

Value creation

Uplifting productivity and efficiency to execute on sustainability and decarbonisation mandates



In light of recent price shocks and escalating focus on sustainability, energy and utilities companies are challenged with lowering costs and driving productivity improvements to increase financial resilience and to achieve sustainability targets.

Financial resilience will come from a competitive cost base that can deliver returns. Lower costs will also help achieve new investment hurdle rates challenged by decarbonisation to drive investments into new energy sources and deliver against sustainability goals.

Global macroeconomic conditions, stringent regulatory requirements, labour shortages and supply chain are all challenging business confidence and hence the need to access additional capital and/or cashflow.

With an inability to control these external factors, organisations need to focus their efforts on unlocking value in areas under their direct control. KPMG's specialists work with you to identify and validate where value can be unlocked across your organisation.

Our track record in energy

400%

400% increase in leaders' time spent on value-add activities in the field.

\$3b

Global rollout of downstream performance improvement program – \$3 billion RCOP identified.

Developed resourcing model to accurately forecast required employees for planned activities.

Streamlined process removing 23 days of delays.

Identified cost reduction benefits through consistent process definition equating to \$2 million p.a.

Cost-out program for Australian Electricity Distributor achieving headcount reductions of 15–20%.

Numerous factors are driving institutions to undertake cost out programs

Inflationary pressures

- Significant and sustained inflationary pressures have increased input costs and are limiting business's ability to pass on costs.

Regulatory costs

- Increasing regulatory costs associated with increased non-technical risk are impacting the competitiveness of Australian exporters.

Energy transition

- The transition to renewables creates a challenge for proponents to provide cost-efficient energy.

Social licence

- Energy organisations continue to focus on building their social licence to operate, requiring a considered approach on how they engage with community stakeholders.

Digital transformation

- 70% of digital transformation projects fail to meet stakeholder expectations.

How can KPMG help you?

KPMG's expertise can help you across your value creation journey

- **Strategic alignment:** a holistic view of your organisational challenges and goals to inform development of key cost transformation initiatives.
- **Data analysis:** we will analyse your data to develop an organisational heatmap detailing priority areas for cost transformation initiatives.
- **Opportunity identification:** an end-to-end visualisation and review of the cost baseline, identifying a prioritised list of cost transformation opportunities across the organisation.

- **Delivery roadmap:** sequence initiatives and develop a clear roadmap to deliver and realise cost transformation benefits.
- **Implementation:** we work with you to deliver the initiatives and ensure the full benefits of the cost transformation program are realised across your organisation.

Our tools and capabilities to ensure your project is a success

- **Global benchmarking:** benchmark productivity metrics against global peers facing similar challenges to identify pockets of inefficiency.

- **Sector knowledge:** our diverse range of subject matter experts from all industries allows us to provide detailed insights into how your organisation can successfully drive value creation.
- **Operational analysis:** a diverse set of accelerators will allow us to effectively analyse your data and generate key value creation hypotheses to support your journey.

KPMG'S 12 cost out levers for energy

Macro cost lens

Strategy

Focus on markets, products and business models that deliver value for customers and shareholders

Simplicity

Ensure the organisational, accountability and governance arrangements enable efficient decision-making and operational agility

Engineering

Manage and optimise how service is provided to customers, including use of technology, channels to market, and deploying automation and data to drive productivity

Cost out opportunities in energy

- 1 Geographies, markets, products:** Reduce presence in markets with high costs
- 2 Operating model and balance sheet:** Reduce the cost of funding by optimising the balance sheet
- 3 Organisational model:** Reduce organisational complexity, including management and governance layers
- 4 Transformation optimisation:** Create an organisational capability to enable transformation
- 5 Cost management focus:** Drive a cost-conscious culture through strategy and defined accountability
- 6 Digitisation and operational efficiency:** Digitise work from front to back office to enable automation
- 7 Channel optimisation:** Plan and define key customer channels with an increased digital focus to drive behavioural change
- 8 Organisation design and people:** Drive simplification of organisational model with a focus on required spans and layers
- 9 Technology optimisation:** Migration of critical organisation environment to cloud based
- 10 Asset optimisation:** Rationalise operations between centralised head offices to increase field-based site offices
- 11 Sourcing & supplier management:** Drive third party spend down through integrated supply and demand
- 12 Regulatory, governance & risk compliance (incl tax & legal):** Optimise tax and legal structures

Contact us

James Arnott

**Partner, Consulting
Energy, Mining & Property**
T: +61 418 281 752
E: jamesarnott@kpmg.com.au

Jonathan Peacock

**Partner, National Sector Leader
Consulting, Oil & Gas**
T: +61 414 841 760
E: jjpeacock@kpmg.com.au

KPMG.com.au

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