



The divestiture factory and the art of simultaneous separations in energy

Why industrializing separations protects deal value and creates competitive advantage



Introduction

In the energy sector, the era of the one-off deal is over. Whether driven by the realities of the energy transition, postmerger cleanup, or shifting geopolitical tides, portfolio management is shifting from a series of bespoke projects to a continuously operating assembly line of strategic realignments. Executives are no longer managing single, isolated carve-outs; instead, they are juggling multiple, complex separations simultaneously and shedding noncore assets at an unprecedented pace.¹

This new reality exposes a critical vulnerability. While leaders focus on what to sell, they often overlook how they sell it. KPMG LLP has observed that this is a potentially costly mistake. When multiple divestitures run in parallel without a master plan, legacy playbooks break down. Deals collide, creating a cascade of tangled transition service agreements

(TSAs), misaligned incentives, employee burnout, and operational gridlock that sophisticated acquirors can spot quickly. Potential buyers price chaos directly into their bids, eroding deal value before negotiations even begin.

The lesson for executives is that without meticulous orchestration and sequencing, complex separations stumble, deal value withers, and millions are left on the table. To capture maximum value, leaders must stop treating separations as a series of ad-hoc fire drills. The key is to build a divestiture factory—a permanent, core capability engineered for the continuous and seamless orchestration of deals. By industrializing the separation process and unleashing modern tools including AI and integrated data platforms, companies can seamlessly sequence overlapping deals and turn them into a relentless competitive advantage.

¹ Source: Serafina Smith, Carlos Martinez, and Izaz Ansari, "Oil & gas divestitures, midstream consolidation, and PE deals to drive 1H M&A – North America Natural Resources Trendspotter," Ion Analytics, January 8, 2025.

Why timing, sequencing, and orchestration make a critical difference

Executing a single carve-out is a heavy operational lift, but managing multiple simultaneous separations is an exponential leap in complexity. In the energy sector, where assets are deeply intertwined with legacy infrastructure, dated technology, complex supply chains, and shared services, the margin for error is razor thin.

Without a master plan, deal teams are forced to rediscover the same entanglements for each asset. This “job shop” approach—treating each separation as a bespoke project—is a direct drain on value. Consider a scenario where a company is divesting four assets simultaneously. In a job shop model, four separate deal teams will descend on shared functions such as finance, information technology (IT), and human resources (HR), asking for nearly identical information in multiple meetings. This redundant effort imposes a massive time tax, pulling key employees away from their primary responsibilities and leading to systemic burnout.

This internal chaos is immediately apparent to motivated buyers. Both strategic players and private equity firms are sitting on near-record levels of dry powder, and they are sophisticated. They expect to pay a premium for clean, stand-alone entities with a clear path to value, not for entangled operations that signal a chaotic, unprepared seller.

Here is where the direct drain on value occurs: When a buyer sees you haven’t done the work to present a clean asset, they will price that risk directly into their bid. They will argue that because the stand-alone operating model is undefined, they must overestimate the resources and costs required to run the business. This overestimation lowers the asset’s projected earnings before income taxes, depreciation, and amortization (EBITDA), and since the purchase price is based on an EBITDA multiple, the seller’s valuation is directly reduced, potentially leaving millions of dollars on the table.

Most importantly, a master-planned approach allows the organization to control the narrative, presenting pristine, attractive packages to the right buyers at the right time and maximizing value across the entire portfolio.

Case study: A mega-deal and a potential divestiture challenge

The current merger and acquisition landscape in the energy sector is increasingly defined by fewer, larger, and more strategic acquisitions. While these mega-deals create enormous scale, they also saddle the acquirer with a diverse range of noncore assets that must be managed or divested to realize the full value of the transaction. This dynamic perfectly illustrates the growing need for a permanent, factory-like separation capability.

Consider, for example, a major energy corporation’s recent multibillion-dollar acquisition of an independent exploration and production company. According to the official announcement, the primary strategic driver of the deal was to acquire the target’s extensive, high-return resource inventory in a premier producing region, more than doubling the acquirer’s production footprint in this key area.

However, a closer look at the transaction reveals the complexity of the acquired portfolio. Alongside the core upstream assets, the deal included a wide array of associated and noncore operations, including:

- Water management infrastructure and contracts
- Drilling supply and logistics chains
- Various midstream assets and transportation agreements.

For the acquirer, the stated value of the deal is locked in the primary upstream assets. The challenge now is to manage the integration and potential separation of these other, noncore business lines efficiently and without distraction. This is where a divestiture factory becomes critical. Rather than treating each potential separation as a new fire drill, a dedicated Separation Management Office can systematically evaluate these assets, identify entanglements using a repeatable playbook, and orchestrate their divestiture in a way that protects value and allows the parent company to focus on its core strategic prize.

Top energy-specific challenges

Unlike other sectors such as technology or retail, where assets are often digital or easily walled off, energy separations require dissecting deeply integrated physical footprints and navigating dense, high-stakes regulatory webs.

When attempting to orchestrate multiple deals at once, executives must navigate several sector-specific roadblocks:

Deeply entangled physical infrastructure:

Energy assets are rarely stand-alone. Refineries, integrated chemical parks, and mining operations are often physically hardwired together, sharing critical utilities like water, steam, power, and logistics networks. Decoupling one asset to sell to a buyer while keeping the remaining facility fully operational requires a level of physical and operational engineering that goes far beyond a standard financial carve-out.

Complex joint ventures (JVs) and operating agreements:

The energy sector is built on shared risk and capital. Assets slated for divestiture are frequently held in complex JVs. Not only can the complexities of managing two partners slow decision-making, but also attempting to separate one partner's interest often triggers rigid rights of first refusal or requires the renegotiation of foundational operating agreements. Both can derail carefully sequenced timelines.

Sprawling third-party vendor contracts:

In large energy companies, critical supplies and services are often sourced through massive, centralized master service agreements (MSAs). When multiple assets are being sold, deal teams must untangle each one from these shared contracts. This creates significant legal and commercial hurdles, as vendors may be unwilling to extend the same terms to multiple new entities, creating execution risk and potential cost overruns.

Long-tail environmental liabilities:

The allocation of asset retirement obligations and environmental remediation costs is a legal and financial minefield. Determining who owns the long-term liability for a shared site, a legacy chemical facility, or a multiuse mining footprint can paralyze negotiations, particularly when trying to package clean assets for multiple buyers simultaneously.

Intense regulatory density:

Energy deals face microscopic scrutiny from an alphabet soup of regulators. Beyond federal and global bodies like the Environmental Protection Agency and Federal Energy Regulatory Commission, sellers must navigate a dense web of state and local regulations. Assets like refineries or mines are often governed by local permits with rigid "change of control" provisions that can be triggered during a sale, requiring separate applications and approvals. Because these approval timelines are notoriously unpredictable, a delay on a single local permit can cause a cascading traffic jam that stalls an organization's entire multideal master plan.

These compounding roadblocks expose the fatal flaw of the legacy job shop model. When a snag in a single-vendor MSA or a delayed environmental permit can bottleneck an entire portfolio strategy, relying on ad-hoc, deal-by-deal execution becomes a massive financial liability. Energy leaders can no longer afford to reinvent the wheel for every exit. Instead, they must industrialize the process. Moving from a reactive posture to a master-planned "divestiture factory" requires commitment to a new set of operational disciplines.



Architecting the divestiture factory

Surviving simultaneous separations requires institutionalizing divestitures as a core strategic function. Organizations that build a repeatable, scalable, and continuously operating divestiture factory can orchestrate complex deal flows without disrupting the core business.

To build this capability and protect deal value, energy leaders must execute on four fronts:

01 Empower a centralized command center

When multiple deals overlap, decentralized decision-making leads to gridlock and value erosion. The engine of the divestiture factory is an empowered Separation Management Office (SMO) that acts as a centralized “control tower” for all concurrent separation activities. While a classical SMO is often relegated to mere status reporting on a single deal, this elevated command center is built to manage the complexity of an entire portfolio of divestitures. It must have the executive authority to resolve resource conflicts between competing deal teams, mandate standardized separation methodologies, and force trade-offs to keep the master plan on schedule.

In practice, this means the control tower coordinates across all active separations, preventing individual deal teams from overwhelming shared functions like IT, HR, and finance. For example, instead of four different deal teams holding four separate meetings with the same functional lead, the SMO ensures the information is gathered once and shared efficiently. This SMO has a layer of oversight across all divestitures—each managed by a dedicated asset lead—so that dependencies are managed, resources are shared effectively, and critical issues are escalated to a steering committee for rapid resolution. This structure avoids the operational chaos and employee burnout that erode value and put timelines at risk.

02 Establish the master orchestration plan

In a multideal environment, a delay in one transaction can cause a domino effect across the others. The divestiture factory relies on a master orchestration plan that goes far beyond a standard Gantt chart. It is a strategic sequencing mechanism that maps every interdependency across all concurrent deals and codifies the “do it once” principle. Leaders must dictate which assets go to market first to create optimal buyer tension, when shared physical infrastructure must be decoupled, and how internal resources (like IT and HR) will be allocated across competing timelines to prevent systemic burnout.

A master plan must also extend to the people executing the separation. This requires formally embedding separation-related goals into the performance metrics and balanced scorecards of functional teams, ensuring their priorities align with the deal timeline. For mission-critical employees—especially those whose roles may not exist post-transaction—the plan must include clear communication and compelling incentives, such as retention bonuses, to keep them committed through the close.

03 Engineer TSAs for a clean exit

Companies too often treat TSAs as a tactical afterthought, but in a multideal environment, they are one of the most powerful strategic tools a seller has. When an asset is divested, the parent company is inevitably left with stranded costs such as the people, technology, and overhead that remain after the asset departs. Without a TSA, those costs hit the seller's margins immediately at close with no offsetting revenue.

A properly engineered TSA transforms this liability into a funded runway. By charging the buyer for continued services, the seller generates revenue that covers the stranded costs, buying the organization valuable time to eliminate them systematically. However, this strategic advantage is lost without discipline, especially when managing multiple deals. A quick close, for instance, often increases reliance on TSAs because the buyer has no time to stand up their own capabilities. This can lead to buyers requesting extensions, sometimes at a premium, because they aren't ready to exit.

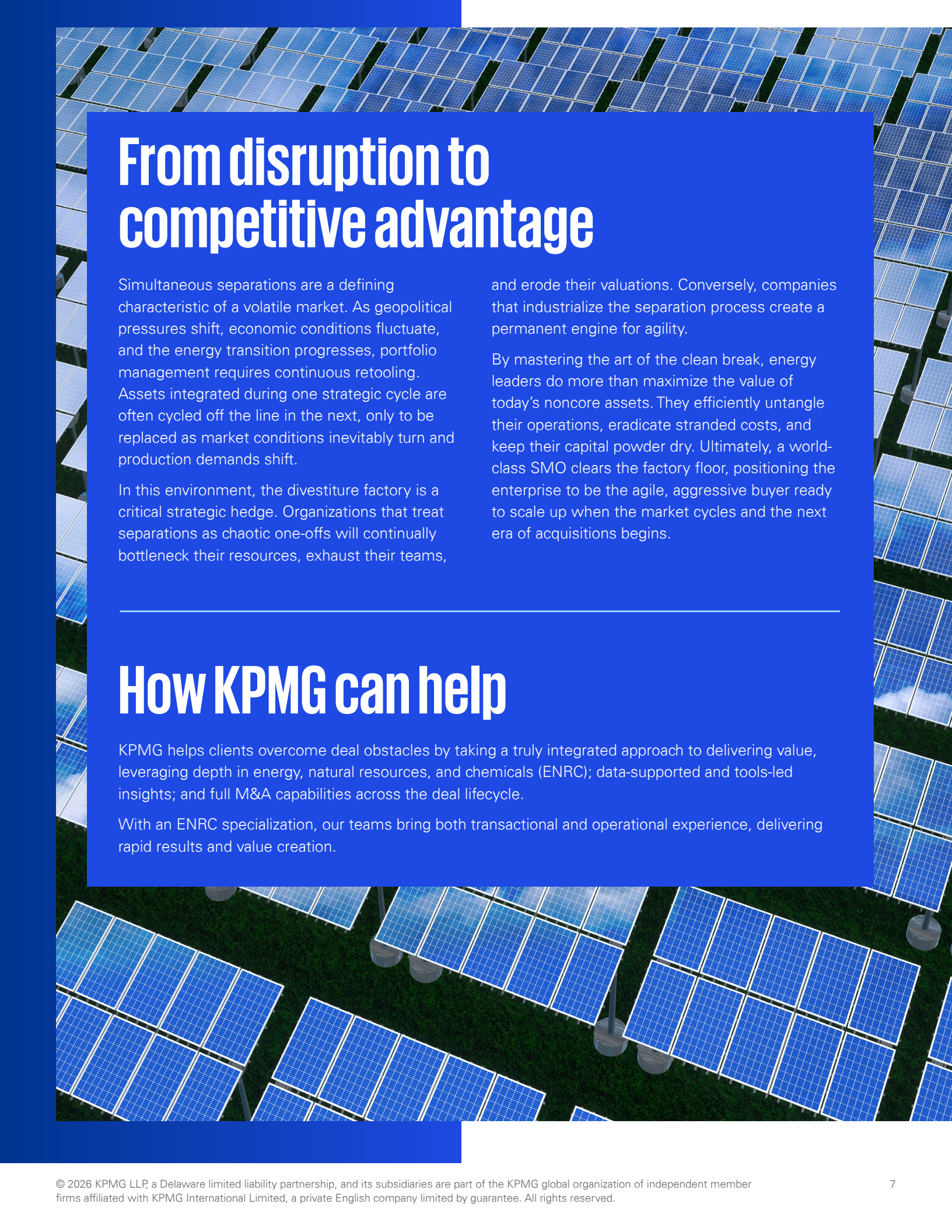
By moving the central SMO to the front of the separation strategy, companies help ensure every agreement is meticulously structured, priced for full cost recovery, and standardized across all concurrent deals. By pairing every TSA with a stranded-cost elimination plan before the deal is signed, the organization protects its margins and enables a truly clean break.

04 Deploy AI and integrated digital platforms

You cannot manage the complexity of simultaneous separations on a spreadsheet. The volume of data—from entangled vendor contracts to shared employee data and complex financial carve-outs—will break legacy tools. The modern divestiture factory runs on advanced technology that integrates data platforms, giving leadership a single source of truth and real-time visibility across all concurrent deals. Deploying AI and machine learning tools to ingest and analyze thousands of operating agreements, joint ventures, and vendor contracts allows teams to instantly identify entanglements. It also enables teams to reuse that analysis across multiple assets, accelerating the separation timeline and significantly reducing execution risk.

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From disruption to competitive advantage

Simultaneous separations are a defining characteristic of a volatile market. As geopolitical pressures shift, economic conditions fluctuate, and the energy transition progresses, portfolio management requires continuous retooling. Assets integrated during one strategic cycle are often cycled off the line in the next, only to be replaced as market conditions inevitably turn and production demands shift.

In this environment, the divestiture factory is a critical strategic hedge. Organizations that treat separations as chaotic one-offs will continually bottleneck their resources, exhaust their teams,

and erode their valuations. Conversely, companies that industrialize the separation process create a permanent engine for agility.

By mastering the art of the clean break, energy leaders do more than maximize the value of today's noncore assets. They efficiently untangle their operations, eradicate stranded costs, and keep their capital powder dry. Ultimately, a world-class SMO clears the factory floor, positioning the enterprise to be the agile, aggressive buyer ready to scale up when the market cycles and the next era of acquisitions begins.

How KPMG can help

KPMG helps clients overcome deal obstacles by taking a truly integrated approach to delivering value, leveraging depth in energy, natural resources, and chemicals (ENRC); data-supported and tools-led insights; and full M&A capabilities across the deal lifecycle.

With an ENRC specialization, our teams bring both transactional and operational experience, delivering rapid results and value creation.

Authors



Jay Teinert

*Principal, US Deal Advisory & Strategy;
Leader, Energy, Natural Resources &
Chemicals, KPMG LLP*

Jay is the ENRC industry lead partner for the Deal Advisory & Strategy practice.

In this role, Jay leads a team of M&A and strategy professionals who specialize in navigating complex transactions, identifying sources of value, and delivering transformational results. His team's primary focus includes buy-side integration, sell-side separation, operational optimization, and transformation. He also personally leads the firm's largest ENRC sector transactions and transformation projects. Jay has over 25 years of experience as an external M&A advisor and as a manager within the corporate finance function focusing on large-scale mergers and divestments, process improvement, and change management initiatives. Jay has worked within and/or provided advisory assistance in energy, diversified industrials, and consumer product industries.



Casey Hinson

*Managing Director, Advisory, Transaction
Strategy, KPMG LLP*

Casey specializes in operational integration and separation, advising clients on carve-outs, divestitures, and

complex transformation. With more than 18 years of experience, he helps organizations design and execute separation strategies, establish governance and transition structures, and navigate operational and technology entanglements to maximize transaction value. His experience spans energy, natural resources, industrial manufacturing, and chemicals, supporting clients across diligence, integration, separation planning, systems transformation, and strategic planning.



Alessandra Domingos

*Managing Director, Advisory, Transaction
Strategy, KPMG LLP*

Alessandra focuses on large, complex transactions in the chemicals and materials, diversified industrials, and energy sectors. Her experience working, living, and leading transactions in different countries has provided her with the benefit of seeing deals from multiple angles, and the ability to leverage this insight to identify the risks and value opportunities in every transaction. Alessandra's deep experience throughout the deal lifecycle and spanning different types of transactions such as M&As, divestitures, spin-offs, and carve-outs allows her to serve as a trusted advisor to clients and help them achieve success in what is often their most transformative strategic initiatives.



James Randall

*Managing Director, KPMG LLP Strategy
Technology Center of Excellence, ENRC*

Jim is a member of the M&A Services Technology Center of Excellence with over 15 years of experience advising clients in the ENRC and industrial manufacturing sectors. Jim has broad experience leading IT due diligence, separation, and integration/stand-up engagements, leveraging his prior IT industry experience as a chief information officer (CIO) and enterprise architect. Jim also has delivered performance improvement engagements to super major oil and gas entities, focused on optimizing field operations and maintenance functions and spend through IT automation. Prior to that, Jim was a member of the firm's CIO Advisory practice, delivering numerous successful IT strategy and performance engagements across multiple industry sectors.

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For more information, contact us:

Jay Teinert

Principal, US Deal Advisory & Strategy; Leader,
Energy, Natural Resources & Chemicals

KPMG LLP

jteinert@kpmg.com

Casey Hinson

Managing Director, Advisory, Transaction Strategy,
KPMG LLP

chinson@kpmg.com

Alessandra Domingos

Managing Director, Advisory, Transaction Strategy
KPMG LLP

alessandradomingos@kpmg.com

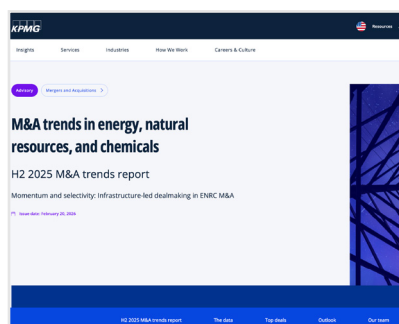
James Randall

Managing Director, Strategy Technology Center
of Excellence, ENRC

KPMG LLP

jdrandall@kpmg.com

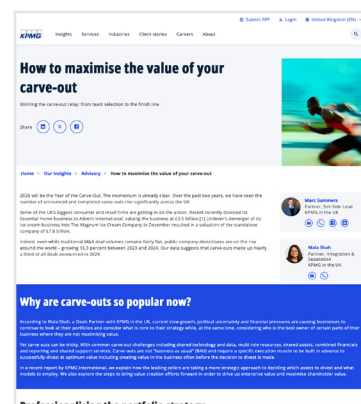
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