TAM Research (Oil and Gas)

By: The Allocc Team

Global Spending on Oil & Gas Megaprojects (>$100M)

Major oil and gas projects (with budgets exceeding $100 million) account for a significant share of industry investment worldwide. Global upstream capital expenditure alone is expected to surpass $600 billion in 2024 . When including midstream (pipelines, LNG facilities) and downstream (refining and petrochemical) projects, total oil & gas CAPEX is on the order of $800+ billion per year in the mid-2020s . A large portion of this spend is concentrated in megaprojects. For example, an industry project database (GlobalData) tracks about $3.3 trillion worth of oil & gas projects from planning through execution, with $2.2 trillion already in construction or pre-construction stages . If all these projects proceed as scheduled, the annual expenditure on major projects is projected at roughly $410–556 billion in the next couple of years . This indicates a multi-hundred-billion-dollar yearly spend on oil & gas megaprojects globally, spanning upstream developments, large pipelines/LNG terminals, and refinery or petrochemical builds. In other words, the “market” of big oil & gas projects is enormous in value, providing a very large base from which time-saving efficiencies could unlock value.

Time and Cost Savings from 30–50% Faster Execution

Megaprojects in oil and gas notoriously suffer from schedule delays and cost overruns, suggesting substantial room for improvement. Studies have found that 98% of megaprojects face overruns or delays, with about 77% running at least 40% late (an average slip of ~20 months behind schedule) . In the oil & gas sector specifically, nearly two-thirds of large projects run over budget . EY’s review of 365 O&G megaprojects found costs averaging ~59% above initial estimates (US$1.7 trillion vs. $1.2 trillion planned), representing an extra $500 billion in unplanned cost . Even after Final Investment Decision, projects still

overshot approved budgets by ~23% on average . These overruns are often tied to extended execution times – more months and years on site drive up labor, overhead, and financing costs.

Reducing project execution time by 30–50% could yield dramatic time and cost savings. Finishing a project months or years earlier eliminates a huge chunk of time-dependent costs (project management staffing, equipment rentals, interest on capital, etc.) and reduces exposure to inflation in material/labor costs. For example, if a typical megaproject normally takes 5–7 years (and often ends up 1–2+ years late), cutting the schedule by even ~40% might save 2–3 years of execution effort. This translates to tens of percent in cost savings in many cases. In essence, faster delivery means fewer opportunities for cost escalation and a higher likelihood of hitting the original budget. The historical data above – with average schedule slips on the order of ~20 months and cost overruns on the order of 20–60%+ – suggests that a 30–50% schedule reduction could potentially avoid a similar magnitude of overruns. In practice, that means hundreds of billions of dollars in cost savings industry-wide, by preventing the protracted timelines that inflate project costs.

Unlocked Revenue from Shorter Project Timelines

Beyond cost savings, accelerating project completion directly unlocks revenue that would otherwise be delayed. In the oil and gas industry, new projects only start generating revenue once they come onstream – whether it's an upstream field producing oil/gas, an LNG terminal exporting cargoes, or a refinery selling refined products. Shortening execution by 30–50% means earlier production and sales, capturing market opportunities sooner.

To appreciate the scale of revenue at stake, consider upstream production: projects currently under development globally are expected to add about 6 million barrels per day of oil output by 2030 . At roughly $70 per barrel (a representative oil price in recent years), that volume equates to over $150 billion in revenue per year once those projects are operational. If such capacity is brought onstream 1–2 years faster than normal, the owners gain an extra year or two of sales – on the order of hundreds of billions of dollars in additional revenue that would have been unrealized (or at least delayed) under a longer project timeline. This represents the "unlocked" unrealized revenue from time savings.

The same logic applies across segments. For a midstream example, an LNG export project of, say, 5 MTPA capacity (million tons per annum) might generate on the order of $1–2+ billion in gross revenue per year (depending on gas prices). Completing it a year early means billions in LNG sales occurring one year sooner than they otherwise would. In the downstream sector, a large new refinery or petrochemical plant (often capable of $5–10+ billion in annual output value) stands to gain similarly from each month or year of earlier start-up – selling fuel or chemical products into the market earlier and capturing revenue that would have been lost to delays. In short, a 30–50% reduction in execution time translates to very large sums of new revenue

being realized earlier for project operators. Industry analyses consistently note that schedule delays have a huge impact on the business case: *time is money*, and each lost month can mean millions in missed revenue. The aggregate opportunity is enormous – when major projects across the globe start producing years sooner, the cumulative unrealized revenue unlocked could easily be in the hundreds of billions of dollars range, given the scale of production and processing volumes involved . (Notably, this revenue upside far outweighs even the cost savings discussed above, and is a core part of the value proposition for accelerating megaproject execution.)

Allocc's Value-Based Pricing (30% of Unlocked Revenue)

Allocc captures a portion of this massive value creation through its value-based pricing model, charging 30% of the unlocked unrealized revenue resulting from reduced project execution times. In practice, this means Allocc's fee is directly tied to the client's success in generating revenue sooner. For example, if using Allocc's software cuts a project's duration such that the operator begins production earlier and earns an extra $100 million in revenue that year, Allocc would charge $30 million (30%) of that benefit. This model aligns incentives: Allocc is paid when it delivers tangible financial results.

Because the unlocked revenue from faster execution can be so large (as outlined above), even a 30% share for Allocc translates to substantial dollar amounts. Every $1 billion of accelerated revenue yields a $300 million fee to Allocc at the 30% rate. It effectively monetizes a slice of the time advantage. Importantly, this is found money for project owners – it's revenue they would not have seen (or would have seen much later) without the time savings – so paying 30% of it to a solution that enabled the result can be an attractive trade-off. For Allocc, this pricing approach means its own revenue scales with the size of the project and the degree of improvement in schedule. Megaprojects often involve huge revenue streams once operational, so a successful acceleration on a large project (e.g. an oil field, LNG plant, or refinery coming online earlier) can yield *tens or hundreds of millions of dollars* in fees from a single project. In summary, Allocc's 30% value-based pricing lets it tap into the immense value unlocked by shortening megaproject timelines, converting a fraction of the client's extra revenue into Allocc's own revenue stream.

Global TAM Calculation: Allocc's Revenue Potential

By combining the above factors, we can estimate Allocc's Total Addressable Market (TAM) for the oil & gas industry on a global scale. The TAM represents the annual revenue Allocc could generate if its solution were applied universally to all relevant megaprojects, achieving the promised 30–50% time reduction. This essentially equals 30% of the total unlocked revenue across all such projects worldwide.

Given the hundreds of billions of dollars in annual project spend and the pervasive delays/inefficiencies, the potential unlocked revenue is extremely large. As a rough order-of-magnitude: if globally we unlock on the order of $300–500+ billion in previously unrealized revenue per year (by accelerating schedules 30–50% across the board), Allocc's 30% share of that value would be around $90–150 billion per year. In other words, the global TAM for Allocc can be envisioned in the hundreds of billions (low triple-digit billions) of dollars annually. Even using more conservative assumptions, the figure is enormous. For instance, using the earlier project data: the industry's active project pipeline is valued at $3.3 trillion . If those projects on average got to production ~1.5 years faster (≈30% time reduction), the earlier revenue realized could easily exceed $300 billion (assuming the projects' annual revenues are a modest fraction of their capital costs). Allocc's cut (30%) in that scenario would be roughly $100 billion. With a 50% time reduction scenario (projects delivered in half the time), the unlocked revenue could be on the order of $500+ billion globally, implying Allocc's share near $150 billion. These simplified estimates illustrate that the comprehensive global TAM is well above $100 billion per year.

It's important to note that this TAM spans all segments (upstream, midstream, downstream) and assumes full adoption. Upstream megaprojects

contribute the lion's share, given the volume and value of oil & gas production brought online. Midstream and downstream projects also add substantially – for example, faster completion of export infrastructure and processing facilities means monetizing resources and products sooner. Allocc's market potential aggregates all these opportunities. In summary, Allocc's TAM in the global oil & gas sector is extraordinarily high – on the order of 10^11 USD annually, reflecting the 30% slice of the massive inefficiencies and unrealized revenues in current megaproject execution. This underscores just how much value is at stake: by cutting project times nearly in half (30–50% faster), the oil & gas industry stands to gain *vast new revenue*, and Allocc's business model is positioned to capture a significant portion of that gain as its own revenue .

Resources

- Global industry investment data from IEF/S&P and IEA
    - https://www.iea.org/reports/world-energy-investment-2024/overview-and-key-findings
    - https://www.ief.org/focus/ief-reports/upstream-oil-and-gas-investment-outlook-2024
- Project pipeline values from GlobalData (via R&M)
    - https://www.globenewswire.com/news-release/2025/05/07/3075896/0/en/Global-Oil-and-Gas-Construction-Industry-Report-Q1-2025-Track-the-Top-20-Projects-per-Region-by-Country-Stage-and-Value.html
- Megaproject performance statistics from McKinsey and EY
    - https://www.sdcexec.com/sourcing-procurement/news/11624930/ey-ernst-young-oil-and-gas-megaproject-overruns-to-cost-industry-more-than-500-billion
    - https://www.mckinsey.com/~/media/McKinsey/Industries/Capital%20Projects%20and%20Infrastructure/Our%20Insights/The%20construction%20productivity%20imperative/The%20construction%20productivity%20imperative.pdf
- Oil market context from Deloitte
    - https://www2.deloitte.com/us/en/insights/industry/oil-and-gas/oil-and-gas-industry-outlook.html