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Energy Futures & Future Players

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Uncertainty

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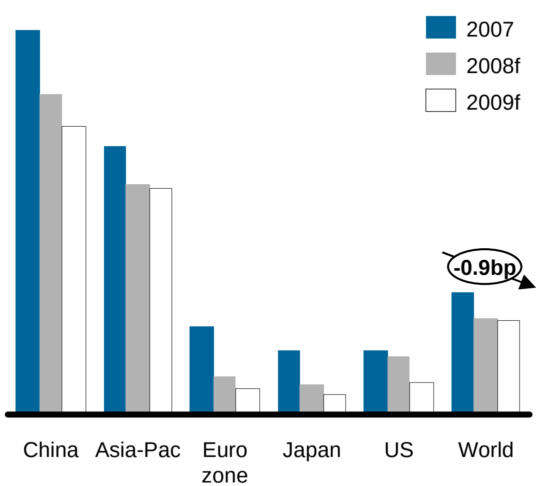
Slowing growth

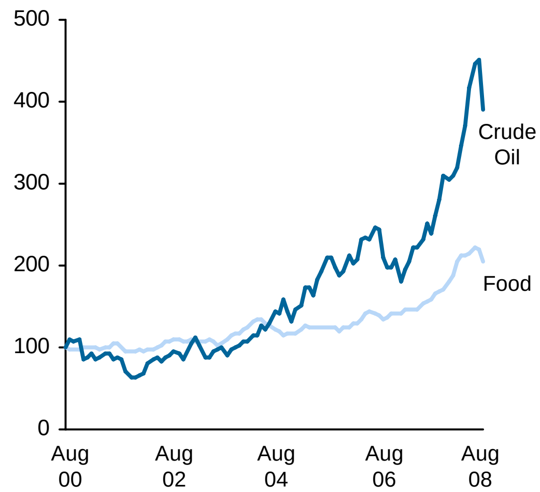
GDP Growth Rates
(real annual percentage change)



Source: Accenture P&CA Analysis

Volatile commodity prices

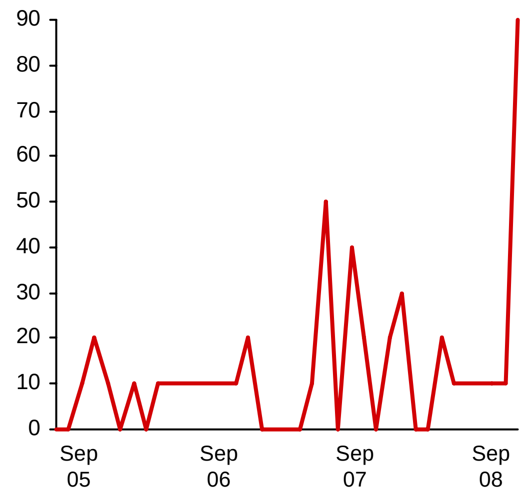
Oil & Food prices
(Indexed, August 2000 = 100)



Source: EIU, Accenture P&CA Analysis

Tighter credit

Cost of borrowing in wholesale money markets
(Basis point spread of 1-week LIBOR against BoE)



Source: Bank of England, Accenture P&CA Analysis

Oil price halves in 4 months

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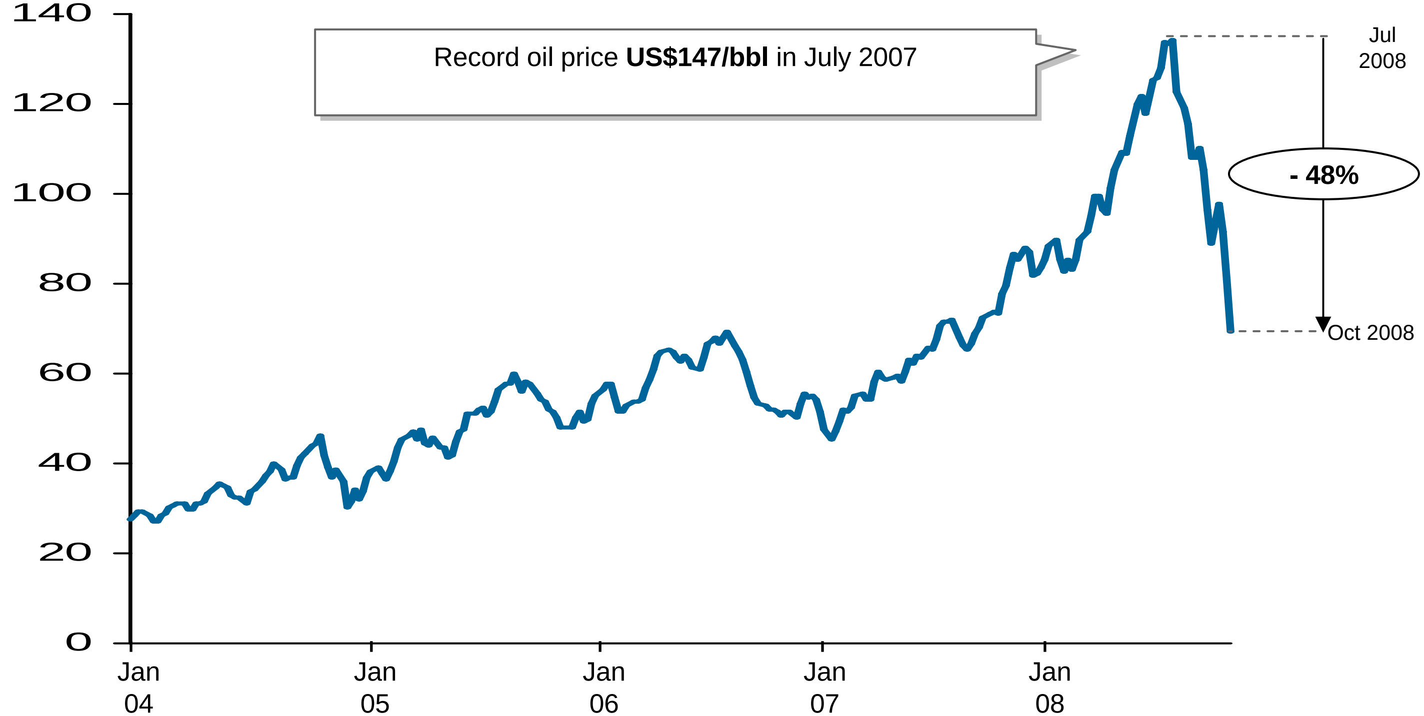
Crude oil price plummets:
Oil price has halved in 4 months

Weekly US spot crude price*
(US$/bbl)



*Weekly US spot price FOB weighted by Estimated Import Volume
Source: Energy Information Administration, Accenture Analysis

The fundamental long-term drivers remain the same

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	Upstream	Midstream & Downstream	Renewables
Key Drivers	• Demand continues to rise particularly from developing countries • Era of easy-oil is over, fields are increasingly more complex or difficult to access • A structural, upward cost shift and more areas open up and are economically feasible • Players battle to strengthen position • Increasing role of gas	• Demand shifting increasingly to emerging economies • Crude feedstock becoming heavier. Demand for light, medium and more complex petrochemical products increasing • Downstream has been squeezed in 2008 by high oil prices, though this will ease given a low • Current underinvestment in new refineries is likely to result in capacity constraints as demand outstrips supply between 2010-2015	• Growing policy support and consumer demand for action on climate change and switching energy source • Stricter government targets on carbon emissions • 1st generation biofuels are set to play a much larger role in meeting world road-transport fuel demand • Increasing importance of green business credentials and reduction of carbon footprint

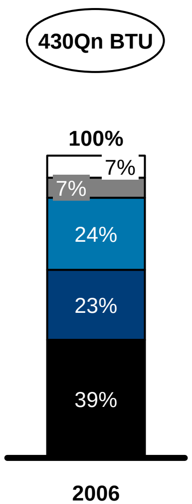
Cross Segment Drivers

- Increasing M&A and alliances
- Internationalisation of NOCs and resource nationalism
- Technologies to convert heavy oil to lighter oil in great demand
- Increasing skills shortage

Oil, coal and gas dominate in 2030, but renewables are the fastest growing, and coal gains the biggest increase in share of energy mix

Growth by energy type

2006 Energy Mix
(% share)



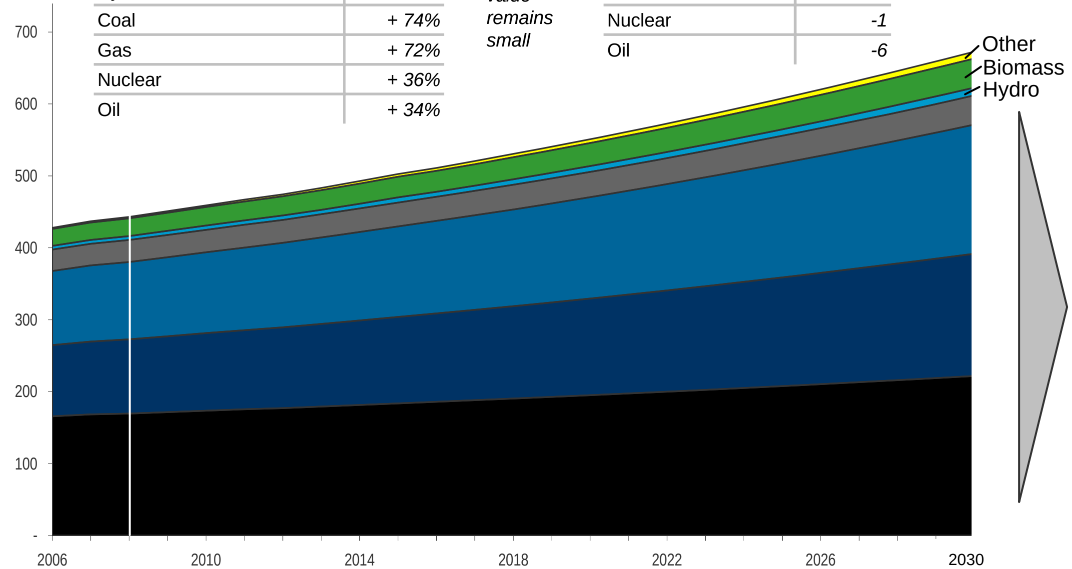
Projected Primary Energy Demand 2006 – 2030
(Quadrilion BTU)

Cumulative growth 2006-30	% growth
Other Renewables	*+ 552%*
Biomass & Waste	*+ 106%*
Hydro	*+ 106%*
Coal	*+ 74%*
Gas	*+ 72%*
Nuclear	*+ 36%*
Oil	*+ 34%*

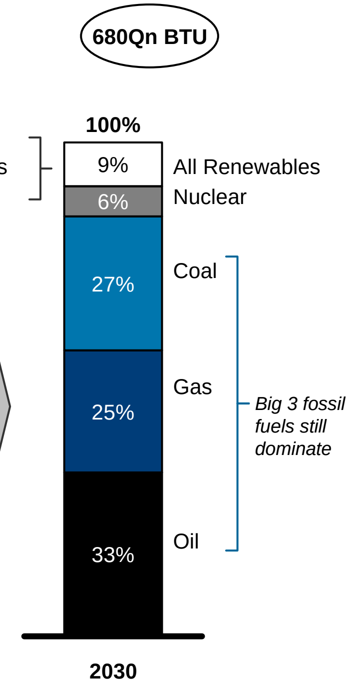
Fastest growing, but absolute value remains small

Share of Energy Mix	delta b.p.
Coal	*+3*
All Renewables	*+2*
Gas	*+2*
Nuclear	*-1*
Oil	*-6*

Biggest gainer of energy mix



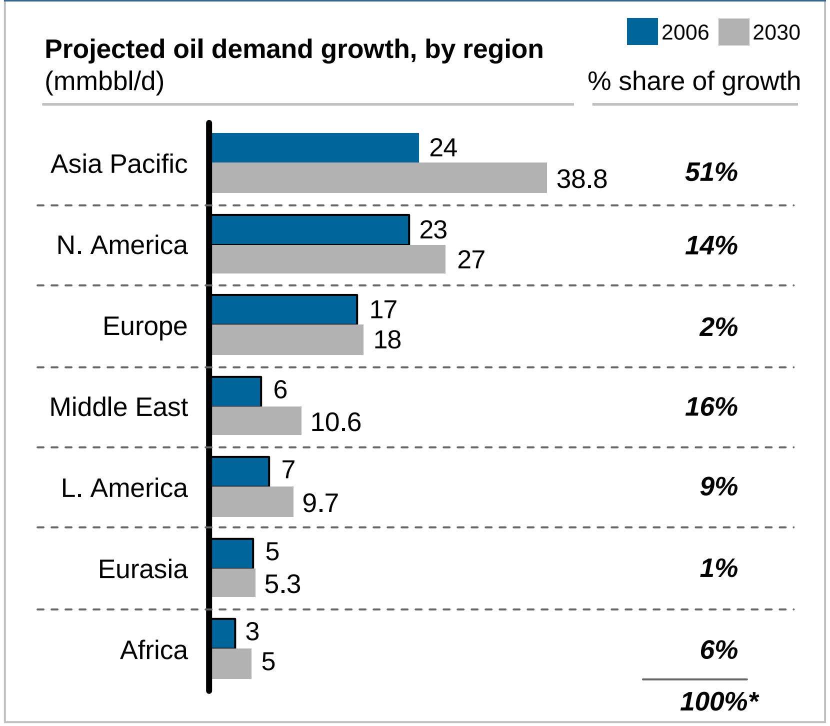
2030 Energy Mix
(% share)



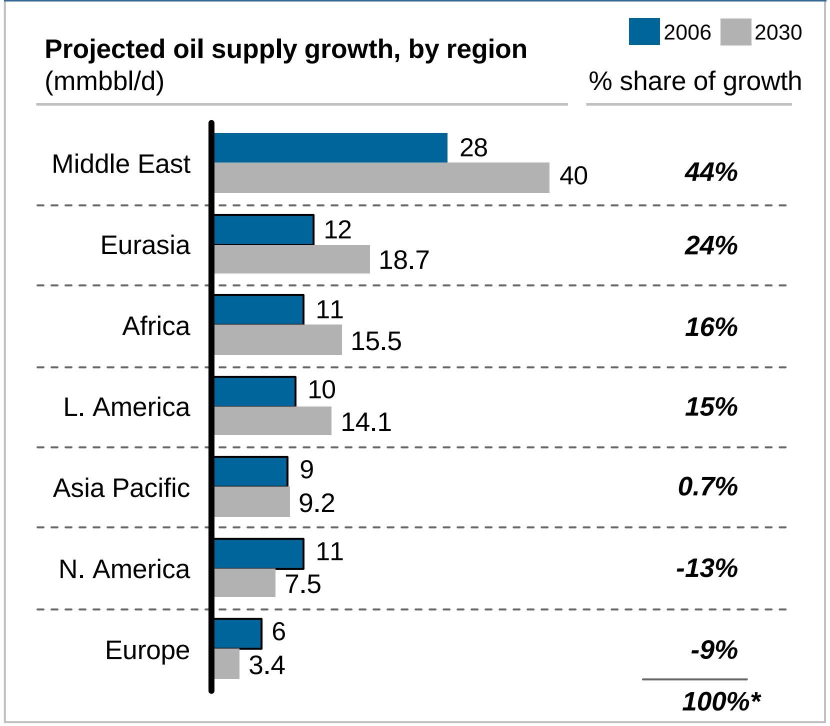
Source: CERA, Accenture analysis
* Includes all renewables (Hydro, Biomass & Waste and Other)

Asia drives 50% of demand growth to 2030, the Middle East will dominate supply, but in the short term, demand dampens and supply is restricted

Demand Side



Supply Side

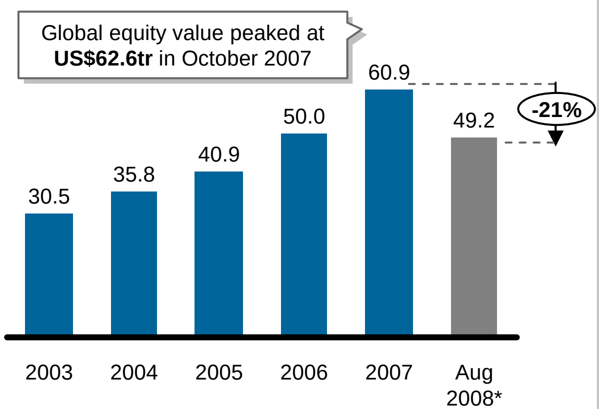


Source: CERA, Accenture analysis

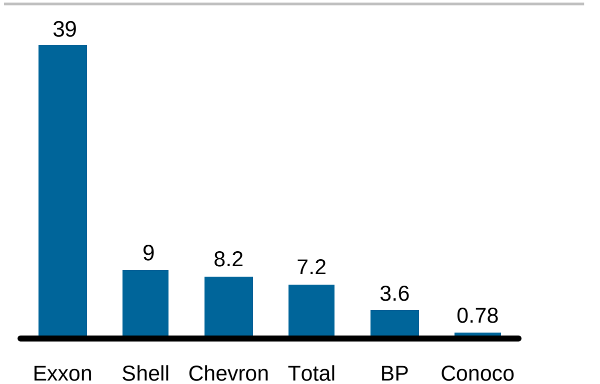
* May not sum to 100% due to rounding and negative values

Impact on players - the short run

Global Equity Market Capitalisation
(US$trillion)



Super Major 'Cash Pile'
(US$bn at June 2008)



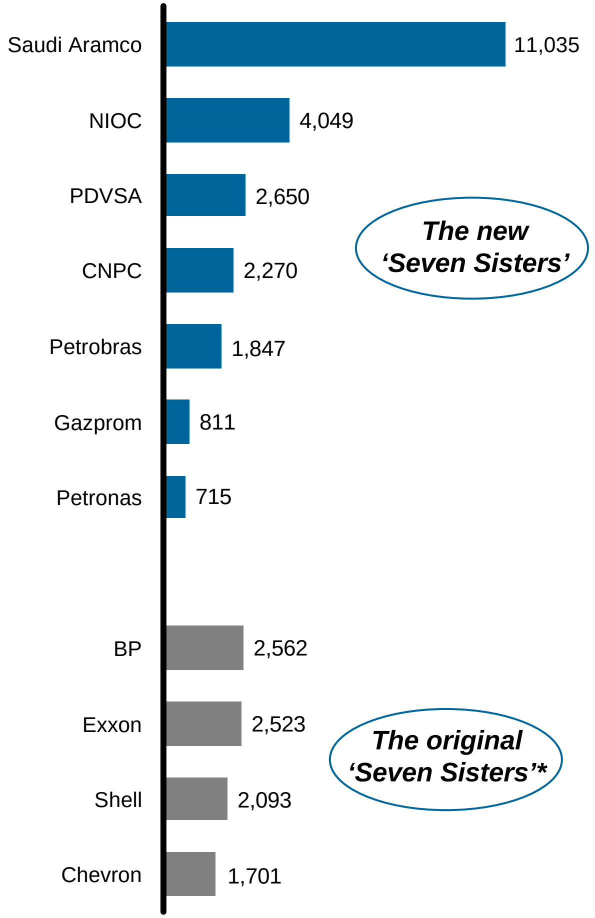
Impact of the credit crunch

- Supermajors largely unaffected from a cash perspective
- M&A activity likely to increase
- Independents, Mid Caps and Oil Services first to feel the pinch
- Unconventionals at risk, renewables temporarily marginalised
- Refining future remains uncertain
- Lower capex budgets, and large projects on hold

*Current value likely to be larger given the continued fall in equity value
Source: Bloomberg, Capital Markets Report, Accenture Analysis

Impact on players – the longer run

Oil production
(mboe/d)



- Major inflexion point in the distribution of power between NOC's, IOC's and oil service companies
  - NOC's are internationalising
  - NOC deal activity is increasing, particularly with each other
  - NOC's benefit from strong balance sheets and use of sovereign funds
  - NOC's are better now at leveraging governmental relationships
  - Oil service companies have invested heavily in their capabilities and trying to position themselves as partners to NOC's
- But, the primary energy demand curve, required investment and needs capabilities means that no group can go it alone

*After mergers
Source: Financial Times, March 12, 2007

Success in the long run

What will be the recipe for success?

Key trends	
Return to market fundamentals	• Robust balance sheets • Taking advantage of market dynamics e.g. low asset prices
Relationships	• NOCs and IOC partnerships • Exploit a new wave of M&A • IOCs that develop differentiated value propositions
Capability	• Attract and retain the best talent
Technology	• Invest heavily in efficient technology in the short term such as refining efficiency, and enhanced oil recovery
Diversification	• Build economically viable renewable projects • Secure government subsidies in alternative energy • Reputation for security of supply

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Additional Information

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