international oil companies (IOCs)<sup>1</sup> 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.

<sup>1</sup>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<sup>1</sup> (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.**

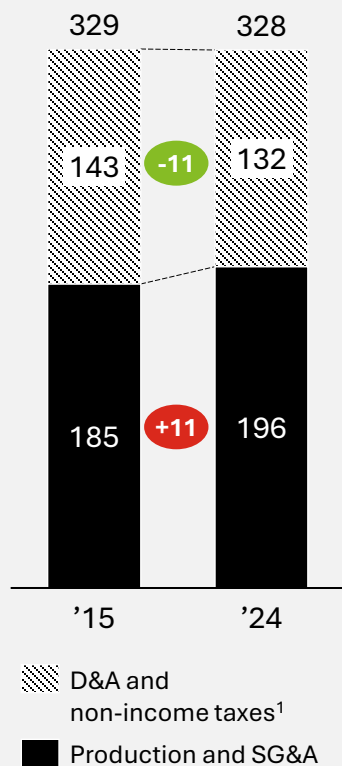
While revenues fluctuate widely, **operating expenses (OPEX) remain largely fixed**. The relatively modest cost cuts achieved during COVID-19 were more than reversed over the last three years. As a result, with OPEX largely inflexible, **net income has closely mirrored revenue volatility**.

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).

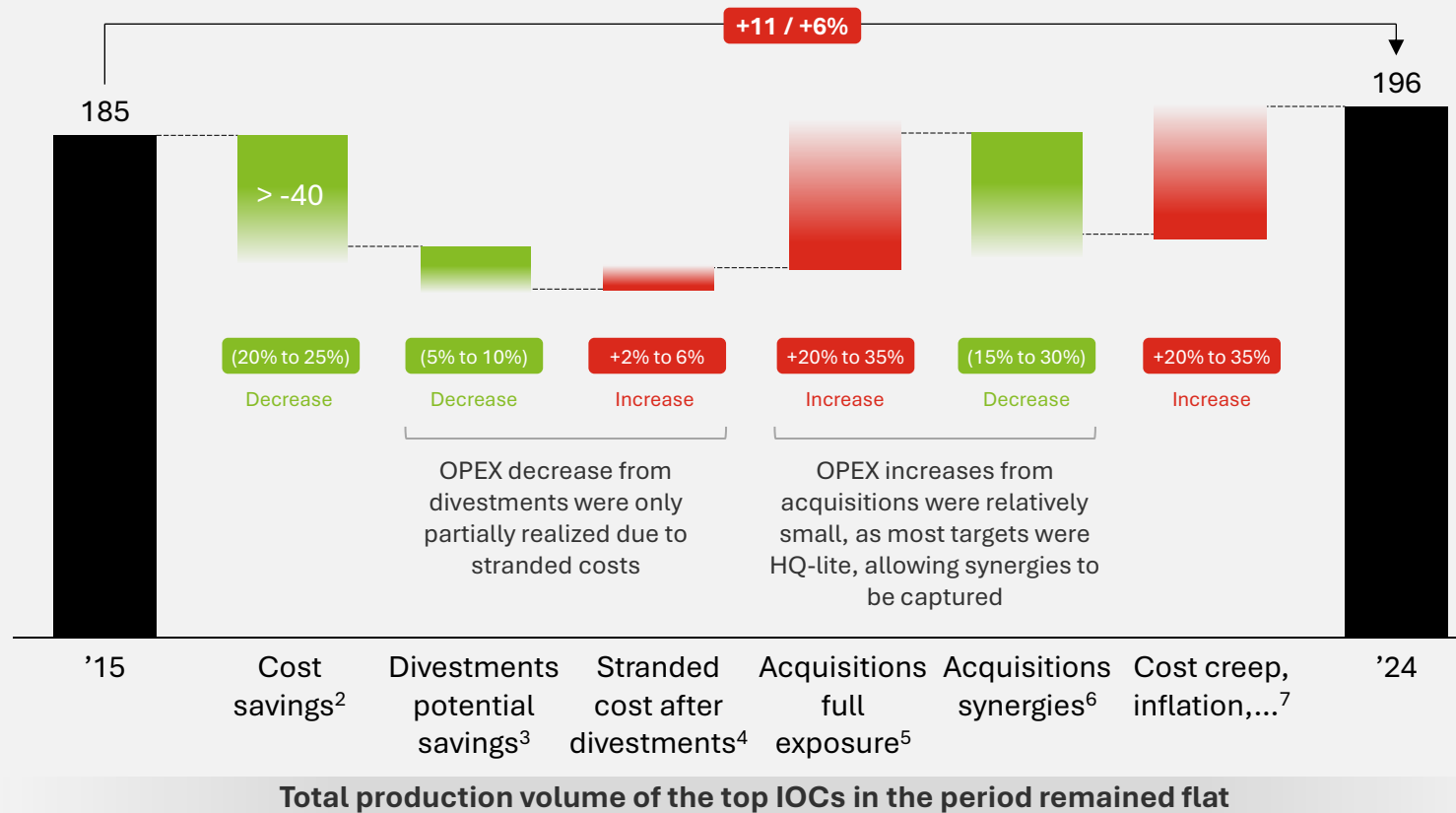
1) International Oil Companies (ExxonMobil, Shell, TotalEnergies, Chevron and BP); 2) Annual average of Brent Crude Oil Futures Prompt Month  
Source: Company reports; CapitalIQ; Deloitte analysis

# 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



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.**

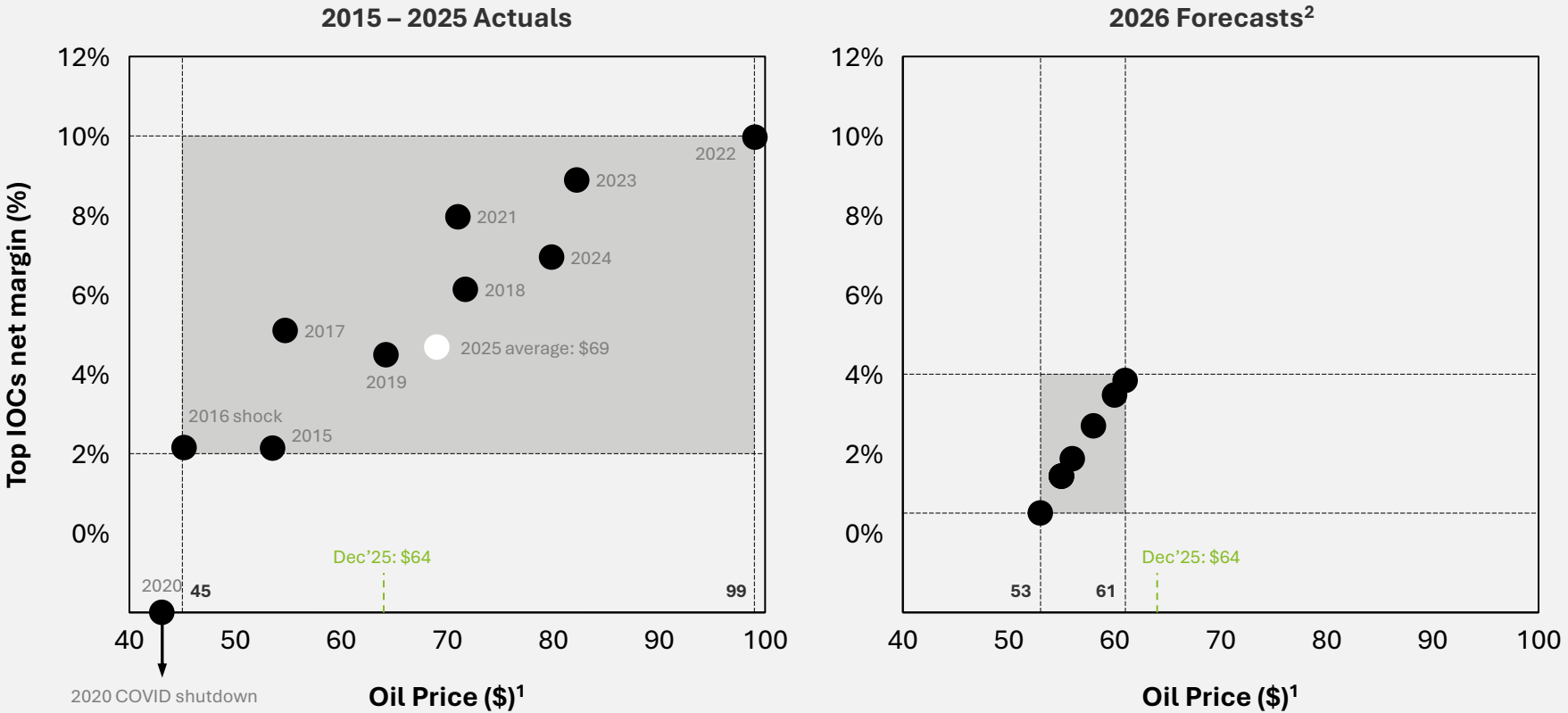
This increase occurred despite **more than \$40B of structural OPEX savings** announced over the period.

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.

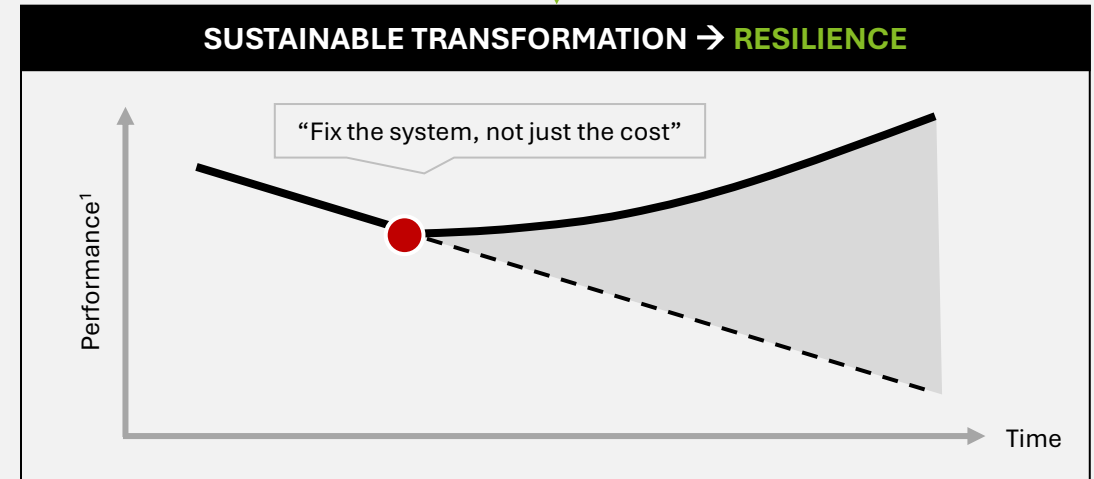
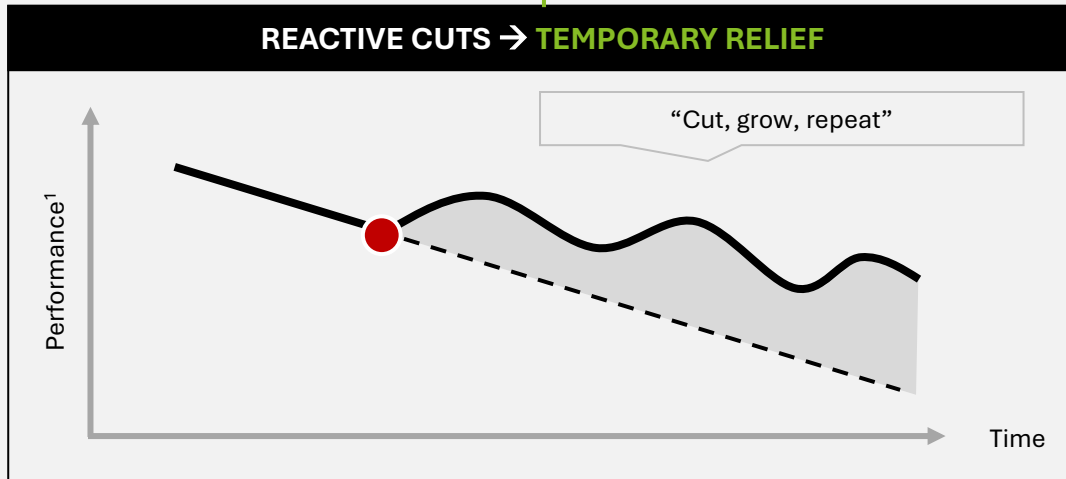
In this environment, further cost reduction will be critical to protecting margins and adapting to heightened external uncertainty.

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



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.

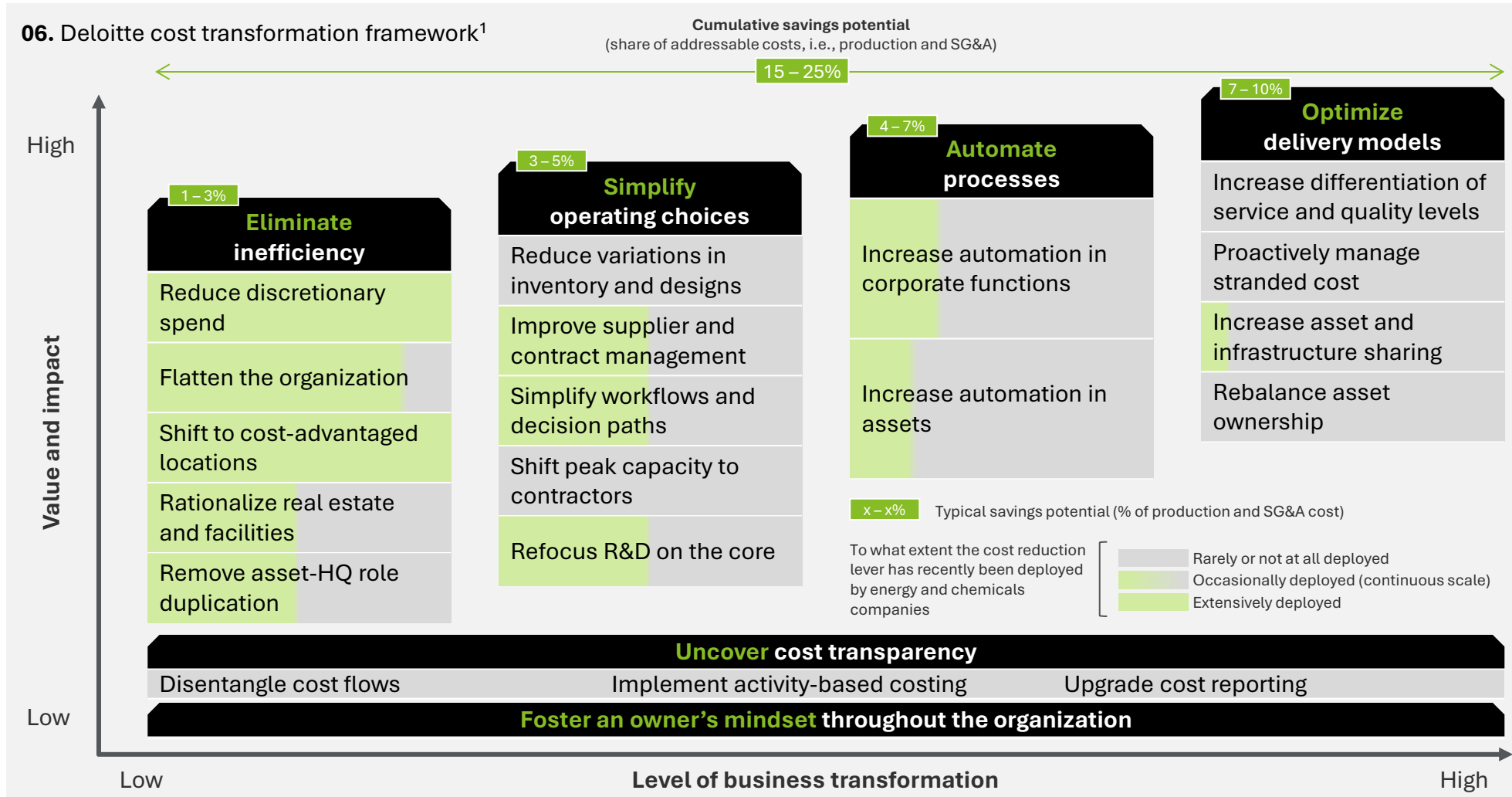
To break the “cut, grow, repeat” cycle and create resilience needed to prepare for future market demands, companies should consider adopting a transformative approach to cost reduction. Tactical actions remain necessary, but they must be paired with **simplification, automation, and delivery-model optimization**.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

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

**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



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.

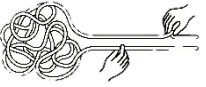


Delivery models should also be optimized, moving away from fixed-cost, one-size-fits-all solutions toward more tailored, flexible approaches.

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

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

# 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
<b>Disentangle cost flows</b> 	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.	<ul style="list-style-type: none"> <li>✓ Reconcile <b>function and asset views</b> so every material charge in P&amp;L can be traced back to the cash out in functions and assets</li> <li>✓ Give each cost item <b>one accountable owner</b>, instead of dozens of cost-center managers guarding only their “slice” of costs and allocations</li> <li>✓ Strip out <b>redundant allocation layers and legal entities</b> – remove steps that do not add more value (e.g., fiscal benefits, internal loaded cost fees) vs cost to maintain</li> </ul>
<b>Implement activity-based costing</b> 	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.	<ul style="list-style-type: none"> <li>✓ Clarify what really impacts <b>cash cost levels</b> versus only impacting cost allocations</li> <li>✓ Involve <b>assets (demand) and functions (supply)</b>, so there is early buy-in into cost drivers and analysis methods</li> <li>✓ Use <b>simple, objective cost drivers per activity</b> (e.g., time spent, number of licenses), standardize allocation keys and communicate on both supply and demand sides</li> </ul>
<b>Upgrade cost reporting</b> 	Implement near real-time cost KPIs (leading and lagging) in executive dashboards, embed short-loop cadence to explain variances and plan corrective actions.	<ul style="list-style-type: none"> <li>✓ Steer on <b>real cost flows from functions to asset P&amp;Ls</b>, not on top-down allocations</li> <li>✓ Enable <b>roll-up and drill-down</b> – from total OPEX impact to zoom-in on (big) cost initiatives and specific teams / cost items in one place</li> <li>✓ Ensure <b>data ownership sits with the business (functions and assets)</b>, with IT providing infrastructure for automation and data flows</li> </ul>

## 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.


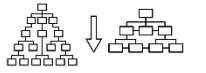



By **tracing cost flows across multiple allocation methods in over 100 entities**, Deloitte created detailed links between cash out in functions and P&L items in the business units and assets, giving leaders granular insight into the sources and drivers of cost in each spend category.

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.



# 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
<b>Reduce discretionary spend</b> 	Reduce controllable spend not tied to core business, e.g., travel and expenses, consumables, sponsorship, non-essential licenses.	<ul style="list-style-type: none"> <li>✔ <b>Tighten rules on travel and expenses</b>, including when in-person presence is required</li> <li>✔ <b>Lower approval thresholds</b> for new discretionary spend, with named accountability</li> <li>✔ Tie discretionary budgets to <b>planned activity levels</b> (e.g., project travel plans) instead of top-down allocations and ‘previous year +x%’ approach</li> <li>✔ Challenge cost owners in <b>short loops</b> to justify need, alternatives, and compliance</li> </ul>
<b>Flatten the organization</b> 	Remove management layers, increase spans of control, reduce number of meetings, improve meeting effectiveness.	<ul style="list-style-type: none"> <li>✔ Delayer vertically and <b>collapse parallel teams horizontally</b> where there are synergies</li> <li>✔ Cut recurring meetings and approvals that existed mainly to serve multiple layers, and <b>reset meeting norms</b> (e.g., discourage ‘FYI-participants’)</li> <li>✔ Reset <b>decision rights and forums together</b>: assign one clear accountable owner per decision and retire duplicate committees to cut latency and meeting load</li> </ul>
<b>Shift to cost-advantaged locations</b> 	Expand offshore and remote delivery models, moving some corporate and engineering activities to global centers in lower-cost countries.	<ul style="list-style-type: none"> <li>✔ Focus on shifting <b>stable, codified work</b> to reduce cost but maintain quality</li> <li>✔ Harmonize <b>tools and templates</b> first so local teams do not spend time reworking output from global centers</li> <li>✔ Keep <b>high-value-add and safety-critical roles</b> near HQ and decision centers, to maintain decision quality and speed</li> </ul>
<b>Rationalize real estate and facilities</b> 	Align office space with new capacity and flexible work schemes, explore lower cost, rental and shared spaces for some teams.	<ul style="list-style-type: none"> <li>✔ Use <b>utilization data</b> (e.g., badge swipes, bookings), not headcount, to size the required real estate needs</li> <li>✔ Eliminate <b>unnecessary duplication</b> (e.g., labs, regional offices) but consider local skills profiles and proximity to decision centers</li> <li>✔ Tie real estate savings <b>to an operating-model shift</b> – not standalone space cuts</li> </ul>
<b>Remove asset-HQ role duplication</b> 	Move some asset-level roles (corporate and technical) into country or central hubs to reduce duplication and standardize execution.	<ul style="list-style-type: none"> <li>✔ Differentiate roles that truly require <b>asset-specific judgment</b> (e.g., asset integrity engineer) from those that can be standardized and consolidated across assets</li> <li>✔ <b>Redesign end-to-end workflows first</b>, then relocate roles, to avoid centralizing fragmented or inefficient ways of working</li> <li>✔ <b>Assign process owners</b> to prevent assets and functions recreating shadow roles</li> </ul>

Source: Deloitte

## 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.



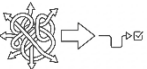


By implementing an integrated planning model that aligned workforce schedules, maintenance plans and logistics capacity, the operator established a **single, data-driven process for matching demand with available transport**.

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



# 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
<b>Reduce variations in inventory and designs</b> 	Limit equipment types, spare parts, and engineering designs used across assets to lower procurement, inventory holding, and maintenance costs.	<ul style="list-style-type: none"> <li>✓ Target <b>high-value and fast-moving items</b> first for disproportionate impact</li> <li>✓ Engage <b>operational teams</b> but disincentivize the “each asset is different” mentality</li> <li>✓ Actively manage <b>legacy designs and spare parts</b> to avoid obsolete inventory</li> <li>✓ Cleanse <b>inventory master data</b> (e.g., codes, units) to avoid issues from re-emerging</li> </ul>
<b>Improve supplier and contract management</b> 	Consolidate vendors, tighten rate and scope controls, shift incentives toward shared outcomes and productivity gains.	<ul style="list-style-type: none"> <li>✓ Build an <b>enterprise-wide spend cube</b> to identify consolidation opportunities</li> <li>✓ Model supplier cost (top suppliers) to <b>break information asymmetry</b>, and negotiate based on underlying cost drivers, not price</li> <li>✓ Deploy <b>contract terms adherence monitoring</b>, both pro-active and retrospective</li> <li>✓ Involve <b>business to redefine needs</b> rather than just chasing low rates</li> </ul>
<b>Simplify workflows and decision paths</b> 	Simplify end-to-end processes by removing non-value adding steps, handovers, and approvals while preserving quality and control.	<ul style="list-style-type: none"> <li>✓ Start from the <b>decision or output needed</b> and remove reviews, handovers and controls that <b>do not materially improve value, risk mitigation or safety</b></li> <li>✓ Standardize <b>low-risk repeatable flows</b> – reserve governance for high impact cases</li> <li>✓ Reduce “internal customer” loops by <b>simplifying legal entities and recharges</b> (e.g., fewer entities, fewer pass-through invoices)</li> </ul>
<b>Shift peak capacity to contractors<sup>1</sup></b> 	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.	<ul style="list-style-type: none"> <li>✓ Match <b>contractor models to specific workload patterns</b> instead of using generic time and materials resourcing (e.g., shift suitable scopes to outcome-based contracting)</li> <li>✓ Use <b>probability-weighted planning</b> to mobilize contractors only when scopes are firm, preventing early standby cost</li> </ul>
<b>Refocus R&amp;D on the core<sup>1</sup></b> 	Rationalize R&D and innovation project portfolio, remove pet projects and focus on areas with plausible path to value.	<ul style="list-style-type: none"> <li>✓ <b>Concentrate R&amp;D resources</b> instead of spreading experts thin across small initiatives</li> <li>✓ Apply <b>strict stage-gate kill criteria tied to value</b> so resources are freed up quickly</li> <li>✓ Link the <b>R&amp;D portfolio explicitly to strategic priorities</b></li> <li>✓ Make R&amp;D <b>cost base as variable as possible</b> to remove incentives to “stay busy”</li> </ul>

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

## 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.

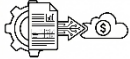

By introducing a data-driven standardized project delivery model – **simplifying workflows, aligning role ownership and integrating suppliers into one common planning process** – the operator reduced duplication and improved stage-gate discipline.

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**.



# 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
<p><b>Increase automation in corporate functions</b></p> 	<p>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.</p>	<ul style="list-style-type: none"> <li>✓ Focus automation on <b>repeatable processes that drive high workload</b>. Sample opportunities include:           <ul style="list-style-type: none"> <li>• <b>Finance:</b> invoice matching, journal entries, account reconciliations, payroll validation, intercompany settlements, reporting and variance analysis</li> <li>• <b>Procurement:</b> monitoring pricing, volume commitments, and indexation clauses, flagging deviations, and identifying leakage</li> <li>• <b>Tax and legal:</b> streamlined document review, filings, and regulatory reporting</li> </ul> </li> <li>✓ <b>Redesign and simplify end-to-end processes</b> before automation to avoid hard-coding complexity or shifting bottlenecks elsewhere</li> <li>✓ Align <b>rules and limits across the business</b> (e.g., purchase order thresholds) before automating to avoid creating exception heavy processes</li> <li>✓ <b>Redesign roles and work practices</b> so labor savings are actually captured</li> </ul>
<p><b>Increase automation in assets</b></p> 	<p>Deploy AI/ML for asset operations and maintenance, reducing downtime, improving utilization and throughput and increasing maintenance efficiency.</p>	<ul style="list-style-type: none"> <li>✓ Prioritize automation where assets <b>repeatedly balance the same variables</b>, rather than bespoke, one-off engineering judgments. Sample opportunities include:           <ul style="list-style-type: none"> <li>• <b>Maintenance:</b> 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</li> <li>• <b>Operations:</b> optimization of throughput, energy use, and yields. Improved work scheduling and field operations by optimizing crew and material deployment</li> </ul> </li> <li>✓ Embed <b>automation directly into asset workflows and systems</b> (e.g., planning, logistics) so insights trigger action by default, rather than adding parallel analytics</li> <li>✓ Fix <b>asset master data</b> (e.g., maintenance history) before automating - otherwise predictive tools optimize noise</li> <li>✓ <b>Redesign roles and work practices</b> so labor savings are actually captured</li> </ul>

Source: Deloitte

## 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.



# 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
<p><b>Differentiate service levels</b></p> 	<p>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.</p>	<ul style="list-style-type: none"> <li>✓ Based on improved cost transparency (e.g., activity-based costing), establish <b>demand management processes and tools</b> as part of standard business planning to proactively balance what “customers” (asset teams) need and are willing to pay for and what “suppliers” (support functions) can deliver</li> <li>✓ Match <b>operating and service delivery models to asset maturity and competitive situation</b> 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</li> </ul>
<p><b>Proactively manage stranded cost</b></p> 	<p>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.</p>	<ul style="list-style-type: none"> <li>✓ Map <b>central charges early and in detail</b> to reveal cost pool that will not “automatically” disappear after a project termination or an asset divestment</li> <li>✓ Secure <b>cost-out commitment</b> (“handshake”) between the business and corporate services <b>at a senior leadership</b> level prior to divestment or project termination</li> <li>✓ Build in service and cost ramp-downs into <b>transition service agreements</b>, in alignment with how the cost will be leaving the organization</li> </ul>
<p><b>Increase asset and infrastructure sharing</b></p> 	<p>Pool selected assets (e.g., boats, choppers) with competitors and the ecosystem to increase utilization. Explore secondary market schemes.</p>	<ul style="list-style-type: none"> <li>✓ Focus on <b>non-differentiated assets</b> with consistently <b>underutilized capacity</b></li> <li>✓ <b>Synchronize operational schedules with partners</b> so shared assets can run consistently</li> <li>✓ Use <b>transparent, usage-based cost allocation</b> to maintain trust and prevent withdrawal when workloads diverge</li> </ul>
<p><b>Rebalance asset ownership</b></p> 	<p>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.</p>	<ul style="list-style-type: none"> <li>✓ Standardize <b>operating procedures</b> to avoid duplicated assurance</li> <li>✓ Start with <b>late-life or non-core</b> assets suitable for transfer to joint ventures (JVs) or outsourced operators. Consider also “<b>core-but-different</b>” assets (e.g., low carbon)</li> <li>✓ Align <b>RemainCo overhead and HQ cost</b> with the reduced asset base</li> <li>✓ Align JV operating model, culture and incentives with the new role, and ensure <b>visibility on OPEX, shutdown plans, decommissioning triggers</b> etc. – otherwise cost and liability simply reappear in partner budgets</li> </ul>

## 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			

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.

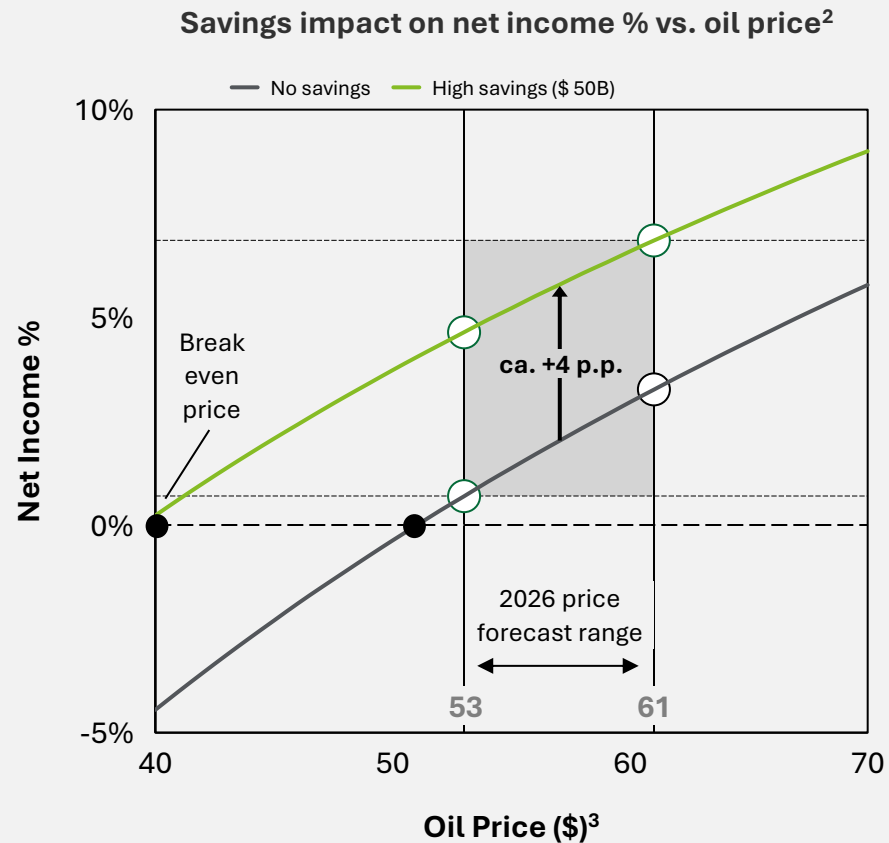
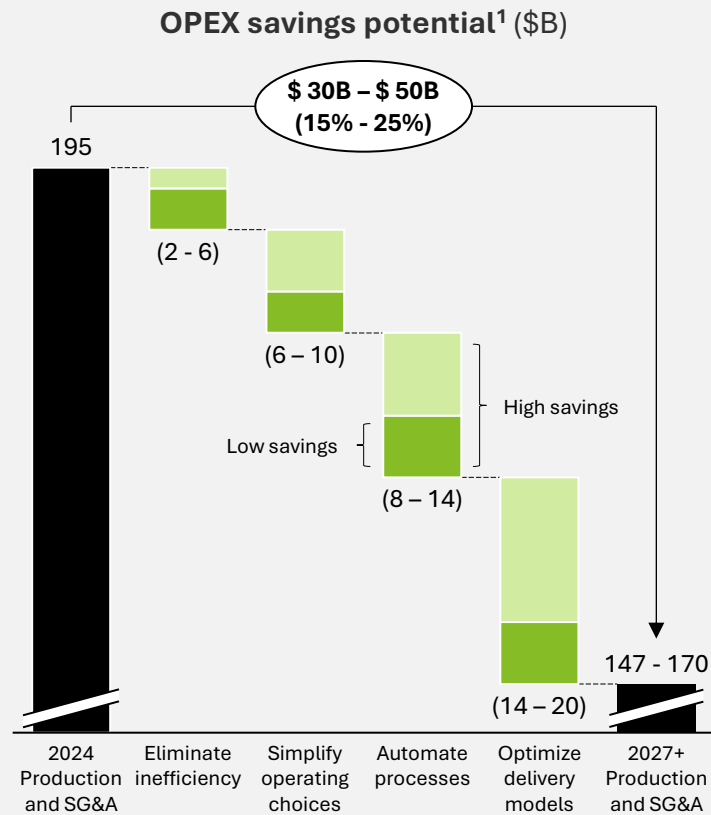
Beyond efficiency gains, AI can **strengthen governance and reduce value leakage** by flagging spend outliers, enforcing policies, and supporting decision-making. It can also improve operations through smarter planning, workflow optimization, and operational choices.

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.

xxx Main cost reduction levers impacted

# 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**.

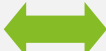
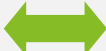
Together, these structural changes could strengthen **profitability and resilience in an increasingly uncertain demand and price environment**.

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	<b>OPEX impact (operations &amp; maintenance)</b>
<b>Reduce variations in inventory and designs</b>	Simpler operations and maintenance with fewer spare parts and training requirements. Shorter and less frequent turnarounds.
<b>Simplify workflows and decision paths</b>	Leaner operating model with fewer handoffs and coordination layers. Faster issue resolution and lower support costs.
<b>Increase automation in asset operations</b>	Higher operating efficiency through predictive maintenance and remote operations. Reduced unplanned downtime.
<b>Increase asset and infrastructure sharing</b>	Shared fixed operating costs through higher utilization and lower steady-state operating costs.



<b>CAPEX impact (design &amp; execution)</b>
Lower EPC complexity, engineering effort, and procurement costs. Shorter project schedules and reduced execution risk.
Faster approvals and shorter project cycle times with lower execution overhead. Reduced contingencies and rework.
Reduced commissioning time and startup risk, with lower requirements for capital redundancy. More efficient turnarounds.
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.

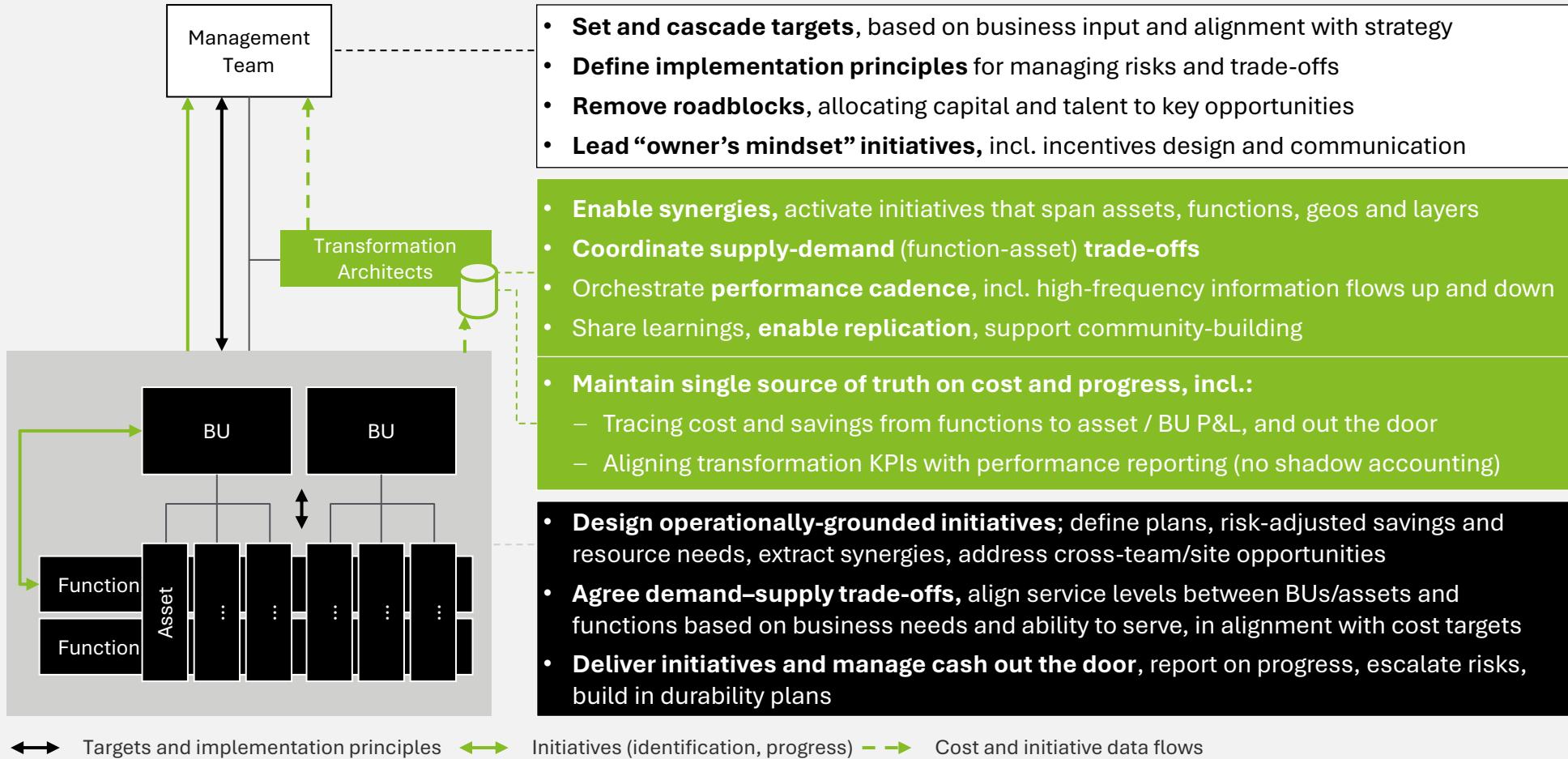
In traditional models, benchmarks are translated into top-down, largely indiscriminate actions across the organization, often limiting savings potential and undermining sustainability.

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



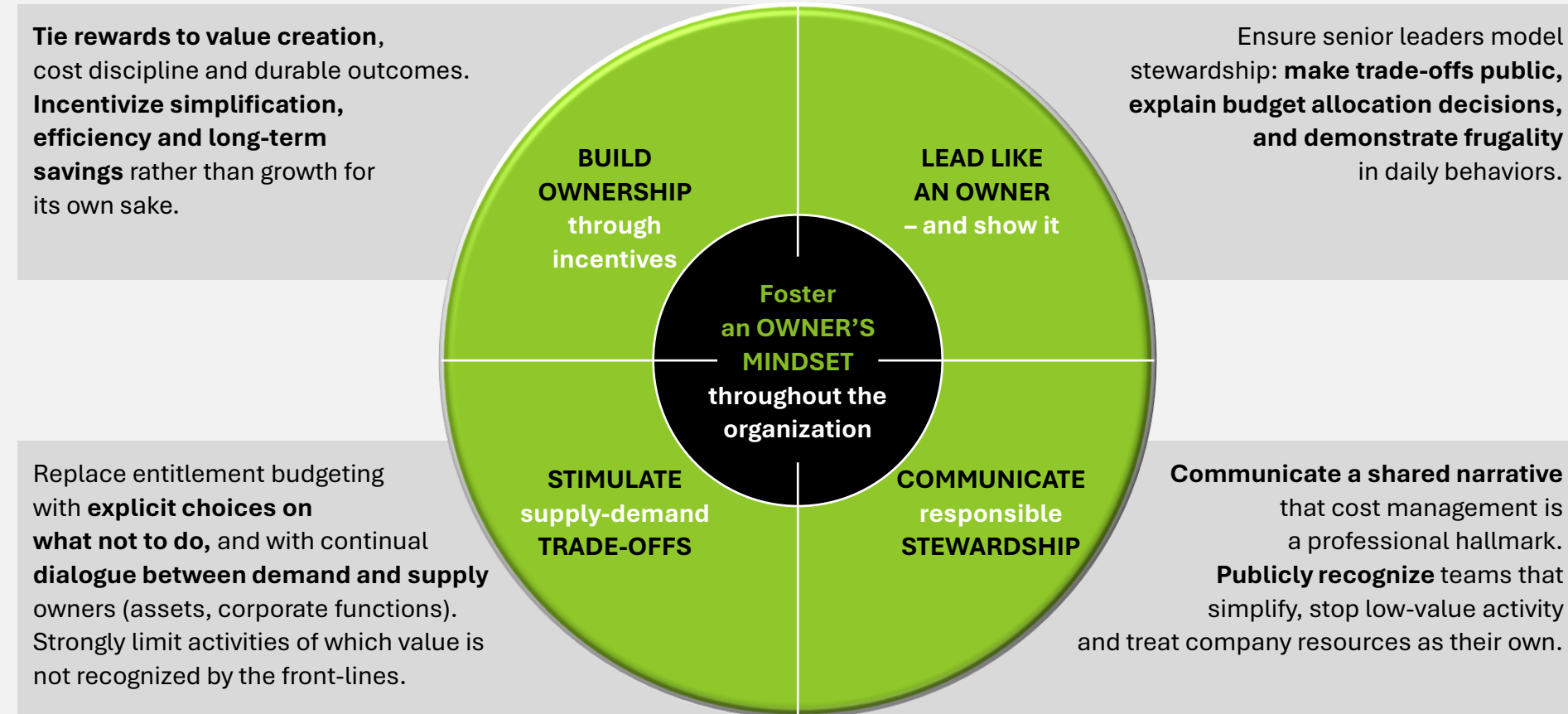
In the business-centric governance model, accountability for identifying and delivering savings sits with the assets and functions. At the same time, management must have timely, granular visibility to allocate resources effectively, manage risks and remove obstacles.

**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



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

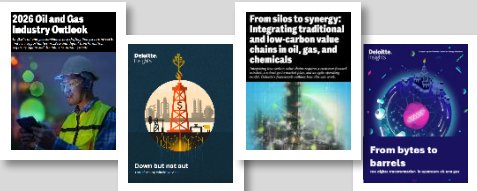


### Designing and delivering sustainable cost transformation in Energy & Chemicals

#### 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.

Strategy	Finance	AI / Data
Risk	HR	IT
M&A	Tax	Operations
Change	PMO	Legal
Cyber	Org. Design	Customer

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

# Authors and contributors

## Authors



**Tarek Helmi**

Partner, Energy and Chemicals Lead  
North and South Europe

[thelmi@deloitte.nl](mailto:thelmi@deloitte.nl)



**Michal Arament**

Director, Energy Strategy and Transformation

[marament@deloitte.nl](mailto:marament@deloitte.nl)



**Mohamed Chahbari**

Senior Manager, Energy and Chemicals

[mchahbari@deloitte.nl](mailto:mchahbari@deloitte.nl)

## Key Contributors



**Johannes Wiik**

Partner, Energy, Resources and Industrials  
Lead North and South Europe

[jwiik@deloitte.no](mailto:jwiik@deloitte.no)



**Bjørn Tore Kristoffersen**

Partner, Energy and Chemicals Operational  
Excellence

[bkristoffersen@deloitte.no](mailto:bkristoffersen@deloitte.no)



**Michael Orton**

Principal, Energy and Chemicals

[miorton@deloitte.com](mailto:miorton@deloitte.com)

# List of terms and acronyms

\$ M, \$ B	million US dollars, billion US dollars	P&L	profit and loss (statement)
AI	artificial intelligence	p.a.	per annum
Asset(s)	umbrella term for physical operational assets and other types of businesses	PMO	project management office
bbl	barrel	p.p.	percentage points
BU	business unit	R&D	research and development
ca.	circa, approximately	RemainCo	Remaining company after divestment
CAPEX	capital expenditure	RPA	Robotic process automation
D&A	depreciation and amortization	SG&A	selling, general and administrative (costs)
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		



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s more than 415,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte organization shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

