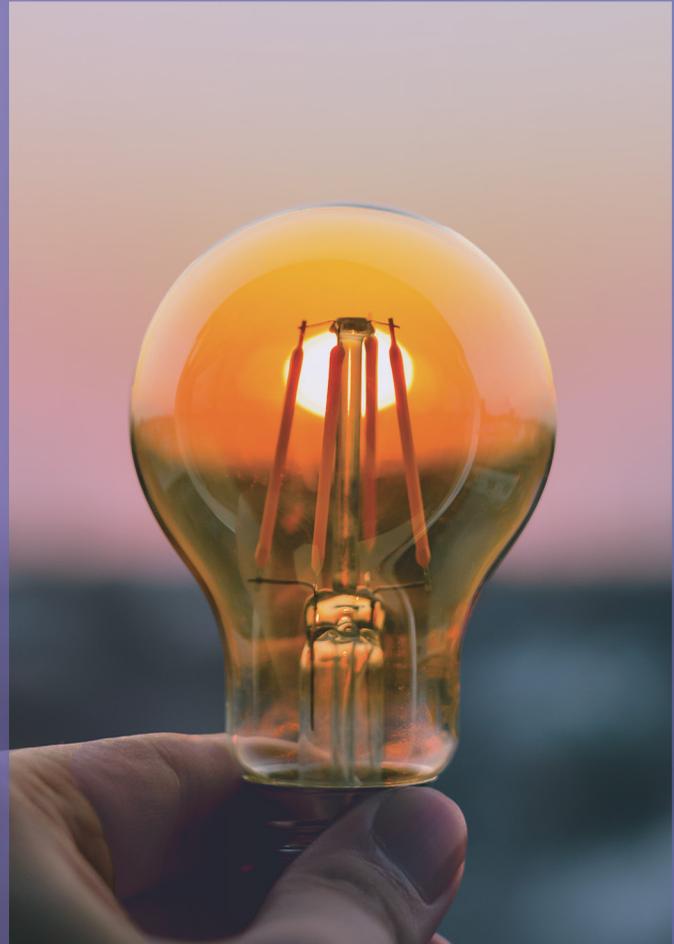




KPMG Elevate Industry Perspectives

Navigating change
in Energy & Chemicals



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Energy transition: Solutions for changing times

Insights on performance transformation

In the past several years, US-based Energy & Chemicals companies have been whipsawed by geopolitical disruption, sharp turns in government trade and environmental policy, commodity price volatility, interest rate spikes, inflation and economic uncertainty. Beneath the dramatic headlines, they face steady stakeholder pressures regarding climate change and how they will participate in energy transition. Amidst the flux, the need for strategic focus, financial discipline and organizational agility has never been clearer.

Energy & Chemicals: historic disruption, a finite window of opportunity to leap ahead

Every Energy & Chemicals company has long faced a seemingly unique mix of competing demands from investors, regulators, and policy makers. Now, massive, sequential global shocks – pandemics, extreme weather, geopolitical upsets, etc. – have highlighted the common energy transition challenges they must navigate:



Regionalization gathers momentum: The Biden administration's passage of the Inflation Reduction Act and pivot to green light the Willow Project are important signals to the capital markets. They validate that both energy transition and domestic resource extraction are priorities. As Energy & Chemicals companies rethink global footprints and supply chain vulnerabilities, financial agility will be an important factor in pursuing US-based growth opportunities.



Industrial policy meets ESG: To deliver against their stated ESG commitments, Energy & Chemicals companies will still need to allocate substantial capex for investment in renewables capacity or net-zero technologies. Cost containment will be one method to free up that capital. Clearly defined metrics will help measure ROI and hurdle rates.



Securing workforce buy-in. As Energy & Chemicals company boards and C-suites adopt energy-transition strategies, workforce skepticism and fear can be expected to surface. Investments in up-skilling and change management are key to successfully operationalize significant changes to processes and technologies.

First things first: immediate steps for Energy & Chemicals C-suites

- 1. Lean into cost-savings analytics.** Integrate internal data with third party benchmarks and data feeds, to uncover where operational costs can be optimized and captured to protect margins and re-invest in growth.
- 2. Use selective M&A to clean up portfolios:** Position the enterprise to make targeted infill acquisition to obtain needed skills, technology, or markets; and rapidly divest units that are no longer aligned with energy-transition strategies.
- 3. Build upon proven climate-change risk tools.** Invest in tested frameworks that help identify, quantify, and report climate-change risks to the business.
- 4. Stress-test supply chains and footprints.** Conduct footprint analysis and scenario planning exercises to identify vulnerabilities, and measure needed tradeoffs between global efficiency and regionalized resiliency.

A collaboration for change:

The KPMG Elevate service has a demonstrated record of helping top leaders achieve industry-leading performance transformation during periods of uncertainty. Four main KPMG Elevate principles guide KPMG professionals' approach to help set you up for success:

Rigorous:

Gain deep insights into your company's opportunities to create future value through rigorous analysis of your data by KPMG professionals with deep experience in your industry.

Rapid:

Leverage rapid assessment and market-tested, industry-specific strategies that can help you quickly optimize costs and strengthen liquidity to drive business performance.

Results-driven:

Position your business to realize in-year, bottom-line outcomes, with significant EBITDA and cost savings improvements and a clear return on investment.

Real collaboration:

Achieve sustainable results with an execution plan that we develop and implement in collaboration with your team.

Conclusion:

Energy & Chemicals companies know well how to anticipate and address the trials of event-driven business cycles. Now, they face a qualitatively different, historic transition to new and different models of resource extraction, processing, and energy delivery. Meeting once-in-generation challenges requires transformational thinking. KPMG can help.

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Learn more about how KPMG Elevate supports transformational change in the Energy & Chemicals industry:

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