

# Cost overrun analysis for an Asian oil & gas producing company

## Situation



An Asian oil & gas producing company had noted that many of the projects that it had been asked to approve and provide finance for had suffered both cost and schedule overruns. Client wanted to understand if other companies were suffering the same overruns and how to better understand what the risks were. Client wanted to be able to incorporate these risks into its investment decision making process.

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## Action



Upstream Oil & Gas Consultants:

- Performed an extensive analysis on the cost overrun for a large number of upstream projects with an average CAPEX greater than 2 billion US dollars, leveraging project information from multiple IHS Markit databases
- Provided cost estimates and breakdowns at various parts of the development process
- Identified the major common risks associated with these cost overruns
- Categorized these projects into a number of different types
- Reviewed each project against 18 different risk elements covering both external and internal influences
- Conducted a thorough risk assessment on these risks to identify most frequently recurring risks across all projects and their impact on project life cycle

## Result



- The analysis showed the prevalence and frequency of cost and schedule overruns across a wide range of upstream projects
- The analysis showed which types of projects were more susceptible to cost and schedule overrun
- The analysis showed the key components of projects which had the greatest potential to cause cost and schedule overruns
- As a result of the study, the client obtained a framework for assessing the risk to cost and schedule at each of the key decision making stages of projects
- The client can make more informed investment decisions