CASE STUDY 492

“Long-Term Contracting Due Diligence for Strategic Partnerships”

ABOUT THE CLIENT

Industry	Oil & Gas
Revenues	$400 billion
Employees	75,000
Location	Saudi Arabia
BSI Service or Solution	Contract Risk Management

Key Challenges

- $50 billion capital program required adequate capacity for long lead time equipment to assure construction deadlines.
- Suppliers eager for the business attested to more capacity than they had or could feasibly develop during the timeframe.
- Client needed proprietary intelligence on the capacity and operations of certain candidate suppliers.

Why Boston Strategies was Selected

- Tools and methods for structuring contract terms, region risk, and supply chain resilience
- Methodology for measuring capacity and forecasting utilization rates
- Detailed knowledge of the candidate suppliers

Project Scope

- Oil and gas pumps, compressors, and turbines (API specifications)
- Global manufacturing, for delivery in Saudi Arabia
- 10-year time horizon

Project Approach

- Measured current and forecasted capacity and capacity utilization by supplier, engineered product, and plant
- Quantified the risk and cost of non-performance
- Developed contract structure and clauses to optimize price and performance risks

Financial Benefits Realized

- > $1 billion dollar in long-term contracts were signed.
- Hundreds of billions of dollars of oil and gas throughput and revenue potential was assured.

Operational Benefits Realized

- Supply risk was contained to agreed acceptable levels
- Intellectual property and value-added services from the awarded suppliers went beyond the product purchasing scope.