

Table of Contents

Preface	5
1 Basics of Cost Estimation	11
1.1 Purpose and Objectives of Cost Estimates	11
1.2 Key Terminology Used in Cost Estimates	12
2 Cost Estimates in the Project Phases	13
2.1 FEL-1: Appraise (Feasibility)	14
2.2 FEL-2: Select (Concept)	14
2.3 FEL-3: Define (Front-End Engineering Design (FEED))	15
2.4 Execute	15
2.5 Operate	15
2.6 Development of Costs Depending on Project Phases	15
3 Cost Estimation Types resp. Classes	17
3.1 $\pm 50\%$ Cost Estimates (Class 5)	17
3.2 $\pm 30\%$ Cost Estimates (Class 4)	17
3.3 $\pm 10\%$ Cost Estimates (Class 2)	17
4 Cost Estimation Methods	19
4.1 Factorised Cost Estimates	19
4.1.1 Lang Factor	19
4.1.2 Hand Factor	20
4.1.3 Checklist for Factorised Cost Estimates	21
4.2 Cost Estimates Based on Comparable Projects	21
4.3 Material Take-Off (MTO-) Based Cost Estimates	22
4.3.1 Structure and Approach	22
4.3.1.1 MTO for Equipment	23
4.3.1.2 MTO for Civil & Steel	23
4.3.1.3 MTO for Piping	25
4.3.1.4 MTO for E&I (Electrical and Instrumentation)	27
4.3.1.5 MTO for Insulation and Painting	29
4.3.1.6 MTO for Temporary Facilities	30
4.4 Factorised Cost Estimates versus MTO-Based Cost Estimates	31
4.5 Typical Shortcomings of Cost Estimates	31
5 Structure of Cost Estimates	33
5.1 Estimating Plan	33
5.2 Basis of Estimate	34
5.3 Cost Estimate "Summary" and "Details"	35
5.3.1 Cost Estimate Summary	35
5.3.2 Cost Estimate Details	41
5.4 Key Quantities	41
5.5 Different Cost Categories (CAPEX and OPEX)	44

6	Key Components of a Cost Estimate	47
7	Determination of Engineering Costs	53
8	Estimation of Procurement Costs	57
8.1	Estimation of Equipment Costs	57
8.1.1	Six-Tenths Factor	57
8.1.2	Vessel Cost Estimate by Weight Depending on the Material	58
8.1.3	Estimate of Heat Exchanger Costs over the Heat Transfer Area Depending on the Material	61
8.1.4	Column Cost Estimate by Weight Depending on the Material	64
8.1.5	Pump Cost Estimate Based on Motor Power in Relation to the Material	68
8.2	Estimation of Bulk Material Costs	72
8.2.1	Piping Material	72
8.2.2	Electrical Material	72
8.2.3	Instrumentation Material	73
8.3	Overview of Material Correction Factors	74
9	Estimation of Construction Costs	75
9.1	Mechanical Installation of Equipment	75
9.2	Bulk Material Installation	76
9.2.1	Different Piping Factors	76
9.2.1.1	DACE	76
9.2.1.2	Linde List	81
9.2.2	Electrical and Instrumentation Installation	81
9.2.3	Civil & Steel (Delivery and Installation)	82
9.3	Summary	83
10	Miscellaneous	85
10.1	Construction Management	85
10.2	Indirect Costs	85
10.3	Completion Phase	86
10.4	Allowances	86
10.5	Escalation	87
10.6	Contingency	90
11	Examples	91
11.1	Cost Estimation Based on this Book	92
11.1.1	$\pm 50\%$ Cost Estimate	92
11.1.2	$\pm 30\%$ Cost Estimate	97
11.1.3	Cost Estimate Comparison	105
11.2	Software-Based Estimation with Aspen	105
12	Final Considerations and Outlook	111

13 Attachment	113
A.1 Estimating Plan Template	114
A.2 Basis of Estimate Template	126
A.3 Cost Estimate Template	143
A.4 Key Quantities Template	156
A.5 Escalation Template	162
A.6 Project Checklist Template	167
Abbreviations	173
Glossary	175
List of Tables	177
Bibliography	179
Keyword Index	183