CASE STUDY #74

Integrated Gasification Combined Cycle (IGCC) Gas Turbine Service Contract Negotiation



ABOUT THE CLIENT

Industry	Oil and Gas
Revenues	$200+ billion
Employees	80,000
Location	Middle East
BSI Service or Solution	Cost and Price Intelligence

Key Challenges

- Power plant design relied heavily on a specific turbine OEM and service provider.
- Turbine acquisition and maintenance contract had not yet been negotiated, raising complications for exert price leverage given the design.
- A strategy was needed to interject price competitiveness and pressure into the remaining contracting process.

Why BSI was Selected

- Cost estimation and engineering expertise
- Technical knowledge of refineries and power plant technologies
- Proven ability to reduce cost with strategic suppliers

Project Scope

- Benchmarks of 23 IGCC (Integrated Gasification Combined Cycle) plants
- Construction, operating, and maintenance costs
- Adaptation and customization of gas turbines

Project Approach

- Conducted primary and secondary research
- Built cost structures from ground up and compared to actual bids, bottom-up, top-down and laterally
- Analyzed comparative lifecycle costs
- Toured plants and facilities
- Developed high-impact negotiating points

Financial Benefits (Potential)

- 20-30% cost savings through use of an independent (non-OEM) maintenance provider
- 20% savings potential from increasing maintenance intervals
- 10%+ savings on capital spares
- 5% cost savings from performing some maintenance in-house

Operational Benefits (Potential)

- Higher confidence in the strength and durability of the long-term contract with the key supplier
- Clearer operating mission, including better relationship between procurement and operations/maintenance

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