

New ways of working in a tough market

83%

of energy CEOs are concerned about an increasing tax burden, more than across the sample overall.

75%

of energy CEOs view cybersecurity as strategically important



Facing a harsh new reality head-on in the short-term

The reality facing oil and gas industries has changed dramatically over the last year. The industry is facing oversupply and lower prices – so it’s not surprising that nearly two-thirds of oil and gas CEOs say their companies are facing more threats to growth than they did three years ago. For oil and gas companies, an increasing tax burden, over-regulation and geopolitical uncertainty top the list, followed by government response to fiscal deficit and debt burden and protectionist tendencies of national governments. Taxes are a particular issue for the sector, which also rates an internationally competitive and efficient tax system as the top outcome it would like to see from government.

Expecting return to growth in the longer-term

As a cyclical industry, oil and gas is particularly hard hit by any economic downturn. Some industry CEOs already see clouds on the horizon – 26% expect the global economy to decline over the next 12 months, up from just 10% last year, although another 35% of oil and gas CEOs anticipate an improved outlook. When it comes to their own prospects, 29% of oil and gas CEOs are very confident of revenue growth over the next 12 months – down from 39% last year.

Looking ahead three years, more are optimistic, with 43% very confident of growth.

And while CEOs don’t have control over market factors around global supply or the health of the world economy, they can impact how their company responds to market conditions, by getting the most out of technology investments, better utilising partnerships and benefiting from diversity strategies.

Creating efficiencies from digital investments

Cyber security, battery and power technologies (such as energy storage) and data mining & analysis are the digital technologies energy CEOs rate as most strategically important. These are all areas where energy companies are investing, despite tight budgets, to better manage risk and improve operations. For example, nearly four-fifths of energy CEOs agree that digital technologies are creating value for their organisations when it comes to data analysis and operational efficiency.

Questions to ponder

- How is your organisation preparing for lower oil and gas prices and a slowing global economy?
- What technologies can help make your organisation more efficient and effective?

Creating growth through diverse and dynamic partnerships

Creating efficiencies from digital investments (cont'd)

However, oil and gas CEOs stress the fact that maximising the value of the digital investments they've made requires a clear vision of how digital technologies can help achieve competitive advantage. Most also say it takes a well thought-out plan, including defined measures of success, and a CEO willing to champion the use of digital technologies.

Developing diverse and dynamic partnerships

With weakening global demand, many oil and gas companies are relying on joint ventures, strategic alliances and informal collaborations to drive cost-efficient ways of operating. Around half of oil and gas CEOs expect to enter into a new strategic alliance or joint venture over the next 12 months. They most often use such partnerships to access new customers, geographic markets and new/emerging technologies, as well as to share risk. They partner most frequently with suppliers, but 57% of oil and gas CEOs also say they are working with competitors, or are open to doing so. More than half partner with business networks, cluster or trade organisations or are considering doing so.

Finding different ways of thinking and working

The majority of oil and gas CEOs say their company now has a diversity and inclusiveness strategy. That's yielding concrete benefits. Of those with such a programme, 90% say it has enhanced business performance, and nearly as many credit it with attracting talent and strengthening their company's brand and reputation. Such strategies may also help develop the youth of tomorrow, a key priority for industry leaders, as our face-to-face in-depth interviews revealed.

Questions to ponder

- How can diversification improve your organisation?
- What other organisations can you partner with to reduce risk and increase opportunities?



“We see the need for diversification more and more, especially a technologically oriented, knowledge-based, people-focussed diversification, and it is tremendously important to know how to learn through that.”

Dr. Javier Genaro Gutiérrez PEMBERTHY, Chief Executive Officer, Ecopetrol

Get in touch with us!

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