

THE UNAVOIDABLE CHANGE

NATIONAL OIL COMPANIES IN THE THIRD PETROLEUM ERA

A spectacular and historic transformation is underway.

National Oil Companies (NOCs) face an existential challenge. Why?



Profitability is declining



Peak demand for oil is not far away, forecast to top out between 2030 and 2040



International Oil Companies (IOCs) are relying less on NOC reserves

DEFINING AND BUILDING A NEW NOC

NOCs urgently need change — a Third Petroleum Era — if they hope to remain viable, profitable entities in the coming years. Key to this change is answering two fundamental questions:

1 Where to play in the energy ecosystem.

2 How to win on an expanded world stage of actors.

WHERE TO PLAY

NOCs will need to harness the maximum potential of the hydrocarbons they have access to. At the same time, they will have to look beyond those resources to remain competitive. This means reshaping their energy portfolio along four lines:



National hydrocarbon assets to focus on — NOCs need to determine which smaller, shorter-cycle assets can yield greater flexibility and quicker returns than large, monolithic undertakings.



International assets, if any, to pursue — NOCs could look to international assets for economic reasons, but only if the NOC has an undisputed production advantage that makes the return on international assets exceed whatever handicap the NOC faces at home.



Diversification from upstream further in the oil and gas value chain — In the latest price downturn, refining and midstream businesses posted healthy margins. Most NOCs currently don't take advantage of this opportunity as much as the majors do to build more balance into their portfolios.



Potential participation in the new energy system — NOCs need to at least consider whether they should play beyond hydrocarbons.

HOW TO WIN

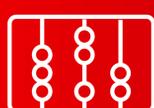
With its portfolio options sorted, NOCs must do what they need to do to be successful:



Move from a slow, centralized behemoth to a quick and nimble decentralized collection of specialized units.



Develop many, small, short lifespan fields, instead of a few, large, long assets.



Focus on margin and cash management rather than capital and asset productivity.



Replace the complex tailored approach to large projects with a standardized flexible model adapted to smaller ventures.



Embrace digital disruption and integrate new technological ecosystems at the core of its operations.

Learn more about how NOCs can compete and thrive in a dramatically different energy landscape with our full report:

www.accenture.com/reshapeenergy