

# Oil, Gas and Other Forms of Energy

*Bayes Business School – Biennial Meeting*

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*June 2023*



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- Section 2** | Capital Availability in the Oil & Gas Markets
- Section 3** | ESG and Investments into Oil & Gas
- Section 4** | Offshore Wind: a New and Growing Important Energy Source



## SECTION 1

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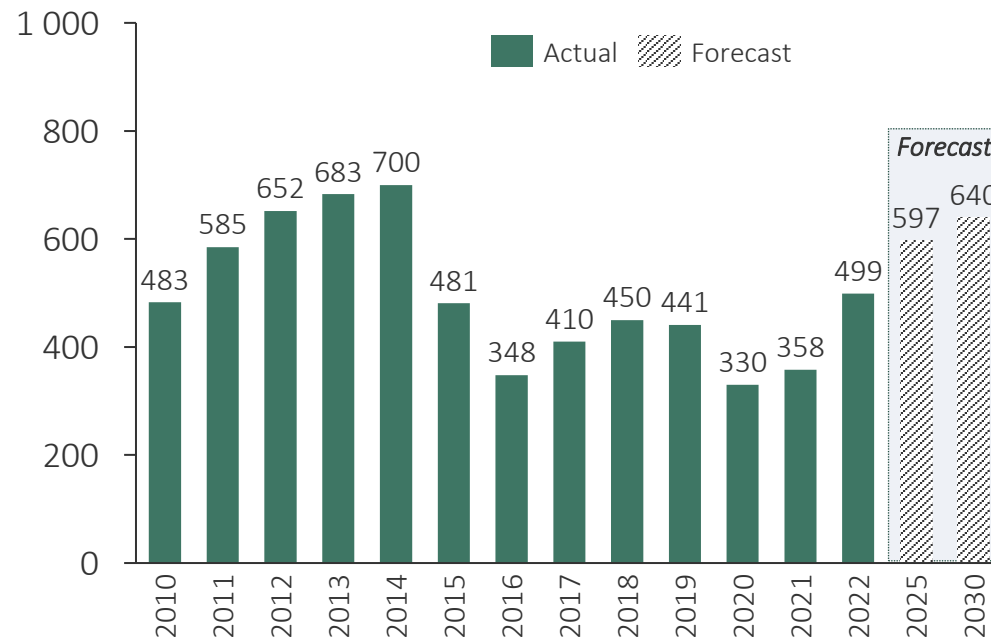
# Investment Climate in the Energy Sector

# 1 | Upstream O&G investment has decreased overall but rebounded in 2022

Investment has rebounded by c.40% to 500bn in 2022 but half of these increases are absorbed by rising costs

## Global Upstream Oil and Gas Investment

in USD bn <sup>(1)</sup>



### Capex has rebounded

- Capital spending by oil and gas companies rebounded by 39% in 2022 to \$499bn, the highest level since 2014
- Windfall gains in 2022 have led to increase investments but only Middle Eastern NOCs are set to spend meaningfully more in 2023 than they did at pre-pandemic
- Almost half of the investment increases are absorbed by inflation and rising costs

### Drivers shaping O&G investment considerations:

- Operational excellence to drive productivity and cost efficiency
- Low emission intensities and energy transition priorities
- Partnerships and strategic alliances into new capabilities (e.g., since 2020 750+JVs were formed with players in the clean energy space)
- Geopolitical risk and energy security to secure value chains

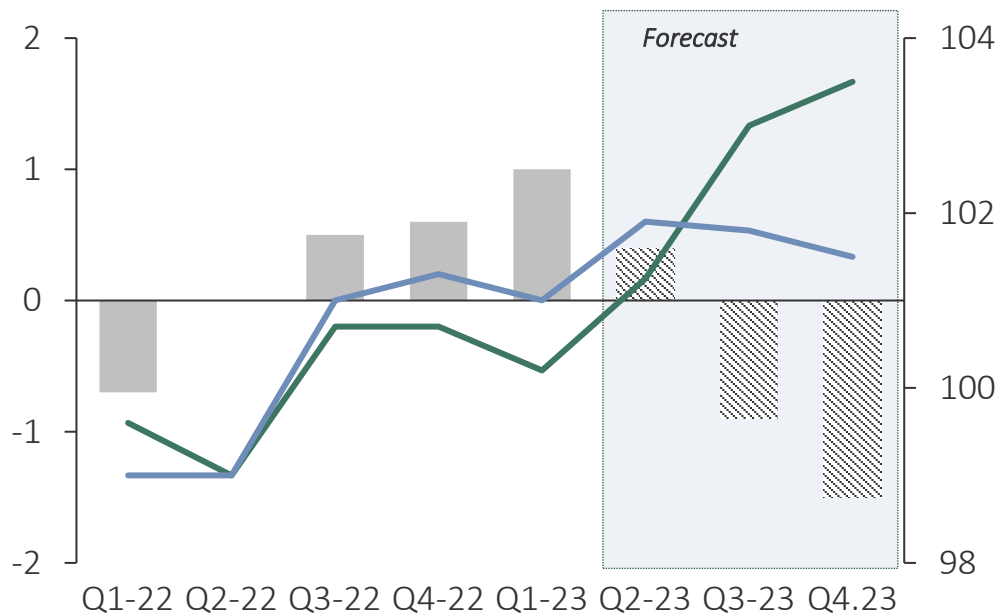
(1) Nominal. Sources: World Energy Investment 2023 Report, IEF, S&P Global Commodity Insights

# 1 | Market Balance is Expected to Flip into a Supply Deficit

Oil Supply is Expected to Decline More Rapidly Compared to Oil Demand, Requiring New Investments in to Oil & Gas Investments

## Oil market demand and supply balance outlook

in million barrels per day



- Implied Stock change (LHS)
- Demand (RHS)
- Supply (RHS)

### Market balance expected to flip into a supply deficit

- Resilient Russian export volumes have contributed to oil market surplus, but demand is expected to rebound due to a resurgent China
- By end of 2023, air travel is expected to be fully rebounded
- Building stocks today is expected to counter deficit projections cause by the increase in demand from Chinese activity in the second half of 2023

### Hesitation about traditional O&G supply investments due to:

- Potential cost increases
- Uncertainties over mid and long-term demand intensified by Russian production being a wildcard
- Calls for the industry to accelerate its climate change efforts and reduce energy-related emissions
- Pressures from financial market investors and owners to focus on returning excess cash to shareholders rather than production growth

Note: assumes OPEC+ unwinds production cuts. Iran remains under sanctions Sources: IEA's monthly oil market report



SECTION 2

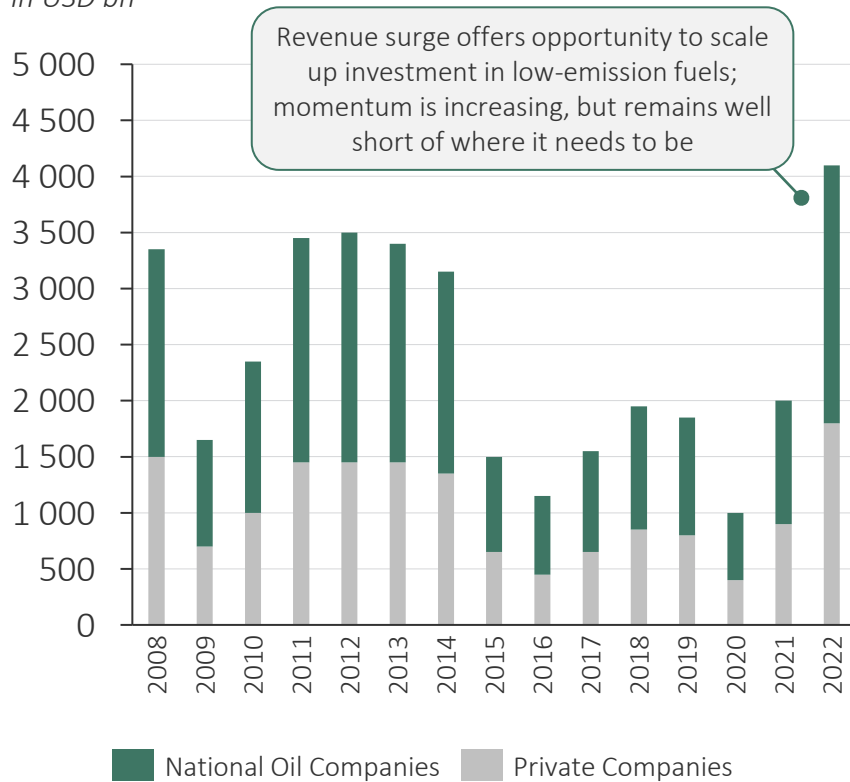
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Capital Availability in the Oil & Gas Markets

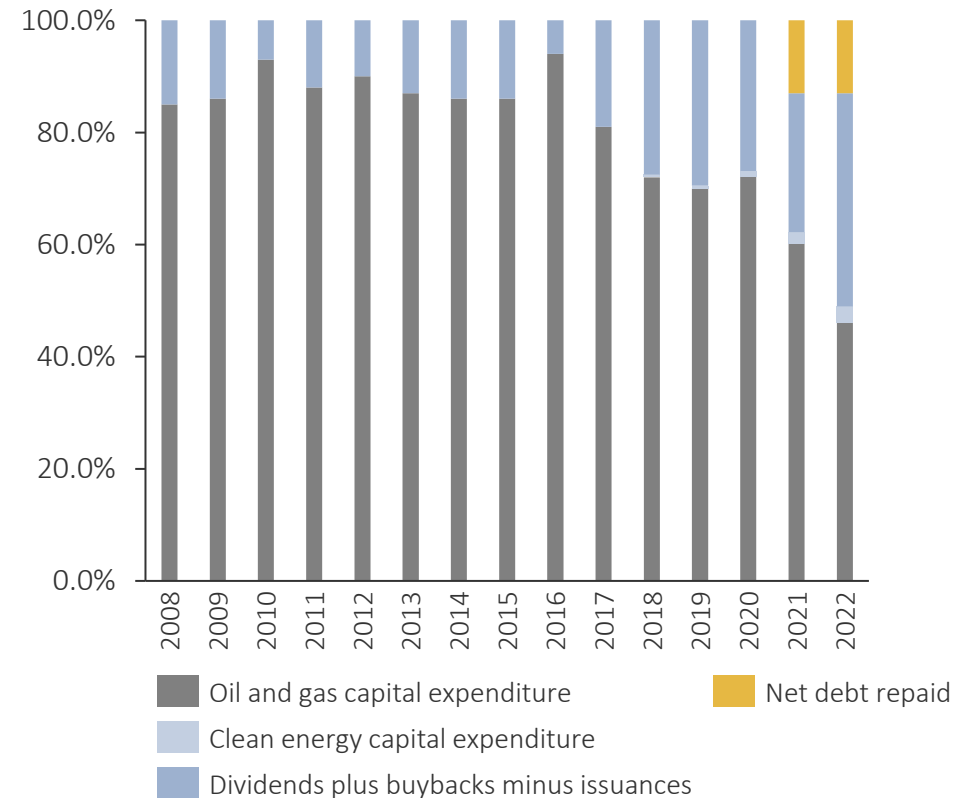
## 2 | Capital Availability in the Oil & Gas Markets to Benefit from Revenue Surge

Despite Net Income of O&G Companies Reaching a Record High of USD 4tr in 2022, only a Fraction was Directed Towards O&G Capital Expenditure

Net Income of the Oil and Gas Industry<sup>(1)</sup>  
in USD bn



Distribution of Cash Spending by the Oil and Gas Industry  
in % of USD bn

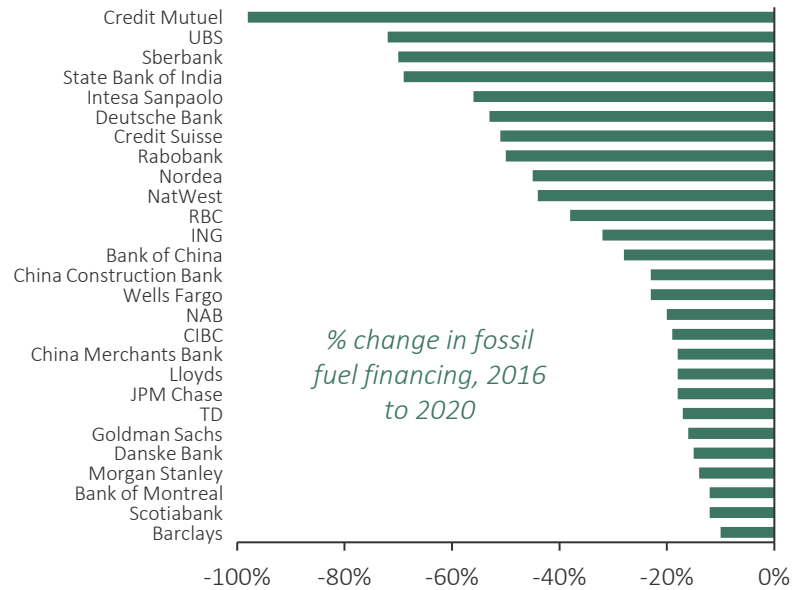


(1) : Net income is calculated from oil and gas production at prevailing oil and gas prices (including subsidies) after operating costs but before taxes; "private companies" here includes listed and non-listed companies Sources: World Energy Investment 2023 Report – IEA, S&P Capital IQ.

# 2 | Capital Availability for the Oil & Gas Market is Shaped by ESG targets

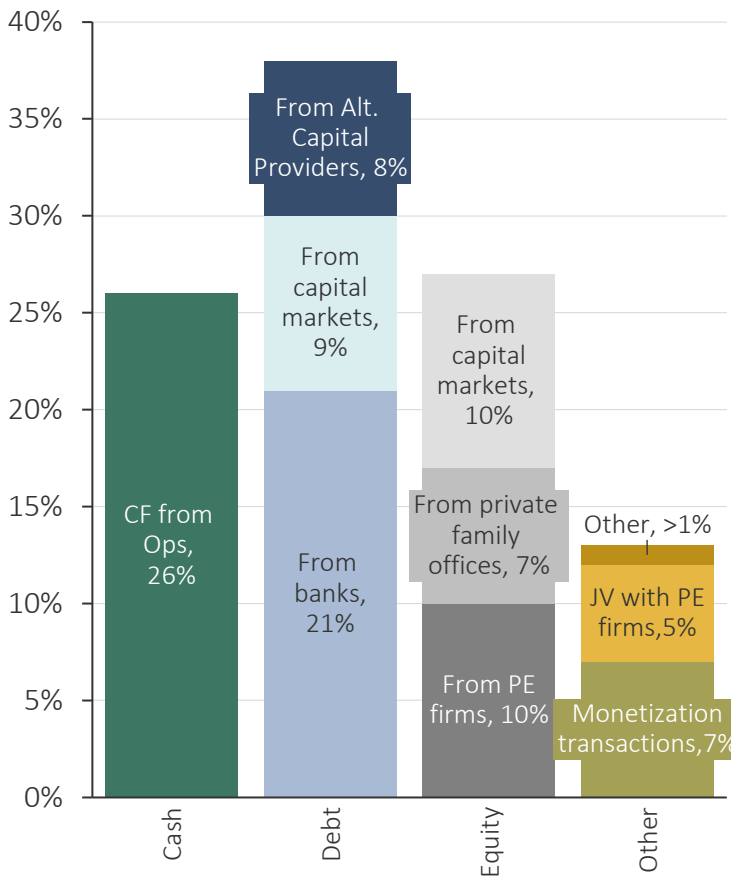
## Lenders' ESG Targets, Push O&G Producers to Secure Capital from Additional Sources

### Banks have decreased fossil fuel financing



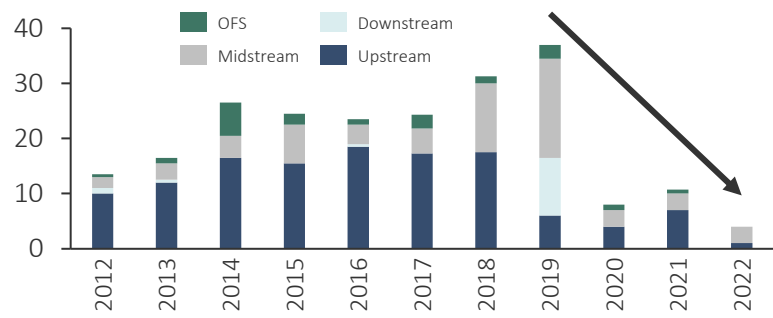
### Sources for producers to secure capital in 2023

Where are producers planning to secure capital in 2023<sup>(1)</sup>?  
% reporting



### Private equity raising and debt replacement into O&G has fallen

Equity raising and private debt placement by PE/VC firms  
in USD bn



(1) Respondents could select more than one option, 338 total responses. Sources: Deloitte Oil and Gas M&A Outlook 2023, Banking as Climate Chaos 2021 report, IEF, Haynes Boone Borrowing Base Redeterminations Survey (Fall 2022)





## SECTION 3

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# ESG and Investments into Oil & Gas

# 3 | ESG Criteria will Increasingly Impact Investments into Oil & Gas

## Uptake on ESG as an Investment Criteria by Funds is Growing

LPs surveyed prioritize ESG

Funds are expected to increase ESG investment and reporting considerations

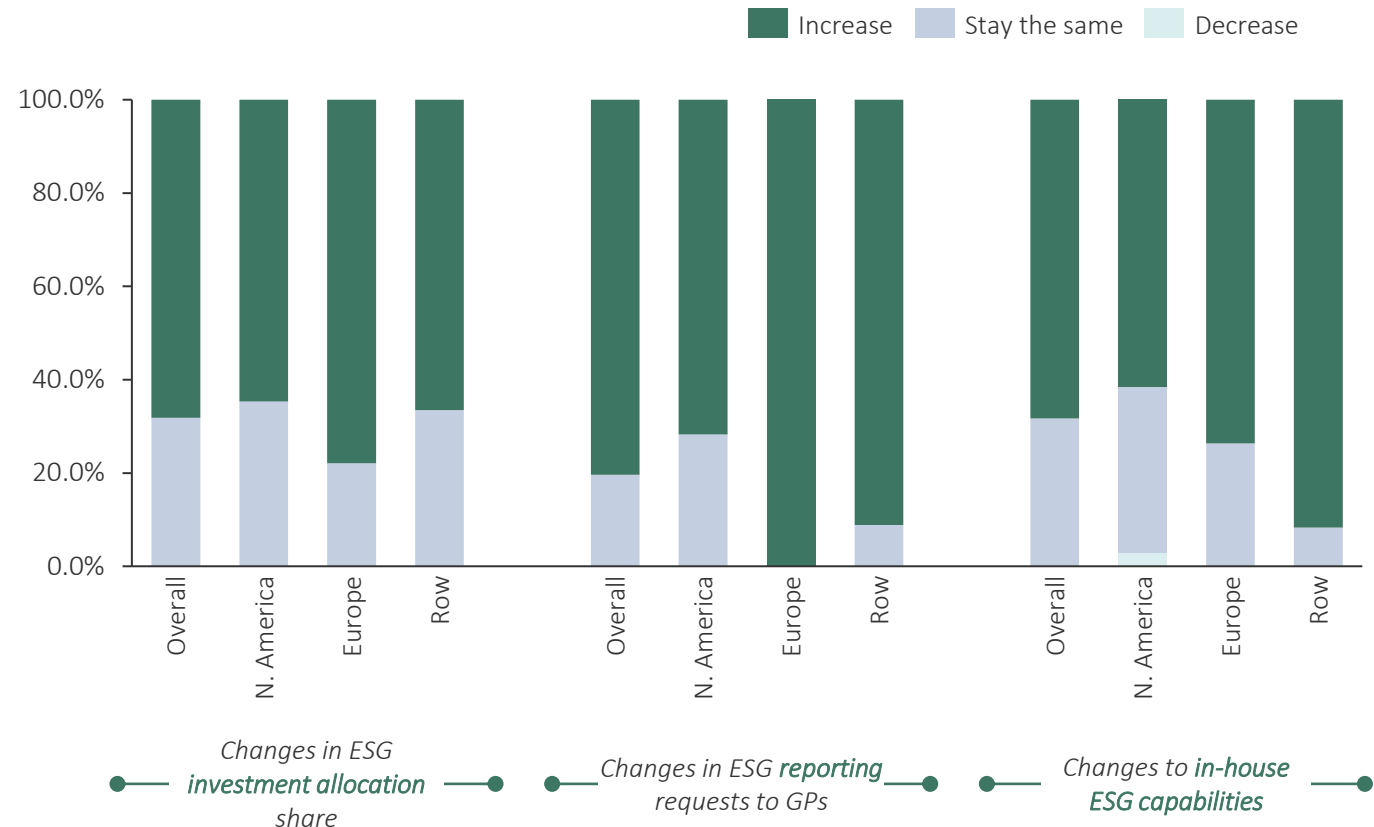
93%

of LPs would walk away from an investment opportunity if it posed an ESG concern

50%

cite better investment performance as a key reason to incorporate ESG

Expected Increase in ESG investment allocations, reporting and in-house capabilities  
% share of responses from LPs (in next 3 years)



Source: ILPA-Bain ESG Survey, 2022 (n=103)



## SECTION 4

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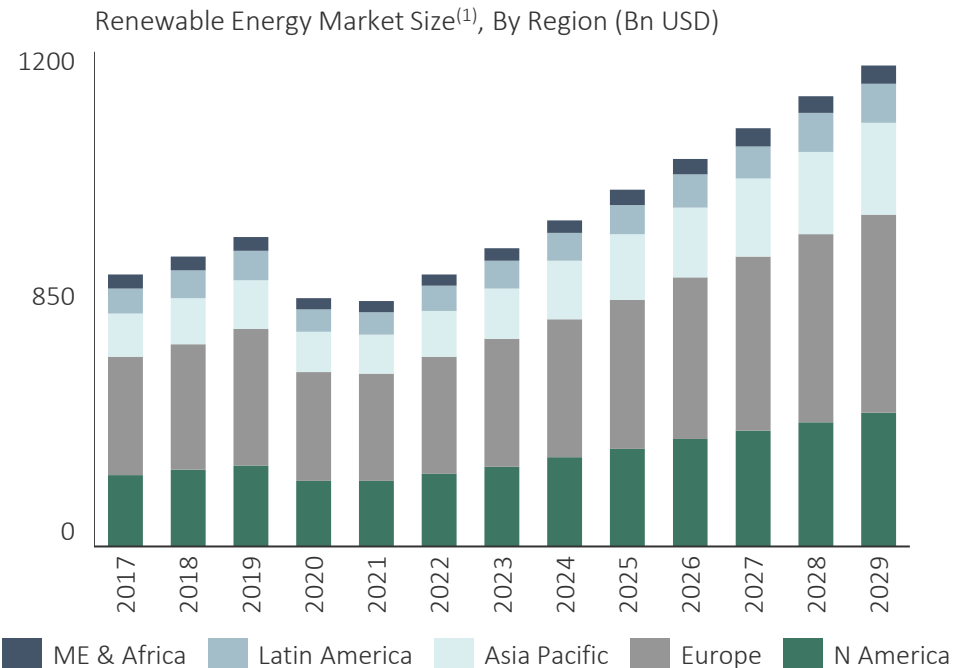
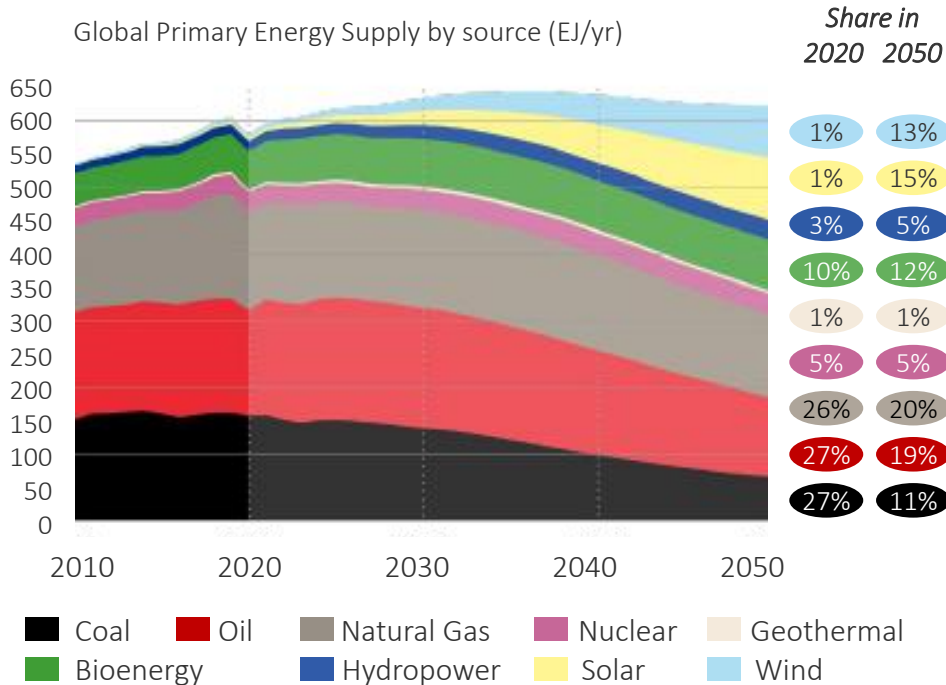
# Offshore Wind: a New and Growing Important Energy Source

# 4 | Wind as an Energy Source to Account for 13% by 2050

Renewables' Share of Energy Supply by Source is Growing, Reaching ~45% of Total Supply by 2050

Renewable share of energy supply is growing...

...across all regions



Takeaways

- Renewable share of energy supply is forecasted to account for 45% of energy demand by 2050
- Wind and solar are the fastest growing energy sources
- Europe is the largest region in terms of market size although the sector is growing across all regions

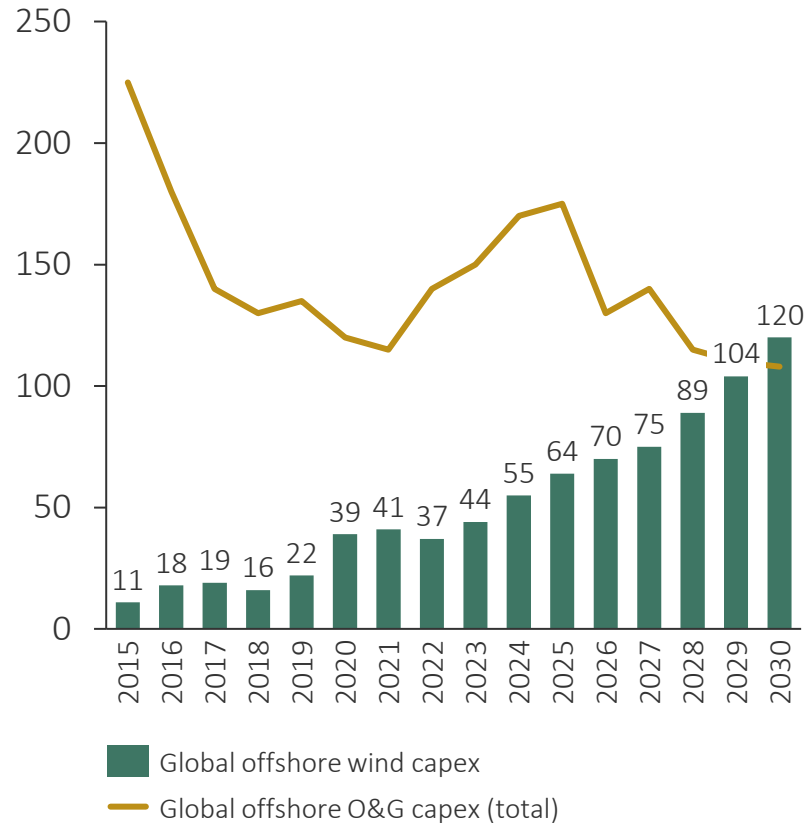
(1) value chain from on and offshore from design to operation Note: figures might not add up to 100 due to rounding Source: McKinsey Global Energy Perspective 2021, Rystad Ucube, Polaris Market Research Analysis

# 4 | Large Offshore CAPEX Now Geared Towards Offshore Wind

Global Offshore Wind Capacity is Expected to Grow Nearly 5x from 2022 to 2030

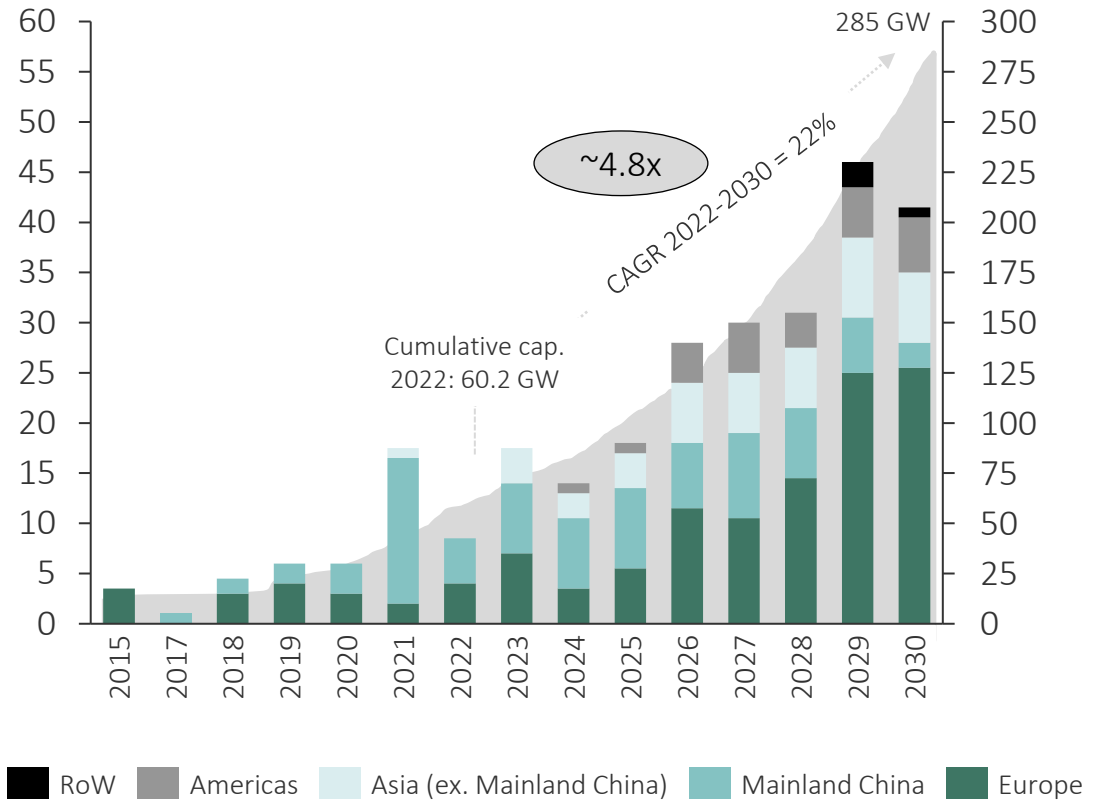
Spending on Wind is Constantly Increasing...

Annual offshore oil & gas CAPEX<sup>(1)</sup> vs. offshore wind CAPEX<sup>(2)</sup>, in billion USD



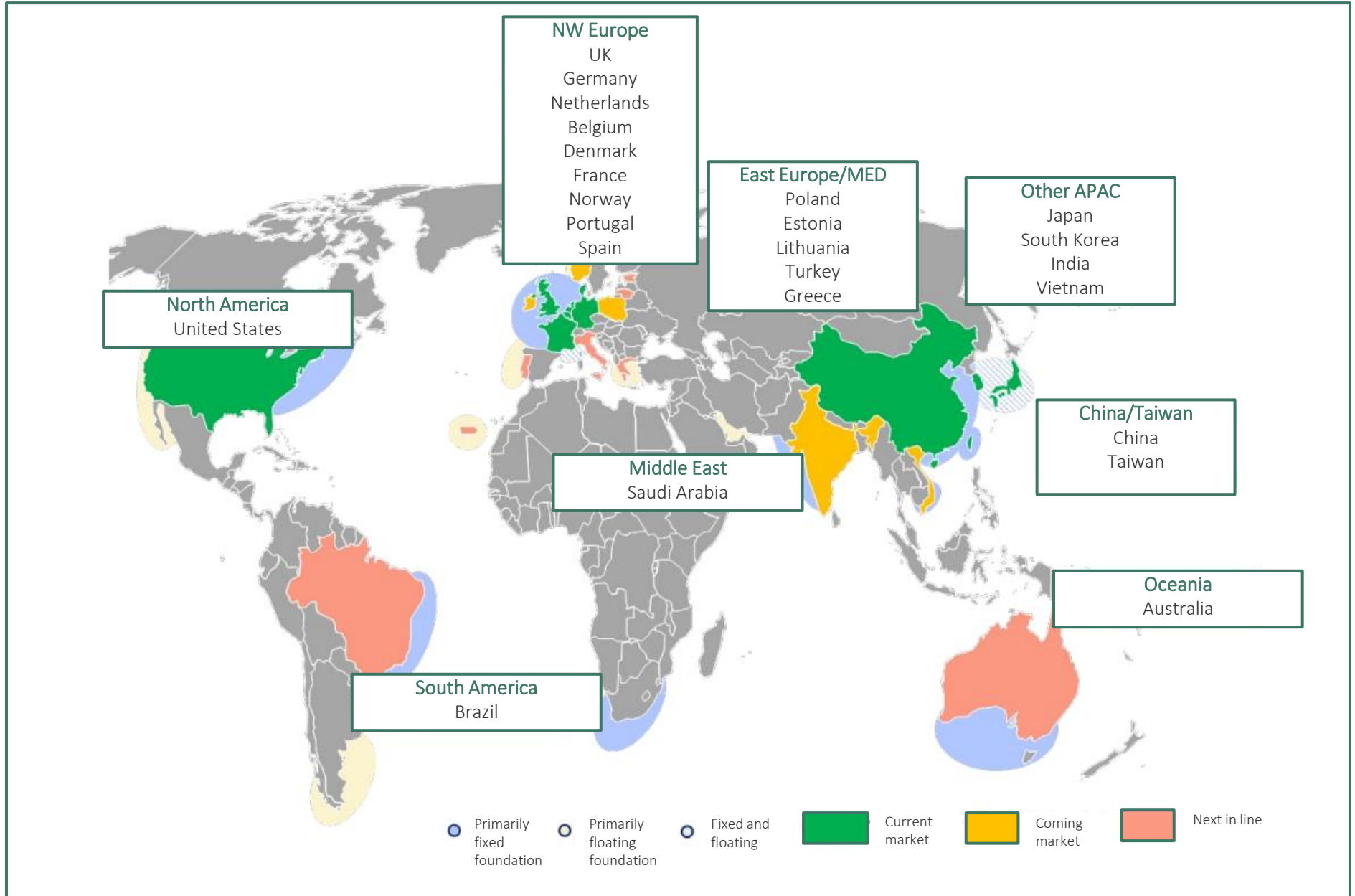
...While Offshore Wind Capacity is Growing 5x

Annual Capacity additions by region (LHS), and global cumulative capacity (RHS) in Gigawatts



(1) Expex excluded (2) forecast also includes capital expenditures for projects with start-up post 2030 Source: Rystad Energy OffshoreWindCube; Rystad Energy research and analysis, GWEC Market Intelligence

# 4 | Offshore Wind Industry is Increasingly Gaining Scale Around the Globe





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