UNLOCKING MAJOR COST SAVINGS ON OIL & GAS PROJECTS
RESPONDING TO A LOW-PRICE OIL ENVIRONMENT

With the price of oil expected to remain low for the foreseeable future, oil & gas clients in both the downstream and upstream sectors are increasingly focused on understanding where and how they can reduce costs on their capital projects and operations, without impacting future business performance.

This focus on reducing cash outflow applies not only to future programmes but also to existing projects, many of which started at a time when the price for a barrel of oil was significantly higher. Oil & gas clients are looking for innovative solutions so that budgets remain suitable for a very different market dynamic.

IDENTIFYING SIGNIFICANT COST SAVING OPPORTUNITIES

Arcadis is recognized as the industry leader in cost management, with a team of over 4,000 qualified cost management professionals across Asia. This includes a dedicated team of experts who work within the oil and gas sector, providing cost management services to leading IOCs and NOCs on contracts worth over USD 20bn.

We have worked on a range of projects and assets including 600 production facilities, 50 refineries and terminals, and 150 pipeline sites. We find that our advice typically helps clients to secure a 10-15% reduction in their project delivery costs, delivering up to a ten-fold return on our fees.

In our experience there are three factors that are key to achieving savings of this magnitude:

1. Early involvement on projects
2. The creation of an incisive cost management and cost reduction plan
3. Ruthless attention to detail when it comes to effectively implementing these measures throughout the lifecycle of a project.

THE BENEFITS OF EARLY INVOLVEMENT:

In our experience early involvement on a project is key when it comes to securing cost savings. By having the opportunity to review projects at feasibility stage, we can identify immediate savings and influence the key decisions that will impact the capital costs throughout the duration of a project.
DELIVERING COST SAVINGS THROUGHOUT THE PROJECT LIFECYCLE:

Our dedicated team of experts has a deep understanding of oil & gas construction and maintenance contracts. This enables us to apply our cost management expertise to identify cost saving opportunities at all stages of the project lifecycle.

The table on the right showcases how we bring our expertise to bear at all phases of a project.
A TRACK RECORD OF SUCCESS:
Across Asia today Arcadis is currently providing cost management solutions for a number of IOCs on multi-billion contracts in both the upstream and downstream sectors. We have an outstanding track record in helping oil & gas clients to accurately scope, manage and reduce costs on their most important capital projects.
Here are two examples from real-life projects we have worked on:

1. REDUCING CAPITAL COSTS FOR A LEADING IOC ACROSS A PORTFOLIO OF OFFSHORE AND ONSHORE PROJECTS
Arcadis has been a long-standing partner to one of the largest oil & gas producers in a South East Asia country for a number of years. On a daily basis the client supplies 350,000 barrels of oil and gas to a range of countries across Asia including Japan, Korea and Indonesia as well as numerous other markets around the world.
We provide a comprehensive suite of cost management services to the client for all major capital and maintenance works across their portfolio of assets. These include over 200 offshore structures, a range of onshore facilities covering upstream, midstream and downstream assets, as well as the 5000km of pipelines which connects them.
Key benefits included:
• Across an annual spend of USD 300m we have consistently delivered 10-15% savings across the total capital expenditure through improved cost estimating, value engineering and contract advisory services
• In the last two years alone (2014 and 2015) we have secured USD 85m cost savings for the client across a broad range of capital projects and maintenance works.

“Across an annual spend of USD 300m we have consistently delivered 10-15% savings across the total capital expenditure.”

2. MANAGING COSTS AND CLAIMS ON A MEGA LNG PROJECT
Arcadis was appointed to provide cost management services on a multi-billion LNG project. The scheme included the construction of one of the largest offshore facilities in the industry, a state-of-the-art onshore processing facility and a huge pipeline uniting both assets.
By carrying out a thorough review of EPC costs and claims, including module fabricator measurements and star rates, and benchmarking these against our industry-leading cost rates data, we were able to reduce the client’s total CAPEX spend by USD 50m over a five-year period.
Key benefits included:
• Detailed analysis of star rate costs helped to identify errors, duplication and omissions. Our deep understanding of what activities ‘should cost’ enabled us to make reductions of up to 40% on submitted rates.
• Throughout the project we provided the client with greater confidence – all costs were assessed by an independent expert and all reporting on spend was current.

“Our deep understanding of what activities ‘should cost’ enabled us to make reductions of up to 40% on submitted rates.”
HEALTH & SAFETY FIRST

Whilst reducing the costs of delivering capital projects will be increasingly important for oil and gas clients, ensuring the health and safety of their operations will always remain the number one priority.

At Arcadis, safe operations are integral to our definition of success as well. Our team is committed to consistently delivering industry leading safety and technical leadership across all of the geographies we serve. Protecting our staff and our clients from injury, illness and other loss underpins the way that we act and the solutions that we provide to our clients. Our globally compatible, systematic approach focuses on proactive hazard recognition, risk assessment and control to prevent accidents.

This commitment has been recognised by clients and the industry alike:

- Safety Excellence Award
  - Chevron Environmental Management
- Contractor Safety and Environmental Excellence Award
  - Marathon Oil
- Supplier Safety Achievement Award
  - Confidential Client
- Flawless Safety Execution Award
  - Confidential Client
- Global Contractor Safety Council, Safety Champion Award
  - Shell
- Supplier Safety Award for three years without a recordable injury
  - BP
- Europe & South Africa SGW FDG Annual HSSE Award
  - Shell

With over 65 years of experience within the oil and gas industry, Arcadis supports our clients in a broad number of areas and throughout the full duration of a project.
Arcadis is the leading global Design & Consultancy firm for natural and built assets. Applying our deep market sector insights and collective design, consultancy, engineering, project and cost management services, we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets.

We are 27,000 people active in over 70 countries that generate €3.4 billion in revenues. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. Arcadis. Improving quality of life.
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