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Energy Industry Trends

Video Transcript – March 2012

My name is Julie Adams and I lead Accenture's Energy Research Team and each quarter we produce an update on energy trends.

Q. What are the main current trends in the energy industry

A: The main trends that we are seeing in the energy industry currently are around continued concerns around the economic situation so there are some positives and there are some negatives; the negatives are generally around the uncertainty as we've come out of 2011 into 2012, around things like the Eurozone, things like 'are we moving into another recession' and the implications that might have for oil demand so we're seeing some analysts already revise demand growth down for 2012 on 2011. However, that said, I would say that we are also seeing the industry move into a significant growth phase so if you start looking at what oil companies are projecting in terms of capital expenditure for 2012, they are saying they will spend more money in 2012 than 2011, going after upstream opportunities so that has very positive implications for sectors like the oil field services sector, for example, we're expecting to see a lot of activity in this sector, particularly in places like the US so if we don't see too much of a significant fall in the demand I think the outlook for the industry is very positive this year.

Q. What about the impact on the gas market?

A: I think what we've been seeing in the gas market in this quarter is a very different beginning to the quarter to the end of the quarter so particularly in markets like Northern Europe or the Northern Hemisphere; We had, up until a couple of weeks ago, a very mild winter that situation has changed we've had extreme cold weather in a lot of places in Europe and that has considerably tightened the market. The situation in the US hasn't really changed recently, we still see quite a weak environment for gas there, very weak prices, a lot of new production still coming on stream to the extent that a lot of gas companies there are really starting to focus outside/away

from gas production and into liquids and oil production where prices are higher. If you were to look at the LNG market, I think that market still remains very robust Companies that are particularly focused on LNG their projections for profits for LNG in 2012 are high so overall I think the situation in the gas market is good apart from maybe little pockets of weakness like the US market.

Q: How are oil companies responding to the Eurozone crisis?

A: The primary concern oil companies have around the current Eurozone crisis is the recessionary effects of it so should you move into another recession what the implications are going to be on oil demand and oil price. Most of the larger oil companies have very global portfolios so I think the Eurozone crisis is really affecting the smaller, more independent oil companies that may be relying on credit markets that rely on local markets for their product. I think it's fair to say that most oil companies are looking at contingencies and the extremes of what might happen in this crisis should the Euro collapse.

Q. What will energy companies need to continue to be high performers in 2012?

A: I think high performance in the oil industry in 2012 will be associated with the ability to manage risk as well as maintaining the kind of flexibility in your portfolio to deal with risk and uncertainty. I think oil companies always have an eye on the long term so to a certain extent short term disruptions to the market to them do not affect the long term vision or view for their business but that said, we have a lot of uncertainty in the market, we have concerns about oil demand, we have volatility around oil prices, we have disruption, geopolitical disruption across the world. I think companies that can manage those kinds of risks really well will be differentiated. That said, with the eye on the long term, I think the oil industry in 2012 is really starting to position itself for another significant cycle of growth, those companies that can really manage their capital projects well, can manage these very high cost, complex projects;

that will always continue to be a real differentiator.

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