

Fueling Opportunities in the Face of Tariffs

Drive tariff opportunities across all critical phases of the energy lifecycle

From exploration and production to sustainability, companies in the energy, natural resources, and chemicals sector (ENRC) are faced with navigating complex tariffs, and developing a comprehensive strategy for managing global trade is crucial. This involves addressing tariff impacts in key areas like feedstock and equipment sources, infrastructure investments, and indirect tariff exposure. By adopting a cross-functional approach that includes trade, supply chain, and tax, companies can tackle immediate impacts while navigating the energy transition, optimizing operational efficiency, and driving sustainable growth.

Tariff Impacts on ENRC

- Additional tariffs on critical mineral imports, as well as derivative products, now require customized strategies.
- Commodities, such as natural gas, may now be subject to duties, resulting in new evaluations of supply chains, product routing, and core trade elements such as origin and value.
- Upstream through downstream operations require specialized review to tailor strategies throughout the value chain. Unique strategies are required for products and equipment.
- Industry specific tariffs (i.e., steel and aluminum tariffs), along with antidumping and countervailing duties must be considered regarding infrastructure development and maintenance.
- Increased focus on renewables requires understanding of the growing industry, adding to an ENRC product portfolio of imported goods.

Immediate Actions: Quick Impact Mitigation

- **Impact Assessment:** Analyze data and supply chain flows against priority tariff scenarios to assess impact on costs and operations.
- **Team Coordination:** Engage trade, supply chain, tax, and third-party EPCs to map global supply chains and collectively plan to address tariff challenges.
- **Immediate Cost Savings:** Implement rapid cost-saving measures, including identifying exceptions (e.g., USMCA certification, classification of “energy products”), re-routing shipments, bonded movements, etc.

Medium-Term Focus: Strategic Optimization

- **Strategy Implementation:** Execute a plan to adapt to changing tariffs, leveraging mitigation strategies, such as Foreign Trade Zones (FTZ), duty drawback, US goods returned, and other recovery programs.
- **Efficient Supply Chain:** Adjust supply chain strategies to enhance efficiency, incorporate tariff engineering opportunities, reduce costs, and integrate sustainable practices. (e.g., design for post-import assembly).
- **Valuation Refinement:** Evaluate customs valuation and transfer pricing opportunities (e.g., alternative customs valuation methods, cost unbundling, transfer pricing adjustments, First Sale for Export).

Long-Term: Building Resilient Supply Chains

- **Framework for Resilience:** Create a long-term framework to address tariffs further upstream in the planning process and embed tariff mitigation development phases.
- **Innovative Diversification:** Explore opportunities for innovation and diversification in sourcing and production (e.g., supply chain reconfiguration, increased U.S. supplier capacity).

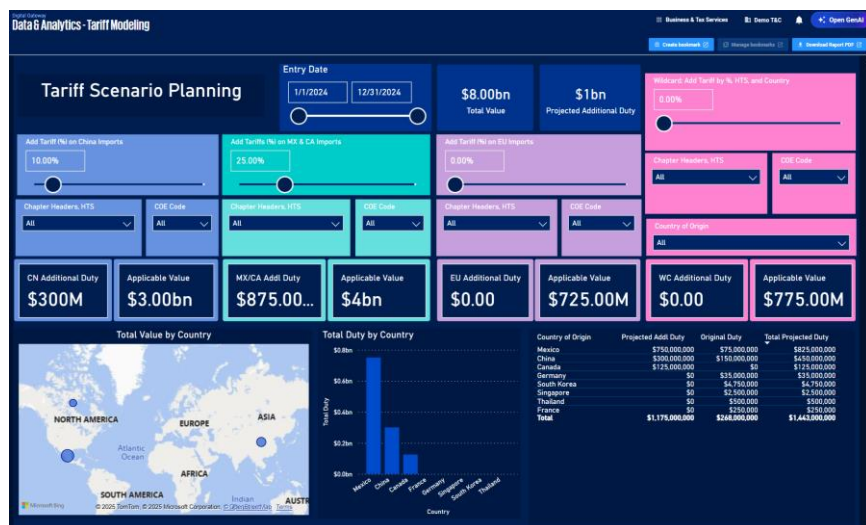
How KPMG LLP (KPMG) Can Help

KPMG can provide wide-ranging support to help you optimize your tariff strategy

- **Specialized Guidance:** Navigate global tariffs with KPMG's unparalleled expertise.
- **Tailored Solutions:** Get customized strategies for your specific business needs.
- **Comprehensive Support:** Benefit from a cross-functional, holistic approach, integrating insights from various sectors.
- **Ongoing Partnership:** Continuously adapt and thrive with KPMG as your trusted partner.

Tariff Impact Analysis

KPMG helps clients develop strategies to lessen the impact of tariffs by analyzing the import and export data outputs or our proprietary modeling tool, **KPMG Tariff Modeler**, and identifies areas for risk mitigation and opportunities for savings.



The KPMG Tariff Modeler considers the challenges businesses face to monitor the impact of tariffs for 'today' and built for 'tomorrow'.

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