MOORE

THE INTEGRATION TAX:

A Board-Level Diagnostic for Dual-Engine Energy Majors

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Most "energy transition" debate is framed as ideology. Boards don't manage ideology. They manage capital.

A new archetype has emerged: the dual-engine energy major. Engine one is a high-ROACE hydrocarbons/LNG franchise. Engine two is an Integrated Power platform scaling quickly in capital, volume, and complexity.

The strategic risk is simple:

If Integrated Power cannot credibly converge to ~12% ROACE, it becomes an integration tax that drags the whole group.

This is not a 2030 problem. It is a next-24-months control problem.

What the integration tax really is (and why it persists)

The integration tax is not "power markets are low return."

It's this: capital is being moved across incompatible ROACE pools without governance capable of proving value creation.

Dual-engine majors now sit on four structurally different return pools:

- Upstream: high-teens potential, tight capital discipline
- LNG: low-teens, long-cycle but robust
- Integrated Power: ~9–10% reported today (often with 12% ambition)
- Downstream: mid-single digits, cyclic

Every incremental dollar shifted from a 15–16% pool into a 9–10% pool is deliberate dilution unless the second engine has (a) a provable path to 12% and (b) a control system to enforce it.

The board question most companies cannot answer

If you sit in a boardroom and ask this, silence is common:

"Show me, in one slide, the last 24 months of Integrated Power capex split by (1) pro-forma ROACE, (2) a quantified path to ≥12%, and (3) exit thresholds."

If that slide doesn't exist, the company is not running Integrated Power with investor logic. It is running it with engineering logic. That gap is where integration taxes hide.

The Integration Tax Scorecard (use this in an IC or board meeting)

Below is a simple diagnostic. If you score weakly on these, the issue is governance, not markets.

1) Capital allocation governance (Do we control dilution?)

Pass if:

- Every major deal has base-case ROACE (no optimisation) and optimised ROACE (with

BESS/PPAs/trading) shown side-by-side

• There are board-approved exit triggers (e.g., “3 years <9% → farm-down/sale”)

• Deal-level ROACE tracking is updated quarterly, not annually

Fail signal: “We can’t quantify which investments will actually get us to 12%.”

2) Profit attribution (Do we know where profits actually come from?)

Integrated Power is increasingly a contract-and-trading business with assets attached.

Pass if:

• Top 20 and bottom 20 contracts are visible by economic value added

• Customer profitability is tracked (hyperscaler vs industrial vs trading book)

• Geography/zonal contribution is explicit (who is subsidising whom)

Fail signal: “We manage at segment averages, not contract economics.”

3) Carbon data governance (Is revenue underwritten by auditable claims?)

Decarbonisation contracts will live under scrutiny for 10–20 years.

Pass if:

• Carbon claims linked to revenue have a controller-like sign-off process

• Contract delivery and emissions attributes are traceable end-to-end

• The CFO can defend the methodology like an audited financial assertion

Fail signal: “Carbon data sits in ESG; revenue sits in commercial; nobody owns the interface.”

What “good” looks like in the next 24 months

If Integrated Power is to be a real second engine, three things must be built fast:

1. Deal-level ROACE governance + exit thresholds

2. Contract/customer profitability ledgers

3. Carbon controllers embedded in finance

This isn’t bureaucracy. It’s the only way to stop a second engine from becoming a permanent subsidy.

The bottom line

Boards face a binary choice:

• Build the control architecture and unlock a credible 12% Integrated Power path

• Or accept a structurally lower-return power engine and recycle capital back to upstream/LNG

There is no safe middle ground.

Want the one-slide scorecard template and the control-system blueprint?

Download the full executive brief.

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