

Delivering value with industry-focus

Global energy statement of capabilities



At the core of the industry.

At the forefront of developments.

Delivering value.



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Introduction

Uncertainty is running high at the start of the new decade. How will the energy supply and stability be impacted given changes in key energy producing locations? For example, in the US, offshore drilling permits are finally being granted after a year-long moratorium due to the Macondo oil spill. But companies have new standards to follow and tighter regulations are under discussion. There is a new regulatory agency - the Bureau of Ocean Energy Management, Regulation and Enforcement - which is still being developed. Onshore drilling, particularly for shale gas and oil, also faces uncertainty, because the regulators are questioning the safety of hydrofracking.

The Middle East / North Africa political turmoil adds further concern about the global energy supply. Since the region supplies approximately 34% of the world's liquid supplies of oil and natural gas, the unrest has tremendous implications on both the short-term and longer term supply. The big questions that lie ahead concern how long the conflicts will continue, and how widespread the situation will be.

Strategy and long range planning are even more important in today's uncertain environment. Oil and gas companies must control costs. They will continue to weigh the risks versus benefits of new projects, new products and how much capital to invest. Behind such decisions, there are regulatory, safety and environmental considerations. Balancing the need to supply the world with hydrocarbons, companies are considering investments in alternative energy sources. Technology is driving breakthroughs in both hydrocarbons and new energy sources. Unconventional hydrocarbons, such as shale oil and gas, bitumen and coalbed methane are expanding the supply of oil and gas.

The cost of carbon is becoming a reality. New regulations are being discussed around the world as governments grapple with the best way to reduce carbon exposure. Energy companies must be prepared to deal with carbon taxes or cap and trade systems no matter where they operate. Until a global carbon policy can be agreed upon, the complexity of measuring, controlling and reporting carbon will have to be managed.

At PwC, we are not only watching these developments in the industry, but we are analyzing these changes from the perspective of how they will impact our clients, and how we can best help companies prepare and manage the changes. Our professionals understand the issues that our clients face, and have the knowledge and experience to proactively address these challenges and recommend the best solutions. We examine the issues, and build teams of subject matter specialists who develop appropriate solutions through our assurance, tax and advisory services. For global clients, our experienced teams are on the ground in 154 countries around the world contributing local insight and understanding.

PwC is the world's leading advisor to the energy industry, working with every segment of the business—from upstream to midstream to downstream—to provide business solutions tailored to meet your needs. We excel in serving oil and gas companies because of our skills, experience and teams of industry specialists. For more than 100 years, we have helped energy companies succeed. We look forward to the opportunity to work with your company.

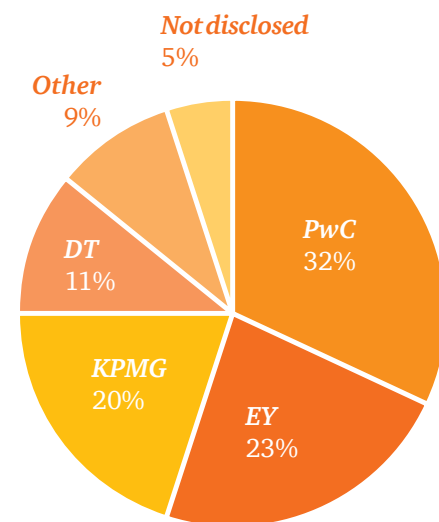
Alan W. Page
Global Energy, Utilities & Mining Leader

Specialized services for energy companies

PwC has been adding value by providing professional services to energy companies for more than 100 years. We help companies confront the industry's most challenging issues and changes by developing effective solutions and strategies.

Energy companies are facing an increasingly complex environment, with changing geopolitics, tightening regulatory requirements, greater competition and higher stakeholder expectations. Finding new reserves requires greater investment and improved technology. International oil companies also face greater competition from national oil companies, as the global demand for energy continues to grow. The growth of renewable energy sources and unconventional hydrocarbons is helping deliver additional energy sources, but companies must weigh the costs associated with these sources. While needing to invest more, energy companies are also looking for ways to improve efficiency and lower costs, while managing the many risks of the business.

Auditor market share of global oil and gas companies \$10B+



Source: Hoover's Online 3 Feb 2011

PwC can help energy companies evaluate priorities, assess risks, and build stakeholder confidence. Our global energy practice focuses on delivering professional services to companies of all sizes, across all segments of the industry. We provide industry specific solutions in the fields of audit and assurance, tax, deals and consulting services to help companies address their business and stakeholder issues.

Audit and assurance

PwC audits energy companies in all sectors—including national, international, upstream, midstream, downstream and oilfield services companies. Our audit market share of the energy sector is 32%.

Energy companies want audit teams to understand their issues and business challenges when analyzing their financial performance. Our dedicated energy professionals receive specialized training, including regular updates on regulatory and technical issues. This training is augmented by both internal and external industry events, which brings our people the in-depth knowledge that allows PwC's energy professionals to walk and talk the industry with their clients.

Financial statement audits

The financial statement audit has never been more important to companies than it is today. Investors are scrutinizing corporate governance and reporting and they expect more: greater reliability, more oversight and clear evidence of internal controls. Meeting investor expectations begins with the completeness and accuracy of information contained in a company's financial statements.

Transparency, evidence of strong management controls and adherence to regulations are all components of the financial statement audit. PwC auditors around the world use a single, global audit methodology, fully

compliant with International Auditing Standards and applicable national standards. Our globally consistent approach to the audit means that regardless of location, PwC people can understand and evaluate your business using a single language and common methods. In turn, that gives you a uniform level of quality in all our audits. This methodology also enables us to quickly organize and deploy the kinds of multinational audit teams often required by our larger energy clients. PwC's work takes into account all current and where appropriate, prospective auditing, accounting, and reporting regulations and guidance. Our audit clients include many of the world's leading multinational corporations, as well as many state-owned, small and medium-sized.

PwC audit teams hold annual Audit Planning Workshops, in which members of the team from around the world gather for a face-to-face meeting, to plan and discuss the audit. The client's Chief Financial Officer or Controller often attends these meetings to share any concerns and learn about particular challenges involving staffing, regulatory changes, timing, etc.

In addition to auditing financial statements, we offer a full range of assurance services to energy companies, covering areas such as statutory audit, regulatory risk, Sarbanes-Oxley and International Financial Reporting Standards (IFRS) compliance, independent review of systems, controls, and processes, and advice on acquisitions, alliances and disposals. We are leaders in developing non-financial performance reporting, helping our clients respond to the need for greater transparency, and improved corporate governance. We help companies with sustainability issues, including health, safety and environmental programs.

Representative audit and assurance clients

Below are some of our public and private audit clients, including National Oil Companies and joint venture entities.

Alliance Oil Co Ltd.
 BG Group plc
 BP-TNK
 Canadian Natural Resources
 Centrica plc
 Chemoil Energy Limited
 Chesapeake Energy
 Chevron Corporation
 China National Petroleum Corporation
 CHS Inc.
 DCC Plc
 DONG Energy A/S
 E.ON AG
 Ecopetrol S.A.
 Emirates National Oil Company Limited

Ecopetrol
 Empresa Nacional Del Petroleo (ENAP)
 Empresas COPEC S.A.
 Enbridge Inc.
 EnCana Corporation
 Exxon Mobil Corporation
 Federation of Migros Cooperatives
 Gas Natural SDG, S.A.
 Gazprom Neft Trading GmbH
 Hellenic Petroleum S.A.
 Hutchison Whampoa Limited
 Jugopetrol
 Kenya Oil Company Limited
 Kinder Morgan Energy Partners, L.P.
 Koç Holding A.S.
 Marathon Oil Corporation
 Nabors Industries Ltd.
 Neste Oil Oyj
 Newfield Exploration
 Nippon Mining Holdings, Inc.
 Novatek OAO
 Oando (Nigeria) Plc

OAO Gazprom
 ONEOK, Inc.
 PERTAMINA (Persero)
 Petrojam Ltd
 Petroleum Company of Trinidad and Tobago Limited – PETROTRIN
 Petroleum Development Oman
 Plains All American Pipeline
 Plains Exploration & Production
 Royal Dutch Shell plc
 RWE Aktiengesellschaft
 Saudi Arabian Oil Company
 Schlumberger Ltd.
 SHV Holdings N.V.
 Sime Darby Berhad
 S-Oil Corporation
 Suncor Energy Inc.
 Technip
 Transneft AK OAO
 Wood Group
 World Fuel Services Corporation

Regulatory compliance and reporting

For all organizations engaged in activities that come under the control of a regulator, PwC provides support, advice, and assurance to help you manage regulatory risks. In an ever-changing regulatory environment, we help ensure that you identify, manage, and control any existing and future regulatory risks. Our teams consist of experienced regulatory risk specialists, including former regulators who know the rules, and have implemented and assessed multiple company compliance efforts. Our people can help you at the strategic level, identifying ways to minimize the costs and potential disruptions to your business that can stem from regulations, while ensuring full compliance.

Sarbanes-Oxley compliance

For all Securities & Exchange Commission (SEC) registered organizations who must comply with the requirements of section 404 of the Sarbanes-Oxley Act, PwC provides a range of services to help you achieve compliance. Our services include project management assistance, technical support, risk assessments and scoping activities, assisting in documentation and evaluation efforts, training, quality assurance, and review. For non-audit clients, we can also provide direct assistance in the evaluation and remediation of controls.

IFRS reporting

PwC has a proven track record in helping companies successfully complete the transition to new accounting standards. Understanding the complexity of such changes, we build teams with a range of specialists to assist your company's conversion to IFRS, including: technical accounting, treasury, tax, human resource, merger and acquisitions (M&A) valuations and project management specialists. Our proven IFRS transition methodology has helped more than 200 companies through operational problems, focusing on effective knowledge transfer to ensure lasting benefits.

Under IFRS, there is little guidance on the accounting for exploration, development and production of minerals, oil and gas. Recognizing the need for further clarification, the IASB undertook a special study of extractive industries, and in August 2009, issued a draft of “*The Extractive Activities Discussion Paper*” as a first step towards an IFRS for these activities. A team of our global energy specialists who focus on extractive industries worked with the IASB in its efforts to draft these standards. We provided input regarding issues such as definitions of reserves and resources for financial reporting purposes, the basis for recognizing mineral, oil and gas assets, initial and subsequent measurement of mineral, oil and gas assets, and related disclosures.

Joint venture audits

In the energy industry, it is fairly common to see companies enter into joint venture agreements. Whether companies are trying to share the risk, share the costs or capital investments, or gain access to technology or reserves, the joint venture arrangement often makes good business sense. Joint ventures must also be audited, and the scope of these audits differs from a single entity audit. PwC has in-depth understanding of the accounting and reporting issues affecting joint ventures in the energy industry.

Some of the key components of the scope of a joint-venture audit includes:

- Verification of significant direct charges made to the Joint Venture Accounts with the underlying contracts and supporting documents
- Verification of common/indirect costs allocated to Joint Venture and related allocation principles
- Review that significant costs & expenditures have been accounted and classified as per the provisions of Joint Operating Agreement (JOA)
- Examination of the various statements and billings for compliance with the provisions of JOA
- Verification of oil sales and respective entitlements of the JV partners
- Assessment of the effectiveness of budgetary control processes. Verify that significant expenditures have been incurred pursuant to approved budgets. Review significant variations from the budgets.
- Assessment of the internal control effectiveness of the invoice processing & approval process for significant expenditures reviewed
- Examination of Cash Management (cash calls, forecasts & payments) and related procedures (cash & bank balances; including confirmation from banks on year end bank reconciliations)

- Review of procurement procedures with the objective that contracts have been awarded based on the laid down policies & procedures and in accordance with JoA
- Review the effectiveness of the Contract Management Systems in place to actively monitor the performance of contractors for contracts awarded for Joint Venture activities
- Verification of procedures in place for inventory management
- Review of time writing processes and its allocation procedures



Case in Point:
Transitioning to IFRS

A State Oil Company in Eastern Europe had to transition to IFRS by year-end to be in accordance with the national legislation for adoption of the new standards. In addition the company obtained a syndicated unsecured loan from a consortium of banks that required a submission of IFRS financial statements twice a year in accordance with strict deadlines. The existing accounting in the Company, which consisted of a group of 18 largely unique but integrated business operations ranging from upstream and downstream to construction, pipelines, sea fleet, R&D, etc., was largely manual, non-standardized, with no consolidation requirements under local generally applied accounting principles (local GAAP).

By the time this Company reached out for help, PwC's Transition IFRS methodology had been tried and tested on over 1,500 IFRS conversion engagements all over the world. PwC's approach was to jointly develop a set of practical and easy to follow policies, guidelines, templates, and processes with the client. Teaming with the client, PwC brought in trained personnel to ensure that IFRS was embedded into operations throughout the Company. The work on the project

began with analysing the company's key business processes, and developing a list of requirements for implementing accounting procedures for IFRS reporting purposes. PwC helped with the development of the Company's IFRS Accounting Policy, an IFRS Chart of Accounts, accounting guidelines for IFRS reporting purposes, templates for the company's stand-alone and consolidated IFRS financial statements and reporting algorithms. We also performed an IFRS restatement of the Company's prior year financial statements for the purpose of presentation of the current year financial statements in comparable figures. Our team worked closely with the Company to provide on-site IFRS training.

As a result of PwC's efforts, the Company was the first in the country to convert to IFRS and to fully embed the new standards in its processes and organization. Instead of following a regular restatement exercise with the help of external consultants, the Company now had the necessary organisational structure, data capabilities and people in place to ensure that IFRS reporting was produced timely and reliably, and future changes could be factored in easily.



Capital market transactions and initial public offerings

For companies seeking to raise debt or equity capital in the capital markets, PwC can provide an independent view of the critical issues involved in accessing a particular capital market. Our advice is tailored for the oil and gas industry, the size and complexity of the business, and the scope of the transaction. For companies considering going public, or spinning off part of their business, we have the experience and expertise to position the entity to go public and then take an active part in making the event successful when it happens.

Internal audit services

Maximizing the value and effectiveness of the internal audit function requires an understanding of an organization's objectives, risks, risk management priorities, regulatory environment, and the diverse needs of critical stakeholders including executive management, the board, employees, and shareholders. By advising and assisting in the development of internal audit and risk management methodologies, we can help improve the quality and effectiveness of the internal audit processes.

Systems and process assurance

Systems and Process Assurance (SPA) provides companies assistance related to controls around the financial reporting process, including financial business process and IT management controls. For example, the PwC SPA professionals perform business process controls reviews, security reviews for databases, infrastructure and IT general controls. These professionals can provide third party assurance and opinion services, Sarbanes-Oxley readiness, process improvement and sustainability services. Our teams work with companies to help them with compliance and other regulatory requirements (e.g., Turnbull, Basel II, King), due diligence on systems and controls, pre- and post-implementation systems reviews, data quality reviews and computer security reviews.

Case in Point:
Focus on controls

A major global oil and gas company identified a need to enhance its staff's understanding and focus on controls. In addition to addressing the compliance requirements of Sarbanes Oxley (SOX), our client knew that it was time to engage a much wider group to ensure a company-wide, sustainable internal control environment. This meant improving the staff's understanding and attention to controls both within and outside of the finance function.

PwC was engaged to provide training and to develop the control excellence programme. The company had previous experience working with our SPA professionals, and used this positive history as the basis of their selection. After PwC designed and developed the Control Excellence Programme, the Company felt that PwC could create an engaging learning programme for a potentially dry subject matter. PwC developed

a 2-day programme to address the wide needs for Internal Controls Awareness. The programme topics ranged from a basic understanding of the Internal Control Fundamentals through company specific topics such as Balance Sheet Integrity. In addition we outlined solutions for taking this to a wider group through cascaded learning and eLearning.

The Company benefitted from the PwC workshops that took place in a wide range of location to over 1,000 employees. These workshops helped teams to recognise the importance of controls and understand their role in maintaining adequate control. Now, there are regular communications with the control community and the Company is maintaining its control materials so that they are up-to-date and relevant. The Faculty also launched an eLearning package opening up the training to a much wider audience within the organisation.

Advisory services / consulting

Our consulting services utilize our deep financial, analytical, industry and business process skills to provide energy companies with the advice and assistance to improve stakeholder value, build trust and boost performance. Around the world, organizations engage us to help them capture opportunities, navigate risk and deliver lasting change across business networks.

Our consultants bring together a full range of functional and industry skills to help you in this environment. We take the time to listen and have the courage to debate different points of view—based on independent and challenging insights, supported by facts and industry benchmarks. In particular, we help clients to:

- Build effective organisations
- Innovate and growing profitably
- Reduce costs
- Leverage talent
- Manage risks and regulation
- Execute better deals
- Restructure troubled businesses

Case in Point: Reducing complexity

A large contractor to the global offshore oil and gas industry rapidly expanded its business over the last 10 years, resulting in significant revenue growth and a stronger market position. But as often is the case, this growth resulted in a complex operational structure and the Company wanted to simplify things.

The Company's operations were structured around five regional businesses, each with its own management structure and infrastructure, and each responsible for its own performance. This operating model served the business well in achieving a position of strength in each region, however it resulted in greater complexity overall. Corporate management was dealing with too many business and operational challenges, and a high effective tax rate. Management decided it needed:

- Simplified, integrated processes and tools fully aligned to the needs of the business

- Standard ways of working across all 5 businesses
- The right structure, processes and tools to enable people to do their work
- Optimized use of resources and elimination of unproductive activities to drive profitability

PwC's advisory team stepped in and used a complexity diagnostic tool to develop an understanding of the Company's specific issues and the overall case for change. We engaged over 100 front line staff in this process. We also performed a tax assessment. The results of these to analyses helped convince the CEO of the need to move into action. We developed options to address the issues, and identified a single target operating model that management approved. PwC focused on the details, pulling in a range of specialists from disciplines across Finance, Procurement, HR, IT, Tax, Legal and Operations. After testing some change models, PwC began designing the model that would be used. The design process involved

Company team members from all regions of the business. The model focused on building alignment across the leadership team to meet the strategic goals of the programme.

The plans developed with PwC support will deliver benefits in the region of \$150 million per year. The model provides for significant reductions in complexity with improved decision making. Processes are standardized and there is a global approach to project management. Using the PwC model, the Company can better leverage knowledge, operate more efficiently, and has improved supply chain management. The Company has seen a significantly improved tax position and an annual reduction in the effective tax rate. By centralising and standardising Finance, IT, HR & SCM, back office costs have been reduced.

Achieve growth

Globalization, commodity price fluctuations, supply challenges and a host of other factors can hinder growth objectives. Companies need to create efficiencies, and find ways to maximize the entire value chain to make the most of their organic growth potential. Non-organic growth is a key route for companies seeking to gain access to new reserves and markets, but geopolitical and economic factors can place added demands on deal-making. PwC has a broad spectrum of capabilities to support companies' efforts to manage the growth that will be necessary to meet the ever-increasing energy demand. Whether a company is considering a transaction, joint venture agreement, production sharing agreement, or organic expansion, our energy professionals have the experience and deep industry understanding to deliver value and contribute to your success.

People and change

Energy companies face huge gaps in their workforce, due a high number of aging employees, fewer graduates with technical, petroleum and science degrees, and a competitive marketplace. With more than 6,000 human

Case in Point: Learning from risk failures

PwC has reviewed recent high-profile risk failures in several industries. In each example, traditional, sometimes sophisticated, risk management practices were in place but failed to predict, mitigate or respond to the event. The reality is that risk now manifests in ways that are radically different to the past but risk management hasn't kept up. We identified four lessons that every Company should learn.

A new understanding of risk.

Good practice companies quantify and articulate the risk appetite of investors, building it into risk-adjusted required returns. They review and adjust their asset portfolio to remove assets that are inconsistent with the risk appetite. They identify as a separate class of risk high impact, low likelihood risks that could destroy the company, and oversee them at corporate level. In evaluating risk, they consider not just technical and safety issues but a wide and interconnected range of operational, strategic, financial and reputational impacts as well. They extend their

understanding of risk across the entirety of their supply chain and recognise that however extensive their outsourcing of operational activities, the consequences of a high impact event cannot be outsourced.

Heightened readiness to respond.

Good practice companies use their risk analysis to study the consequence of events as well as their causes. They role-model integrated scenarios that combine operational, technical, financial and reputational risk factors in high impact potential events. They identify who will be involved and how the CEO and Chairman will interact with other key spokesmen and prepare them so they aren't caught off guard under pressure. Their operational response plans include redundancy so they minimise time-lag between an event and a permanent fix if the first solution fails.

Enhanced checks and balances.

Good practice companies appoint non-executives with direct experience of relevant operations and engage them proactive on issues of risk. The senior executive for risk reports directly to the CEO and is on the Executive. There is clarity in the distinction between responsibility

for risk in the line, responsibility for technical standards and mandates in the risk function, and responsibility for assurance. There is one approach to risk with a common framework, common risk matrices and common assessment techniques. There is a focus on knowledge and skills in relation to risk as well as risk policies, and operational controls are standardised, monitored and reported with the same rigour as financial controls.

Behaviour aligned with policy.

Good practice companies have identified four dimensions of performance (in year delivery & continuous improvement, safety & reliability, growth & innovation, and stewardship) and they are balanced and aligned, each dimension having appropriate metrics to assess performance against. Reward strategies reflect the right short and long term incentives. Performance management and evaluation is rigorous with the right conversations supported by leadership action. Transparent and open channels enable effective communication of concerns and issues.

resource (HR) professionals in over 151 countries, PwC's network has one of the world's largest HR advisory organizations. Our multi-disciplinary approach allows us to advise on all aspects of people management, helping our clients to create value and deliver competitive advantage for their businesses through people. Whether it is assisting with international expansion, change programs, tackling skills shortages, improving and measuring human capital performance or developing effective remuneration systems, PwC's HR professionals can help.

Manage business performance

The regulatory, shareholder and market's pressure on energy companies to deliver year-on-year performance improvement is becoming even more intense in a fluctuating environment. What worked six months ago may no longer apply to today's cost containment or risk management issues. From getting the most from your own operations to improving internal systems performance or

managing your supply chain and outsourced relationships effectively, we really listen to your business issues and work with you to deliver sustainable performance improvement.

Shared services and outsourcing

Many companies have already outsourced their IT and back-office functions or established shared services centers for major business processes. Companies are now outsourcing core activities such as human resources, tax and legal services, as globalization and connectivity enable new ways of doing business. The rationale for outsourcing is thus changing dramatically; a growing number of organizations see it as a means of obtaining strategic advantages, and not just as a cost-cutting measure. PwC's specialists assist companies by helping identify which activities to outsource, defining your requirements and assessing suppliers, negotiating terms, making the necessary internal changes and communicating these to employees, managing the related risks, and managing the contracts.

Embed sustainability

Energy companies know that they must provide reliable and affordable energy. Many energy companies are successfully integrating sustainability into their overall strategies by engaging all stakeholders, developing robust performance indicators, voluntarily preparing for sustainability, corporate social responsibility, and safety and environmental reports, and, in some cases, providing independent verification of these reports to increase the transparency of their disclosures. PwC's Sustainable Business Solutions team works with energy companies to align corporate governance and policies, operating systems and processes, performance reports and mechanisms to meet the needs and expectations of stakeholders.

Make smarter risk decisions

Energy companies face a variety of risks, from geopolitics and regulatory concerns, to investment and financial decisions. PwC can help clients with all aspects of the risk continuum such as regulatory remediation, integrated governance, risk and compliance, tax effectiveness, managing costs, and evaluating new opportunities. We do all of this in the context of the broader risk equation that enables companies to meet performance and risk objectives, resolve uncertainty and achieve their goals.

Deal with unplanned events

In today's environment, businesses need to anticipate, prevent and effectively manage critical risks that have the potential to cause significant interruption and generate negative media attention. Sometimes, the unplanned occurs—a hurricane strikes an offshore platform, a terrorist group threatens assets or people, an important contract is suddenly cancelled—and being able to respond immediately can make all of the difference in the outcome. PwC can help you respond to and control the situation. We offer a broad spectrum of services, with the ability to deploy a cross-border team on a moment's notice. From business recovery services, to dispute analysis, investigations and disaster recovery, PwC's specialists can provide you with direction, an understanding of your options, and an expedient plan forward.

Forensics

Whatever the complexity or urgency of the situation your organization faces, PwC's forensics practice can provide seasoned support and solutions. We combine forensic accounting and investigative skills to organizations (and their lawyers) that are facing issues with financial and legal implications, to help to make intelligent, informed decisions whether in the boardroom or the courtroom.

Dispute support services

We provide financial, economic and business services to both lawyers and corporate clients globally who are involved in litigation, arbitration, and other alternative dispute

resolution forums. Our experienced professionals can offer assistance with early case assessment, class certification, discovery assistance, quantification of exposure, claim preparation, and rebuttal and expert witness testimony. Whatever the situation, from breach of contract or warranty to income losses from torts, we are here to help.

Forensic accounting and analysis

Companies often face a variety of challenges in implementing their strategic visions, executing or defending their business models or unlocking the latent value and potential of information. Supported by our state-of-the-art forensic technology tools, we can provide a clear evaluation of the problem or opportunity, options for tackling the issue and action plans to achieve the optimal outcome. We assist clients in protecting and maximizing the value of their intellectual property by examining compliance with licensing agreements.

Investigations

Dealing with suspicions of unethical or illegal actions requires much more than simple know-how. It requires speed, sensitivity and discretion. It also requires an in-depth knowledge of the legal and regulatory frameworks in each jurisdiction. We understand the importance of reacting quickly and confidentially to a crisis situation. We appreciate the need to stop illegal activity, safeguard your company's assets and reputation, prevent recurrences, and arrive at a resolution with as little disruption as possible to the regular flow of business.

Deals

Deals are crucial to many energy companies' strategy, driven by the need to secure supply, extend market footprint, or free up cash and capital. Whether it is a full-scale merger, or sale or purchase of producing properties, or evaluating options, PwC is well known in the marketplace for our knowledge and experience in all types of financial transactions including mergers and acquisitions, valuation, growth or divestments, and exit strategies. We focus on the deal continuum from strategy through execution and post-deal integration, including financial and operational due diligence, accessing the capital markets and valuing, negotiating and structuring deals. We provide advice on the implications of financing projects, corporate debt, restructuring, investments, mergers and joint ventures. We advise on ways to better manage assets and large capital investments amidst increased competition, or in times of uncertainty. Our advisors can evaluate technical, operational, market and financial risks.

Tax services

Global tax services

Tax regulatory issues are top of mind for oil and gas companies operating around the world. PwC has the strongest international network of any professional services firm, with dedicated tax specialists in 151 countries. This means that we can support you both locally and globally, wherever you require tax advice. Our global energy tax services focus on helping our clients understand local tax regimes, and develop tax strategies for all of the various taxes that come into play, including royalties, excise taxes, value-added taxes, etc. Our energy professionals can help companies deal with the tax consequences of oil and gas contracts (such as Joint Operating Agreements, Production Sharing Contracts, manufacturing and marketing agreements and farm-out/farm-in agreements) being negotiated or concluded with the government or co-operators.

International tax structuring

Our tax professionals solve challenging issues, anticipate changes that can impact your tax situation and financial statements, and keep you apprised of local, state, foreign and international tax regulations as they pertain to your company's operations. Our network of international tax structuring professionals can help you to structure your international business in a tax efficient manner, both locally and globally. We can help you construct effective cross-border strategies and manage your global structural tax rate. We will also keep you abreast of new developments in the international arena that affect your business.

Global compliance services

For both corporate income taxes and indirect taxes, our Global Compliance Services group offers unparalleled excellence. Our approach to corporate income tax compliance helps companies seeking better tax management across a number of territories or with multiple entities in one territory. This is particularly relevant when a company is entering new countries or where accounting and finance resources are being moved into shared service centers. We have specialized tax compliance centers and skilled local territory tax teams providing quality technical support around the world.

Corporate secretarial services

The potential risks of ineffective global governance and compliance systems for multinational companies are often not recognized until failure occurs. PwC has an extensive global network providing access to corporate secretarial specialists in over 80 territories who are in a unique position to advise and assist clients with their global governance and compliance needs, whether they are operating on a single or multinational basis. Post Sarbanes-Oxley, one of the major challenges facing multinational companies is the need for the implementation of internal controls to ensure effective management of legal entities on a global basis. Our corporate secretarial service offering is based around two key principles: global governance and global compliance (legal entity risk assessment, legal entity management and corporate changes). From the incorporation of a new company or branch, the ongoing compliance with local legislation requirements, to the restructuring of your global businesses, our legal services network is in a unique position to assist you in ensuring the good standing of all of your legal entities in accordance with local legislation.



Indirect taxes

Indirect taxes, including goods and services taxes (GST), value-added taxes (VAT), severance, property, employment, excise, motor fuels, sales and use taxes, and customs duties are uniquely imposed by a variety of jurisdictions and can be a significant burden for any energy company. Energy companies in particular, due to their large volume of commodity based transactions, can be exposed to significant taxes on transactions. Our indirect tax professionals can assist in first determining what taxes are imposed by a jurisdiction, whether the activities of a company are enough to subject it to the tax, and how to either structure the company's activities so as to avoid the tax or assist in complying with the filing requirements. Due to the significant differences in taxes and related rules among the jurisdictions, it may be possible to minimize the overall tax paid through proper planning.

Tax merger and acquisition services

Early tax planning for mergers and acquisitions is essential to reduce both the actual transaction tax costs and the long-term sustainable tax rate following the transaction. PwC has the largest network of M&A tax specialists in the world and we can offer you expert deal structuring and financing advice at all points throughout the deal cycle. We deliver value through quantitative analysis, rigorous implementation and leading edge structuring techniques, carrying out pre-acquisition due diligence, ensuring tax efficient deal structuring, and ensuring post-deal integration.

Transfer pricing

Inter-company transactions across borders are growing rapidly and are becoming much more complex. At PwC, we have a strong international network of dedicated transfer pricing specialists with advanced training in economics, accounting, law and project management, who are ready to work with you. Our industry and tax authority experience and unique capabilities enable us to develop innovative approaches for energy industry participants. The last few years have seen a surge of transfer pricing audits, a trend that is not expected to slow down anytime soon. A decade ago, only a few countries had formal transfer pricing documentation requirements. In 2009, more than 60 countries did. This new environment requires multinational corporations to take proactive, coordinated steps to understand their transfer pricing arrangements and documentation requirements. Risks must be identified and addressed. Disputes and audits must be avoided, managed, and resolved. All issues must be coordinated and aligned across jurisdictions before they develop into larger business concerns. Our global tax controversy and dispute resolution professionals will assist your company to proactively evolve in this rapidly changing environment.

International assignment services

Most oil and gas companies today operate in more than one country or region. For these companies, deployment of talent is a key to success. Whatever the mission—sharing knowledge, implementing management processes, expanding business into new territories—assignees provide the fuel for global growth. Our International Assignments tax group can help companies with ensuring that your international assignment policies are aligned with and meet the needs of your business while being cost-efficient. We help clients prepare tax-efficient international assignment structures and policies and manage risks by complying with the regulations where their workforce is deployed.

Sustainability and climate change tax services

With the growing concern over sustainability and climate change, and the regulatory regimes to address these issues, PwC's sustainability and climate change tax network helps clients with issues such as carbon taxes, environmental taxes and regulation. Our services include compliance and incentives, footprint and monitoring, fund structuring, transfer pricing, human resources, and policy consulting. Our *Tax and the environment—a world of possibilities* text is a valuable tool for cost-effective planning. This study provides an overview of both environmental taxes and tax incentives related to environmentally friendly investments and activities and analyses environmental tax measures in 13 major territories.

Case in Point:

Optimising a holding structure for offshore exploration

A European exploration and production company participates in a large number of upstream projects in foreign locations through branch entities or subsidiaries. The Company wanted to develop an effective tax structure to enhance financing of the projects.

The first step in putting together an effective tax structure involved analyzing various options which would optimize flows of the structure, while minimizing issues related to financial reporting. The structure needed to address operational optimization, allocation of costs to the concessions and the efficiency of tax settlements, while limiting legal risk. Following a

careful analysis of options, the PwC team developed a universal and elastic vehicle that met the objectives.

In preparing the tax holding structure, PwC examined geographic locations that had favourable exemptions and duties. The most suitable location was recommended to the Company, along with the plans for establishing the holding structure.

The resulting tax structure for the upstream activity provides tax effective financing of projects which benefits the Company. The structure location has an absence of stamp duties and allows for exemption from taxation of income from dividends, profits from the sale of shares, and exemption from withholding tax.



The Global Tax Monitor recognizes PwC as the leading tax adviser globally by reputation, with a very strong lead over the competition.

Our reputation as global market leader extends to the various tax service areas, where we have a very strong lead over the competition in domestic and cross-border tax compliance, domestic and international corporate tax planning, indirect tax/VAT, M&A, transfer pricing, compensation and benefits, tax risk minimization, tax accounting, tax function effectiveness and expatriate tax planning and compliance.

Finding solutions to industry challenges

Access to capital, rising costs, pressure to reduce the carbon footprint, whether to invest and how much to invest in alternative fuels and energy sources, changing demand patterns, skilled workforce shortages, safety and environmental concerns and changing geopolitical scenarios are just some of the issues and challenges facing energy companies today. Energy companies know that their business is cyclical, and that new projects require long lead times. Managing the ups and downs of commodity prices, while trying to remain competitive and satisfy stakeholders is difficult. At PwC we deliver value to our clients by delivering services that help energy companies address the many challenges they face today.

Challenge: Changing market dynamics, including commodity prices, supply and demand, cost structures

Energy is a mature industry, but continues to evolve and experience changing market dynamics. Characterized by long project lead times, and a boom-to-bust cycle, the oil and gas business requires careful strategic planning and long-term thinking to achieve success. Once dominated by international oil companies, national oil companies have brought increased competitive factors into play. Access to easy reserves has all but disappeared. Nonconventional plays—searching for reserves in deep water, and mining bitumen and shale—are more common in today's industry. Amidst these market dynamics, prices have continued to fluctuate up and down in drastic swings over recent years. There is a clear competitive advantage to those energy companies who can operate an efficient business, controlling costs and finding ways to improve performance. This is where PwC can help.

PwC services

When companies want to make sustainable changes to improve performance, they call on PwC to help design, manage and execute a program to reduce costs, increase efficiencies and enhance operational effectiveness. Using our deep understanding of finance, risk management/compliance, IT systems, operations and human resources, we help our clients identify and implement cost saving initiatives, improve processes and internal controls, identify and manage risk and improve quality. We also use our proven experience and knowledge to provide hands-on assistance to improve financial under-performance and cash-flow management. Our industry skills and understanding ensure tailored solutions to support your response to increasing regulation, competition, risk and costs. Some of the areas where we can help companies improve performance include:

Finance

- **Maintaining compliance and control:** Being accountable to the business and to the financial community, CFOs have put compliance and control on the top of the agenda. For many, responses have been tactical rather than strategic. More deeply embedded and sustainable solutions are now required. Flexibility to respond to future regulatory change is also increasingly important.
- **Driving efficiency:** The pressure to release resources and capacity has never been greater. Gains may come from the elimination of redundant activities, consolidations of activities (for example, through shared services), standardization and automation of processes. These steps have in some instances resulted in cost savings in excess of 50 percent.
- **Providing insight and challenge:** Insight takes different forms in different organizations. It involves

delivery of an effective performance management framework, understanding the key business drivers and challenging and supporting business decisions around these drivers. Equipping finance to deliver effective support on these aspects requires tools and capabilities which are often new to the function.

Technology

To assist you in getting value from technology investments, we bring together the skills to deliver improvements in processes, as well as the knowledge in IT strategy, IT architecture and design, enterprise applications, sourcing, project management and IT operations management. We can help you with:

- Aligning IT to the business
- Managing IT costs and value
- Sourcing and service management
- IT transaction services due diligence

Governance, risk and compliance

We support clients in identifying, understanding and managing risk and help ensure an appropriate balance between risks and opportunities. Our specialists assist businesses in designing and implementing governance and compliance programs to ensure that the company continues to operate within the boundaries of relevant legislation and regulations. This includes building a culture of doing the right thing. Areas of focus include:

- Governance such as board and management performance and accountability, or improving stakeholder and regulatory relationships and communications
- Enterprise risk / portfolio risk management
- Managing business process for compliance outcomes
- Compliance monitoring and reporting
- Compliance cost management
- Incident identification and remediation

Capital projects and infrastructure

Whether related to infrastructure, construction of a new plant, building or system, capital projects require separate financing, management, governance and assurance. The scale of projects in the energy sector presents immense challenges at the best of times. The challenge of developing and delivering capital projects is further intensified as the nature of projects themselves becomes more complex and demanding. For example, many projects need to be sited in very demanding locations in order to source more marginal reserves or gain permitting. Projects are also becoming more technologically demanding as companies factor in the impact of evolving technologies, such as carbon capture and sequestration. Companies also have to contend with the ups and downs of labor and skills availability.

The importance of optimizing capital project planning, management and delivery is critical. PwC is well-equipped to assist with the challenges facing companies and guide them through the steps they need to take throughout the capital project cycle to achieve the best outcomes. Our highly experienced specialist teams of industry experts, engineers, surveyors and project accountants work closely with companies to review capital project practices throughout the project lifecycle, including portfolio

Financing renewable energy projects in the US

Political leaders from around the world gathered at the Copenhagen Climate Conference in December 2009. Although no consensus or agreement on global targets for reduction of emissions was reached, participants recognised that climate change is one of the greatest challenges of the present day and that actions should be taken to keep any temperature increases to below 2°C. Notwithstanding the impasse at Copenhagen on actual emission reduction targets and mechanisms, a number of countries have created various incentive or subsidy programs to encourage the development and building of wind, solar and other forms of renewable generation. In several countries, notably Germany and Spain, these programs have

included 'buy-in' tariffs for renewable energy projects. Such tariffs provide the developers of renewable projects long-term off-take contracts for the sale of the electricity generated at above market prices.

A different approach has been taken in the US where federal policies have been adopted to provide incentives through tax credits and accelerated tax depreciation of equipment. To benefit from the tax advantages, the developer and/or other investors in the renewable energy project must have sufficient future cash tax liabilities to efficiently realize the economic value of the tax incentives.

The US tax incentive programs make it more challenging for smaller or start-up companies and non-US companies with little or no cash tax appetite in the US to develop renewable energy projects. The current economic climate has also significantly reduced the number of traditional investors that have the

management, governance, project management, risk and quality management, procurement strategies, supply chain management and management reporting.

Issue: Sustainability, climate change and security of supply

Across the globe governments and consumers alike are calling for a secure energy supply. In developing economies, energy is synonymous with economic growth. In developed economies, energy companies are called upon to supply a clean fuel source, readily available at a reasonable price. In both developed and developing countries, energy companies face an increasingly complex environment. New reserves are becoming more difficult to find and develop, with some regions off-limits due to nationalism, environmental issues, war or terrorism. Alternative energy sources can take years to bring online, and are often more costly than traditional hydrocarbon resources.

PwC services

Our global energy practice includes over 4,000 professionals in 154 countries around the world, providing our clients with on-the-ground resources in every major energy center. Such global reach allows us to keep our clients better informed of new developments, such as

tax appetite to utilize the benefits of these incentive programs. To overcome these barriers, various complex partnership structures are being created to enable the project developers to monetize the tax incentives. Such structures require the identification of 'tax partners' that have the ability to efficiently utilize the tax benefits. Nonetheless, in periods when the tax incentives exceed the available 'tax equity' partners, the development and financing of renewable projects can be negatively impacted resulting in the either delay or cancellation of the project. A clear understanding of the importance of these structures and the roles played by various parties is critical for success in the US renewable market.

changing political and regulatory environments, economic conditions, environmental developments and other situations which can have an impact on your business. We provide insight and advice in areas including:

- International expansion through direct investments, transactions, joint ventures or production-sharing agreements
- Carbon management
- Managing commodity price and currency risks
- Assessing and managing geopolitical risks
- Non-financial reporting such as sustainability reporting
- Managing cash repatriation
- Global workforce strategies and expatriate planning
- International tax structuring, tax planning and favorable tax regimes
- Enterprise-wide risk management

For many companies, the most challenging aspect of the sustainability agenda is incorporating the concept into their long-term strategy. The forces driving companies to integrate sustainability into their strategic planning are now familiar—regulation, climate change, safety and environment, resource constraints, globalization and ease of access to information. Making the appropriate changes in the organization can be more difficult. By assessing the specific sustainability issues that affect the business most critically and identifying where opportunities lie given not only its sector and locale, but also its particular competitive advantages, a company can develop the appropriate response, and a vision for where it wants to be in five years. Then, to bring that strategy to fruition, a company can plan its resource allocation around its sustainability agenda, its strategic goals and metrics, and the communications plan for stakeholders—including employees. PwC helps clients at every stage of this process and embeds sustainability considerations into all aspects of the organization.

From a tax perspective, our sustainability and climate change tax network provides advice and support with tax issues arising from both the governmental response, such as the introduction of carbon, environmental taxes and other regulation, and from the business response, such as reorganization or acquisition, to the sustainability and climate change agenda.

Challenge: Managing geopolitical risks

Energy companies understand the business consequences of political change perhaps better than any other industry. A political change—the outcome of an election or shift in regulatory environment—can change everything in a flash. Regulatory changes, including tax regime changes, environmental standards and labor laws can have a significant impact on the cost of doing business.

Many of these changes can be anticipated, and therefore managed. The process of managing political risk can help position companies to better prepare for the risks most likely to affect business operations, market performance and shareholder value, as well as take advantage of new opportunities before competitors do.

PwC services

PwC has teamed with Eurasia Group to bring together a team of specialists who developed a Political Risk Assessment (PRA) diagnostic and monitoring methodology which enables companies to isolate and assess the contribution of political risk to their overall risk profile. This PRA allows energy companies to understand and better manage these risks, and identify and capitalize on unexploited opportunities.

Leveraging PwC's global network is a significant competitive advantage for our clients as they manage geopolitical risks. Our industry specialists on the ground understand both the client's business and the dynamics of doing business in a territory targeted for expansion. For example, our tax specialists help companies balance the tax opportunities and risks in a new reporting location to manage the client's overall effective tax rate changes proactively.

Managing political risk to improve business performance

PwC was asked by a major international oil company to help them develop a more quantifiable approach to measuring political risk. The company recently decided to limit its core oil and gas exploration to a select group of countries with higher risks to the company rather than search for reserves in more politically stable jurisdictions. The organization believed that this approach to exploration created higher risk, but with a higher risk-adjusted rate of return. As a part of their analysis, the company wanted to quantify the risks associated with their strategy, especially political risk. By doing so, they could incorporate measures of political risk into their business development and capital allocation models. PwC demonstrated how political risk can be measured by first identifying the key elements of political risk that influence the company's performance in the oil and gas sector. These elements can be evaluated using qualitative and quantitative measures. The measures are then assigned risk probabilities and values that can be incorporated into the clients' risk model. This beneficial approach allows risk probabilities and values to be monitored and adjusted over time; the approach also provides the company with a measure of risk-adjusted return on capital.

Issue: Industry transactions and consolidation

A large number of significant transactions since August 2009 seem to be a strong indicator that energy industry is once again focused on growing and expanding. The size and scale of energy companies continues to grow; the oilfield services sector is further consolidating, and upstream companies are buying access to important oil and gas reserves. Today's worldwide energy consumption is projected to increase by 50 percent from 2005 to 2030. To feed the world's increasing demand for affordable and reliable access energy requires greater capital, larger workforces, better technology, and effective risk management.

PwC services

PwC has a broad spectrum of capabilities to support companies' efforts to manage the growth that will be necessary to meet the ever-increasing energy demand. Whether a company is considering a transaction, joint venture agreement, production sharing agreement, divestiture or organic expansion, our energy professionals have the experience and deep industry understanding to deliver value and contribute to your success.

- **Mergers and acquisitions:** We focus on the deal continuum from strategy through execution to post-deal integration, including financial and operational due diligence, accessing the capital markets and valuing, negotiating and structuring deals.
- **Strategic and valuation advice:** We provide independent expert valuation advice for your business. For example, we evaluate the financial implications of corporate debt, restructuring, investments, mergers and joint-ventures. We advise on better managing assets and large capital investments amidst increased competition, or in times of uncertainty, and we evaluate technical, operational, market and financial risks.
- **Growth or divestments and developing exit strategies:** Our specialists help you complete and extract the maximum value from your transactions.
- **Tax merger and acquisition services:** Full realization of merger synergies requires exploring tax-related opportunities and protecting against tax-related risks. Some of the areas that our M&A tax professionals deliver more value to our clients include:
 - Addressing key issues and identifying opportunities during due diligence
 - Creating a flexible global structure
 - Identifying statutory deadlines and current period filing requirements
 - Re-evaluating the global tax strategy vis-à-vis the merger or acquisition
 - Achieving an optimal long-term global effective tax rate
 - Reducing costs and contributing to overall synergy goals

- Evaluating and optimizing tax department structure, resources, processes and systems
- **Post transaction services:** We have post-transaction specialists who can assist you in areas of systems and process integration, human resources, and ways to achieve additional synergies from a completed transaction.

Deal value in a down market

PwC was asked by a bunker fuel company in Europe to help sell the company. The transaction involved a limited global auction across seven countries, and through our international energy network, we were able to help them in each location. A Fortune 500 company was selected as the preferred bidder, and subsequently undertook extensive financial, commercial and environmental due diligence throughout a period of exclusivity lasting for months. Despite difficult trading conditions and a turbulent global oil market, the vendor achieved what he considered to be a strategic value for the business.

Challenge: Complying with regulatory and reporting requirements

The regulatory and reporting landscape is particularly complex for oil and gas companies. Energy companies conduct operations in a variety of regulatory and tax regimes, many with more transitional rather than static regulatory environments. The geopolitical, environmental, safety and regulatory requirements, combined with often complex stakeholder and business relationships, adds to the complex condition oil and gas companies face. In addition, the advent of IFRS and Section 404 of the Sarbanes-Oxley Act for U.S. registrants has added to the challenges. All of these circumstances demand careful judgment around corporate governance, internal controls and external reporting.

PwC services

- **Audit services:** All 60,000 auditors in PwC firms around the world use a single global audit methodology that is fully compliant with International Auditing Standards and applicable national standards, such as U.S. GAAP and IFRS.
- For our energy clients, we bring together a global team with appropriate industry experience and skills, including functional and technical specialists. We review external reporting for transparency consistent with the internal information that management uses to run the business. To gain audit comfort, we examine and validate the controls put in place by management to mitigate financial reporting risks.

- **Reporting and compliance consulting:** PwC helps clients identify governance, risk management and compliance information needs for both stakeholder reporting and operational monitoring in every area of the company. We evaluate the source and quality of the data to support the information needs and, after considering cost and other factors, recommend processes, organization and use of technology for obtaining and preparing data and delivering timely information.
- **Energy regulations:** One of the key benefits our oil and gas clients receive is a team of professionals who are thoroughly trained in industry-specific issues and accounting treatments. We keep abreast of changes

and trends involving all of the petroleum accounting matters — oil and gas reserves accounting, impairments, transactions, revenue recognition, intangible assets, suspended wells, and many others – so that we can provide the best guidance to our clients.

- **Taxes:** Oil and gas companies are among some of the largest taxpayers in countries such as the U.S. An effective tax rate of 40 percent or higher is not unusual. Income taxes, excise taxes, royalties, state and local taxes, all add up to a significant expense for energy producers. PwC can help you manage your global tax compliance issues—including corporate tax, indirect tax, accounting, risks and opportunities. We have a strong

Case in Point: Navigating the IPO process

PwC has helped prepare numerous management teams in the energy industry to navigate the IPO process. Our IPO teams provided assistance in all phases of the process, including:

- Scoping and establishing a roadmap to an IPO;
- Reviewing and assisting in the preparation of registration statements;
- Assisting management respond to SEC comment letters; and
- Preparing management teams to meet the challenges of operating as a public company.

Some recent examples of IPO services PwC has provided include:

Biofuels company - PwC assisted a biofuels company prepare their initial Registration Statement (Form S-1). Our team is working with management to document significant accounting policies, with an emphasis on areas of SEC focus, including detailed revenue recognition policies and stock compensation plans, such as potential "cheap stock" charges. PwC worked with the company's external financial reporting group to develop Regulation S-X and S-K compliant disclosures, including expanded financial statement

footnote disclosures, MD&A and CD&A.

Exploration and production company - PwC recently assisted an oil and gas company with the development of flexible methodologies and procedures related to the preparation of pro forma and prospective financial information to be included in their Registration Statement on Form S-1. PwC also identified deficiencies in the Company's financial reporting function that would impact the achievement of the critical new and shorter financial reporting deadlines. Finally, our team assisted this company with the preparation and successful resolution of an SEC pre-clearance matter related to the formation of the company. Gross proceeds resulting from this IPO were approximately \$330 million.

Natural Gas Storage company - We recently assisted a medium sized natural gas storage company through the IPO process. This company had been carved-out of a larger publicly listed company. PwC assisted management with establishing the financial accounting and reporting protocols for the new and smaller public entity. We worked with management to define areas where accounting policy decisions needed to be made. Our team then worked

with management as they assessed their new accounting policy options and the financial reporting and disclosures associated with such decisions. Gross proceeds resulting from this IPO were approximately \$252 million.

Exploration and production portfolio company - PwC recently assisted a private equity firm list one of its upstream oil and gas exploration portfolio companies. The creation and evolution of this company occurred rapidly and the financial accounting and reporting function struggled to keep pace with the changes. As such, our team worked with management to identify key control areas and to clearly define and disclose material weakness and significant deficiencies identified that had been identified through a "high level control" assessment. Even though weaknesses were identified, management, Management's proactive approach and careful preparation prior to the "roadshow" allowed them to fully respond to questions from investment banking groups and potential investors. Gross proceeds resulting from this IPO were approximately \$588million.

international network of tax compliance professionals, providing a consistently high-quality service, coordinated across as many territories as you require.

- **Public offering readiness:** Our Global Capital Markets Group works with companies seeking to raise debt or equity capital in the capital markets. We can provide an independent view of the critical issues involved in accessing a particular capital market. Our advice is tailored according to whether you are a smaller, entrepreneurial company unfamiliar with the IPO process, or a sophisticated national or multinational company that regularly uses the international capital markets. PwC provides advice at all stages of the process, from preparing for operation as a public company, selecting the right capital market, and establishing the right team of Pre-IPO workshops.

Issue: Recruiting and retaining a skilled workforce

The global labor shortage for oil and gas companies remains a perplexing problem. In some countries, such as the U.S., the average age of employees is close to 50, and over half of the current oil and gas workforce will reach retirement age in the next decade. Recruiting strategies and the ability to retain employees in oil and gas companies is more important now than ever.

With growing global demand for energy, companies will need to grow their workforces to meet their production goals and remain competitive. Developing human resource strategies that help attract new recruits, transfer knowledge from retiring employees, as well as retain the experienced workforce and their knowledge and skills, are imperative to the future of the industry.

PwC services

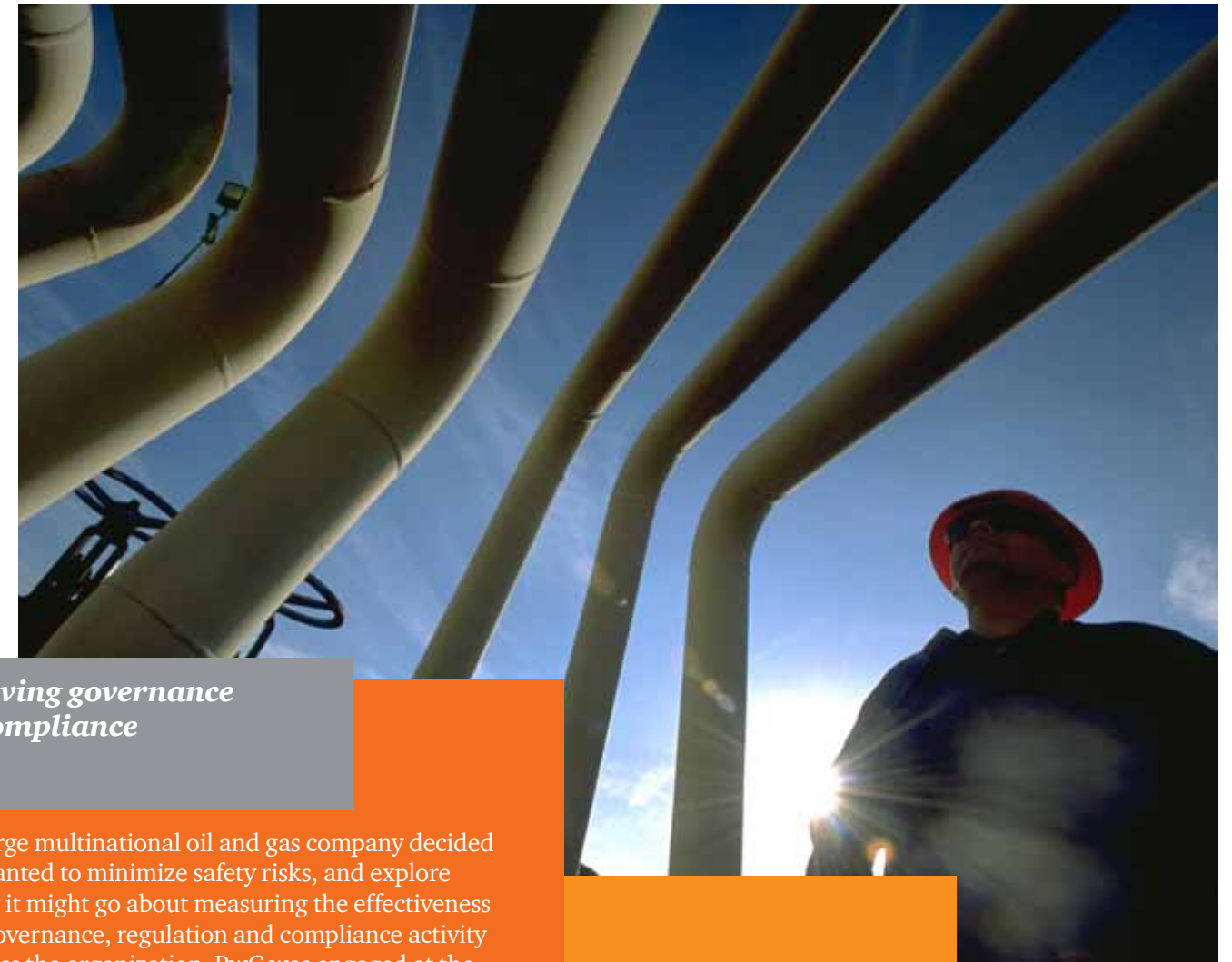
With more than 6,000 specialists in over 100 countries, the PwC network is one of the world's largest HR advisory organizations.

PwC's multi-disciplinary approach allows us to advise on all aspects of people management, helping our clients to enhance value for their businesses through people. Our HR services practice brings together professionals who work across four core disciplines:

- **International assignments (expatriate services):** When companies need to ensure that their international assignment policies are aligned with and meet the needs of the business and are cost-efficient, PwC can help. We know that oil and gas companies are largely dependent on international assignments to get the right skill sets in the right locations, and to handle the fluctuating demands of the business. The international assignment delivery structure needs to be efficient and cost effective. Tax-

efficient international assignment structures and policies need to be in place. You need to manage risks by complying with the regulations where your workforce is deployed. PwC's HR specialists can help with these concerns.

- **HR management:** Recent pressure on global organizations to improve business effectiveness and minimize risk is a trend that has hit the HR function hard. The drive to improve business performance through human capital has made it critical for organizations to realize and demonstrate the value of HR policies and processes. PwC's human resource services team helps organizations achieve HR assurance and offers an objective view of your HR function's business effectiveness. Access to Saratoga human capital and HR function benchmarking data allows us to underpin our knowledge with hard data. Our services include HR metrics and benchmarking, HR function effectiveness and service delivery, and HR transaction services.
- **Employee rewards (compensation, benefits, pensions):** Creating the right global reward plans for your employees is essential for attracting and retaining key staff, achieving business and human resource objectives, as well as optimizing related costs. But balancing business priorities with shareholder interests can be a challenge. By drawing on the compensation, benefits, pension and financial experience of our global network, we help organizations link executive and employee rewards to business goals and shareholder value. Our network of reward consultants is fully integrated and people focused. We bring in the skills and resources to deliver technical, tax, legal, accounting and financial services via an evidence-based approach, giving our clients a competitive advantage in today's market. We advise on compensation, benefits and pensions.
- **Organizational change and program effectiveness:** Getting the best from people at every level when there is constant change is the key to sustainable competitive advantage. Solid strategies, processes and technology alone do not deliver results. It takes people to accept, adopt, drive, and sustain the change to realize tangible impact. Success in business hinges on strategic agility and the ability to execute. PwC can help companies build more effective organizational structures, motivate people and get the right people into the right jobs.



Improving governance and compliance

A large multinational oil and gas company decided it wanted to minimize safety risks, and explore how it might go about measuring the effectiveness of governance, regulation and compliance activity across the organization. PwC was engaged at the group level to look at how other companies embed good governance mechanisms and measure its effectiveness, and at the asset level to look in detail at what had leads to safety failures. We examined what improvements an organization could make in local management information and risk and control practices. PwC was asked to further explore how existing measurement mechanisms could be used to assess the effectiveness of governance in the business. We were able to provide a valuable insight to a range of governance, regulation and compliance approaches used by other companies. By identifying the key constituents required to measure the effectiveness of the business, we used that information to support a number of areas within the client, specifically including safety. The measurement concept developed brought a number of data sources together to provide a cross-cutting view of the effectiveness of risk management through a number of lenses.

What makes PwC different?

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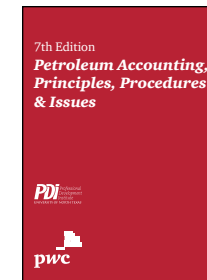
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PwC is located wherever the industry is exploring for, producing, refining and selling hydrocarbons. More than 4,000 specialists are assigned full time to the Global Energy Group, giving our clients access to oil and gas specialists around the world. We have over 350 partners serving global energy companies worldwide. Headquartered in Houston, Texas our Global Energy Group has major energy centers around the world including Brazil, Canada, China, Norway, Russia, the UK, and throughout the Middle East and Africa.

Our commitment to the energy industry goes beyond our services. We stay in touch with our clients through thought leadership and sponsorship activities. PwC is a Patron of the World Energy Council, and a long-time sponsor and participant at the World Energy Congress held in 2010 in Montréal, Canada, and the World Petroleum Congress, to be held in 2011 in Doha, Qatar.

Our Energy practice is the only Big Four firm to serve as a sponsor at CERAWEEK each year. IHS CERA (fka Cambridge Energy Research Associates) is the highly respected energy advisory firm and this annual event is one of the most widely attended in the industry. Our energy partners participate in many of the leading industry organizations on a territorial basis, to keep abreast of developing regulatory changes, industry information and to hear first-hand from oil and gas professionals.

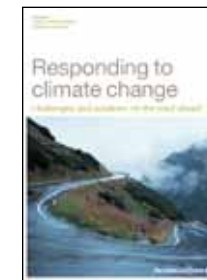
From our experience, we develop industry specific instructional materials and reports on issues of strategic importance to help keep our clients informed. Some of our upcoming and recent publications include:



7th Edition Petroleum Accounting Principles published jointly with the University of North Texas' Professional Development Institute. This textbook and leading reference tool focuses on U.S. financial accounting and reporting for petroleum exploration and production activities. The book also covers hot topics including risk management, international operations, accounting for business combinations and others. The 7th edition is expected to be available in Summer 2011. The 6th edition is currently available through www.pdi.org or www.amazon.com



2008 Petroleum Accounting Survey—The 2008 survey is a compilation of responses to a wide-ranging series of questions that we asked financial professionals working across the spectrum of oil and gas exploration and production companies. The goal of the survey is to analyze industry practices in applying pronouncements of the FASB and SEC. This survey includes updated sections on asset retirement obligations, business combinations, asset impairment, price risk management activities, international activities, global accounting standards, and the recent SEC concept release on oil and gas reserves.



Responding to climate change: Challenges and solutions on the road ahead—Companies deal with uncertainty the whole time. Managing risk is the stuff of business. Indeed, the only certain thing in business is you have to manage uncertainty. Climate change exemplifies this conundrum. In many respects, the regulatory, market and technological environment for companies to plan their climate change responses is uncertain. In other respects, there are clear signals, not least with regard to the overall direction of travel towards cleaner energy and the imperatives of many national policy requirements. What we do know is that waiting for greater clarity from our politicians and policymakers will only mean letting your competitors get ahead of you, if they are not already.



Managing your capital project: Capability statement—By their nature, capital projects are not part of day-to-day operations. Whether related to infrastructure, construction of a new plant, buildings or systems, they require separate financing, management, governance and assurance. The scale of projects in the energy, utility and mining sectors present immense challenges at the best of times. In a world of economic instability, with uncertain demand and plummeting commodity prices, these challenges are magnified. From project appraisal all the way through to completion and operation, a solid project management strategy will optimize your capital project delivery, ensuring survival in the downturn, and emerging stronger and better positioned.



Energy SEC Reserves Reporting - Leading the change For more than 25 years, the SEC's rules for measuring and reporting oil and natural gas reserves remained relatively unchanged, despite increased geological complexity, significant advances in technology and increased price volatility in global markets. As time progressed, these rules eventually made it more difficult for investors and analysts to assess and compare the oil and gas that companies held underground. Today, however, a new set of reporting principles, adopted in late 2008, will impact the way oil and gas companies communicate reserves information to stakeholders. The SEC's new rules give energy executives and directors the opportunity to more closely align reserves reporting with their overall business strategy and their competitive position in the marketplace.



IFRS bulletin: Straight away - August 2009 The extractive activities project at the IASB. The Extractive Activities project at the IASB opens the door to potential radical changes to financial reporting for mining and oil & gas. There is little guidance on the accounting for exploration, development and production of minerals and oil & gas in current IFRS. This Discussion Paper (DP) is the first step towards an IFRS for these activities. The draft DP was written by four national standard setters at the request of the IASB. The work was led by the Australian Accounting Standards Board with participation from Canada, Norway and South Africa. The DP will be published formally by the IASB in Quarter 1, 2010, with an invitation to comment.



Financial reporting in the oil and gas industry* International Financial Reporting Standards - National standards in other countries are being converged with IFRS. The global trend towards IFRS has gained significant further momentum with the US Securities and Exchange Commission's (SEC) commitment to the standards, beginning with its decision to drop the requirement for foreign listed companies in the US to reconcile to US GAAP. This edition of "Financial reporting in the oil and gas industry" describes the financial reporting implications of IFRS across a number of areas selected for their particular relevance to oil and gas companies. Available online at: www.pwc.com/energy



Working together: Energy sector income tax benchmarking study Income tax disclosures, presented in annual reports, are an important insight into a company's tax affairs, with the effective income tax rate being the headline rate commonly quoted by chief financial officers when discussing their company's income tax affairs. In this study, PwC presents insights into where energy companies stand compared to their peer group for the exploration & production, integrated oil & gas and energy services segments of the industry. The study encompasses 37 companies located in 17 different countries around the world.

PwC found that the average Effective Income Tax Rate (ETR) for the three-year period (2005-2007) was 33.6%, higher than any of the nine sectors PwC has analysed for the same period.



At the core of the industry.

At the forefront of developments.

Delivering value.

Global energy team contacts

The member firms of the PwC network provide industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 161,000 people in 154 countries across our network work collaboratively to develop fresh perspectives and practical advice.

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