

Integrated Services Contracts: Efficiency Gains or Increased Risk?

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Offshore oil and gas projects depend on multiple specialist contractors working together in complex, high-risk operations. That model gives operators access to deep technical expertise, but it can also be challenging to manage. Contractor interfaces can create scope gaps, duplicated responsibilities and disputes over accountability. Integrated services contracts (ISCs) are intended to reduce those challenges by bringing related services under one contract, with one lead contractor responsible for delivery.

Recent awards show how the model is developing. In February 2026, Mubadala Energy awarded SLB, formerly Schlumberger, multiple ISCs for the Tangkulo natural gas development and related exploration and appraisal drilling services, offshore Indonesia. The scope includes directional drilling, drilling fluids, cementing, wireline, slickline, coiled tubing, well testing, mud logging and completions. In 2024, Baker Hughes received a multi-year ISC from Petrobras for the Buzios field offshore Brazil to carry out integrated well construction services. The scope encompasses drilling services, drill bits, wireline, cementing, wellbore clean-up, fishing, remedial tools, fluids and geoscience services.

The commercial logic is compelling: ISCs can reduce interfaces, simplify project management and align incentives. The concern is that they may also concentrate liability in one contractor in ways that are not fully understood, properly priced and the risk may be uninsurable. This article considers that balance.

The Case for Integration

Under the traditional offshore procurement model, the operator contracts separately with each specialist contractor. Each contract has its own scope, liability and indemnity regime, liability cap, exclusions or carve-outs from indemnities, and insurance requirements. This allows the operator to choose best-in-class contractors, but it also increases interface risk. Gaps, overlaps and inconsistent terms can lead to delay, disputes or uninsured losses.

ISCs bundle related services into one contract. The lead contractor manages the overall scope, coordinates workstreams and oversees subcontractors. This can reduce the operator's management burden, provide a single point of accountability, speed up decisions and support more consistent safety management. Performance-based tools, such as key performance indicators, can also encourage efficient delivery.

For lead contractors, ISCs can mean larger, longer-term revenue across several service lines, stronger relationships with operators and less exposure to repeated competitive tendering. They also allow contractors to compete on project management capability and service breadth, although larger packages may make it harder for smaller specialist contractors to participate.

Key Risks of Integration

For Field Operators

For operators, the main concern is risk concentration. By combining several scopes in one contract, the operator becomes more dependent on the lead contractor's performance and financial strength. If the lead contractor underperforms or runs into financial difficulty, the operator's exposure may be greater than under separate contracts with different specialist providers.

ISCs may also reduce competition. Large integrated packages can exclude smaller specialist contractors, encourage market consolidation and reduce pricing pressure. Over time, operators may lose bargaining power and become dependent on a smaller group of lead contractors.

Operators may also have less visibility over subcontractor performance and decision-making, as the lead contractor controls day-to-day subcontractor management.

For Contractors

For contractors, the model creates three main challenges.

First, the lead contractor must appoint and manage multiple specialist subcontractors and will usually carry wider exposure for performance and compliance failures, including failures caused by those subcontractors. A problem in one service area may therefore create liability across the broader contract. The lead contractor may also find it difficult to obtain back-to-back protection from subcontractors, particularly on liability caps and carve-outs for gross negligence or wilful misconduct. That gap increases with the number of subcontractors and the breadth of services involved.

Second, lead contractors may need to price in a higher risk premium to reflect that wider operational exposure, which may make their proposition uncompetitive. Some of the increased risk will also be uninsurable.

Third, ISCs demand significant internal resources, especially in project management, coordination and quality assurance across several technical disciplines.

Conclusion

ISCs are becoming an important feature of offshore oil and gas procurement. Used well, they can reduce interface risk, streamline delivery and lower overall project costs. If not properly structured, they can shift too much risk to a single lead contractor and make responsibility within the supply chain less transparent.

From our work with offshore energy projects and integrated services arrangements, these issues are rarely confined to the drafting stage. They often emerge during project execution, subcontract award, interface management, claims handling and dispute avoidance. For that reason, the effectiveness of an ISC depends not only on the commercial rationale for integration, but also on careful attention to scope, liability, indemnities, insurance, subcontractor risk and governance rights. Parties considering this model should assess those issues early, so that the contract reflects the operational realities of the project and allocates risk in a way that is transparent, workable, properly priced and insurable.