

9 Critical areas where the price of oil + associated costs change the game

SEEING YOUR COMPLETE VALUE CHAIN HAS NEVER BEEN MORE IMPORTANT.

DEMAND

The current collapse in oil prices owes as much to a structurally lower demand environment as it does to the velocity with which supply has been growing.

SUPPLY

Oversupply significantly impacts the price of oil squeezing revenue margins further in a high cost operating environment.

2015 COULD SEE OVER

100 MMbbl

OF NEW STORAGE CAPACITY

IHS Energy and Maritime research the impact of oversupply, and how contango incentivizes resurgence in floating and onshore oil storage to provide a balancing mechanism for oil prices.

A DEEP Deepwater problem?

52% of the total cumulative oil volumes at risk by 2030.

Oil prices are a major concern for global Deepwater projects. **The majority of Deepwater production risk falls in the \$60 - \$80/bbl break-even range** and is likely to be the target of significant cost reduction efforts.

DEEPWATER BRAZIL ACCOUNTS FOR

1/3

of global volumes at risk by 2023.

IN SUB-SAHARAN AFRICA

80%

of the total production at risk is in Deepwater.

IN EUROPE ABOUT

50%

of near term (until 2018) production at risk at \$60/bbl is in Shallow Water while the long term production is at risk in Deepwater.

1300+

Number of Global Offshore Projects IHS track that are planned to be operational between 2014-2020

TRACKING THE FIELD DEVELOPMENT COSTS to support better investment decisions, monitor project costs and improve operational efficiency.

We keep track of fundamental equipment and infrastructure to help you understand field development related costs.

460+

Floating Production Systems (FPS) that we track around the globe along with 150+ prospective projects that will require a FPS.

1200

Number of Mobile Offshore Drilling Units we track globally with up to 672 Jackup rigs.

928

Construction Vessels that we track to provide accurate location and other parameters for any field development operations.

70,000

The Number of cost items our team update bi-annually to bring the latest costs to the industry.

ASSET DEVALUATIONS, STRATEGIC ACQUISITIONS and PORTFOLIO CONSOLIDATION in a LOW OIL PRICE ENVIRONMENT

Whether you are looking to sell or buy IHS gives clients a pre-deal valuation by utilizing the

Access insight on all known energy assets on the market. Full opportunity set currently totals approximately

40,000 \$100 billion

comparable transactions from IHS M&A database.

SOVEREIGN RISK when revenues soften

As the tax take for projects declines, and as companies pull out, the fiscal positions of host countries are put under pressure – changing the playing field for foreign companies across industries.

The 2008–09 drop in oil prices led to a banking crisis in Angola, during which the state accumulated unpaid arrears to mainly Brazilian and Portuguese construction firms. As the state-driven construction sector, funded largely by oil revenues is responsible for the bulk of the growth of Angola's non-oil economy, a slowdown in public works will further lower GDP growth.

\$9 BILLION UNPAID ARREARS

3.2% LOWER GDP GROWTH FORECAST FOR 2015

Assessing the impact of **REGIONAL COST VARIATIONS** on operational efficiency

Cost escalation is driven by a rising tide of local content stipulations, yard productivity, sourcing skilled labor, project complexity and added regulatory requirements. IHS regional insight and analysis supports decisions and planning at every level.

60 projects

currently in appraising, developing, or awaiting approval phase in Offshore Angola

Angolan minimum wages for oil and gas workers have been raised

11-14%

annually since 2011

The Kaombo development will require

13.5 million man hours

to be spent in Angola, twice what it took to build the Empire State Building

Angolan yards have capacity to process

14,000 tons

of steel each year, equal to two Eiffel towers

QUANTITATIVE SUPPORT

200/34/100/700

The number of cost indices, upstream spend categories, supplier profiles and supplier ratings that IHS can marshal to help you manage your supply chain.

FINDING OPPORTUNITIES FOR COST SAVINGS will be more readily achieved through low oil price impacts on commodities such as drilling fluids

IHS can uniquely quantify the direct and indirect impact of falling commodity prices on the downstream market.

Cost components of oil and synthetic drilling fluids will be **REDUCED** by low oil prices

70% of synthetic based drilling fluid is composed of ethylene

55% of the production cost of ethylene is crude oil

IMPROVE PROCUREMENT STRATEGIES with access to complete project databases as well as a comprehensive overview of offshore drilling rigs/vessels, day rates, yards and other fabrication facilities

Approximately **2,100,000 TONNES**

of met coal is required to produce

3,300,000 METRIC TONS

of steel — the yearly average for the last 10yrs of steel fabricated at offshore yards...

...enough to build more than **1,900** London Eye Ferris wheels

Commodity input prices impact project costs. IHS breadth and depth of data and analysis on raw materials and category content supports your procurement and supply chain decisions.

IHS SUPPORTS YOUR INSIGHT ACROSS THE ENTIRE VALUE CHAIN

enabling you to understand all the cost drivers that may impact investments and project CAPEX and OPEX.

WE'RE WITH YOU EVERY STEP OF THE WAY

to find the right combination of products and services that maximize your strategic planning and execution while controlling for risk and optimizing cost efficiencies.

