



Industry Session – Oil & Gas

Goldman Sachs Industrials Conference 2015

November 4, 2015

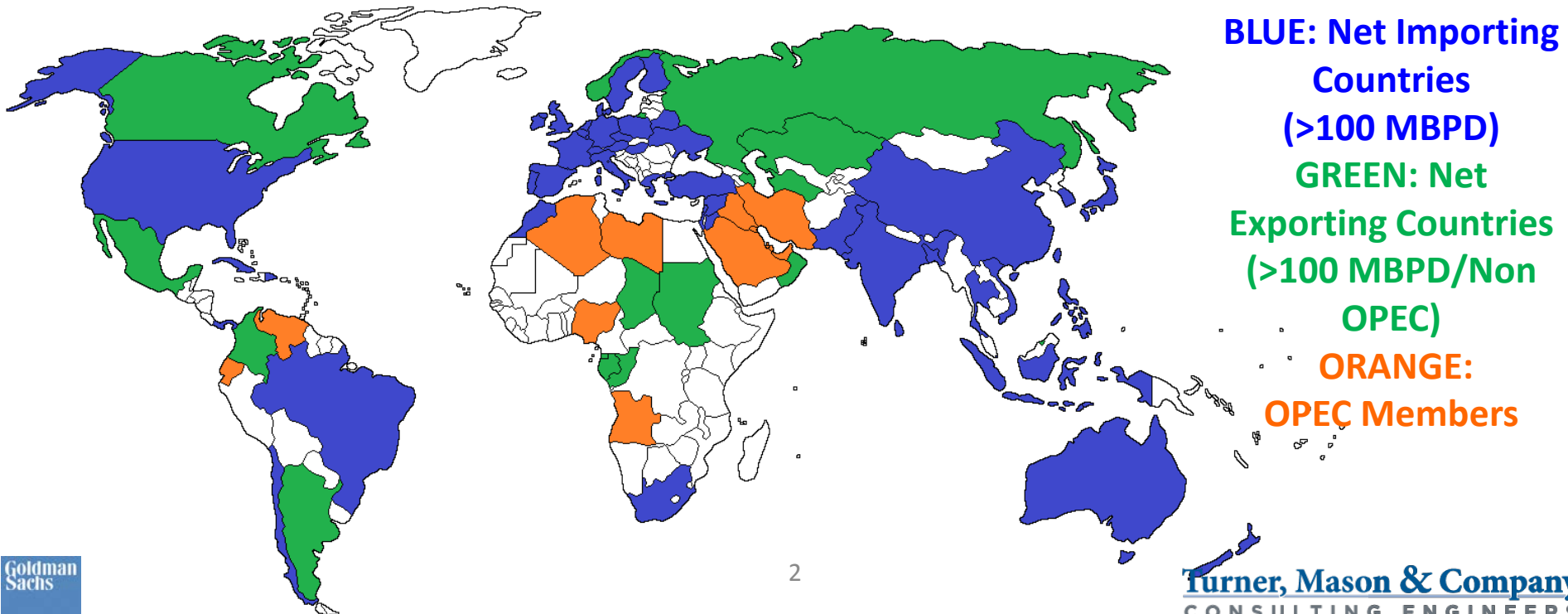
Four Seasons Hotel - Boston, MA

John Auers, P.E.

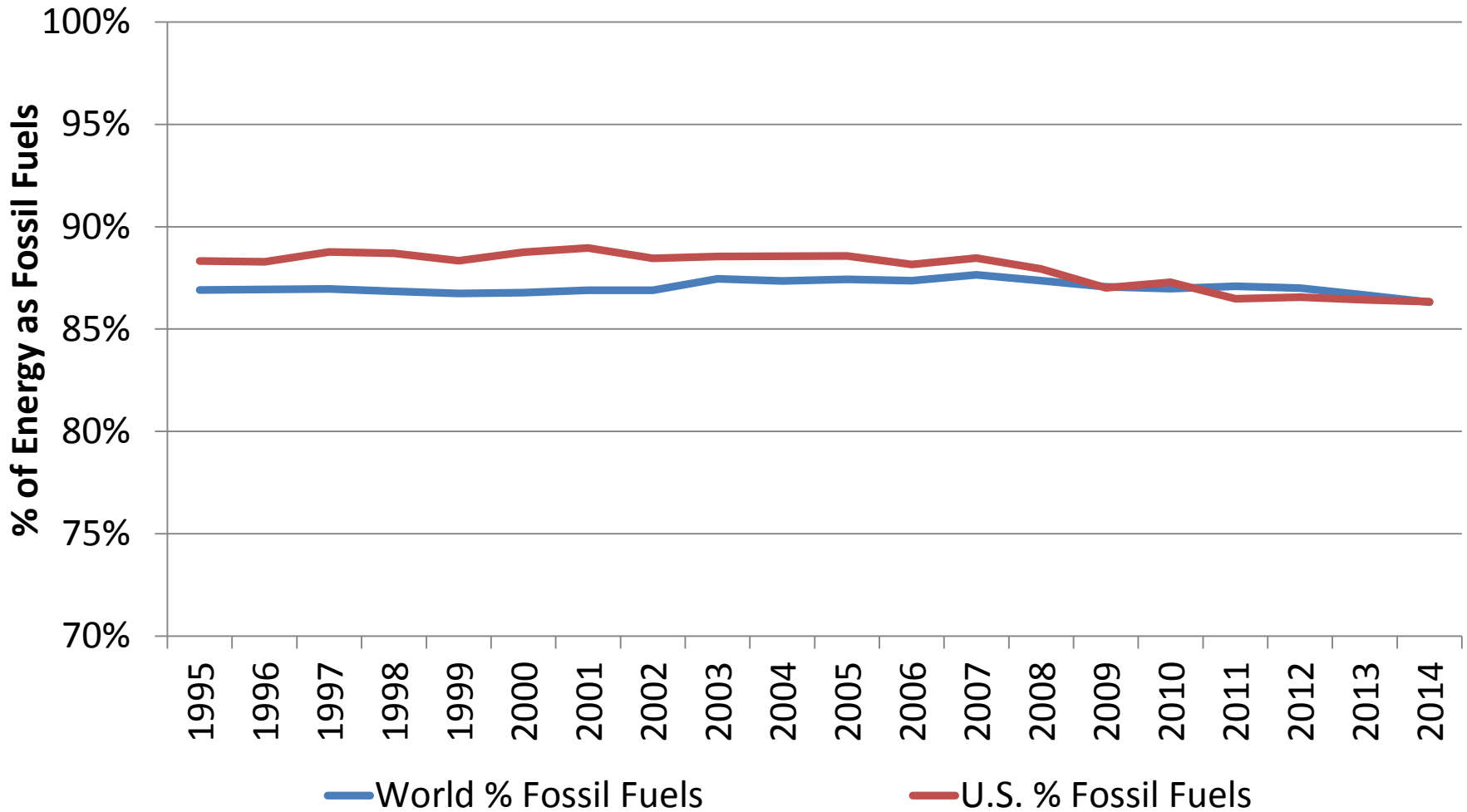
Executive Vice President

Global Scope of Oil Industry

- Globally, oil and gas industry revenues were estimated at \$4 trillion in 2014, or ~6% of Global GDP
- 3.5% of Global GDP comes from Oil & Natural gas “Rents” (profits from sale, after extraction costs)

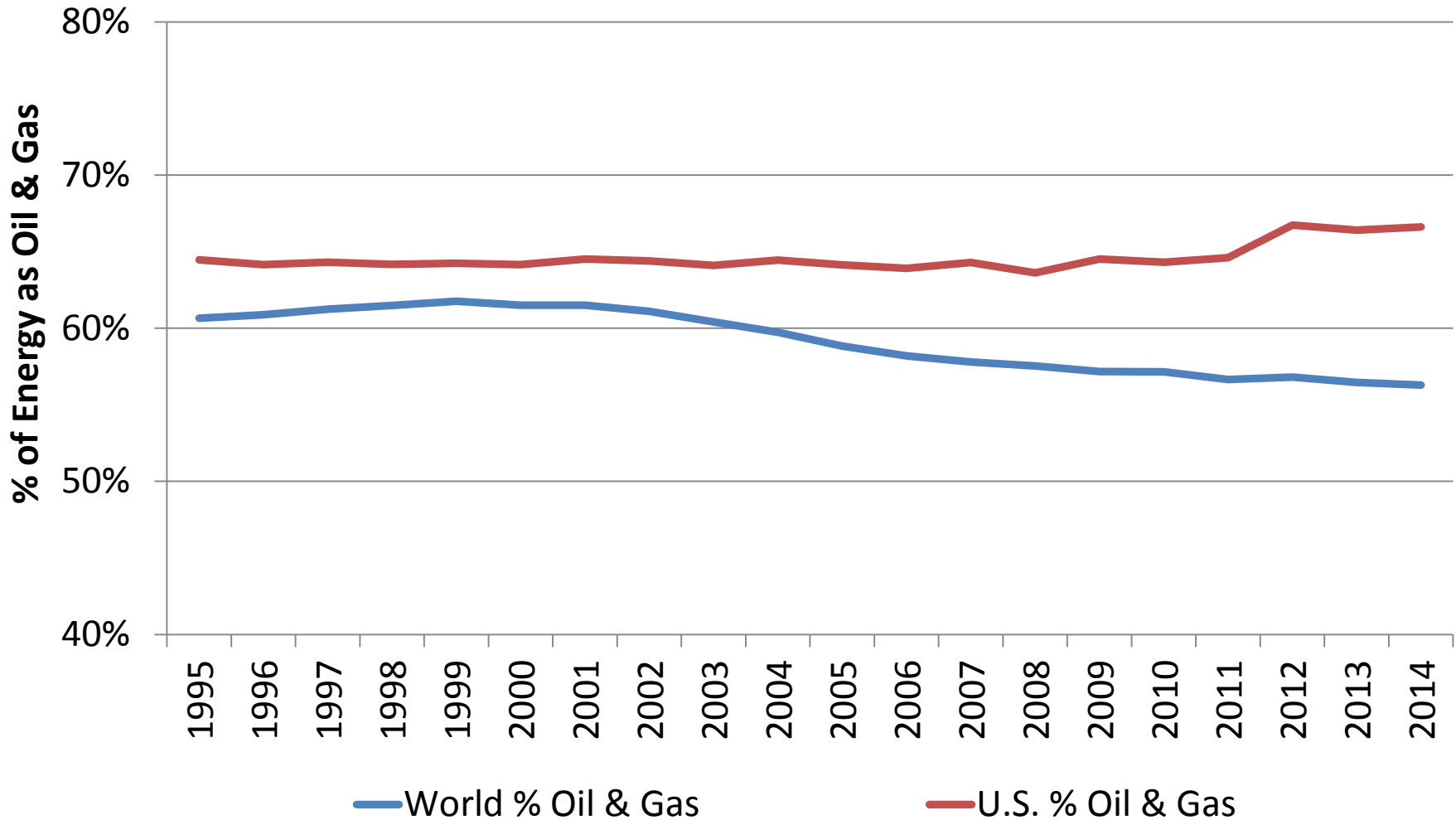


Fossil Fuels Dominate Energy Markets



Source: BP Statistical Review of World Energy 2015

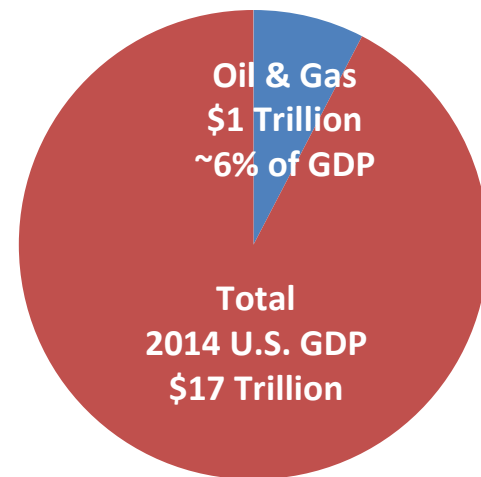
Oil & Gas Remains “Top Dog”



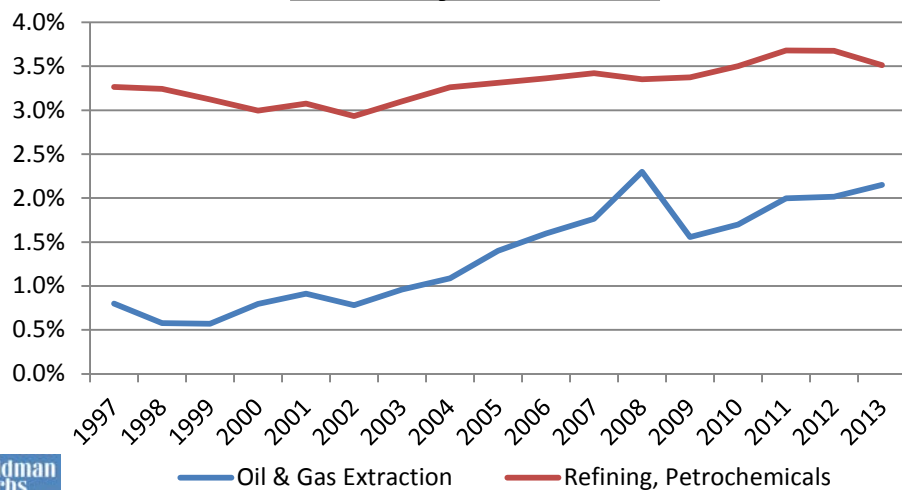
Source: BP Statistical Review of World Energy 2015

Importance to U.S. Economy

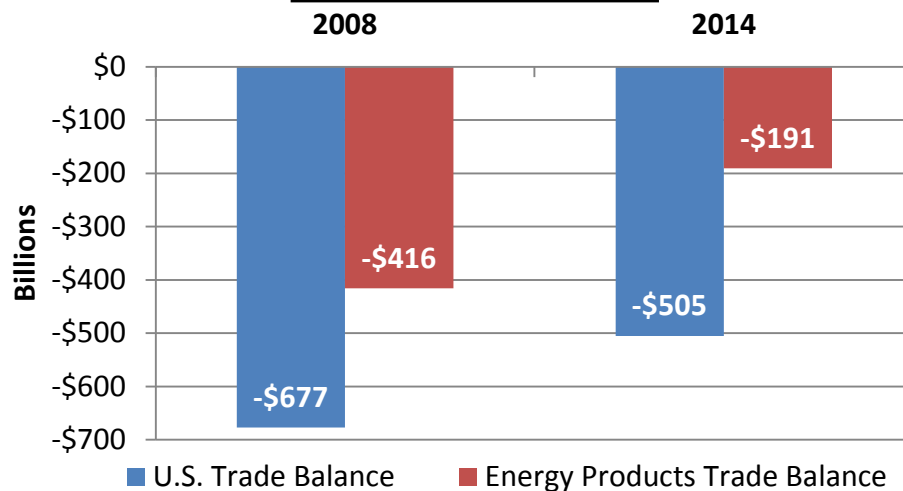
- Oil & Gas industry directly contributes >\$1 Trillion to U.S. economy
- Tight Oil revolution making O&G a more important component of overall GDP
- Dominant force in improving trade balance



Industry, % of GDP

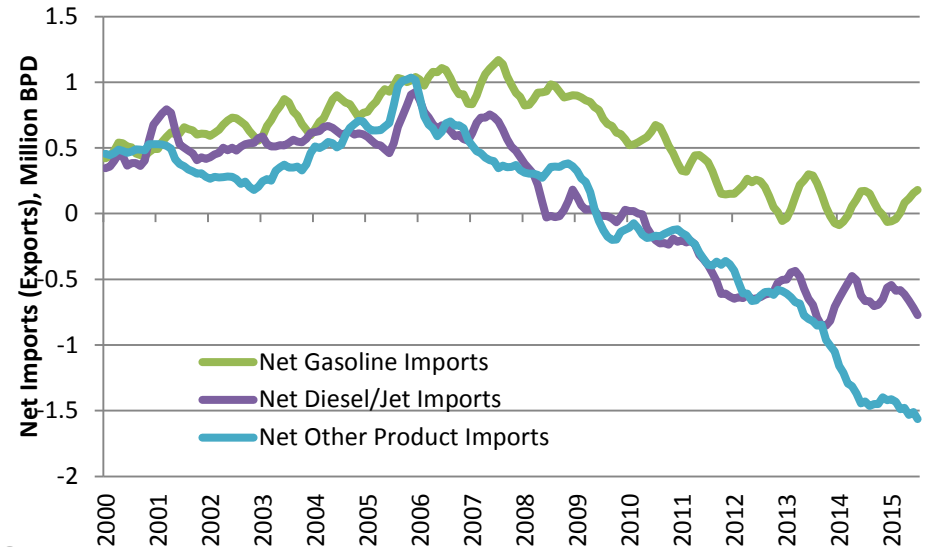
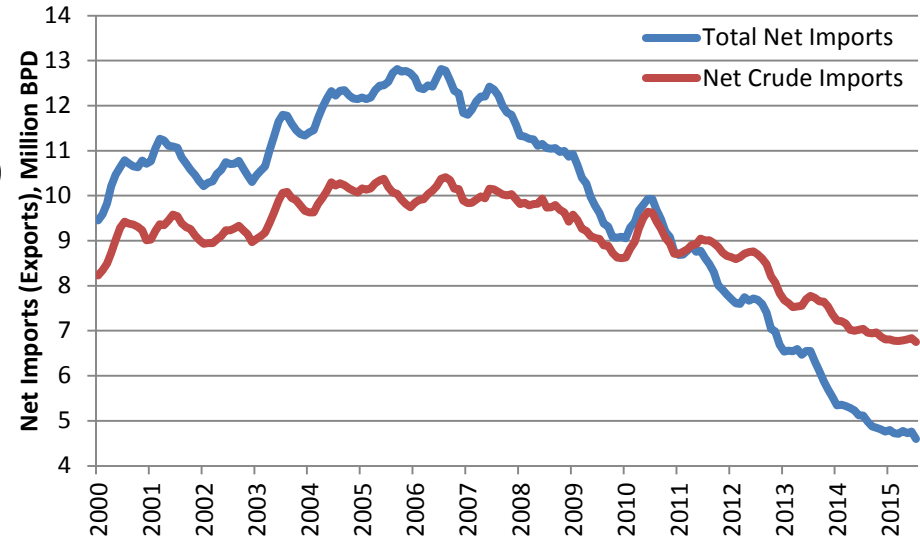
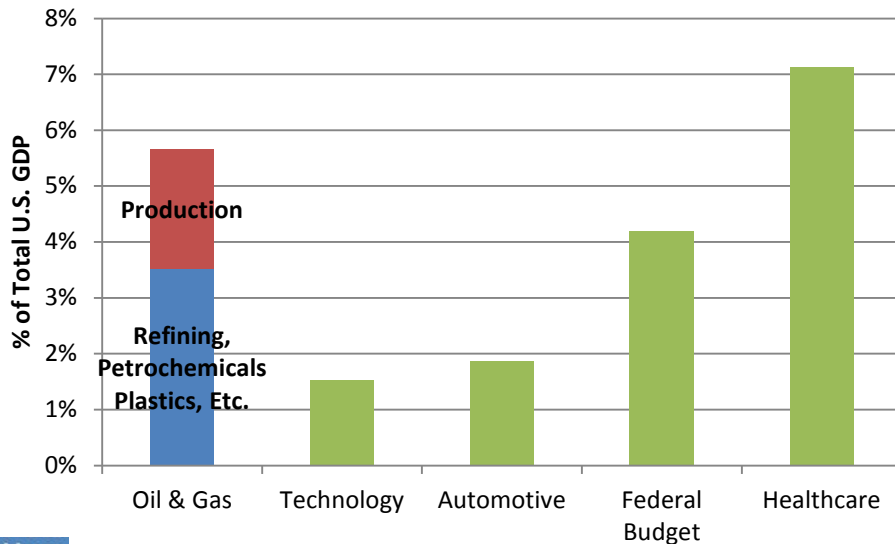


U.S. Trade Balance



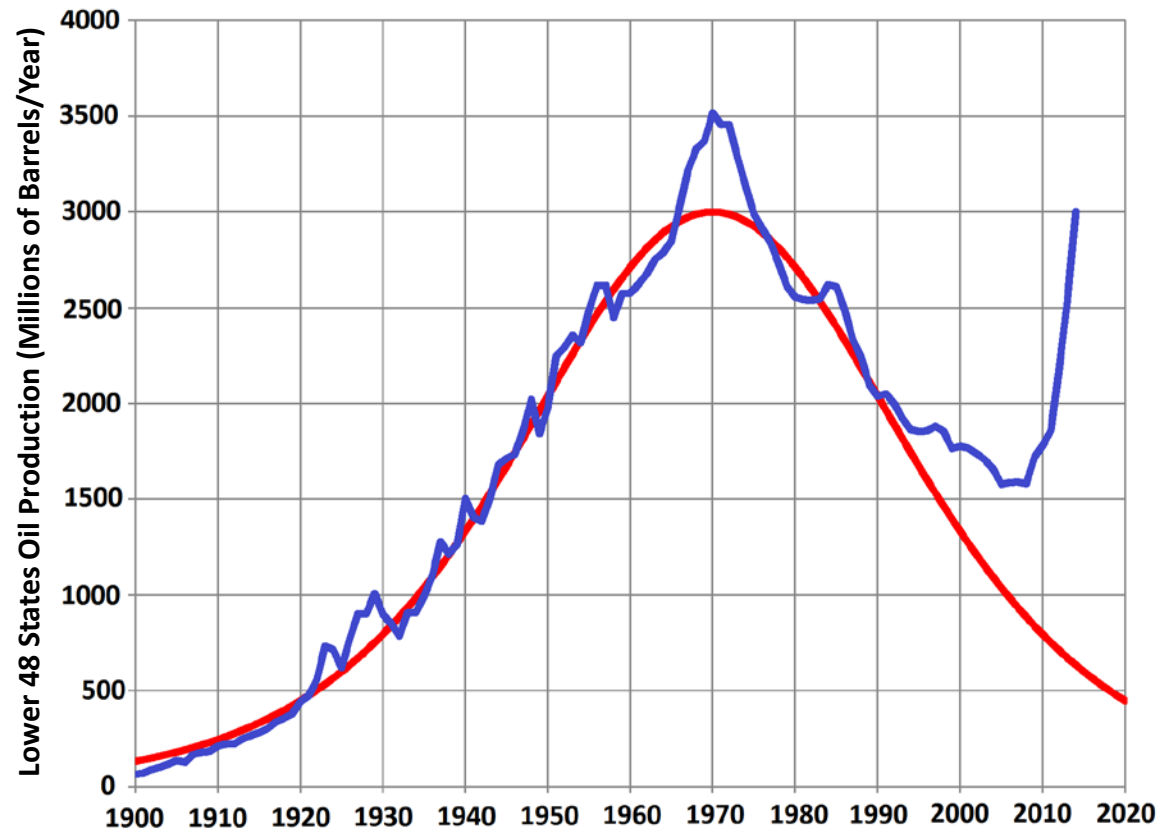
Importance to U.S. Economy

- Total net imports have declined by > 7 MMBPD since 2007
- Larger than any segment ex. healthcare



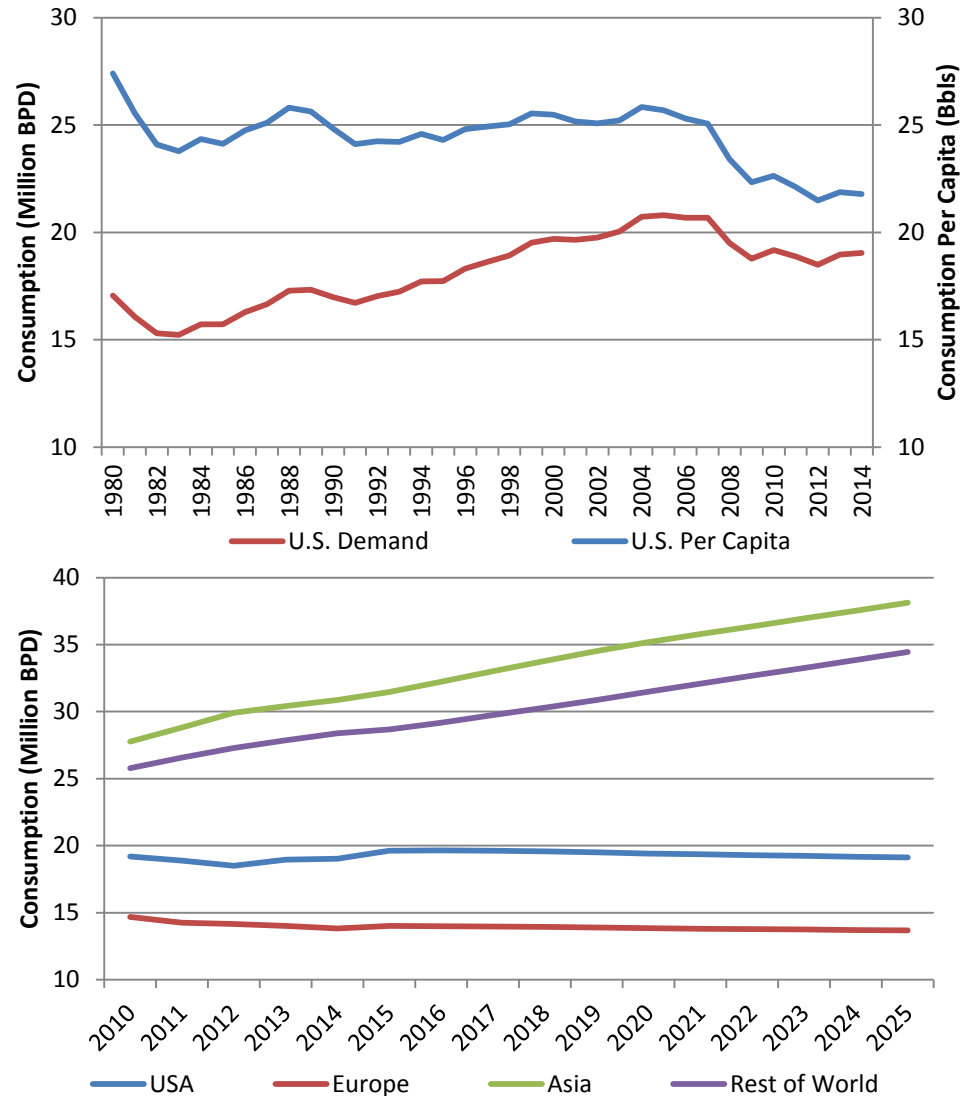
“Peak” Oil? – Not For A Long Time

- Theory has been bouncing around for decades
 - Predicted U.S. peak at 1970 seemed plausible until the LTO boom
 - Higher prices and technological breakthroughs have made Peak Oil obsolete
 - There is sufficient oil for many decades; the key question is at what price?



“Peak” Demand? – Not Yet

- U.S. and other Developed Countries have/will see demand declines
 - Petroleum to remain dominant
- Significant Growth in Undeveloped Countries
 - Population and economic growth
- Overall Global Demand Growth > 1%/yr thru 2030
 - >15 MM BPD



Oil Price Impacts

- Net Income shifts have not been across the board
 - Independent Producers hit hardest
 - Some Integrated Majors taking massive write-downs
 - Refiners doing well, with low prices spurring strong product demand growth

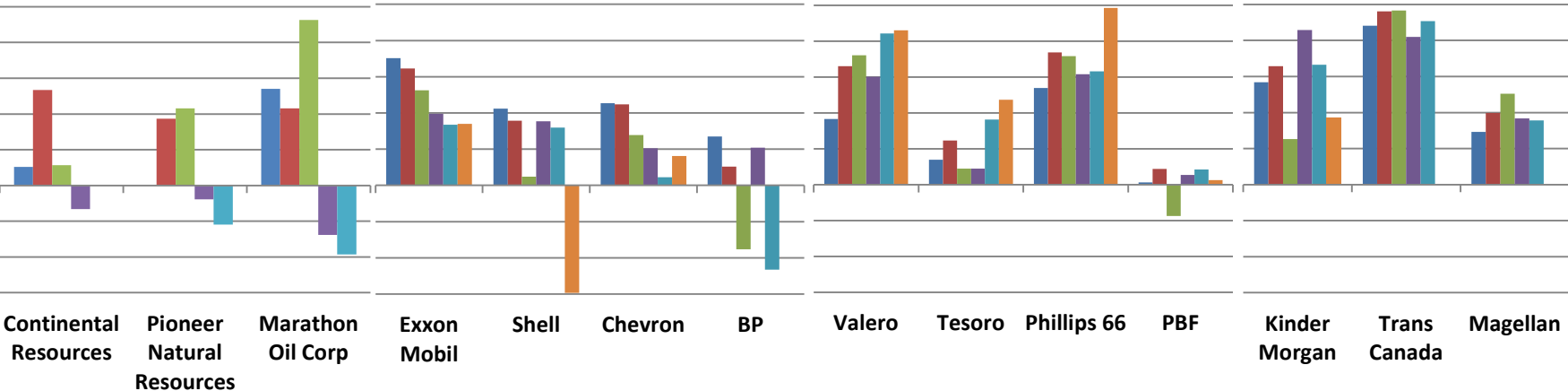
Independent Producers

Integrated Majors

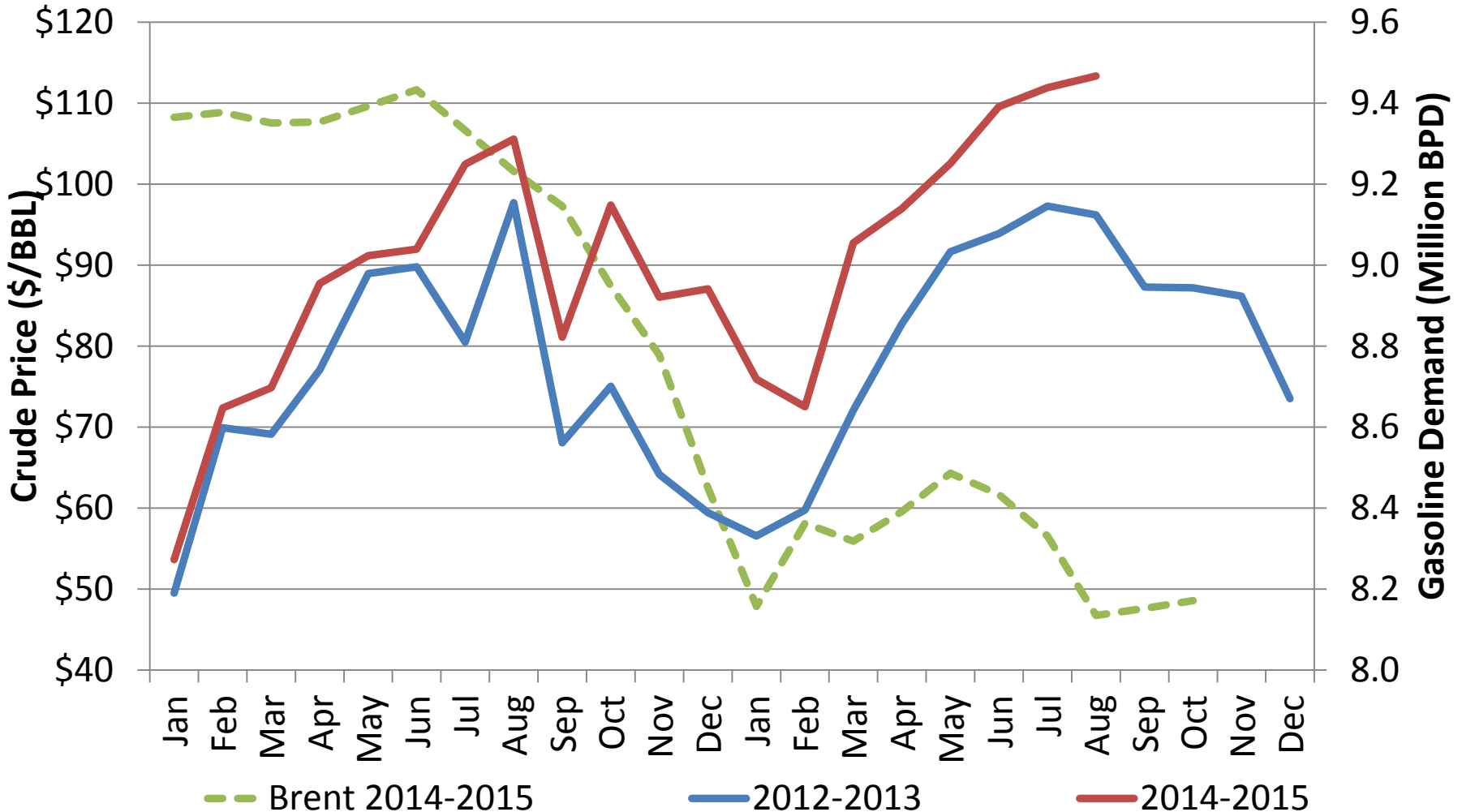
Independent Refiners

Midstream

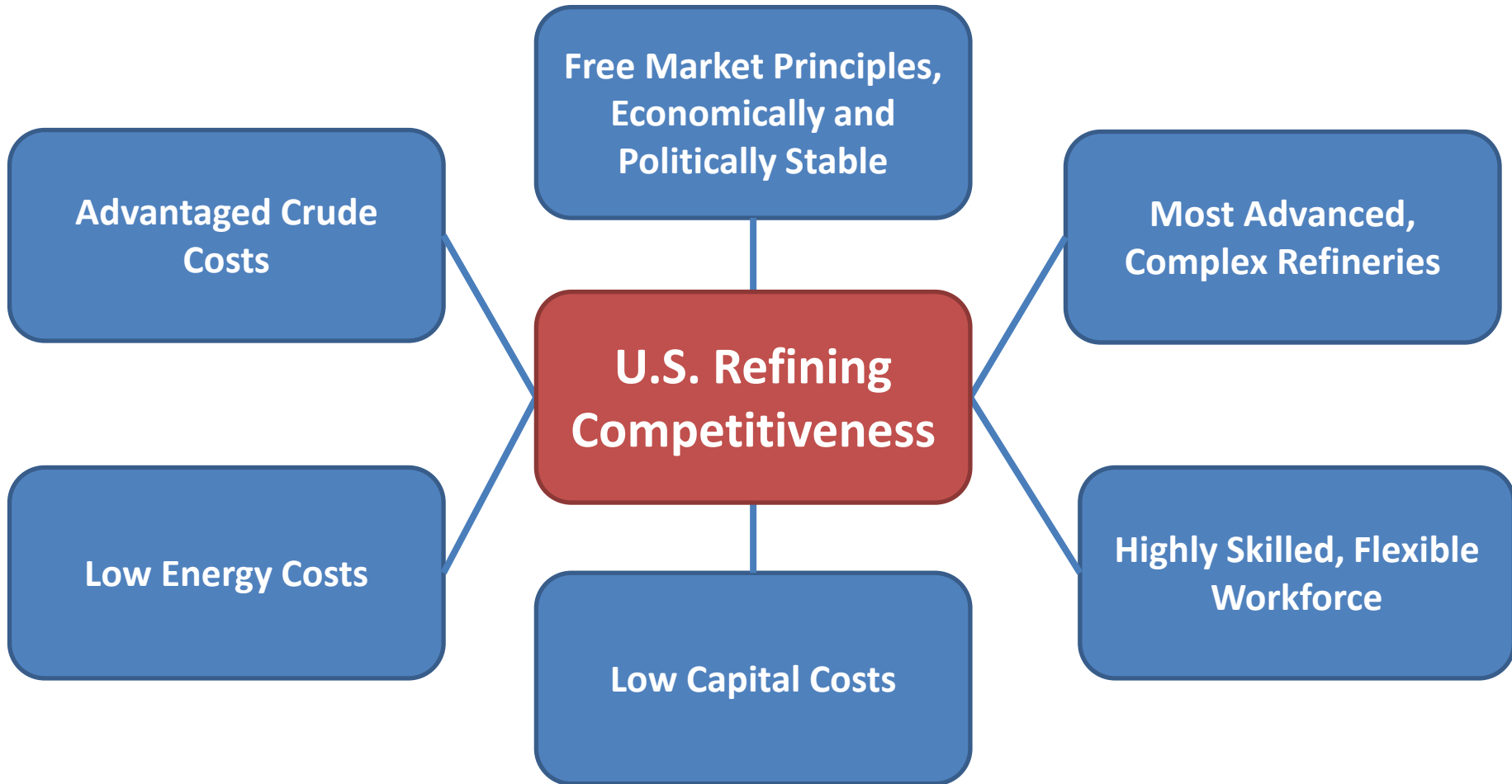
■ 2Q2014
 ■ 3Q2014
 ■ 4Q2014
 ■ 1Q2015
 ■ 2Q2015
 ■ 3Q2015



Gasoline Demand Especially Strong



U.S. Refiners Are World Leaders



Major Threats

- Market Environment
 - Low prices have/will cause real harm to producers
 - Lead to greater demand/increase efficiencies
 - TM&C does not expect 80's/90's style extended slump
- Regulation
 - Global warming/other environmental/safety/other
 - Higher costs/suppress demand/decrease access
 - Economics generally override the worst policies
- Alternatives
 - Only “eating at the edges” thus far
 - Will require technological breakthroughs

Presenter



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