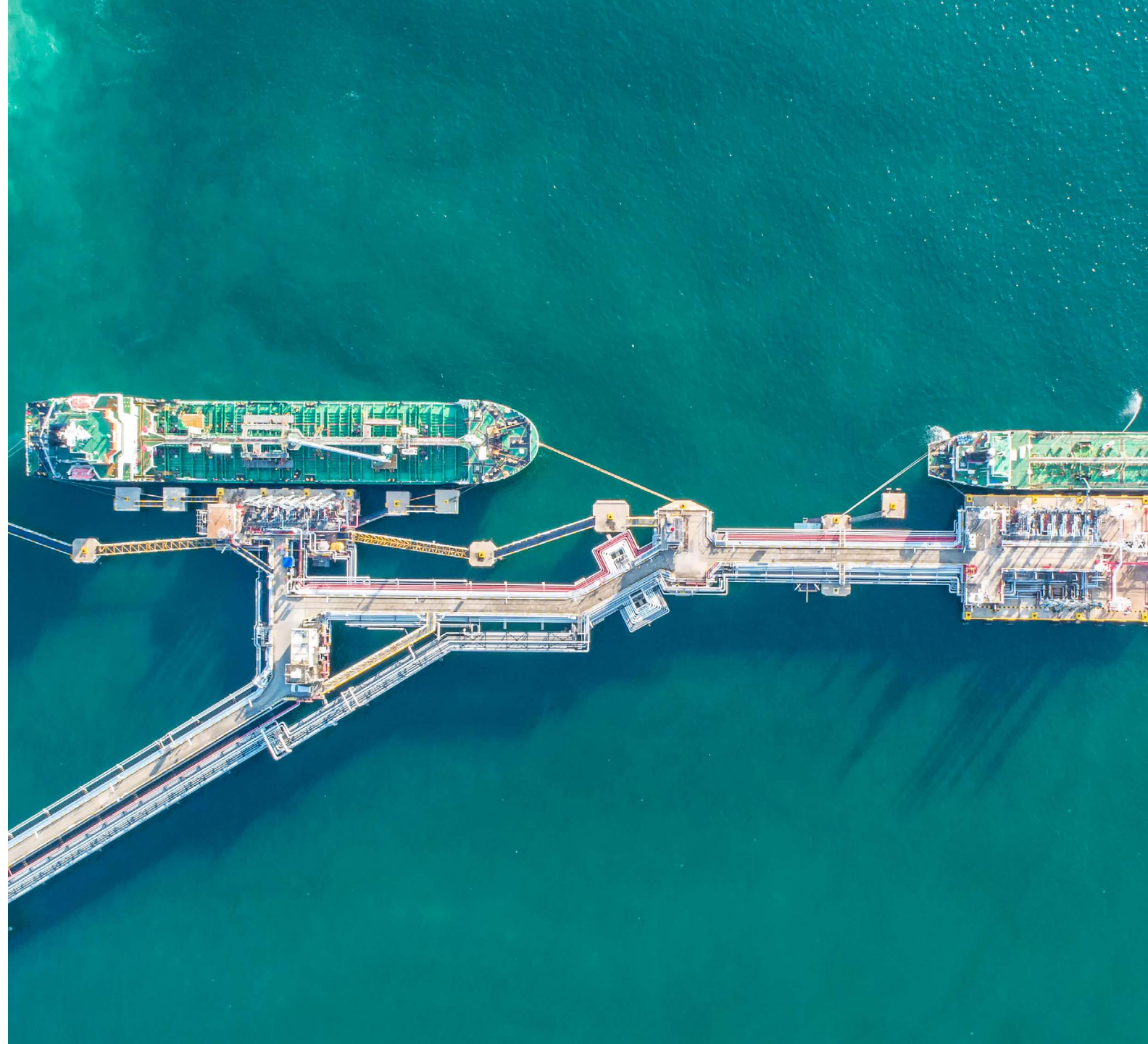




Modernization Report 2026

Industry focus: **Oil and Gas**



Kyndryl Modernization Report

From consolidation to orchestration

For years, modernization was synonymous with simplification: retiring legacy systems, consolidating platforms and moving to the cloud. But findings from Kyndryl’s 2026 Modernization Report, based on insights from 2,000 business and technology leaders across 12 sectors and 5 continents, point to a different reality.

Cost reduction and legacy escape are no longer the leading motivations to modernize. As AI increases demand on nearly every element of IT, and as sovereignty considerations become more acute, leaders want their complex technology estates — a mix of old and new decisions — to work better. This means organizations are managing technology estates that are more distributed and larger than ever before.

The ambition has shifted from escaping the past to actively enabling the future — agility, innovation, scalability and AI readiness now define success.

Yet only about half of those modernizing report achieving better IT operations, and less than half are seeing innovation gains. Nearly one in five (18%) say their firms saw limited or unclear value from modernization efforts.

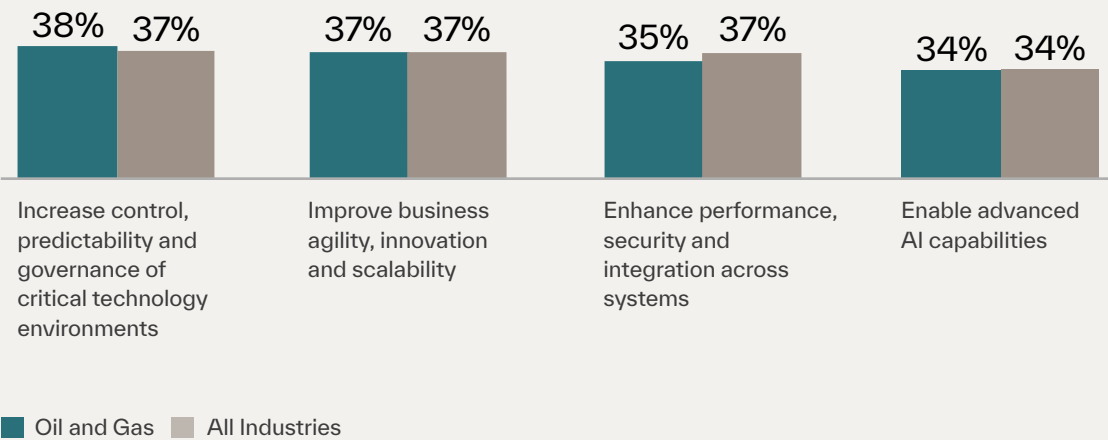
The challenge facing today’s leaders is ensuring that modernization translates into better business outcomes. And unlocking that business value requires organizations to think beyond technologists alone to coordinate across architecture, operations, finance, security and the workforce.

FINDING 1

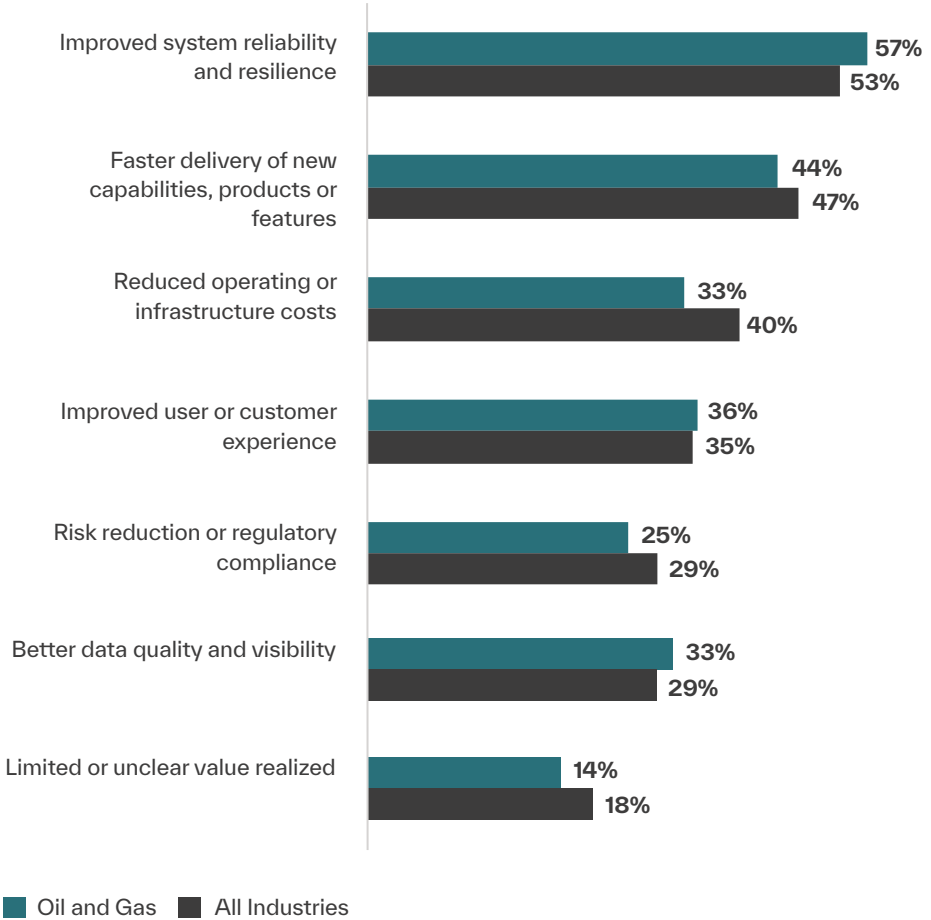
Modernization is evolving from an IT initiative into a business capability.

Technology is only getting more complex as AI increases demand across the IT estate. The strategic risk isn’t the complexity of these environments in itself, but losing the freedom to move at market speed. This means the goal of modernization has shifted: fewer companies say they’re doing it to consolidate or escape from legacy systems, and more say they’re doing it to improve agility, accelerate innovation and make an increasingly distributed estate work better to achieve business outcomes.

Top reasons for modernizing technology infrastructure (Oil and Gas vs. all industries)



Where majority of value from modernization comes from
(Oil and Gas vs. all industries)



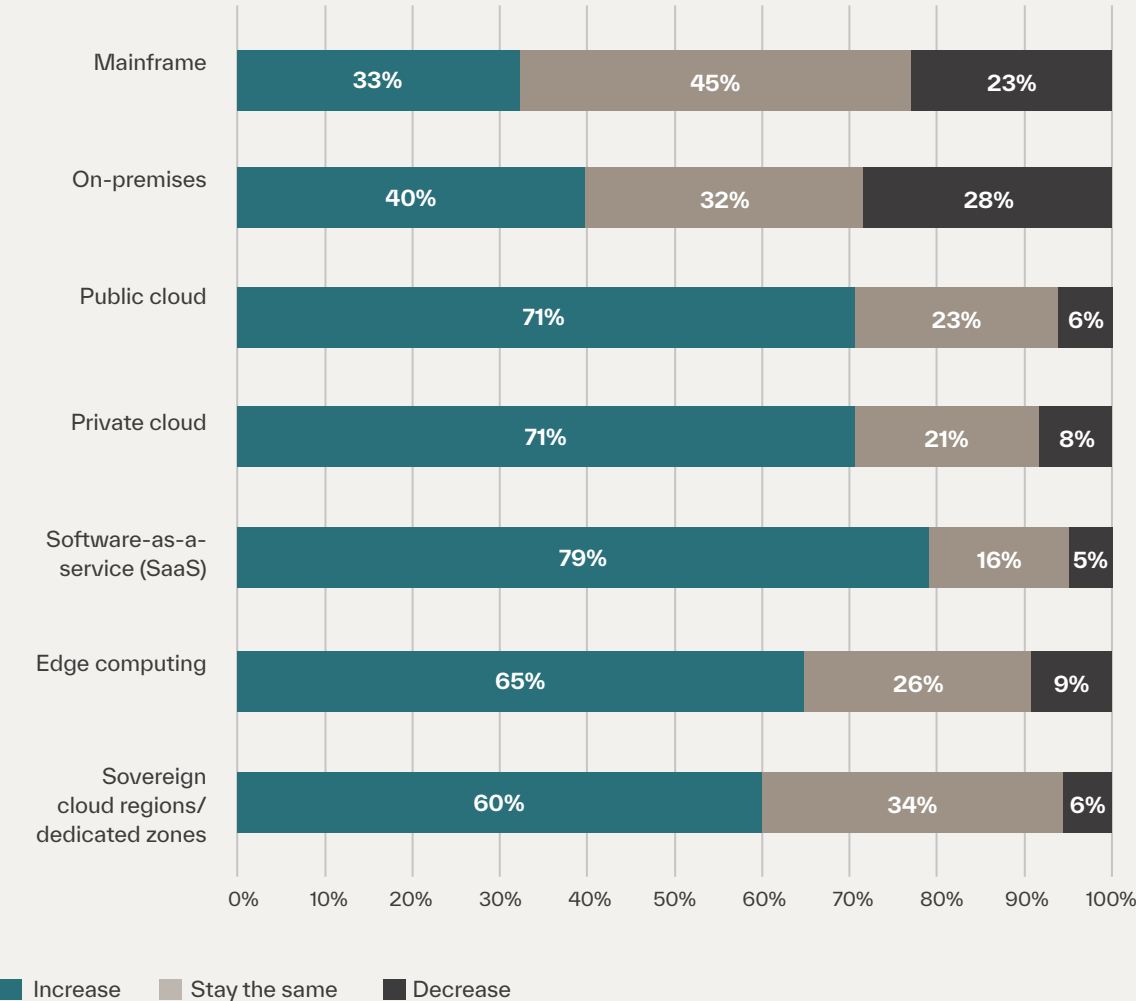
Q.5. What are the main reasons your organization is modernizing its technology infrastructure? Ranked 1-3.

Q.7. Where does the majority of realized value from modernization initiatives within your organization come from today?

Q.2. Moving beyond mission-critical applications specifically, how do you expect your organization's overall use of the following environments to change over the next 12 months?

*Percentages may not total 100% due to rounding.

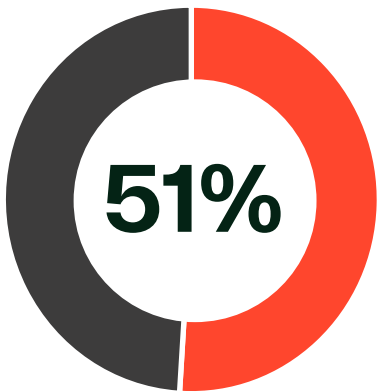
How oil and gas organizations anticipate changing use of technology elements in the next year*



FINDING 2

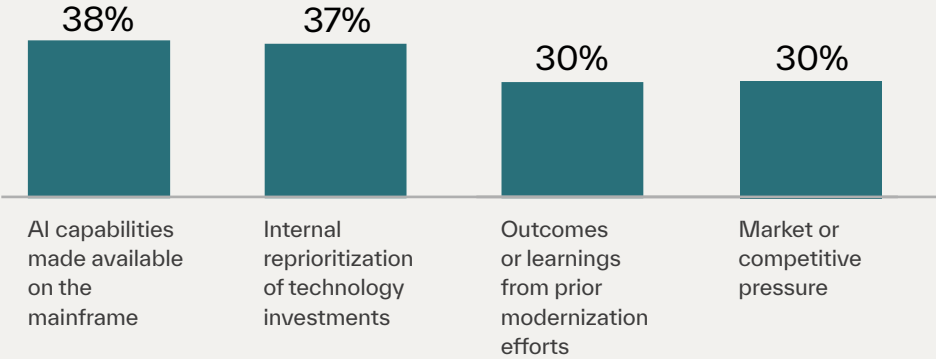
AI is not just a workload running on top of enterprise infrastructure. It is actively reshaping how that infrastructure gets built and how organizations will use it.

Across all industries, AI is now the top driver of modernization across network, edge, mainframe and application investments, and the number-two driver for private cloud and Software-as-a-Service. Every organization with a mainframe plans to deploy AI on the platform. The implications differ by industry according to its workloads, data requirements and operating environment.



51% in the Oil and Gas industry rate predicting, tracking and controlling the cost of AI workloads in cloud environments as very or extremely challenging (vs. 46% across all industries)

Mainframe strategy in the Oil and Gas industry: New AI capabilities on the mainframe is a top-three reason why mainframe strategies have shifted this year



Network demands in the Oil and Gas industry: AI readiness and better security are driving the need to modernize networks



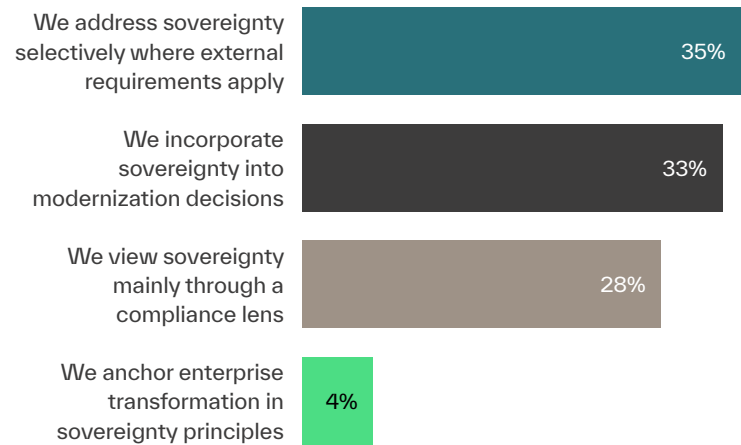
Q.8. How challenging have the following factors been in implementing your organization's modernization strategy?
Q.M6a. Please select the main reasons why you are shifting your mainframe strategy.
Q.N8. What are the main reasons your organization is modernizing its network infrastructure?

FINDING 3

Geopolitics is forcing technology and operational decisions beyond cost and performance.

As the footprint of enterprise technology estates expands, organizations also need to consider how much freedom they will retain if regulations or geopolitical conditions change. Nearly two-thirds expect sovereign cloud usage to grow in the next year, but the data shows most taking a workload-by-workload approach, not comprehensive planning. Increasingly, modernization is not only about building for speed and scale, but also preserving freedom of action in an uncertain environment.

Most in the Oil and Gas industry are viewing sovereignty through a compliance lens, or where external requirements apply*



Q.9b. Which most accurately describes your organization's approach to data and operational sovereignty requirements?

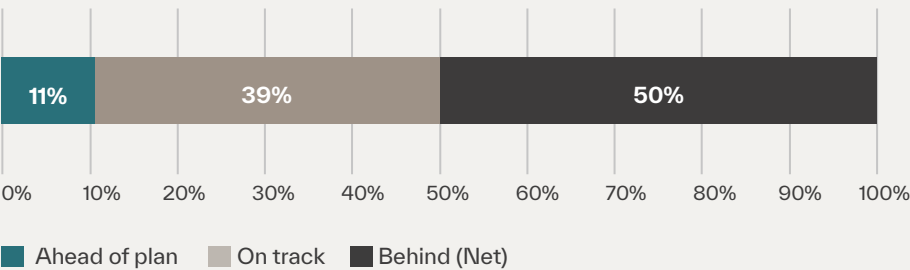
*Percentages may not total 100% due to rounding.

FINDING 4

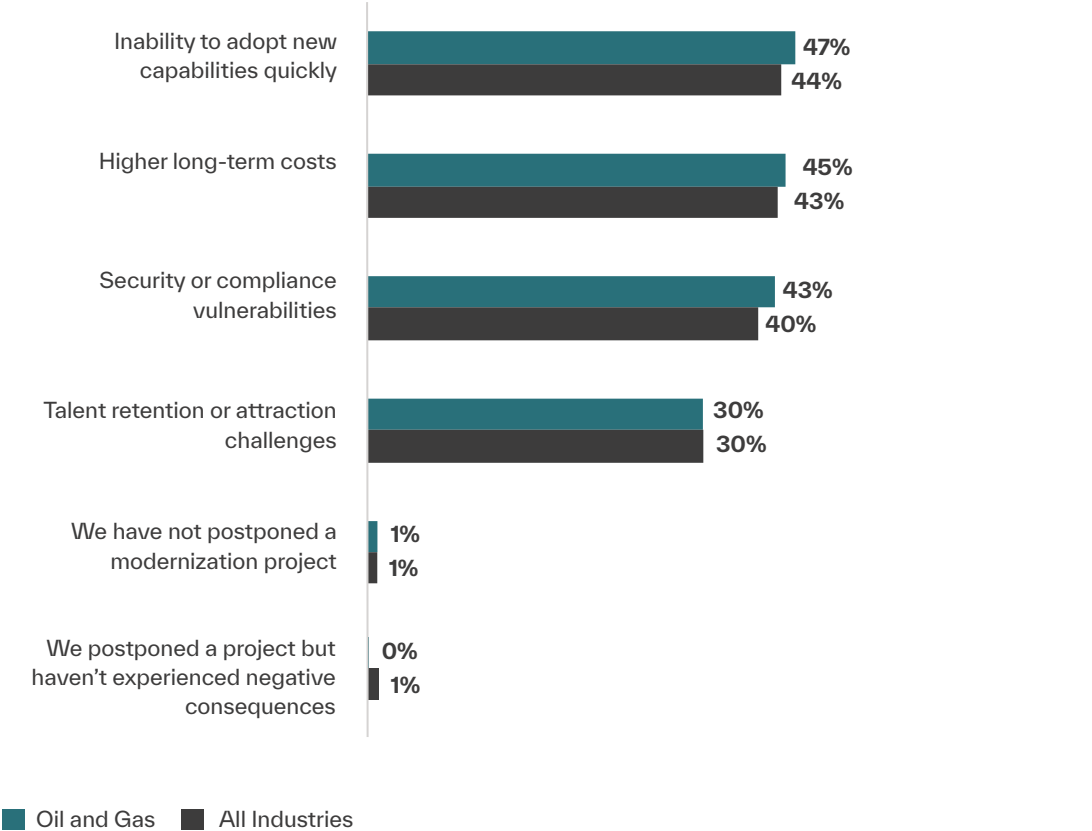
Postponing modernization has measurable costs. Nearly half are behind schedule.

Modernization is becoming continuous work rather than a finite project, but many organizations still struggle to translate ambition into sustained execution. Delays can restrict access to new capabilities, increase long-term costs and create security or compliance vulnerabilities, while organizational alignment and funding constraints further slow progress. Those who achieve success are reinvesting in further modernization.

Across all industries, 48% of organizations are behind on their modernization goals. In the Oil and Gas industry specifically, 50% report being behind.*



Nearly all have postponed a modernization project and experienced negative consequences (Oil and Gas vs. all industries)



Q.6. How would you describe your organization's progress against its stated modernization goals?

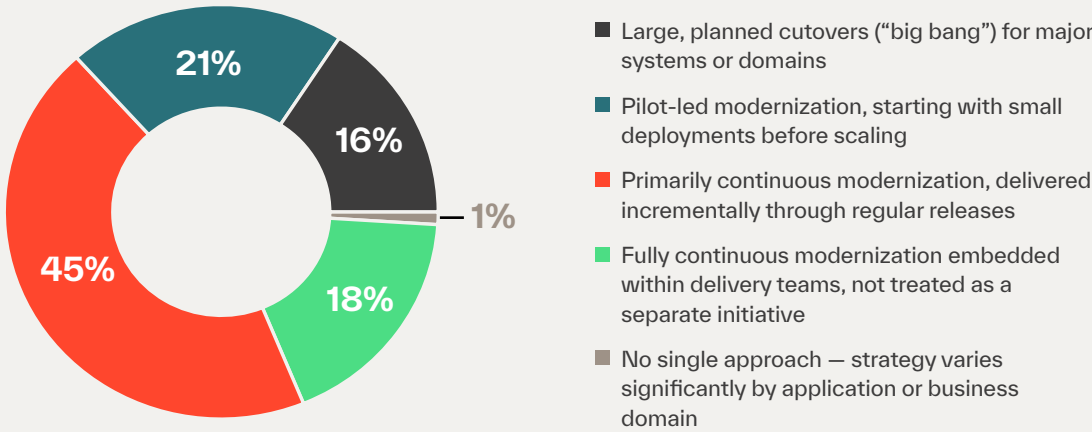
Q.9a. Has your organization experienced any of these negative consequences from postponing a modernization project?

Q.4. How would you describe your organization's approach to IT modernization?

Q.M20. When your organization reduces or optimizes cloud costs, how is that capacity typically used?

*Percentages may not total 100% due to rounding.

Approaches to modernization vary. In the Oil and Gas industry, those taking a continuous approach report less friction for business alignment.*



When oil and gas organizations modernize and reduce costs in the cloud, they reinvest those savings in further innovation and modernization initiatives

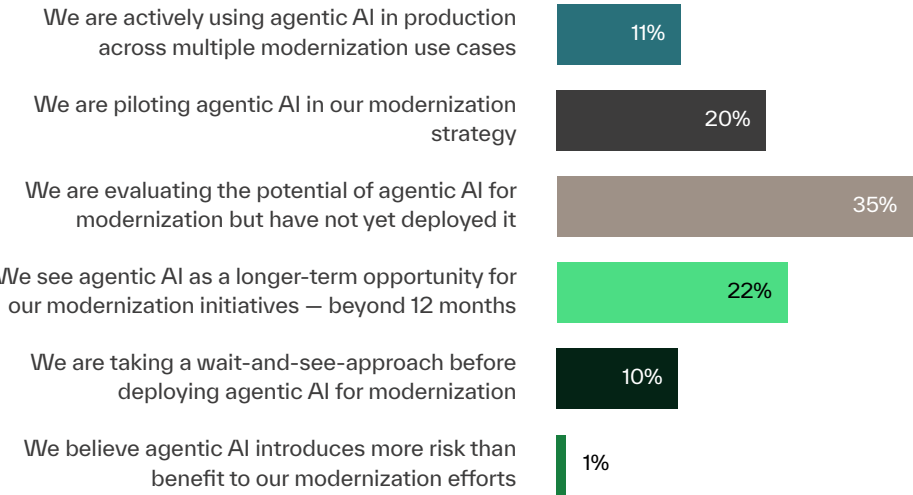


FINDING 5

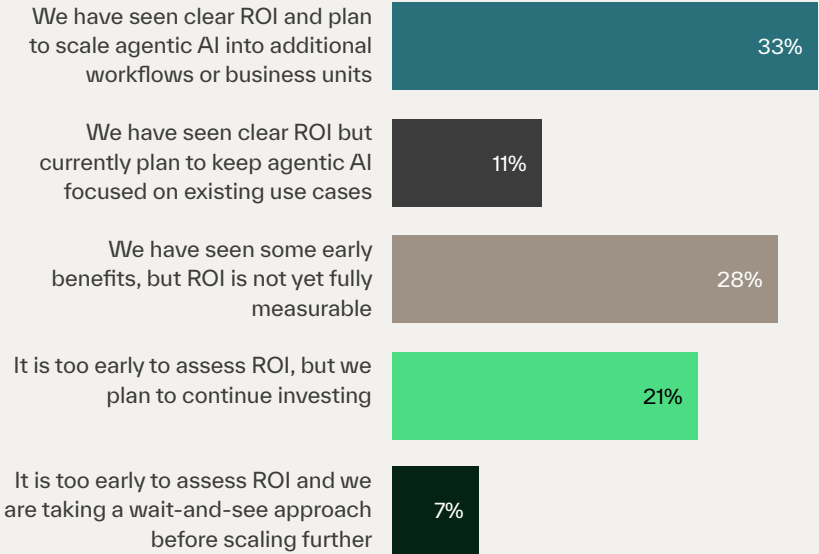
Agentic AI is showing early promise to address longstanding challenges in modernization and speed progress.

Most organizations enter modernization with incomplete knowledge of their applications and the dependencies connecting them, making hidden complexity a central execution risk. Agentic AI is emerging as another way to accelerate discovery, documentation, testing and code transformation; globally 10% of organizations are deploying agentic AI in production to modernize faster, and they’re starting to see results.

Across all industries, 10% of organizations have put agentic AI into production for modernization. In the Oil and Gas industry specifically, 11% report doing so.*



Across all industries, most have seen positive ROI for using agentic AI in modernization*



Q.10. What best describes your organization’s approach to agentic AI for your modernization initiatives?
Q.N3. How confident are you in your organization’s ability to document and understand your current application dependencies before starting modernization?
Q.10c. Which best describes the results your organization has seen from using agentic AI in modernization initiatives, and how you expect to proceed? (Note for Q.10c this is all-industry data due to sample sizes.)

*Percentages may not total 100% due to rounding.

Agentic AI helps organizations understand hidden dependencies for their applications before starting modernization. Most are starting modernization with an incomplete picture of their estates.

Just 10% in Oil and Gas industry are fully confident they know their application dependencies before starting modernization projects, and 59% are not very confident in knowing those dependencies.

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Methodology and background

Since 2022, Kyndryl has embarked on a series of research projects to explore successful IT modernization strategies across platforms. This year, Kyndryl again commissioned Coleman Parkes to undertake a fourth annual global survey, and we expanded the study to encompass 2,000 leaders across North America, Latin America, the Asia-Pacific region and Europe.

The 2,000 leaders surveyed include senior IT decision-makers and line-of-business leaders working in enterprise and mid-market organizations with an average global revenue of USD \$3.8 billion. They work for organizations based in North America (25%), Latin America (10%), the Asia-Pacific region (30%) and Europe (35%). The leaders work in 12 sectors: high-tech, banking & financial services, manufacturing, healthcare, retail, telecommunications & media, oil & gas, insurance, energy & utilities, automotive, travel & transportation and government organizations. They hold roles such as VP/Director/Head of IT, Chief Information Officer, Chief Technology Officer and line-of-business positions within areas like operations and management.

Kyndryl (NYSE: KD) is a leading provider of mission-critical enterprise technology services, offering advisory, implementation and managed service capabilities to thousands of customers in more than 60 countries. As the world's largest IT infrastructure services provider, the company designs, builds, manages and modernizes the complex information systems that the world depends on every day. For more information, visit www.kyndryl.com.

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