



Thanks for joining:

Preserving Value in Challenging Times

Oil and Gas Webinar

Wednesday 29 April 2020



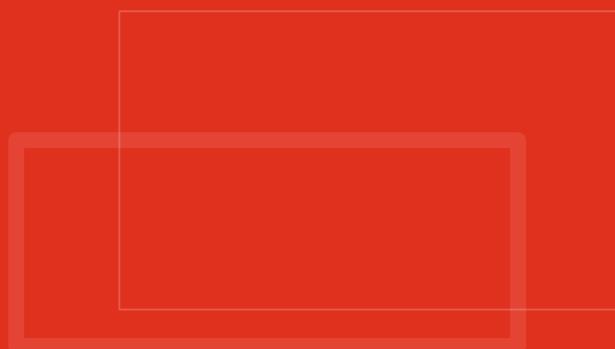
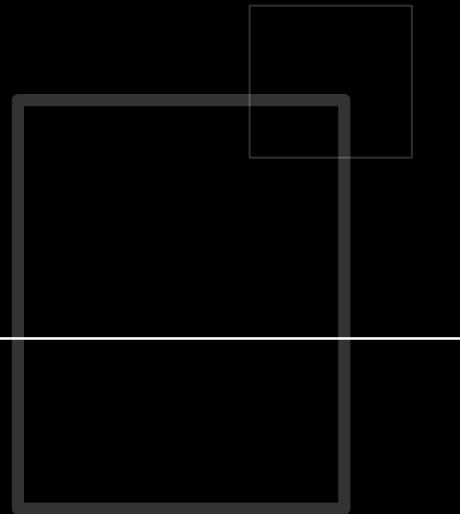
Presentation starts:  **12:00pm**



Abisola Atitebi

Director Energy Utilities and Resources
PwC Nigeria

■■■ The Moderator

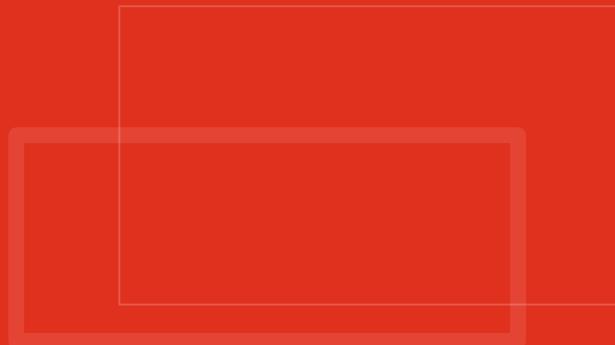
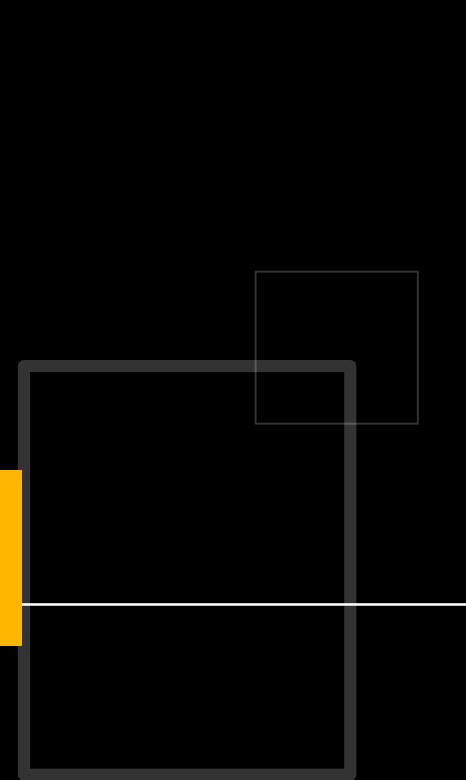




Cyril Azobu

Partner/Advisory Leader PwC Nigeria

■■■ Welcome and Introduction

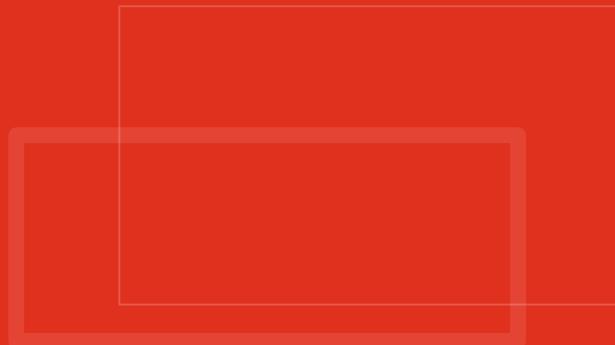
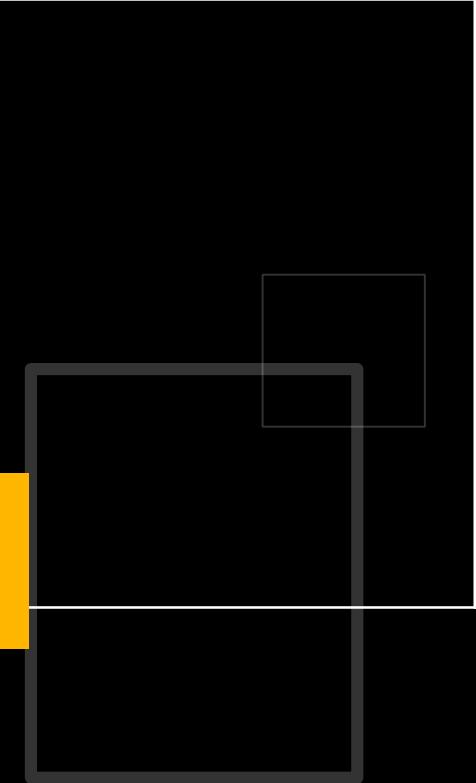




Bola Adigun

Director, Corporate Finance PwC Nigeria

■■■■■ Presentation of Cold Facts





Global Overview

Containment measures to limit the spread of the outbreak drastically shrunk economic activity, and in turn, the demand for oil and oil products

Direct impact of the demand shock from COVID-19

Declining jet fuel demand and jet refining margins

- Consumption of global jet fuel is expected to decrease by **2M bpd** (Jan to Apr 2020), as COVID-19 quarantines limit air travel, evidenced by international flight cancellation rates at 70%

Decreasing diesel and gasoline demand and cut runs

- Global diesel and gasoline consumption is anticipated to drop by **10M – 25M bpd**, given further lockdown restrictions and reduced traffic
- Almost all refineries in Europe, Atlantic Basin and Asia have cut runs
- Negative diesel and gasoline cracks in EU and US

Key concerns for the industry

1

Will demand return to pre-COVID-19 levels?

2

Will the industry continue to attract investment and sustain growth?

3

Will we see a structural change in the supply chain?

4

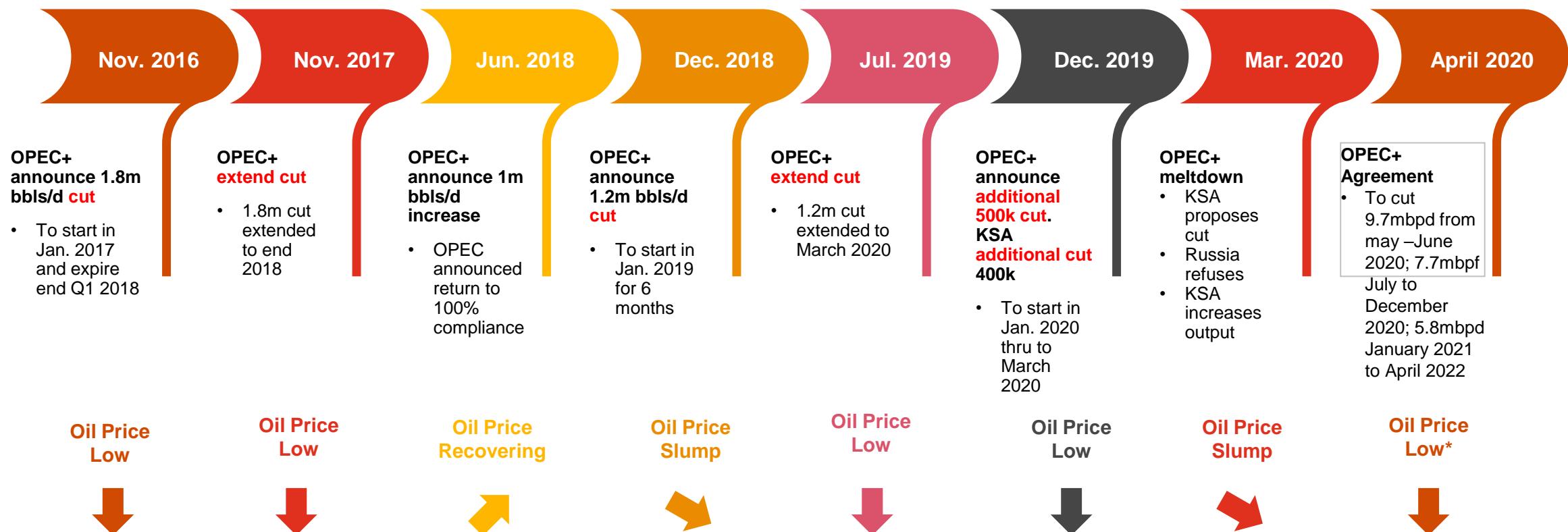
Will the energy transition come back to the forefront?

5

Will prices return to Pre-COVID 19 level?

The OPEC+ group of countries further compounded issues by failing to agree on a cut in output, which precipitated a supply shock

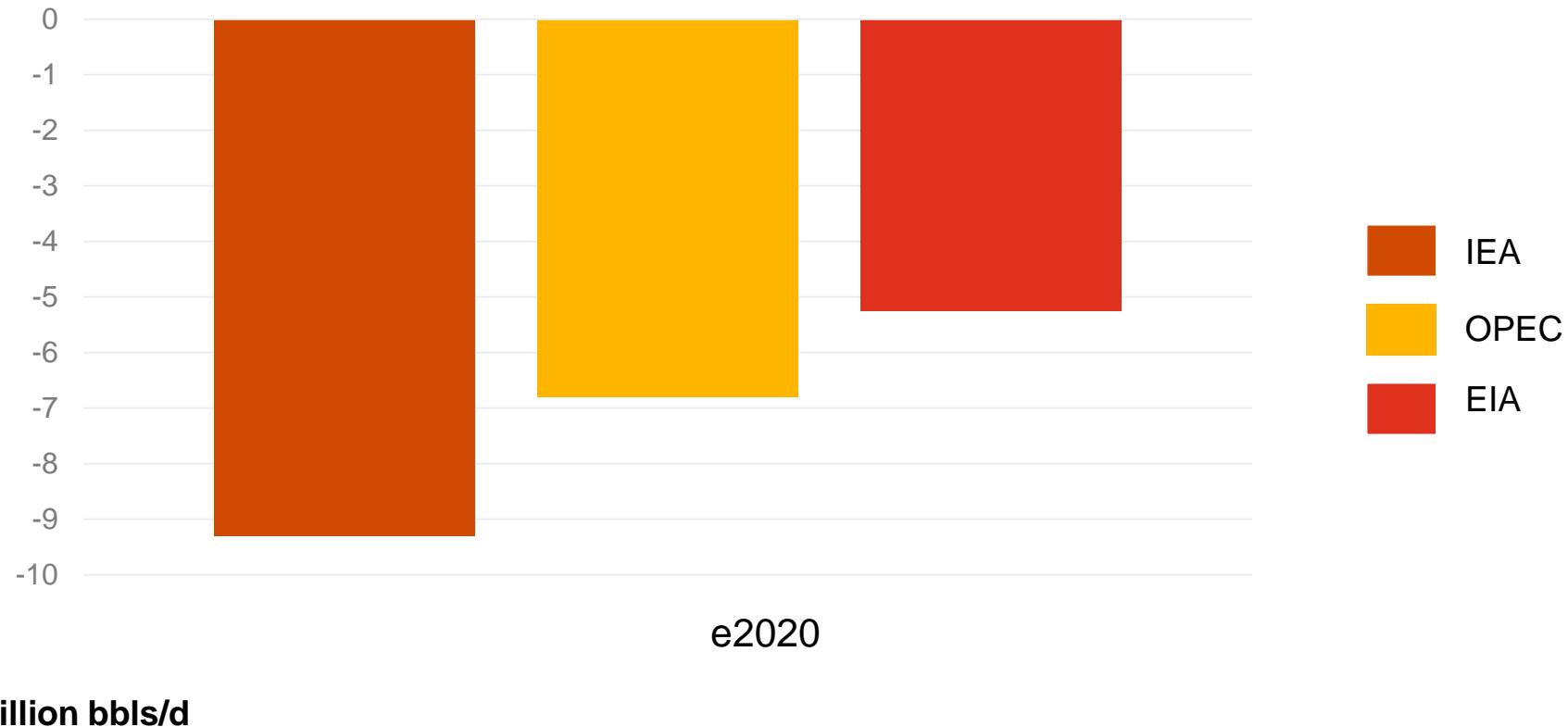
Timeline of OPEC Announcements 2016 – 2020



*Initial Brief recovery experienced

As a result, oil demand is expected drop by as much as 9.3mbpd in 2020

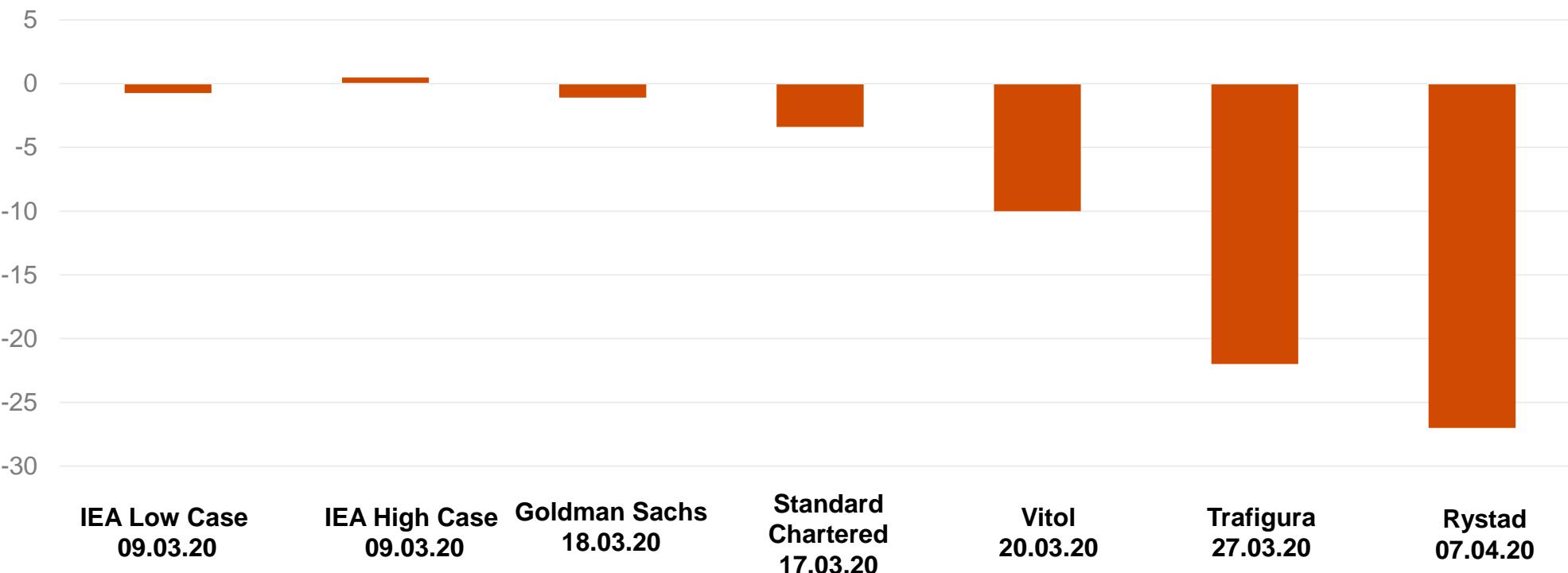
Global Oil Demand Forecasts e2020



Decline in demand during the 'lockdown months' is expected to be as high as 27mbpd...

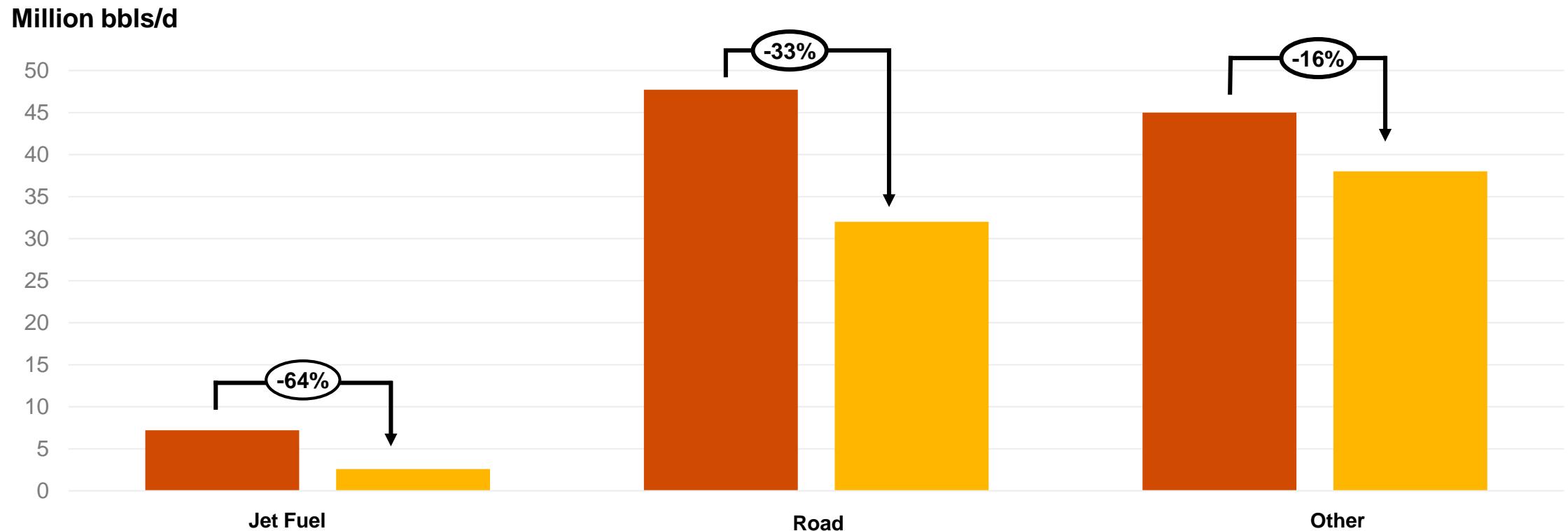
Global Oil Demand Short Term Forecasts for April 2020

Million bbls/d



...with jet fuel particularly exposed among other refined products as the pandemic has brought mobility to a halt

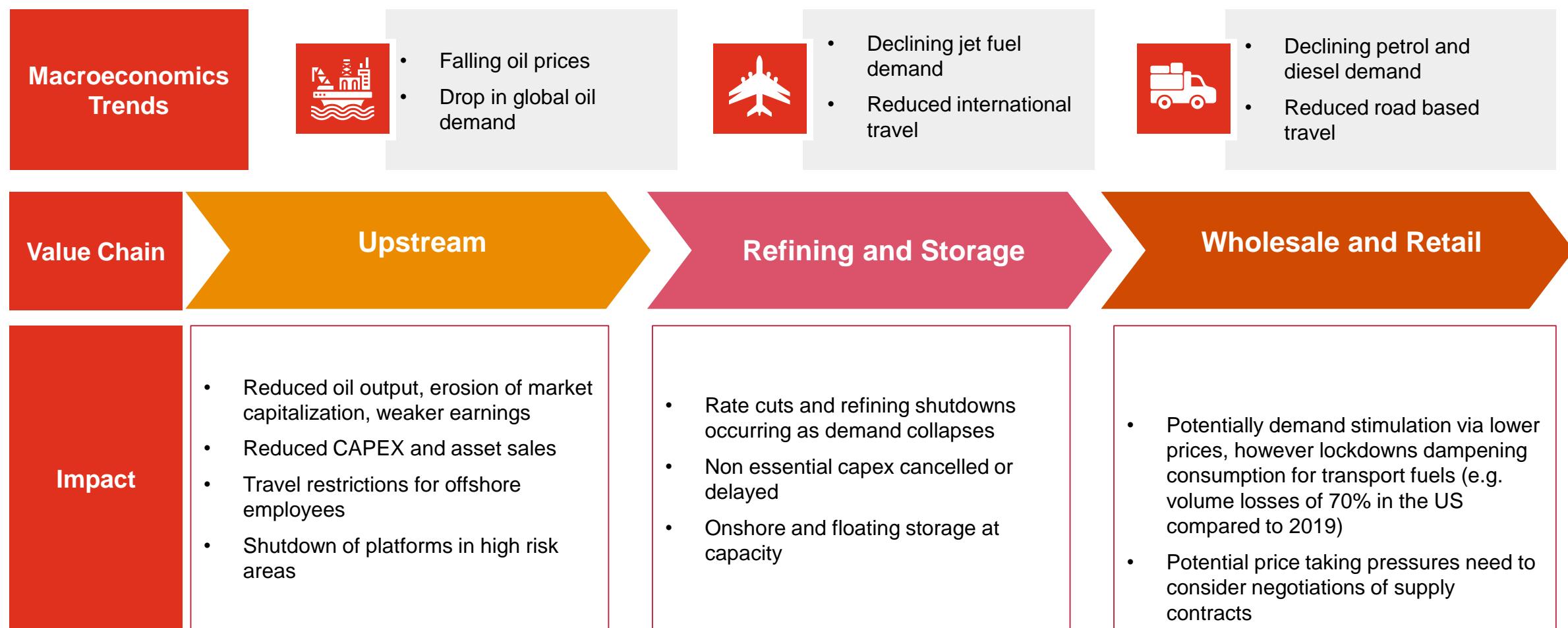
Global Refined Product Demand Short Term Forecasts for April 2020



Source: Rystad Energy, PwC Analysis

2019 Monthly average
Apr-20

As a result, the impact of the twin shock will be significant across each segment of the oil and gas industry value chain

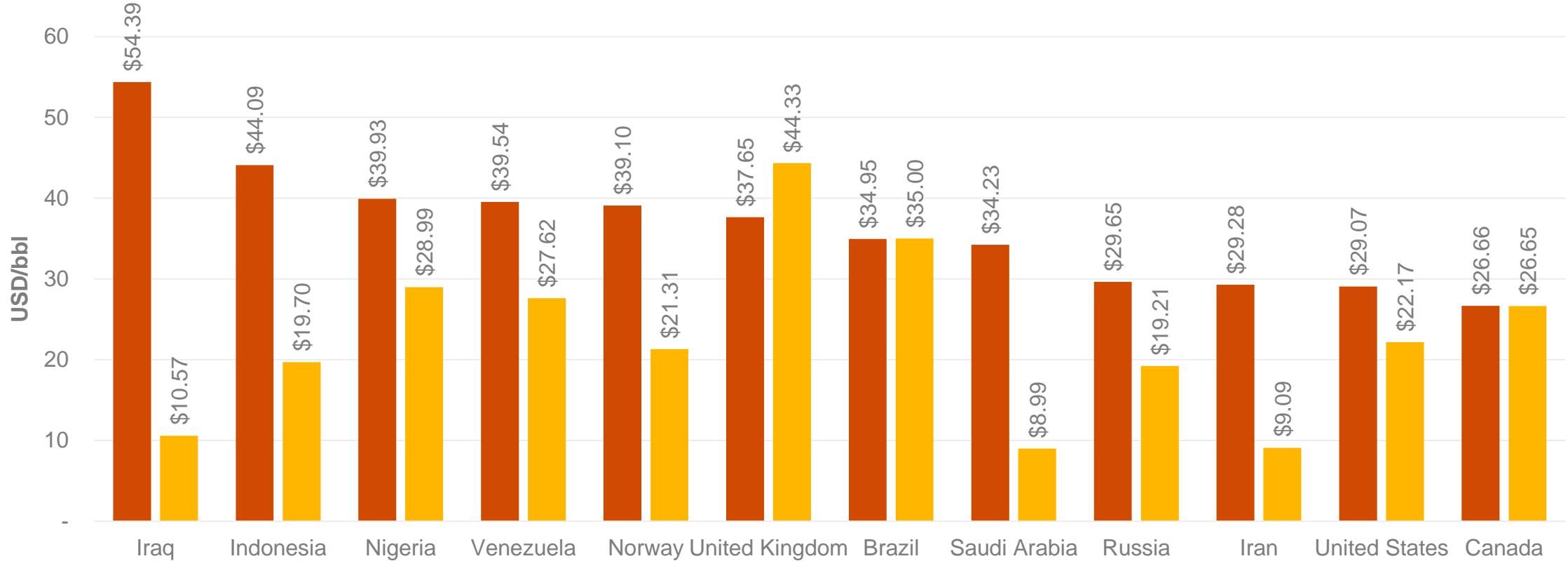




Nigeria

Even before the twin shock Nigeria has had one of the highest total cost of production per barrel in the world...

Average Total Cost of Production



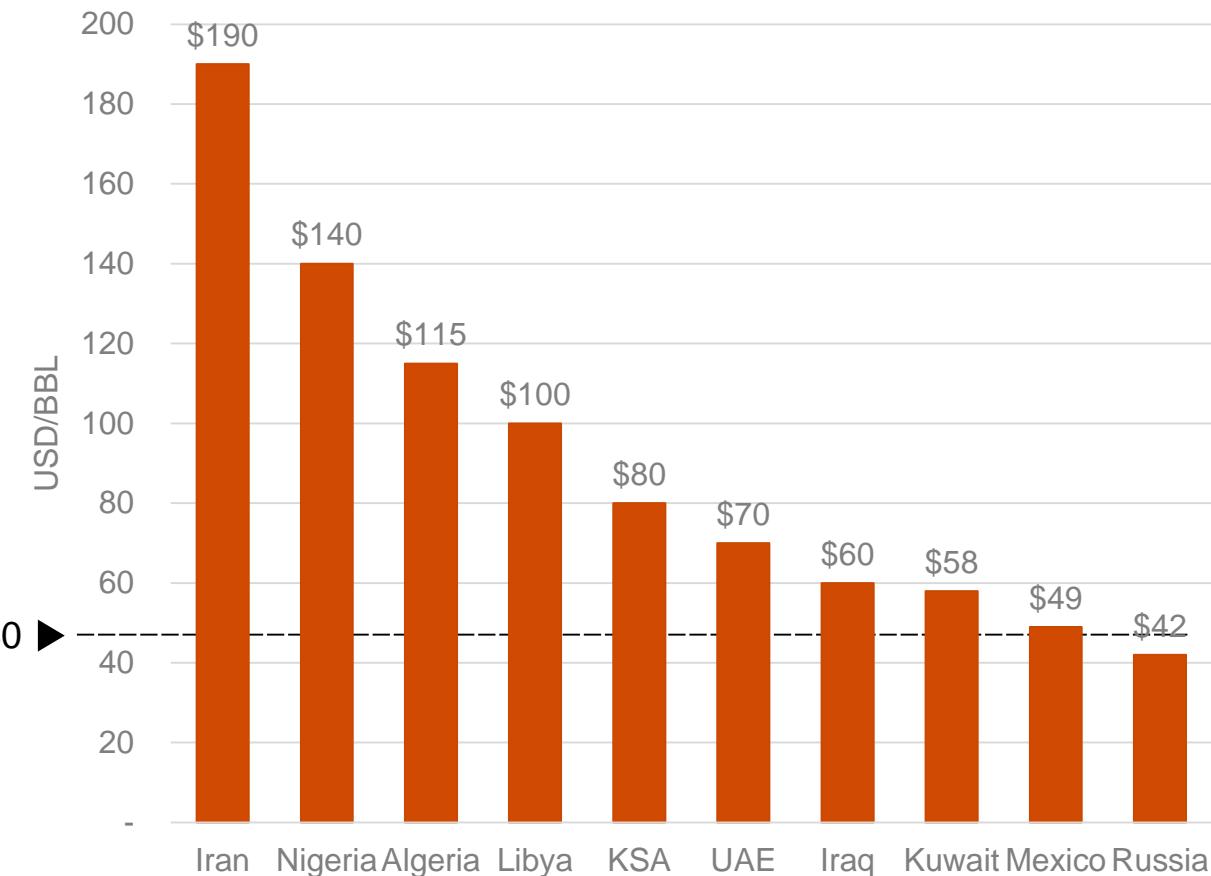
Source: Rystad Energy, PwC analysis

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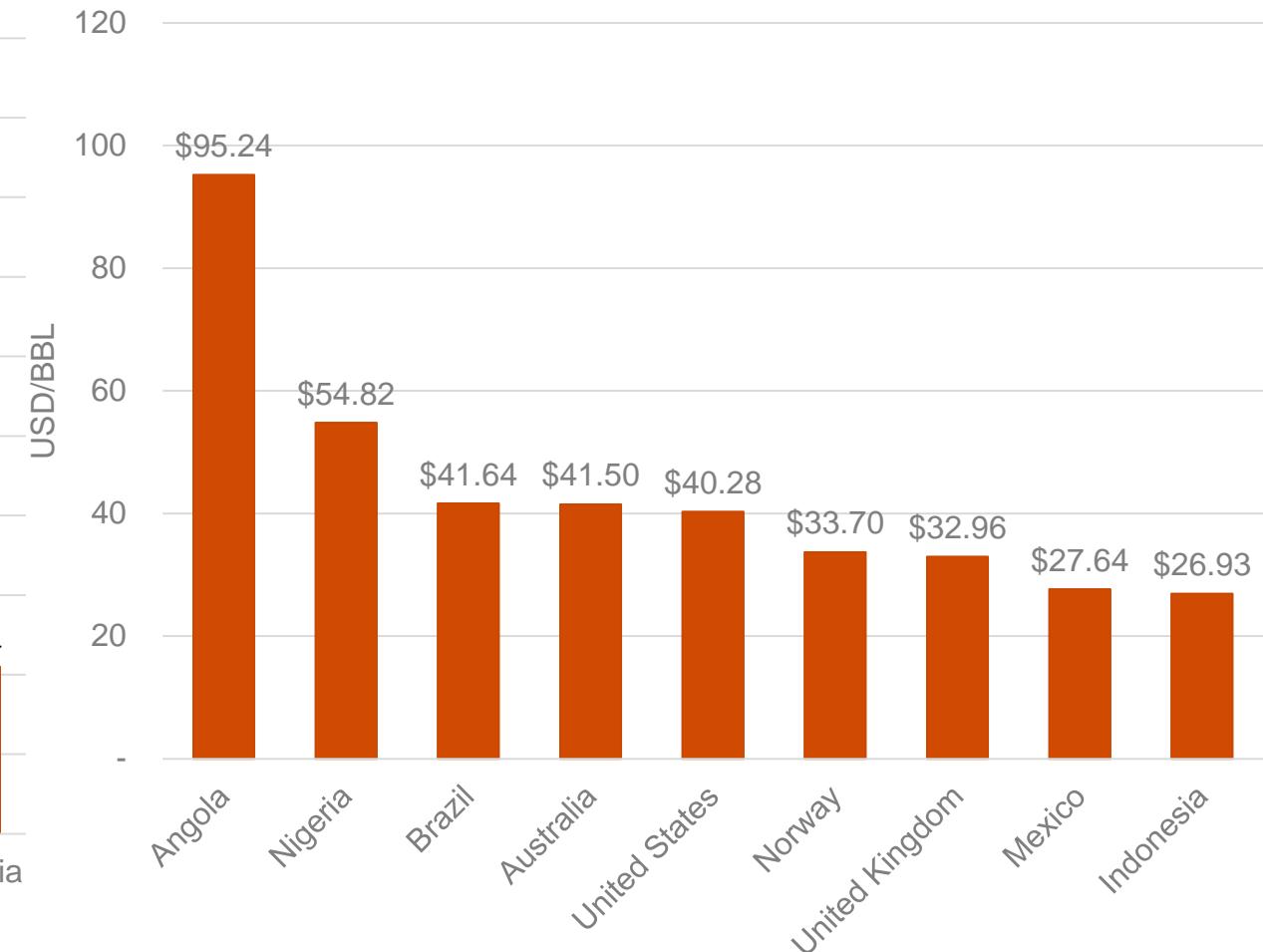
Orange Bar	2019 average production costs
Yellow Bar	2016 average production costs

... and one of the highest break even prices...

Fiscal Breakeven Price



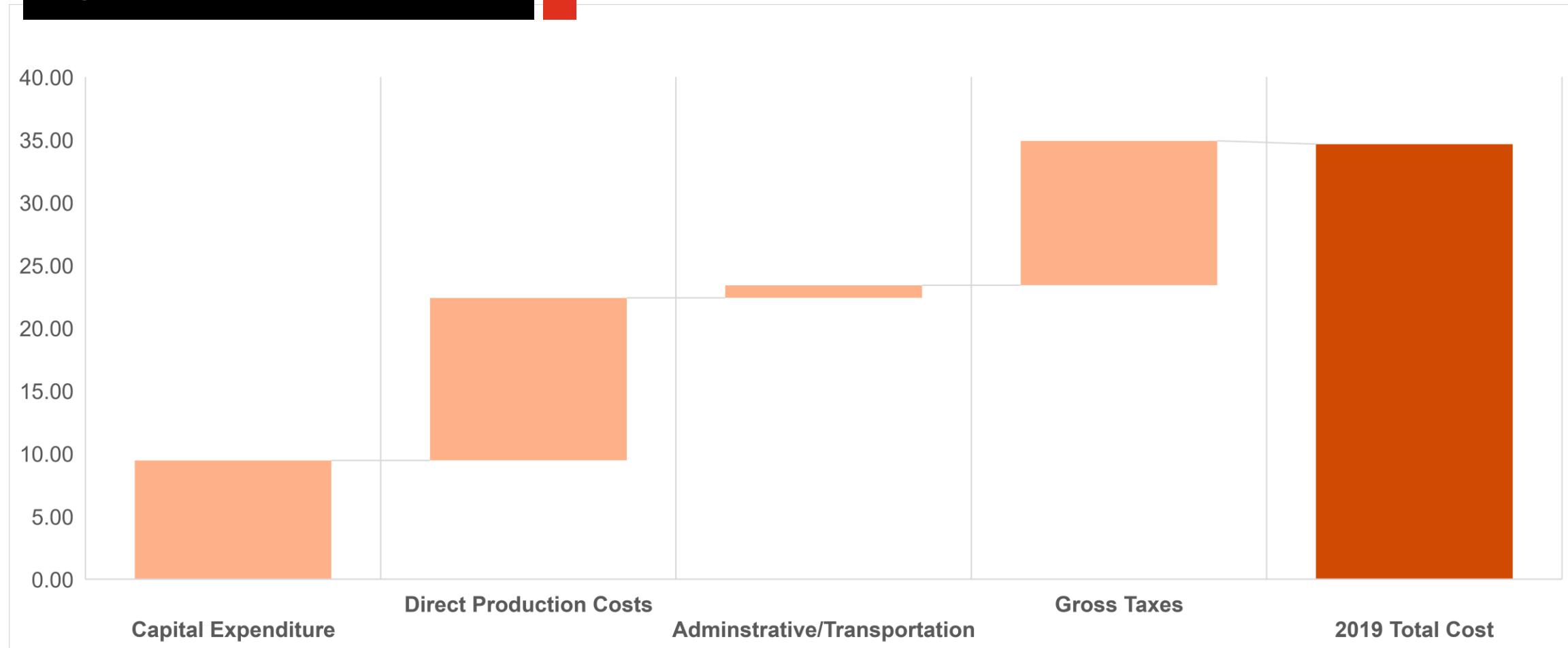
Average Offshore Breakeven Price



Source: Rystad Energy, IMF, Reuters, PwC analysis

...with direct production cost and gross taxes constituting the highest portion of the country's cost of production at 37% and 33% respectively

Nigeria: Total Cost Breakdown



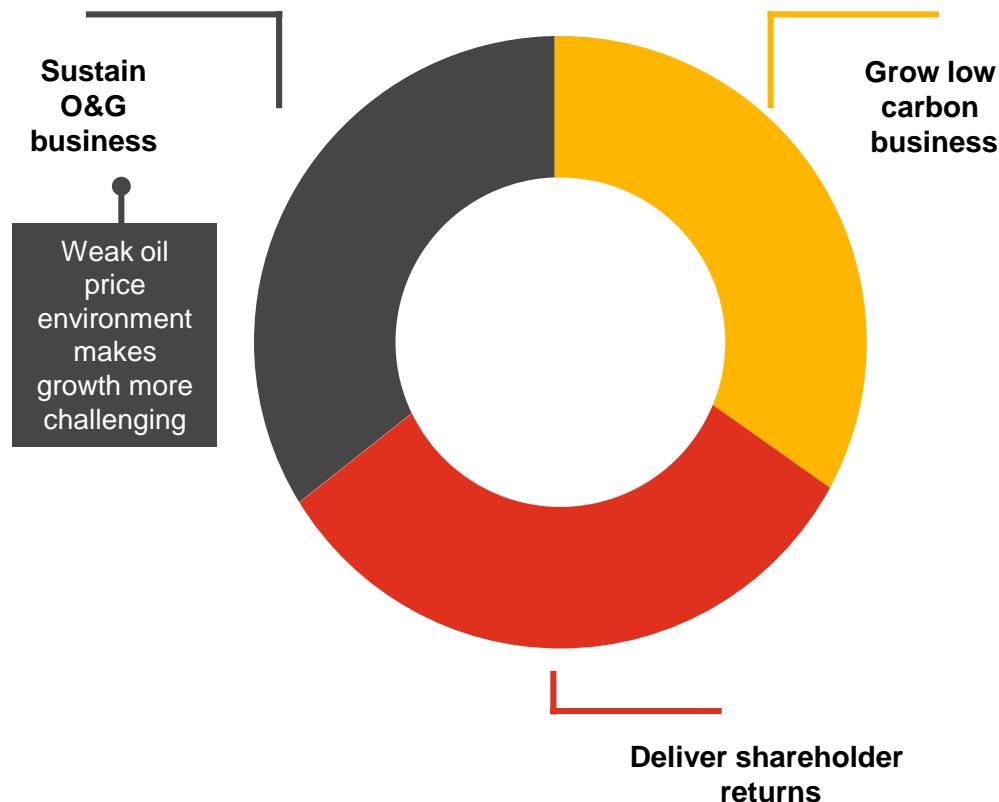
Source: Rystad Energy, PwC analysis



Way Forward

Traditional measures in downturns...

Energy Transition Trilemma



Response to Downturn

- 1 Capex Cuts
- 2 Cost reduction
- 3 Headcount reduction
- 4 Dividend cut

....New thinking?



Cash is king for survival- but there are trade-offs:

Innovative cost reduction and hyper-focus on working capital management is crucial, but it may come at the cost of furloughed staff.



Building more resilience in business models:

Moving forward, business planning should factor in the possibility of black swan events like COVID-19.



Innovation is crucial for longevity:

It is necessary to double down on digital technologies and new ways of working to survive this era and thrive in the new normal.



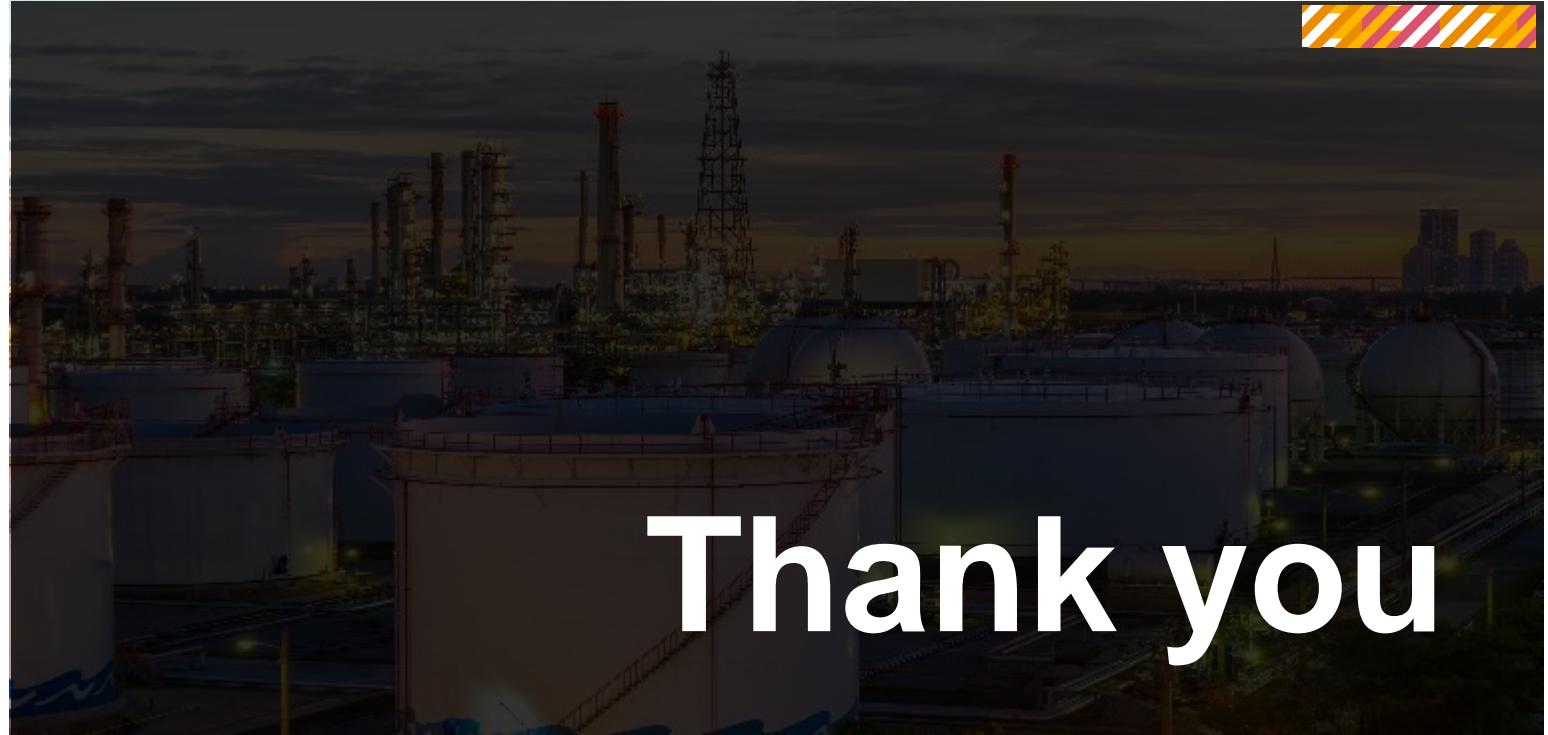
Trading will be critical to support businesses:

Traders can take advantage of the current price volatility to create short-term gains for their businesses



The energy transition will regain priority soon:

Redesigning businesses and supply chains to deal with COVID-19 will present opportunities to revisit the low carbon agenda



Thank you



Umar Ajiya
CFO Nigerian National
Petroleum Corporation



George Osahon
Chairman Energia



Mahmud Tukur
CEO Eterna PLC



Adrian Del Maestro
Director PwC UK



Panel Discussion



The Moderator



••• Q&A Session



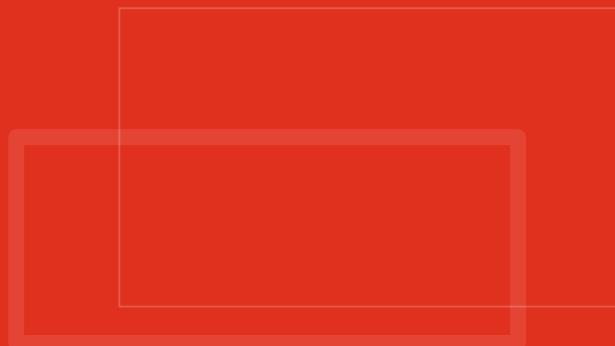
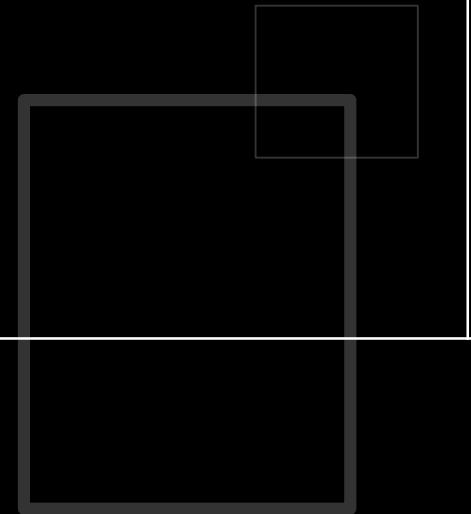
The Moderator



Oluwadamilola Dada

Director, Energy Utilities and Resources
PwC Nigeria

■■■■■ Wrap up and close





Thank you

This webinar has ended

