

Energy Outlook: Challenges and Opportunities

Dr. Marianne Kah

Chief Economist, ConocoPhillips, U.S.A
marianne.s.kah@conocophillips.com



1. Introduction

This Talk will discuss key trends in the outlook for the oil and natural gas industry. It will then discuss major challenges the industry is facing, including the present financial crisis. It will also address opportunities arising from the business environment trends.

2. Key Features

The outlook for the oil and natural gas industry will include a discussion of why oil prices have been high in recent years, why they are declining now, and what we should expect in the future. It will address key trends in oil supply and demand, and in the financial sector participation in commodities markets. In addition to discussing major challenges and opportunities, it will specifically address the impact of carbon dioxide regulation on our industry.

3. Conclusions

Energy prices have been high in recent years because strong global economic growth surpassed the world's abilities to supply it with basic commodities like oil and gas. Thus, the high rate of economic growth was probably not sustainable. The global economy is presently going through a downward correction and the demand for commodities and their prices should fall accordingly. However, in the long-term, energy prices are likely to rebound and remain above historical levels. The rise of the developing Asian economies will likely result in stronger energy demand growth than observed historically. Oil production needs to expand to meet this demand growth, but this expansion will be hampered by the peak in conventional non-OPEC production. Even with the growth in unconventional oil supplies, there will be a lot of pressure on OPEC countries to expand production capacity. A final reason why energy prices will not return to historical levels is that the marginal, price-setting oil and gas supplies cost more than they did historically. These supplies tend to be more remote, in deeper water, unconventional and/or more complex than what was developed in previous decades. Therefore, the price will need to be higher to bring those supplies to the market.

This business environment presents many challenges and opportunities for our industry. Key challenges include access to resources and higher costs and how our industry will address the carbon intensity of energy supplies. Opportunities include shifting to more complex development prospects (e.g., unconventional oil and gas, deep water, etc.), investing in infrastructure and alternative energy projects, and finding ways to lower the carbon intensity of energy supplies.

4. References and Bibliography

1. Dell, B.P. *et al.*, Bernstein Energy: Lowering Oil Price Forecasts, CFPS and TPs on Weaker Global GDP, Bernstein Energy (New York, October 16, 2008), pp. 5-6.
2. International Monetary Fund, World Economic Outlook, IMF, October, 2008.
3. International Energy Agency, World Energy Outlook, IEA, November, 2007, pp. 592.
4. International Energy Agency, Oil Market Report, IEA, October 10, 2008, pp. 49-52.
5. International Energy Agency, Medium Term Oil Market Report, IEA, July, 2008, pp. 88-91.
6. Currie, J. *et al.*, Energy Watch, Goldman Sachs, October 13, 2008, pp. 12.

Speaker's Biography

Marianne Kah is the chief economist for ConocoPhillips based in Houston. She is responsible for developing the company's market outlooks for oil, natural gas and refining, as well as conducting regional and special strategic studies. She also is the company's expert in scenario planning.



The Second International Energy 2030 Conference

Prior to joining Conoco, Kah had been manager of planning at Cabot Corporation; a planner at the U.S. Synthetic Fuels Corporation; and a management analyst for energy at the U.S. Government Accountability Office, where she conducted energy policy studies for U.S. Congressional energy committees.

She has presented her views at major conferences around the world and is the primary author or co-author of a number of papers published in major industrial journals as well as government reports on various aspects of petroleum markets. She was also a past president of the United States Association for Energy Economics, and received a Senior Fellow Award for that organization.