Downstream Energy Transformation
Achieving high performance in a low–carbon economy

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Contents

Executive summary 3
Why transformation? 6
Five actions for high performance in business transformation 8
  No. 1: Own the transformation 8
  No. 2: Invest in organizational change capabilities 10
  No. 3: Develop distinctive downstream processes 12
  No. 4: Integrate the supply chain and optimize commercial operations 14
  No. 5: Standardize processes via global service delivery 18
Conclusion 19
Executive summary

Based on numerous business transformation projects with downstream energy organizations, Accenture has identified five actions that can position companies for high performance in the coming low-carbon economy. The key is to use these specific actions together to control and leverage common business practices across refineries, while simultaneously pushing individual operating units to optimize operations inside their own fence line.

Several forces are reshaping the downstream oil and gas industry, but the most significant change is the planet’s shift to a new energy mix, which may cause a resurgence of nationalism and concerns over security of supply in the near term and reduced demand for traditional transportation fuels in the long term. This evolution to a low-carbon economy will require downstream organizations to re-evaluate how they differentiate themselves and compete in this environment.

Successfully navigating this change will mean transforming the downstream business through a multiyear journey to manage profit margins in a world in which the importance of energy, and new types of energy, take on more meaning than ever before.

Yet with a large fixed asset base, well-entrenched legacy functions, and a culture often resistant to change, downstream organizations face serious challenges.

Companies are taking numerous steps to transform their downstream business, such as rebalancing asset portfolios to match future demand (such as more natural gas and biofuels), investing in low-carbon technologies (such as carbon sequestration), and forming partnerships and joint ventures to equip and prepare their organizations for a low-carbon economy. Additionally, recasting downstream capabilities will require significant change inside the organization as well.

Transformation impacts all areas of the business; i.e., strategy, crude supply, refinery operations, product supply, marketing operations and support services. It is essential that companies develop the momentum and discipline to fundamentally change how their downstream business operates.

Accenture’s experience with downstream energy companies shows marked similarities in how companies have achieved successful business transformation. And while there are multiple paths to change, we believe the most successful downstream organizations will execute a formal step-process and transformation program, led from the top by executives who can focus and enable their organizations to compete through “distinctive” processes that drive value in the low-carbon economy.

To achieve this, they are following a number of steps, such as consolidating critical but noncore business processes into centralized service delivery centers, identifying unique capabilities of specific plants and organizations, and funding the development of future core competencies as the market shifts.
Such bold moves start with a new strategy, followed by a corresponding shift in operating models and governance to develop the organizational capabilities that will displace the “business-as-usual” mindset and change how companies operate both across and within refineries. Companies that have achieved the most benefits have typically designed and managed a transformation through five distinct initiatives, where they:
Choose the right executives to lead and own the business transformation, and then hold them accountable with compensation tied to program success.

Make significant investments in specific change management and organizational capabilities that align with the new strategy.

Provide and enforce a laser focus on a few “distinctive capabilities” or core competencies that offer sustainable competitive differentiation.

Follow formal programs and governance models that integrate downstream processes to optimize supply, first regionally and then across the entire hydrocarbon value chain.

Standardize and centralize transactional processes into a shared services model to reduce risk, improve service quality and control costs.
Why transformation?

More than 80 percent of downstream capital, costs and revenues are associated with refining. Until recently, there has been little incentive for downstream companies to change.

As costs and margin pressures increase together, the industry’s response has been to shut down smaller and less-complex refineries, sell off marketing and supply assets, and cut overhead costs. For a while, this “right-sizing” of the refinery portfolio maintained profits as companies matched capacity more closely to demand (“the golden age” of refining). Remaining refineries then tried to offer strategic advantages in size, configuration, access to export markets, heavy crude upgrading ability and/or other differentiating capabilities.

But the downstream industry—and refining in particular—is entering a new era. First, the drive for energy independence is reducing demand for traditional transport fuels in favor of biofuels, natural gas and electricity. Some oil and gas companies estimate that as much as 10 percent of fuels will come from alternative energy in the next 10 to 20 years, a relatively significant amount in terms of absolute volume and value.\(^1\) Secondly, once a global business, the downstream sector is becoming more regionalized due to market demand and government policies. This new regional focus will be on both traditional oil and gas and on alternative fuels.

The refining industry is greatly impacted by price volatility and economic uncertainty. As oil price fluctuates and the demand for carbon-based fuels drops in mature markets, the pressure for downstream transformation increases dramatically. With billions tied up in refining assets, the “elephant in the room” for downstream companies is what to do with a traditional asset base that cannot readily adapt to other fuel types and decreasing demand in the regions where refineries are located.

Additionally, individual regions and countries will each seek to leverage their local natural resources, further fragmenting downstream industry assets, which will become even more difficult to sell or transition to new products. Some refineries may offset this trend if they can become more selective in refining crude products; for example, ultra-low sulfur diesel and jet fuel and not an entire product slate.

Such measures may provide tactical relief but, ultimately, internal and external market shifts will require new strategies and programs for business transformation. While the shift from fossil fuels is the leading catalyst for change, downstream companies also face related changes in consumer preferences, the rise of new technologies and increased merger and acquisition (M&A) activity.

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But it is really the transition to a low-carbon economy that warrants what will be the industry’s greatest shift in the past 100 years, since the invention of the combustion engine.

As a result, companies must rethink how to transition and create value from legacy refining and commercial operations. This means fundamentally changing how they operate various functions (planning, supply chain and pricing), as well as how they interact with stakeholders, from customers to suppliers.

For example, in many cases planning and pricing, though linked, operate independently and report through separate groups. Yet if a downstream organization wants to reduce cost through greater operational efficiency, it could combine planning and pricing reporting into the same organization, or at the very least, operate them inside a governance model that requires interaction and communication between the two groups. Doing so would mean that the market’s pricing signals for both the purchase of crude and the sale of the refined products would inform and guide how a refinery or system of refineries operates.

In such cases, an uncertain market environment actually presents opportunities for competitive differentiation, but only with the right approach, which requires a change management mindset among employees at all levels to help drive the transformation. Winners will follow a formal program to properly align the company’s critical processes, operating model, workforce, technology and go-to-market approach. Although companies can benefit from each of these recommended actions in isolation, it is the combination of these five actions that have the potential to maximize and sustain transformation success.
Five actions for high performance in business transformation

No. 1: Own the transformation

Choose the right executives to lead and own the business transformation, and then hold them accountable with compensation tied to program success.

Executives can best lead transformation by owning it, which means not only clearly articulating a future end state, but also helping to do what is required of the organization to get there. Such leadership may mean doing some things differently (or doing new things altogether), while also having the courage to stop doing non-value-add activities. Senior leaders need to first set priorities required to deliver on their stated transformation strategy so that, in turn, managers can establish the timing and sequence of programs to drive measurable results, while simultaneously maintaining day-to-day operations. Thus, transformation becomes part of everyone’s agenda, from the board of directors, to executive leadership, to mid-level management and the field workforce.

Our experience shows that a typical transformation takes up to three to five years and that executives need to be actively involved in setting the direction and ensuring the organization is continually aligned to target objectives.

Like the rest of the organization, they are accountable for end results, and when executive sponsors and decision makers perform change management tasks alongside others, it can be a critical form of leadership and a signal to the rest of the organization on the importance of the transformation. To hold senior leadership accountable, organizations can link a portion of executives’ variable compensation to transformation success (e.g., 10 to 30 percent as a guideline).

The resulting transformation business case must deliver disproportionate value in the new energy era; i.e., while it must reduce fixed costs and deliver efficiencies, it must also shift toward developing differentiating and sustainable capabilities that will drive a disproportionate share of their market value in a low-carbon economy. Accenture’s review of high-value-add investment areas in energy show that supply chain integration and commercial optimization can account for up to 80 percent of value in downstream transformations.

Examples include:
• Formal governance of supply/trading/refining for better decision making that aligns and coordinates all the activities along the hydrocarbon value chain.
• Alignment of pricing with production scheduling to more accurately match up to market demand and crude supplies.
• Evaluation of product distribution for better selection and alignment of new low-carbon economy distribution partners.
• Optimization of refinery throughput with new refinery scheduling and blending tools.

The common thread that binds these initiatives is the increased visibility and flow of information. Based upon our experience, investment in such activities can cost as much as $75 million to $200 million over a multiyear transformation; if done properly, they can yield far greater benefits, as much $90 million to $125 million each year ongoing.

Part of owning the change is also knowing how to measure it. Executives, the board of directors and the transformation steering committee should all agree on what the organization’s core competencies are and how they will be tracked. As part of determining what matters and where organizations can deliver value, leading downstream companies are developing better tools to supply critical performance information for improved decision making, including role-specific data to track group and individual performance. This need to harmonize data for standardized measurement and reporting across the entire enterprise has created a different level and need for technology and information management.

In the end, executives have to be confident in the data, so the organization can collect, analyze and act on a shared reality and effectively assign ownership for improvements and targeted results. Although every business transformation is different, there are some common transformation metrics companies use to set a performance baseline versus future progress. With the advent of the low-carbon economy, downstream operators will also have to identify, collect and report on some new key metrics as well (see Figure 1).
### Common transformation metrics

- Cost to process a barrel of crude
- Turn-around cost/time
- Transformation total cash costs and benefits
- Expense costs and benefits
- Capital costs and benefits
- Net financial impact
- Five-year controllable forecasted expenditures (expenses and capital)
- Addressed and nonaddressed sourcing spend
- Sourcing compliance
- Utilization rate (total and by plant)
- Marketing return on investment (MROI)

### Common low-carbon and increased environmental scrutiny metrics

- Notice of violations (NOVs)/environmental citations (number and type)
- Fines (number)
- Monetary value of fines (dollar amount)
- Reportable spills/releases and excess air emissions (number)
- Compliance audit findings—on-time closure rate (internal metric based on environmental compliance audit program)
- Repeat compliance audit findings (internal metric based on environmental compliance audit program)
- Significant compliance audit findings (internal metric based on environmental compliance audit program)
- Remediation actions (initiated, continuing, closed)
- Remediation spend (dollar amount)
- Solid waste generated (tons)

- Cost of contractors
- Efficiency of contractor production
- Cost of sales and cost of goods sold
- Total supply chain management costs
- Return on supply chain fixed assets
- Cash-to-cash cycle time
- Voluntary package acceptance rate/full-time employee (FTE) reduction/compensation expense reduction
- Total FTEs (by function, by business unit)
- Total compensation costs and benefits
- Net profit margin by (specialty) product
- Organizational engagement level

- Hazardous waste generated for offsite disposal (tons)
- Solid waste disposal cost (dollar amount)
- Hazardous water disposal cost (dollar amount)
- Recycled waste (tons)
- Percent recycled waste (percent of total waste generated)
- Carbon intensity of operations (g CO₂/barrel; g CO₂/kilowatt-hour)
- Percentage of carbon emissions offset by credits and trading
- Percentage of volatile organic compounds (VOCs), NOₓ and SOₓ totals versus offsets by credits and trading
- “Renewables” as a percentage of offset credits
No. 2: Invest in organizational change capabilities

Make significant investments in specific change management and organizational capabilities that align with the new strategy.

The soft science of effective change management is often underrated by large enterprises.

Yet, companies cannot sustain transformation initiatives without an effective operating model that helps address the human factor of organizational change. Companies must invest the time and resources to get the organization ready to adopt and adapt to new business models. Downstream organizations should get “change ready” by looking inside first, and by analyzing their current business processes to utilize what they have learned from their own experiences. Internal surveys, focus groups and face-to-face interviews at different levels of the organization can all be part of an extensive and detailed assessment of the entire downstream organization.

For example, downstream companies should re-evaluate offerings, capacity and cost-to-serve for various markets. In doing so, many downstream companies are moving away from differentiated traditional fuels offerings and modifying contracts and logistics to match future demand for new products. Companies should also evaluate how they will source the infrastructure and assets required to support future customers, as well as how much capacity they will need to store both conventional and alternative fuels. A recent Accenture review of customer service practices at one oil and gas company found that a single, dedicated service center could maintain both branded and nonbranded offerings at varied levels of service through separate call-in numbers and workflows that prompted different support processes by customer type. Call center enhancement is just one example of how downstream organizations can transition to new operating models.

Accenture has isolated numerous critical business process areas to assess organizational readiness and to determine whether companies are operating “basic,” “progressive” or “leading” business processes (see Figure 2).

Companies should set targets to compare where the organization needs to go versus the current state, and these benchmarks help illuminate the path to high performance. Such transitions occur in steps, not in one giant leap. For example, when organizations rush transitions, they are often unable to utilize new capabilities because the new systems, processes and skills are not aligned. The model outlined in Figure 2 provides defined metrics, as well as the scope and timing of change toward specific goals. Moreover, downstream organizations do not need to score “at the top” in every area, but rather in those areas that support their targeted differentiation. Such an assessment is critical to determining the potential pace and durability of targeted changes (see next section). Companies that make organizational readiness a priority adopt new business models more quickly and avoid reverting to old ways of doing business.

Getting ready requires significant training and investment in people. For a downstream transformation focused on integrating and optimizing business processes, companies typically allocate 9 to 11 percent of their total transformation budget to train employees to operate successfully in a new model. Companies should focus on the most effective types of training that help employees see (and participate in) the transformation vision, understand how their roles add value and influence how the organization must behave going forward. Transformation to the low-carbon economy will likely require that an even larger portion of budget be allocated to these types of programs. Based on our experience at an international oil company (IOC) recognized for successful expansion in the low-carbon economy, the CEO consistently approves organizational change management spend that is 15 to 20 percent of the total transformation budget.

New processes and organizations also require new forms of governance for how stakeholders work together, internally and externally. Most downstream organizations will struggle with the scale of change required for the low-carbon economy, and many will have to develop or buy new skills to manage new technologies and relationships—partnerships, joint ventures and acquisitions—to close the gap when in-house capabilities are insufficient. To ensure accountability along the way, companies can use a structured governance model to ensure sponsoring executives and process owners stay engaged to achieve end results. Good governance models and practices name process owners, stipulate roles and estimated time commitments, outline relationships among stakeholders and set goals and timelines for execution.
### Accenture Business Process Maturity Model

**Example of Maturity Model Scoring Using a 12-Point Scale**

<table>
<thead>
<tr>
<th>Cargo testing</th>
<th>Basic</th>
<th>Progressive</th>
<th>Leading</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample received after each cargo, but kept sealed only to be tested in case of performance failure. Only gravity and sulfur testing done.</td>
<td>Basic flash test carried out for contractual purpose, but validated with planning assay data for key properties.</td>
<td>Flash assay generated after receipt of each cargo with complete analysis of distillation yield and detailed quality.</td>
<td>Distillation data to update the simulation tool and validation of quality impact.</td>
<td></td>
</tr>
<tr>
<td><strong>Score</strong></td>
<td>9</td>
<td>8</td>
<td>10</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crude quality variance valuation</th>
<th>Basic</th>
<th>Progressive</th>
<th>Leading</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>No standard steps for quality impact analysis and database maintenance. Ad-hoc tests for operational confidence.</td>
<td>Crude database handbook maintained and updated after each cargo test.</td>
<td>Monitoring program in place for impact of crude quality variance on properties for secondary processing units for gasoils and residues.</td>
<td>Estimation of value impact for variation of actual crude oil quality with contractual quality.</td>
<td></td>
</tr>
<tr>
<td><strong>Score</strong></td>
<td>6</td>
<td>5</td>
<td>10</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crude quality variance monitoring</th>
<th>Basic</th>
<th>Progressive</th>
<th>Leading</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manual impact analysis for variation of quality by operations—adjustment to operating levers.</td>
<td>Manual adjustment, after analysis by process engineers. Daily monitoring of plan versus actual yields for crude distillation units (CDU) and subsequent units.</td>
<td>Update of quality variation in assay; update to scheduling simulator. Schedulers assess impact of the quality variation and re-issue or adjust the schedule and operating instruction; often manual validation through a process simulator to calculate set point.</td>
<td>Integrated assay management tower simulator with scheduling simulator and oil movement/advanced process controls (APC) applications. Cargo quality variation is captured in the assay management tool, to update assay in the tower simulator. Updated schedule published to downstream system through integration.</td>
<td></td>
</tr>
<tr>
<td><strong>Score</strong></td>
<td>8</td>
<td>7</td>
<td>11</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational consistency</th>
<th>Basic</th>
<th>Progressive</th>
<th>Leading</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude quality programs are carried out autonomously by each site.</td>
<td>Consistent crude quality program implemented at one pilot site (i.e., assays are routinely updated; crudes are sampled and measured against assays, etc.); roll-out to other sites possible.</td>
<td>Consistent crude quality program implemented across multiple refineries (i.e., assays are routinely updated; crudes are sampled and measured against assays, etc.)</td>
<td>Consistent crude quality program implemented across all refineries (i.e., assays are routinely updated; crudes are sampled and measured against assays, etc.)</td>
<td></td>
</tr>
<tr>
<td><strong>Score</strong></td>
<td>9</td>
<td>8</td>
<td>11</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crude characterization investment</th>
<th>Basic</th>
<th>Progressive</th>
<th>Leading</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment only covers current characterization techniques, no investments in advanced techniques.</td>
<td>Few investments in advanced crude characterization analytical techniques.</td>
<td>Heavy investment in advanced crude characterization analytical techniques.</td>
<td>Investment in advanced crude characterization analytical techniques &quot;molecular management.&quot;</td>
<td></td>
</tr>
<tr>
<td><strong>Score</strong></td>
<td>6</td>
<td>6</td>
<td>12</td>
<td>4</td>
</tr>
</tbody>
</table>

2 Process areas Accenture has identified and measured are: price forecasting, crude and feedstock selection and allocation, crude assay management, crude quality monitoring, linear program model maintenance, product demand management, regional optimization, refinery production planning, primary distribution planning, crude scheduling and inventory management, refinery scheduling and blending, products scheduling and inventory management, and logistics asset utilization.
No. 3: Develop distinctive downstream processes

Provide and enforce a laser focus on a few “distinctive capabilities” or core competencies that offer sustainable competitive differentiation.

Processes that differentiate and enable an organization’s strategy are “distinctive” or “core” to its business. Most processes are not core, however, and companies must determine which refining and support activities and processes are distinctive for them, and in which markets. Companies determine those distinctive processes through their own internal assessments and benchmarking to align them with their strategic vision. Sample distinctive processes might include selection/management of crude supply (including crude valuation and quality management), trading and risk management, end-to-end inventory management, refinery operations, or analytics and performance management.

As downstream organizations shift strategy toward a low-carbon future:

- Crude supply management will evolve to include evaluating additional crude “blends” and noncrude energy sources.
- Inventory management will include rationalizing and redistributing inventory levels based on changing demand patterns in the new energy mix.
- Refinery operators will become ultra efficient at managing costs, including those for new specialty products.

For example, one IOC targeted inventory management as its differentiator by developing better data analytics to see global inventories in near real-time, enabling better coordination of production with projected market demand. Other potential competencies and differentiators include turnaround efficiency and the focused use of third-party providers for engineering and maintenance work within the refinery.

In the first case, the capability to shut a plant down for routine maintenance or equipment upgrades much quicker than competitors can return significant savings. Accenture’s work with downstream energy companies has shown that companies can apply risk assessment techniques and optimize schedules to reduce turnaround by three to six days, which can save millions of dollars.

In the case of external third parties, downstream companies can improve safety and reduce re-works, downtime and costs by linking maintenance and procurement strategies to use contractors more effectively. This applies to a range of contract types, such as lump sum, unit rates, cost plus, and time and materials. Based on our experience, organizations that focus on contractor sourcing and effectiveness can achieve up to 10 to 15 percent ($0.20 – $0.30/barrel) reductions in total installed cost (TIC) and improve availability by up to 1 to 2 percent in Year 1 of such programs.
No. 4: Integrate the supply chain and optimize commercial operations

Follow formal programs and governance models that integrate downstream processes to optimize supply, first regionally and then across the entire hydrocarbon value chain.

Downstream companies have a unique opportunity to reduce costs and improve service by rationalizing their supply chains. Traditionally, different business units along the hydrocarbon value chain (HVC) organize and operate by function or plant, but not as a component of a larger, end-to-end business. This approach does not maximize margins across the entire enterprise, and piecemeal processes yield piecemeal benefits. Accenture’s experience has identified several emerging approaches to how companies integrate and commercialize regional refinery operations. For example, a more integrated approach, such as the one illustrated in Figure 3, delivers higher returns.

Although regions vary by assets, downstream organizations can apply standardized processes and procedures, where possible. For example, one IOC divides its US downstream operations into four regions, which it then centrally manages through a single supply and trading operation that has profit and loss responsibility. Another downstream company regionalizes financial operations (Europe, North America and Asia) for local transactions, but controls remaining functions through a single, centralized global organization.

As another example, today downstream organizations typically use sales and operations planning (S&OP) to link refining with trading and supply, but refineries can further optimize their operations by expanding S&OP practices across the enterprise. Too many companies view S&OP as “just another process,” when in reality it is ultimately about providing information transparency across the entire value chain, using optimization tools to extract data around processes such as demand forecasting and supply scheduling. Companies that centralize S&OP can manage constantly shifting planning horizons to fully utilize all of their downstream assets together (as opposed to viewing each asset as an individual entity) for procuring crude, refining end products, and managing inventory and distribution.

To do this, companies first establish a single, centralized enterprise linear program (LP) group to work with site planners and unit engineers across the organization and to simplify the interaction between the trading organization and crude selection teams. If effective, this centralized group will be able to determine facility costs to process selected crude and to provide a global picture of aggregated and site-specific crude processing costs for better decision making and coordination across the HVC. Some of the greatest optimization opportunities are in time-sensitive periods, such as before the ship has docked, before the pipeline nominations are in, or before the trading month is closed.
Figure 3. Integrated refinery model.

Integrated margin

Integrated margin maximum

Integrated margin

Refinery maximum

Refinery margin

Sales maximum

Sales margin

Volume

50 51 52 53 54 55 56

Integrated margin

Feed supply 1

Inter-plant transfers

Area 1
Product demand

Feed supply 2

Inter-plant transfers

Area 2
Product demand

Area 3
Product demand
As Figure 4 illustrates, S&OP leading practices help connect long-term strategies with short-term tactics and immediate opportunities through stronger operational processes.

While the value potential varies by asset footprint, sample benefits of commercial optimization include:

- Improved product mix from sharing feedstock among regional refineries.
- Improved gross margins from better regional planning and the “push/pull” of products.
- Improved commercial assessment of crude selection/ allocation.
- Reduced working capital and/or improved return on risk capital through end-to-end inventory transparency and the ability to better manage inventory with market shifts.

Figure 4. S&OP leading practices.

- S&OP tools and processes are mapped together
- Run the refinery LP and distribution planning optimization (DPO) tool together versus extending the refinery LPs
- Centralized repository of clean data to easily transfer data back and forth between all the optimization tools
- Integrate enterprise resource planning (ERP) with planning/optimization tool via a central data repository at a region level
- Planning/optimization team is “independent” and does not report to operations
- Process is done at a region level and an area coordinator (single point of accountability—SPA) signs-off and approves the final plan (area coordinator is a fairly high-level position)
- Process is standardized at a global level to facilitate cross regional planning and optimization
- A governance council approves cross-regional plans
- S&OP drives the entire plan—trading and scheduling plan, production plan, sales plan, financial plan, etc.
No. 5: Standardize processes via global service delivery

Standardize and centralize transactional processes into a shared services model to reduce risk, improve service quality and control costs.

Downstream companies must determine which processes they can standardize across the enterprise to create efficiencies. Back-office business processes tend to be the most repeatable and transactional in nature. Often enabled by ERP systems, such processes are typically critical but noncore, and thus lend themselves to centralized and standardized global delivery focused on reducing costs and driving consistency through scale. As the definition of “critical but noncore” shifts, downstream organizations are discovering that activities such as contractor management, engineering services, linear programming and customer management can benefit from centralized service delivery as well.

Centralization and consolidation of critical but noncore processes can add tremendous value to downstream refining due to the power and impact of real-time reporting from better data accuracy, timeliness and transparency.

To transform to a low-carbon economy, downstream companies are reassessing what is core to their business and ushering in new ways to manage their supply chain. Today, downstream organizations are using regional and global shared services much more proactively, analyzing their capabilities to determine which processes are appropriate to source through an internal or external business service center. For example, one IOC operates a separate global services company to provide a single platform for global operations, tasked with providing IT, facilities management, procurement and business support for the entire organization.

Value drivers for shared services are typically cost and efficiency. However, over time, many downstream organizations also seek additional business benefits such as improved safety, reduced ERP implementation costs, improved operational risk management and improved workforce morale. Executives no longer view shared services as simply a source of labor arbitrage, but rather as an opportunity to improve innovation, risk management, process expertise and consistency across the organization.

Companies select centralized service locations based on access to professional, tech-savvy talent with direct exposure to skills and services that contribute to a downstream energy business.

Already an operating model that exists in other industries, global service centers couple efficiency and cost savings with increased process effectiveness and better end-service. Some downstream organizations build their own captive shared services centers, while others outsource critical but noncore processes to external service providers, who are migrating from being “vendors” to serving as “strategic partners” expected to grow with their downstream clients. Downstream companies are moving to a global business services model to get the business support that then allows them to focus on developing their distinctive capabilities.
Conclusion

Accenture has tracked and helped drive these five transformation initiatives for the low-carbon economy in dozens of large-scale projects.

Again, the key is to use these actions together to control and leverage common business practices across refineries, while simultaneously pushing individual operating units to optimize operations inside their own fence line.

The forces shaping the industry will only become more complex—economically, politically and environmentally. And the switch to the low-carbon economy is the result of all these factors. Putting a price on carbon and managing it downward is now in the political and economic interests of regions, nations, companies and individuals. As part of that mix, oil and gas companies will not be able to avoid the change, but rather they must embrace and lead it.

Moving away from legacy assets to pursue new strategies and business models is rapidly becoming a mission-critical priority. By drawing on the points outlined in this paper, downstream energy companies can manage today’s transformation challenges and position for high performance in the low-carbon economy over the long term.
Contact us
We invite you to learn more about how Accenture works with downstream energy companies to help drive high performance. For more information, visit us at www.accenture.com or call us at +1 312 737 7909, or toll-free in the United States and Canada at +1 888 688 7909.

Kevin J. Quast
kevin.quast@accenture.com

Fay Shong
fay.shong@accenture.com

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