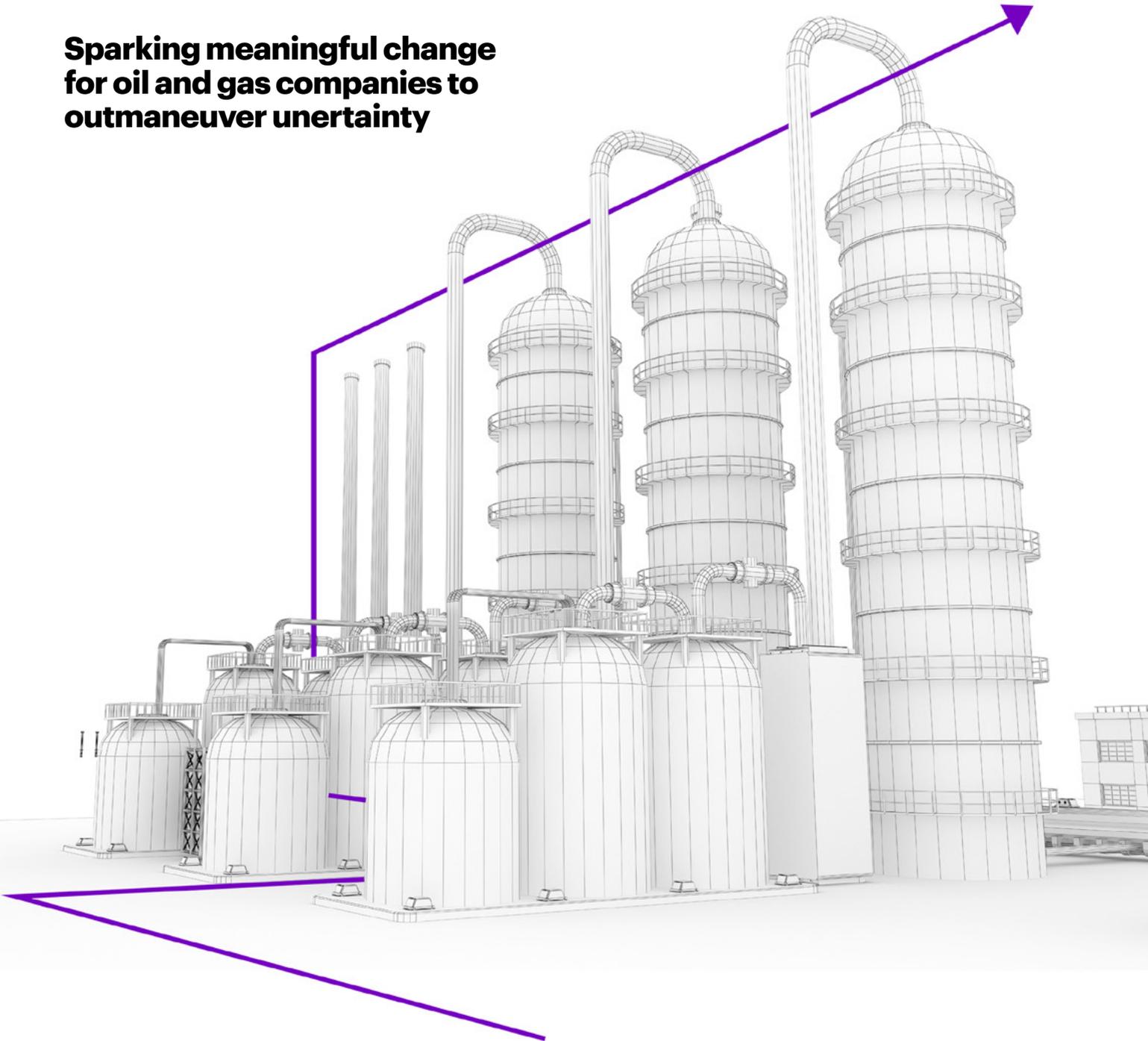




REIGNITING THE ENERGY SECTOR

**Sparking meaningful change
for oil and gas companies to
outmaneuver uncertainty**



HOW OIL AND GAS COMPANIES CAN OUTPACE CHANGE

The Indian oil and gas (O&G) sector is no stranger to crises. Price volatility, regulatory changes, environmental concerns, geo-political factors and logistics issues have kept the sector on tenterhooks. However, despite the challenges, the industry has prevailed until now. **With COVID-19 slowing down trade, transport and economic activity, Indian O&G companies must, once again, demonstrate the resilience to outmaneuver uncertainty and turn current challenges into meaningful change.**

WHEN THE GOING GETS TOUGH

There's no doubt the pandemic has altered the O&G landscape tremendously, be it upstream, midstream or downstream activities. As the stay-at-home curbs are lifted and businesses slowly reopen, the O&G sector's road to recovery is going to be long and tough.

These statistics will help to understand the situation better—globally and in India. This year's second quarter saw 20–40 percent contraction in transportation globally, resulting in a reduction of 12–24 million barrels per day (bpd) in crude oil demand. A global recession will put further pressure on the remaining 40 million bpd of non-transportation demand. The concurrent supply-side shock from OPEC+ countries has led to a global crude supply-demand imbalance with 20.3 million bpd in excess.

In India, the crisis has accelerated several post-2014 changes for the upstream segment. For example, in the area of production excellence, there has been a shift from cost and volume management to agile production along with maximizing value

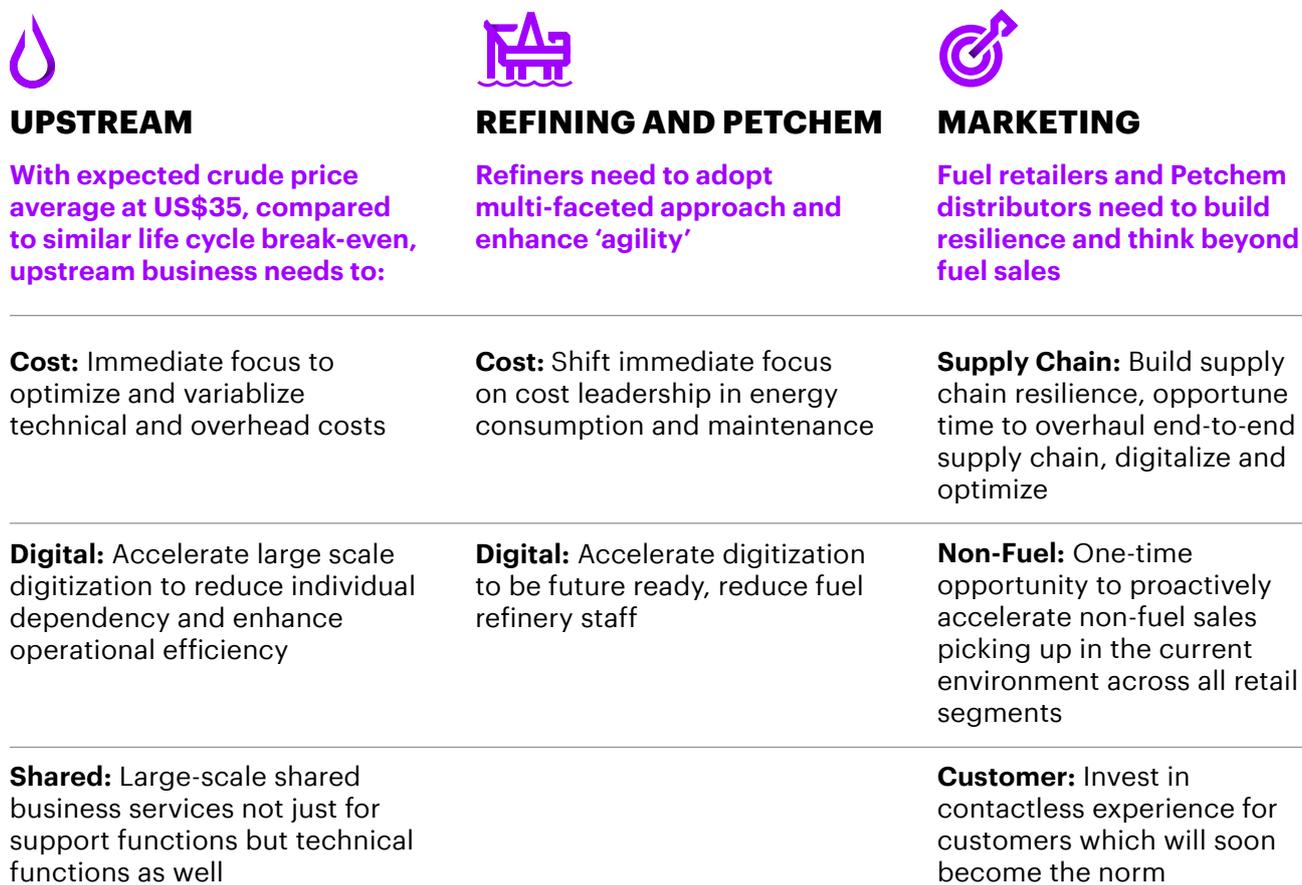


from base production. Post-COVID-19, the carbon agenda of low or zero emissions now permeates all aspects of the business and has become a performance driver critical to investors. For the downstream segment, the imperative is customer-centric business, carbon neutrality, beyond-energy offerings and technology infrastructure upgradation. The gradual easing of restrictions has shown a slight improvement in the demand. However, industry experts believe that it will take some time for the demand to pick up and reach pre-COVID-19 levels.

THE ONLY WAY TO GO IS FORWARD

The COVID-19 pandemic is a black swan event—unprecedented with long-lasting implications. Conventional response techniques and approaches are no longer relevant to counter the challenges the pandemic has unleashed. **O&G companies must take robust measures to outpace change by optimizing their costs, digitizing operations, building resilience and agility, and responding to changing customer behaviors.** Here’s how they can implement a set of intelligent measures to not just revive their business, but also sustain and thrive in the future (see Figure 1).

Figure 1: Turning the tide for the Indian O&G sector





OPTIMIZING COSTS

The top priority for O&G companies today is to optimize and variablize technical and overhead costs, with an eye for at least lifecycle breakeven. **To do so, they will need a mindset shift from asking, “how much should we cut” to “what do we need—starting from a clean slate—to run our operations optimally?”** By adopting ZBx (or, a zero-based mindset approach), companies can potentially achieve 10–15 percent cost optimization worth more than US\$800 million.

COST REDUCTION OPPORTUNITY ACROSS THE VALUE CHAIN

10-12%
UPSTREAM
.....o

8-10%
REFINING
.....o

10-15%
MARKETING
.....o



12-15%
SUPPLY CHAIN
.....o

15-25%
CORPORATE FUNCTIONS
.....o

SCALING UP DIGITALIZATION

Large-scale digitization will help O&G companies reduce dependencies on individuals and enhance operational efficiency. However, the key is to carry out the implementation with measured steps guided by a clear-cut, comprehensive strategy.

SHARING WORKPLACE AND WORKFORCE

The COVID-19 pandemic has brought permanent changes in the business environment, requiring the workforce and workplace to be flexible. An “Elastic Workforce” empowers people to communicate, access corporate applications and data, and make decisions at any time, from anywhere, and using any device.



REFINING AND PETROCHEMICALS

ACHIEVING COST-EFFICIENCY

For refiners, the immediate focus should be on achieving cost leadership in energy consumption and maintenance by embracing new technologies, tools and methods, including:

- AI-driven mapping technology to understand cost variances
- New scripting tools to process data
- Visualization tools that focus on the opportunity
- Collaboration tools to drive actions

PORTFOLIO AGILITY

Given the volatility in the market, companies must develop the flexibility to shift between transportation fuels and petrochemicals in order to maximize utilization and profitability. Beyond adding new Petchem capacities, they must also work towards optimizing across refining and Petchem slate, as well as drive “new age marketing” of Petchem produce in India.

GOING DIGITAL

Digitalization not just enhances operational efficiencies; it also gives stakeholders new and powerful insights to radically improve decision making. Refining companies can maximize their digital value and be future-ready by harnessing the power of data and instilling a digitally driven work culture, supported by a leaner, agile workforce.





MARKETING

STRENGTHENING SUPPLY CHAIN PROCESSES

In the face of the current disruptions and uncertainties, fuel retailers and petchem distributors need to think beyond fuel sales and boost resilience in their supply chain processes. This can be done through extensive digital adoption, reskilling and upskilling the workforce, driving efficiency in working capital and more.

REACHING OUT TO NON-FUEL MARKETS

There's so much more to the oil and gas industry than just fuel. In today's challenging business landscape, one way to bounce back and retain market share is by expanding non-fuel sales from retail outlets, such as convenience stores, repairs, ATMs, food outlets, and more. Digital technologies have enabled customized merchandizing based on local market demands at an individual store-level, thereby improving the ROI on such initiatives.

REDEFINING CUSTOMER ENGAGEMENT

The lockdown and travel restrictions have brought about a substantial change in how customers are consuming products and services. **O&G companies must shift gears to engage their customers through multiple channels (e-commerce for lubricants, doorstep delivery of fuels, and more), ensure supply continuity and offer flexible commercial arrangements, such as contactless payments.**



TRANSITION TO 'NEW ENERGY'

O&G companies globally have stepped up the efforts to transition to 'New Energy' and are looking at shorter time-horizons to meet their goals than envisaged earlier. Indian government's vision to electrify transportation is expected to get the necessary push towards an all-round ecosystem development as O&G companies will divert their resources through new operating models for electrification.

DIGITAL-READY EQUALS FUTURE-READY

Digital technologies have immense potential to empower O&G companies to pursue new innovations and growth at speed and scale. They also offer tremendous benefits in the areas of 360-degree operational visibility, process streamlining, cost reductions and workflow optimization.

FUELING EFFICIENCY IN UPSTREAM

Today, digital technologies are enabling upstream companies to realize tremendous advantages in productivity, efficiency and predictability. For example, advanced solutions such as Digital Asset Maintenance and Production Surveillance are driving higher efficiencies, while also minimizing downtime through predictive maintenance.



A private oil and gas major and a leading state-run oil and gas company are improving their exploration success probabilities by leveraging the Exploration Advisor solution's data analytics capabilities.

In addition, the Digital Capital Projects Platform is helping companies reduce project timelines by 10–15 percent through seamless coordination and alignment across multiple contractors.



EXTRACTING HIGHER VALUE FROM REFINING

Refining companies now have clearer visibility into projects and take quick remedial actions by leveraging process and machinery analytic solutions alongside predictive alerts, video analytics, interactive dashboards and integration tools. **As a result, O&G companies are saving 10–15 percent in project timeframes, 5–10 percent in productivity and 5 percent in costs.**

BOOSTING OPERATIONS IN FUEL RETAIL/ LUBRICANTS

A leading global lubricants player harnessed AI and advanced analytics to improve visibility into its B2C supply chain processes, reduce logistics costs by 8–10 percent and boost its sales and marketing operations. The company has also enhanced its salesforce effectiveness with AI solutions such as NewsPage. These benefits have opened new avenues for the company to adopt a new business model—of selling services along with lubricants, boosting their growth further.

THE RIGHT STEPS LEAD TO THE RIGHT BENEFITS

In addition, Accenture also recommends five imperatives to drive maximum value from your digital journey.

01 FEW INNOVATIONS VERSUS SEVERAL PILOTS

A bird in the hand is worth two in the bush. Handpick selective digital initiatives across all business aspects instead of undertaking several pilot projects. Technology will keep changing, but companies need to place their bets with focus and clarity.

02 RETHINK. REDEFINE. REDESIGN.

Digital technologies can be adopted at any stage of the O&G business process. At the same time, be sure of the expected outcomes, constraints and opportunities.

03 MAKE CHANGE STICK

Going digital also means investing appropriately in people and culture. Tools and training are equally instrumental in creating an environment of collaboration and experimentation.

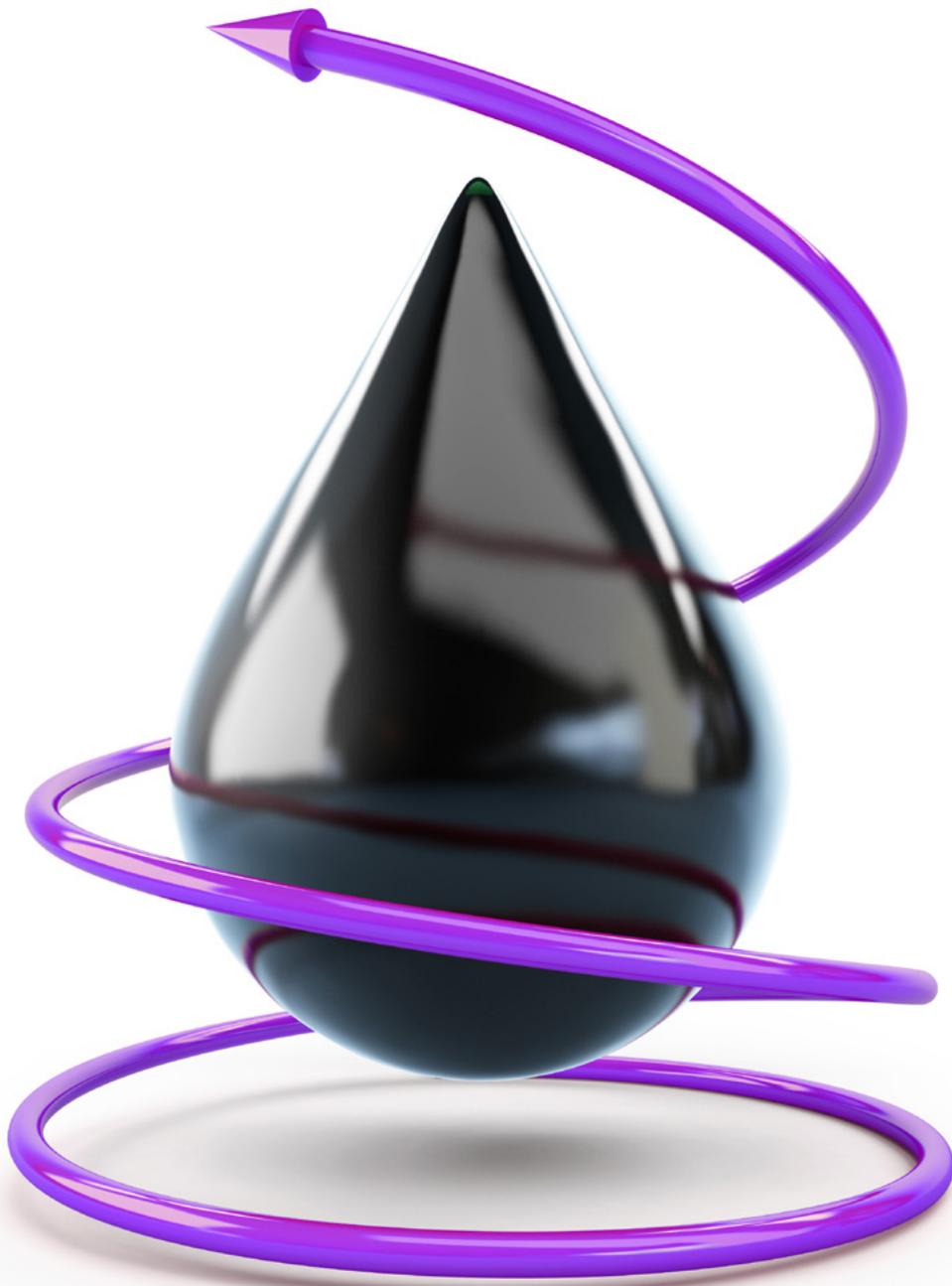
04 RUN LEAN. THINK BIG.

Agility does matter if you want to grow faster. Establish small teams that can work at speed to drive digital, while also leveraging analytics to boost decision-making capabilities and organizational agility.

05 LEADER VERSUS FAST FOLLOWER

Knowing your terrain and your competitor is half the battle won. Keep a close eye on the market and be ready to adjust, adapt and course-correct, when required.

For the Indian O&G sector, the COVID-19 pandemic and the resultant financial implications might seem like a Himalayan peak, tough to conquer. However, therein lies a once-in-a-moment opportunity for companies to fundamentally reshape and reinvent their investments, priorities and ways of working. **Adopting a disciplined, systematic roadmap to reinvent and build resilience—powered by digital technologies—is the way forward. Taking these actions will set up O&G companies on the road to revival and, more importantly, charter a transformational path for a better future.**



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