**BOSTON STRATEGIES INTERNATIONAL**
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## "PROJECT COST ESTIMATING" CASE STUDY



| ABOUT THE CLIENT | |
|---|---|
| **Industry** | **Oil & Gas** |
| **Revenues** | **Approx. $100 billion** |
| **Employees** | **Approx. 80,000** |
| **Location** | **Americas** |
| **BSI Service or Solution** | **Project Cost Estimating** |

### Key Challenges
- EPC firms were charging above-market prices for pipeline construction due to in-country conditions
- The client wanted benchmark costs for similar pipelines to negotiate the prices down to market levels
- No pipelines were exactly the same, complicating cost comparisons
- The price of steel changed dramatically over the construction time horizon

### Why BSI was Selected
- Industry expertise in pipeline construction
- Detailed pipeline cost model
- Clear "reference projects" that left no ambiguity about the specifications of the benchmark projects or the estimated cost
- Economic data and models that could "normalize" the cost of other pipelines to the one being proposed

### Project Scope
- "All-in" cost: Engineering, procurement, and construction costs, plus profit and contingencies
- Detailed cost break-outs
- Sensitivities for parameters such as pipe diameter and thickness, terrain type, soil type, single vs. dual pipelines, etc.
- 10 years of pipeline project comparisons, from 50 to 5000 km long

### Project Approach
- Cost benchmarking
- Cost modeling, including baseline costs, parametric comparisons, and sensitivity analyses
- Analysis and reconciliation of discrepancies
- Adaptation of costs to local ("in-country") conditions
- Presentation of detailed costs

### Operational Benefits Realized
- Facilitated capital budgeting
- Opened up an intelligent dialogue with construction firms that were bidding to build the pipeline
- Clarified which aspects could be done locally at economical cost levels, thereby increasing local content

### Financial Benefits Realized
- Reined in high bids to market levels due to use of a fact-based negotiating tool
- Allowed "value engineering" of the proposed pipeline project based on a clear understanding of quantifiable cost drivers (diameter, wall thickness, path, etc.)