

Press release: Supermajors Cost Index – Has cost efficiency peaked?

Significant progress in cost reduction in the oil and gas sector is likely to bottom out this year. Of the ‘supermajors’ featured in the latest Index, Eni achieved the highest cost efficiency, ExxonMobil the lowest.

By Apex Consulting

London, September 11, 2018. *For immediate release.*

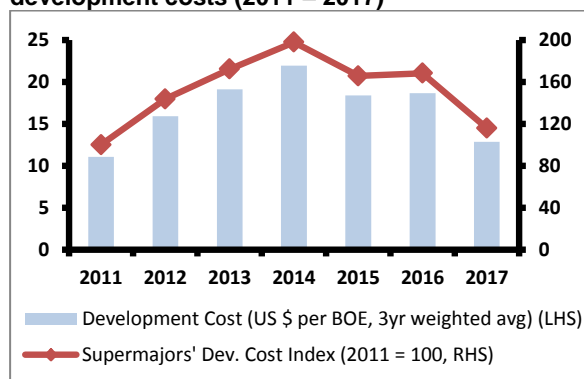
Apex Consulting has released the latest version of its Supermajors Cost Index. The Index determines the oil and gas industry’s efficiency in developing its reserves by analysing the performance of the seven ‘supermajors’: BP, Chevron, ConocoPhillips, Eni, ExxonMobil, Total and Shell. This sets an important cost benchmark for the industry as a whole.

Key findings are:

- Having almost doubled between 2011 and 2014, the Supermajors Cost Index declined by more than 41% in 2017 compared with 2014 (chart 1).
- Despite this impressive reduction, cost was about 16% higher in 2017 than in 2011, when the industry was in the midst of significant cost escalation.
- Eni’s performance improved the most, followed by Chevron and Total (chart 2).
- ExxonMobil went from having one of the lowest development costs per BOE in 2011 to having the highest amongst the supermajors in 2017.
- 2018 may turn out to be year when our Cost Index bottoms out.
- The industry needs a new business model, one that encourages greater collaboration and appropriate risk-sharing.

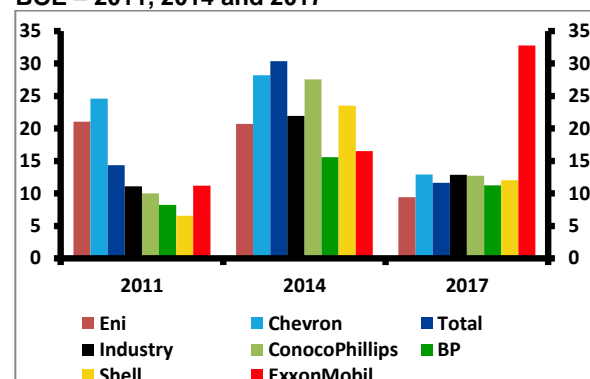
Apex Consulting’s managing director, Muktadir Ur Rahman, comments: ‘*The industry has made remarkable progress in bringing costs down in response to the price rout that started in mid-2014. The challenge now is to sustain this achievement, especially as upstream investment picks up. The industry needs a new business model, one that encourages greater collaboration and risk-sharing to prevent the recurrence of the runaway cost escalations of the past.*’

Chart 1: Supermajors Cost Index – evolution of development costs (2011 – 2017)



Source: Apex Supermajors Database.

Chart 2: Supermajors Development Cost per BOE – 2011, 2014 and 2017



Source: Apex Supermajors Database.

Note: 3-year weighted average, in US \$.



About Apex

Apex Consulting Ltd is an economics and management consultancy that provides commercial advisory services to oil and gas companies worldwide. We have extensive industry experience in economic and financial evaluation of investment opportunities, portfolio and fiscal regime analysis, supporting capital market and fundraising activities and commodity offtake agreements and in helping our clients carry out their strategic and business planning activities.

Contact us

Copies of the full report and analysis charts are available on request.

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