



Business Pulse

Oil & Gas

What's the impact on your business?

Exploring dual perspectives on the top 10 risks
and opportunities in 2013 and beyond

19 June 2013

What is Business Pulse about?

The *Business Pulse oil and gas report* explores the top 10 risks and opportunities faced by oil and gas organisations now and over the next few years.

This is the second year that our research has covered opportunities as well as risks. Prior to 2011, we produced a series of annual reports that focused solely on risks.

Ernst & Young's *Business Pulse oil and gas report* is based on a sample survey of 90 companies in 21 countries.

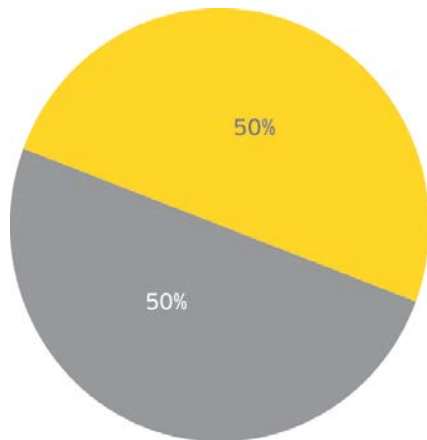
The report takes the pulse of:

- ▶ Current thinking on risks, opportunities and emerging challenges.
- ▶ Dual perspective on the themes arising from the 'top 10' lists.
- ▶ Expectations from industry executives and Ernst & Young specialists.

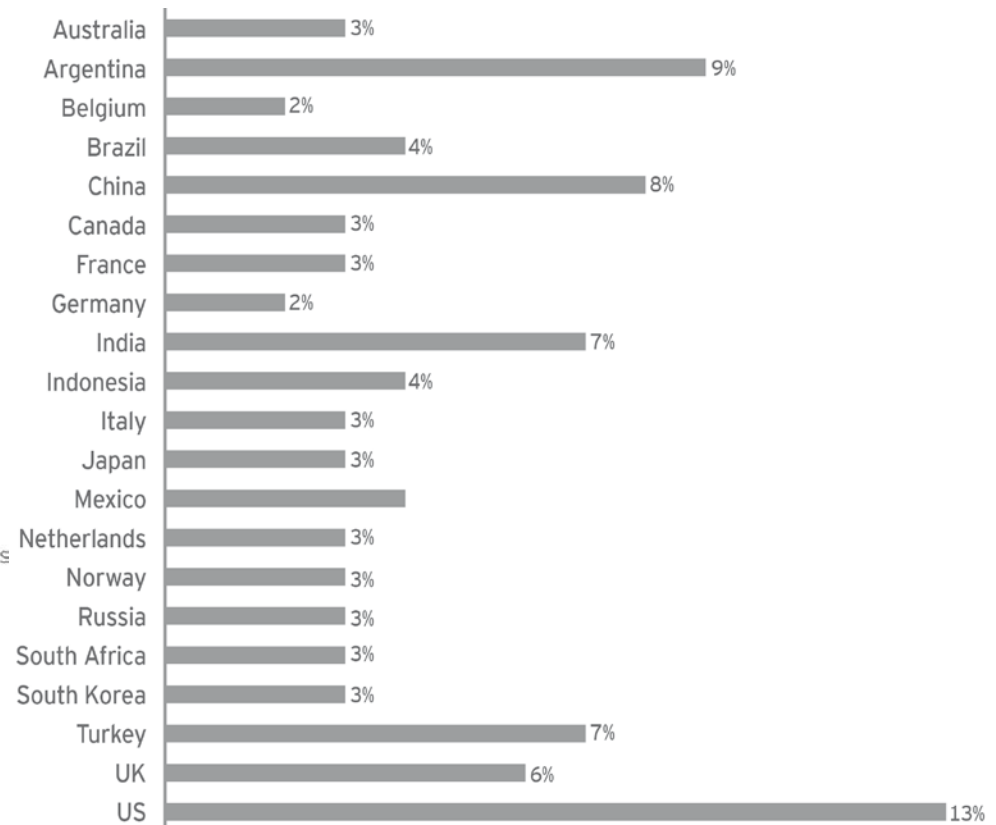
***Business Pulse* key findings for the oil & gas sector**

- ▶ HSE remains the number 1 risk for oil and gas companies
- ▶ Rising emerging market demand is the number 1 opportunity
- ▶ 'IT security' and 'Increasing project scale and complexity' enter the top ten risks for the first time

Background



■ Mature markets
■ Rapid-growth markets

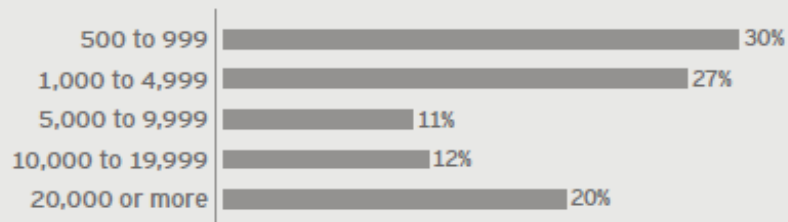


The Business Pulse: O&G Risks/Opportunities Report is based on the results of survey of over 100 oil and gas industry executives, covering a broad range of geographies and companies

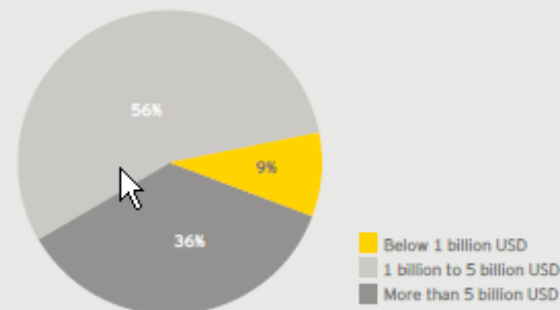
Insight and commentary has been provided by leading industry participants and members of the EY O&G leadership team

Background (continued)

How many employees does your organization have?



What was the sales revenue (roughly) worldwide?



Which function do you work professionally at the moment?



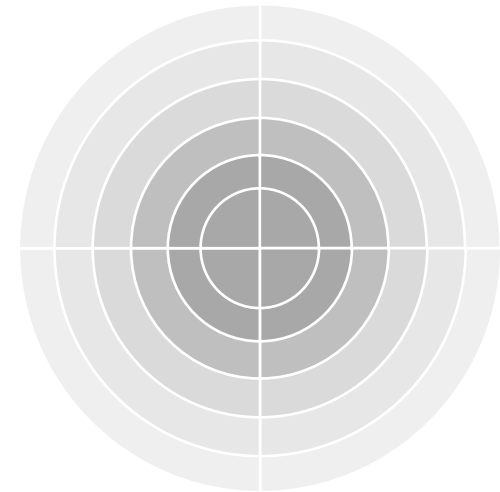
The Ernst & Young risk and opportunity radar

At the center of the radar are the risks and opportunities that our survey respondents felt were having the biggest impact on major organisations worldwide. Arrows indicate the extent to which the ranking is expected to increase, decrease or remain the same between 2013 and 2015. The radar is divided into four sections, corresponding to Ernst & Young's *Growing Beyond* model. The sections are:

- Cost competitiveness** ▶ Sustaining companies' economic viability
- Stakeholder confidence** ▶ Allowing firms to build stronger relationships with stakeholders
- Customer reach** ▶ Maximizing potential market opportunity for products and services
- Operational agility** ▶ Improving organizations' ability to deliver effectively in a quickly changing market

**Cost
competitiveness**

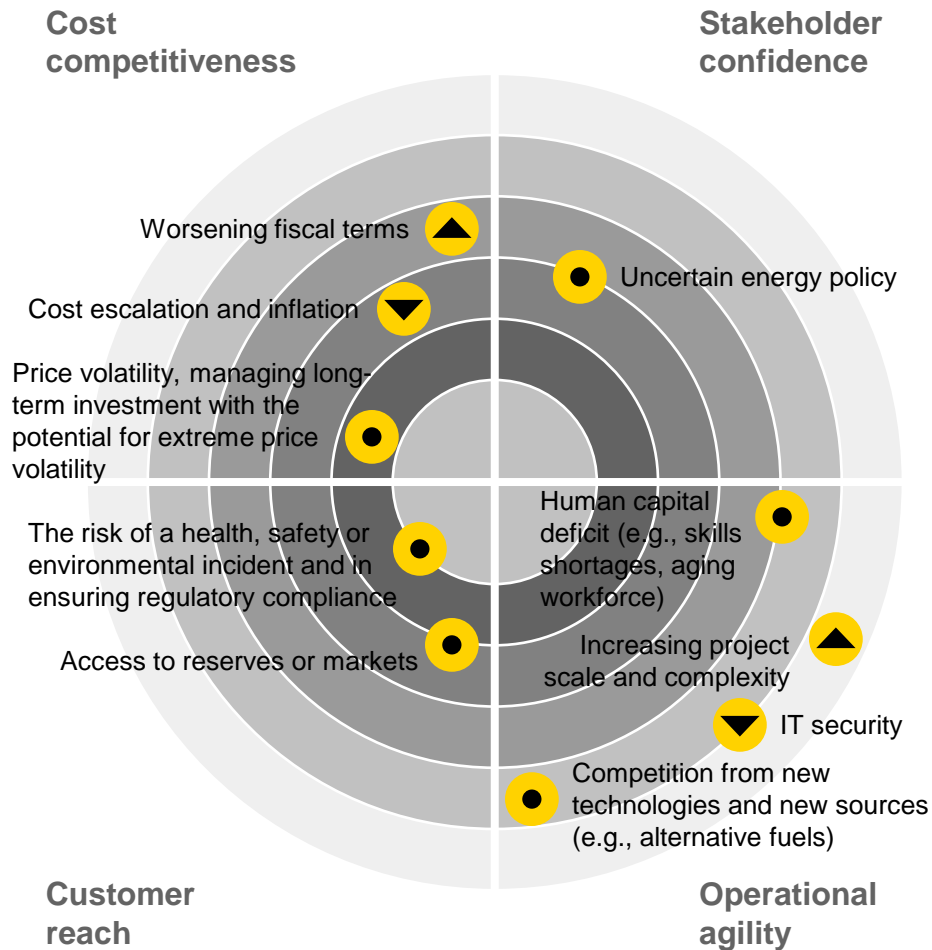
**Stakeholder
confidence**



**Customer
reach**

**Operational
agility**

Oil & Gas business risks 2013



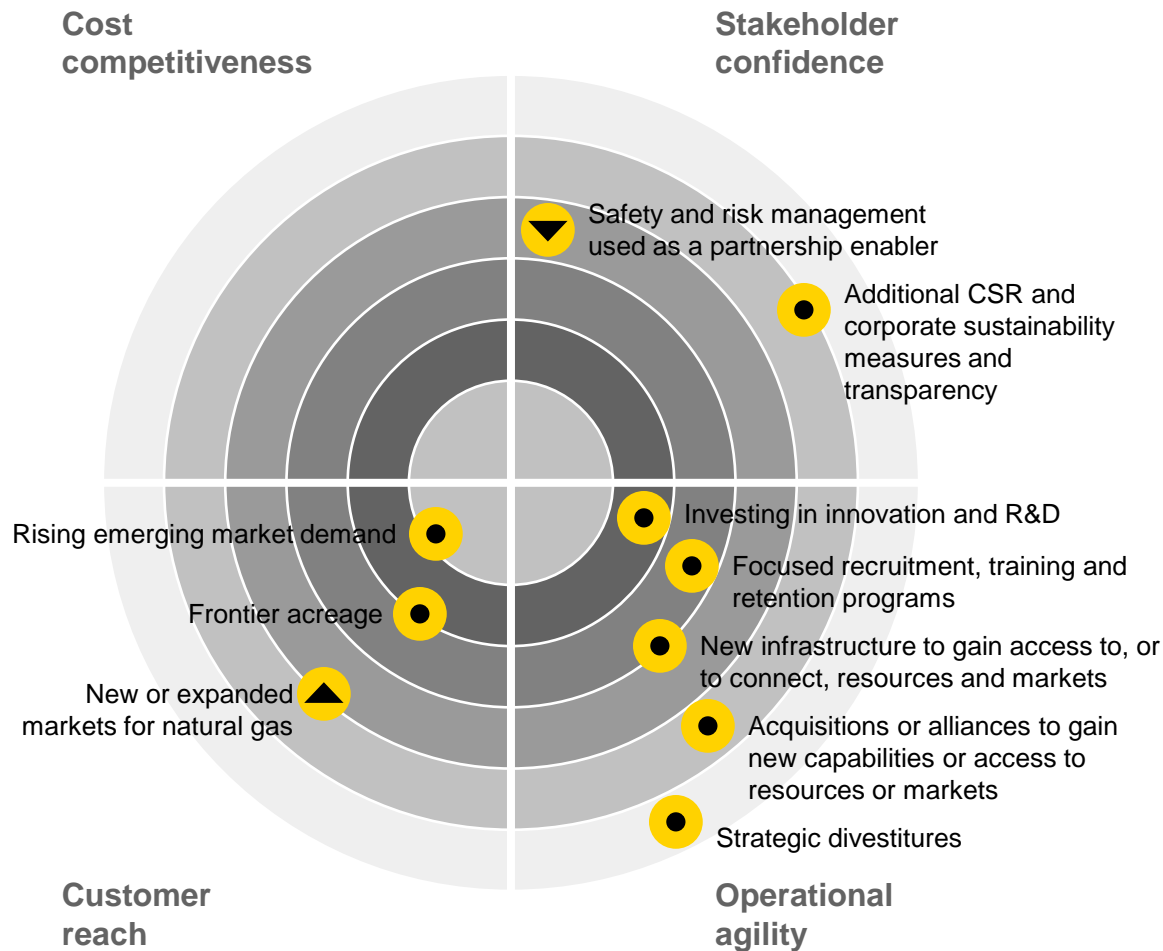
The top 10 risks:

1. The risk of a health, safety or environmental incident and in ensuring regulatory compliance
2. Price volatility; managing long-term investment with the potential for extreme price volatility
3. Access to reserves or markets
4. Cost escalation and inflation
5. Uncertain energy policy
6. Worsening fiscal terms
7. Human capital deficit (e.g., skills shortages, aging workforce)
8. Competition from new technologies and new sources (e.g., alternative fuels)
9. IT security
10. Increasing project scale and complexity

2013 ranking and expected 2015 ranking

▲ Up in 2015 ● Same in 2015 ▼ Down in 2015

Oil & Gas business opportunities 2013



The top 10 opportunities:

1. Rising emerging market demand
2. Investing in innovation and R&D
3. Frontier acreage
4. Focused recruitment, training and retention programs
5. New infrastructure to gain access to, or to connect, resources and markets
6. Safety and risk management used as a partnership enabler
7. New or expanded markets for natural gas
8. Acquisitions or alliances to gain new capabilities or access to resources or markets
9. Additional CSR and corporate sustainability measures and transparency
10. Strategic divestitures

2013 ranking and expected 2015 ranking
 ▲ Up in 2015 ● Same in 2015 ▼ Down in 2015

Top 10 business risks

Risk	2011	2013	2015
The risk of a health, safety or environmental incident and in ensuring regulatory compliance	New	1	1
Price volatility; managing long-term investment with the potential for extreme price volatility	9	2	2
Access to reserves or markets	1	3	3
Cost escalation and inflation	-	4	6
Uncertain energy policy	2	5	5
Worsening fiscal terms	4	6	4
Human capital deficit (e.g., skills shortages, aging workforce)	6	7	7
Competition from new technologies and new sources (e.g., alternative fuels)	10	8	8
IT security	-	9	10
Increasing project scale and complexity	-	10	9

Top 10 business opportunities

Opportunity	2011	2013	2015
Rising emerging market demand	4	1	1
Investing in innovation and R&D	6	2	2
Frontier acreage	1	3	3
Focused recruitment, training and retention programs	-	4	4
New infrastructure to gain access to, or to connect, resources and markets	-	5	5
Safety and risk management used as a partnership enabler	-	6	7
New or expanded markets for natural gas	-	7	6
Acquisitions or alliances to gain new capabilities or access to resources or markets	10	8	8
Additional CSR and corporate sustainability measures and transparency	-	9	9
Strategic divestitures	-	10	10

You can download the full report at: ey.com/oilandgas

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