



KPMG GLOBAL ENERGY INSTITUTE

# KPMG's 2010 Energy Survey

KPMG INTERNATIONAL



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Oil and gas executives said they expect capital spending and merger and acquisition activity to increase over the next 12 months, along with an expansion of their global workforce, according to the results of a survey by the KPMG Global Energy Institute. Executives also said they expect the regulatory environment and commodity prices to pose the greatest challenges. Their outlook for the price of crude oil was mixed.

In this year's survey, which polled 780 senior executives from oil and gas companies during April 2010, 61 percent of respondents expect that total capital spending by their companies will increase in

2010; 34 percent anticipate capital spending to increase by more than 10 percent over 2009 levels. This represents a complete reversal from 2009, when 65 percent of respondents said capital spending would be down.

"After a few turbulent years, energy executives appear optimistic that economic conditions will continue to trend upward," said John Kunasek, executive director for KPMG's Global Energy Institute. "However, in this 'new normal' business environment, these executives are faced with underlying issues such as uncertainty around regulatory reform and a volatile global economy."

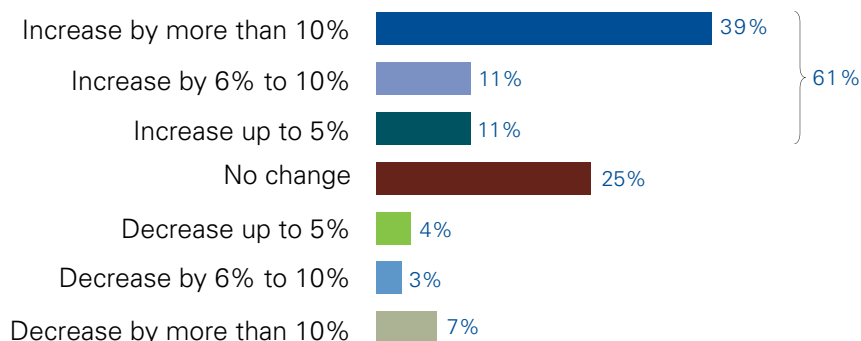
Regina Mayor, U.S. Oil & Gas sector leader for KPMG, believes "this spending outlook will be tempered by a strong need to better understand the incident in the Gulf of Mexico and what it will mean long term for offshore drilling, safety, and environmental protections."

This survey report provides quantitative findings on executives' outlook on capital spending, M&A, the global workforce, industry challenges, alternative energy, commodity pricing, and operating costs. Further commentary by John Kunasek is also included.

## Capital Spending

### What is the outlook for capital spending by your company in 2010 versus 2009?

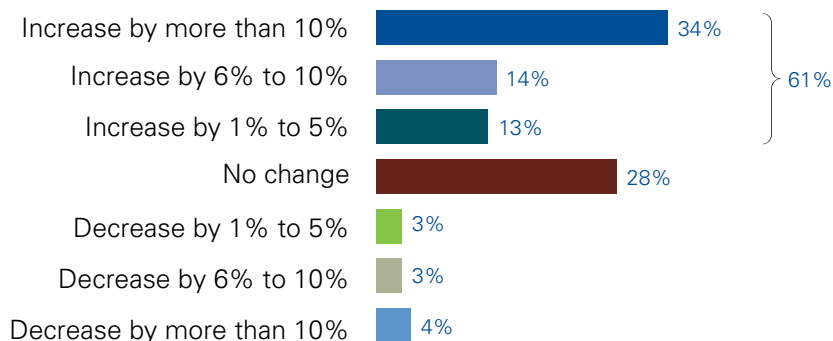
Sixty-one percent of respondents said capital spending will increase in 2010 over 2009; 39 percent said it will increase by more than 10 percent, 11 percent said it will increase by 6 percent to 10 percent, and 11 percent said it will increase by up to 5 percent.



Source: KPMG's 2010 Energy Survey

### What is the outlook for capital spending by your company in 2010 versus 2009 for U.S. and foreign expenditures?

The same 61 percent of respondents said capital spending for U.S. and foreign expenditures will increase in 2010 over 2009. Of this, 34 percent said it will increase by more than 10 percent, 14 percent said it will increase by 6 percent to 10 percent, and 13 percent said it will increase by 1 percent to 5 percent.

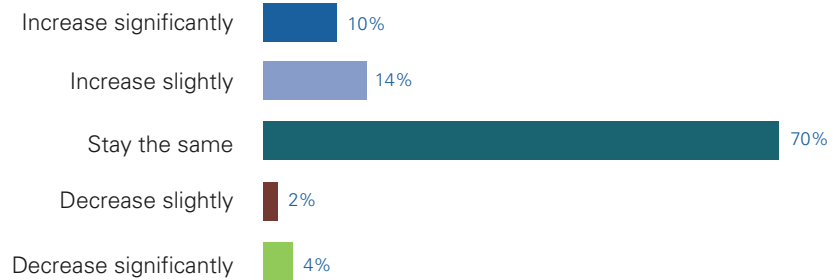


Source: KPMG's 2010 Energy Survey



### What do you expect your company's foreign expenditures to be compared with 2009?

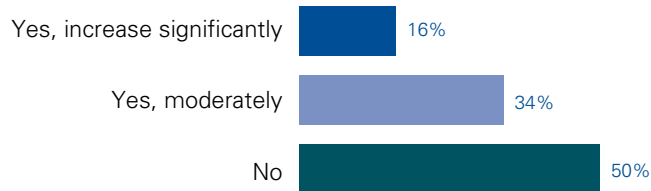
The majority of respondents, 70 percent, said their company's foreign expenditures will stay the same in 2010 from 2009; 10 percent said they will increase significantly and 14 percent said they will increase slightly.



Source: KPMG's 2010 Energy Survey

### Will your company's borrowing needs increase in the coming year?

Fifty percent of executives believe the borrowing needs at their companies will increase in the coming year; 16 percent said they will increase significantly and 34 percent said they will increase moderately.



Source: KPMG's 2010 Energy Survey

## M&A

### Do you expect your company will be part of a major merger or acquisition in the next year?

The vast majority of respondents, 80 percent, said they believe their company will not be part of a major acquisition in the next year.

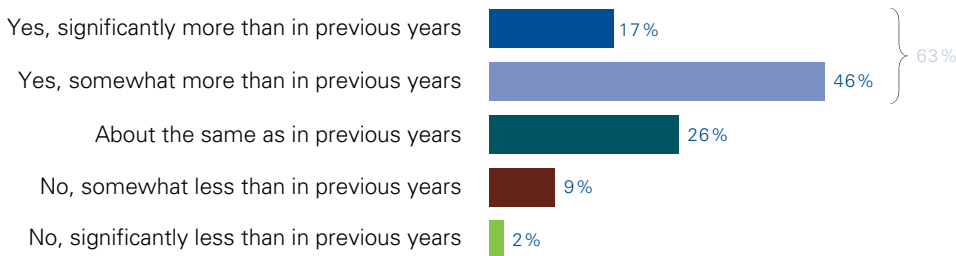


Source: KPMG's 2010 Energy Survey



### Given the state of the U.S. economy, do you expect more investment in/ acquisition of U.S. energy companies than in previous years?

Sixty-three percent of executives surveyed believe there will be more investment in/ acquisition of U.S. energy companies; 46 percent said there will be somewhat more than in previous years, 17 percent said significantly more than in previous years, and 26 percent said about the same as previous years.

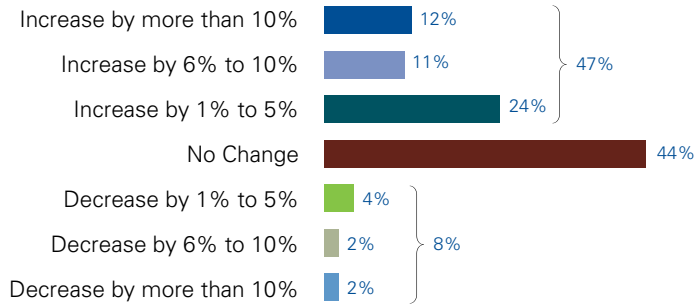


Source: KPMG's 2010 Energy Survey

## Global Workforce

### Do you expect your company's global workforce to expand or contract during the next 12 months?

Almost half, 47 percent, of the executives surveyed expect their company to expand its global workforce over the next year.



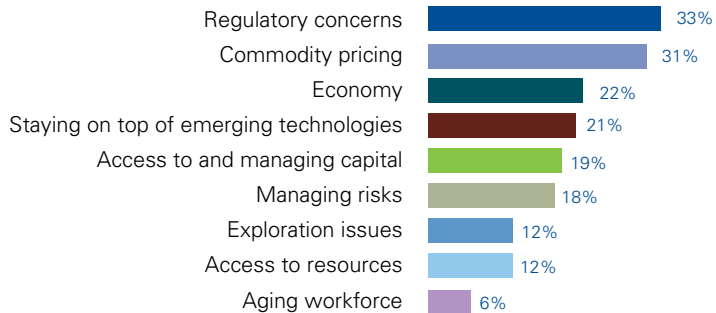
Source: KPMG's 2010 Energy Survey

“As the economy improves, we believe that the focus will shift to the possibility of energy legislation and significant changes in energy policy.”

## Industry Challenges

### Which of the following are the most significant challenges facing your company in the coming year? (More than one answer was allowed.)

When asked about the most significant challenges facing their companies in the coming year, 33 percent of respondents cited regulatory concerns, 31 percent cited commodity pricing, and 22 percent cited the economy.



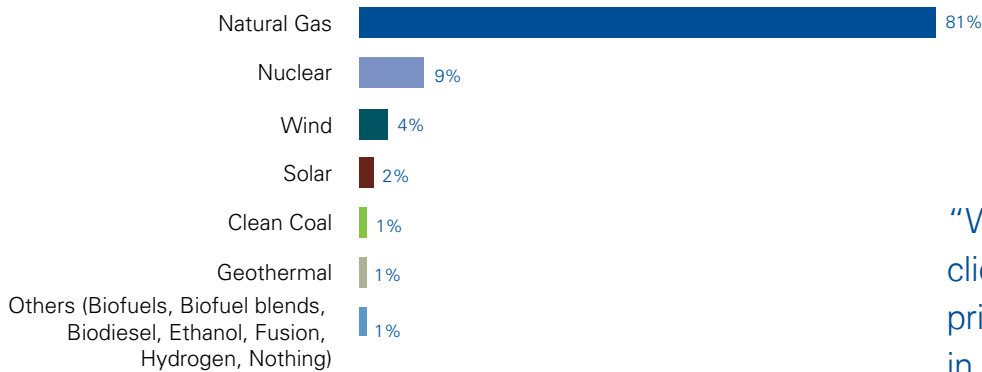
Source: KPMG's 2010 Energy Survey



## Alternative Energy

### Which fuel do you anticipate will become the dominant clean air energy source in the next 20 years?

When asked which clean energy source will dominate in the next 20 years, natural gas led the field with 81 percent of respondents, followed by nuclear with 9 percent respondents. Only 4 percent of respondents cited wind.

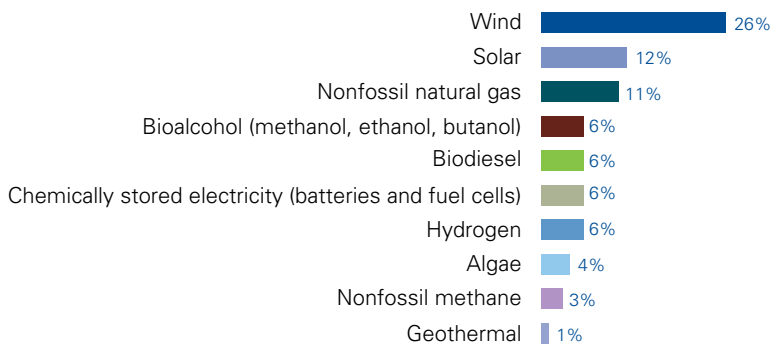


Source: KPMG's 2010 Energy Survey

“We are hearing from our clients that commodity prices will remain volatile in the short run as the European economic and gulf oil spill situations work themselves out.”

### Which alternative energy do you think will see the most investment?

More than one-quarter (26 percent) believe wind projects will see the most investment followed by solar with 12 percent; nonfossil natural gas with 11 percent; and bioalcohol, biodiesel, chemically stored electricity, and hydrogen all equal with 6 percent of responses.



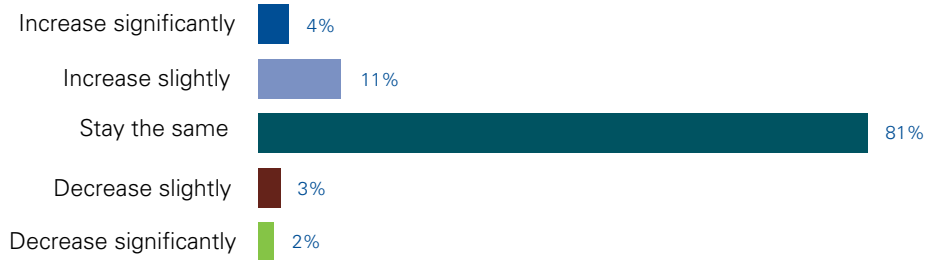
Source: KPMG's 2010 Energy Survey





### What is your outlook for your company's R&D investment in alternative energy projects in 2010 as compared with prior year spending?

Despite the anticipated increase in capital spending and the current trading price of oil, only 15 percent of executives say research and development investment in alternative energy projects will increase in 2010.

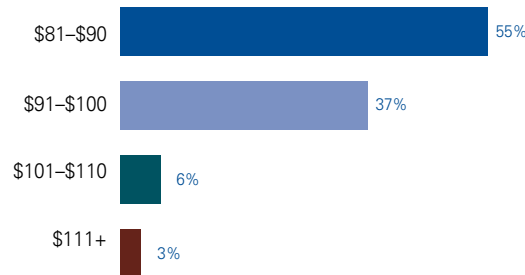


Source: KPMG's 2010 Energy Survey

## Commodity Pricing

### At what price do you think crude oil will peak in 2010 (per barrel)?

Executive sentiment about commodity pricing is reflected in their estimates for where crude oil prices will close in 2010. Fifty-five percent of the respondents think that the price-per-barrel of crude will close between US\$81 and US \$90, 37 percent say between US \$91 and US \$100, and only 9 percent believe oil prices will top US \$100 this year.

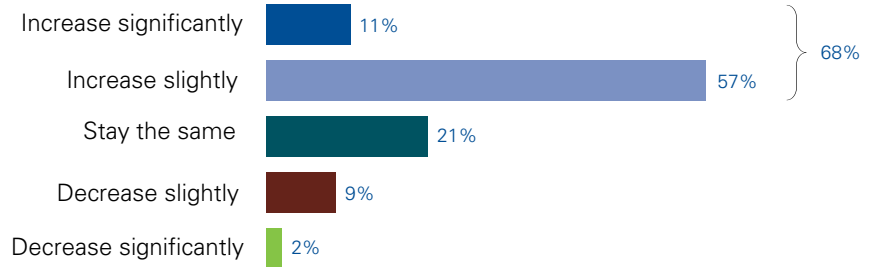


Source: KPMG's 2010 Energy Survey

## Operations

### What do you anticipate will happen to your company's operating costs in 2010?

Sixty-eight percent of respondents anticipate that operating costs will go up over the next 12 months; of this, 11 percent said they would go up significantly and 57 percent said they would increase slightly.



Source: KPMG's 2010 Energy Survey



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