

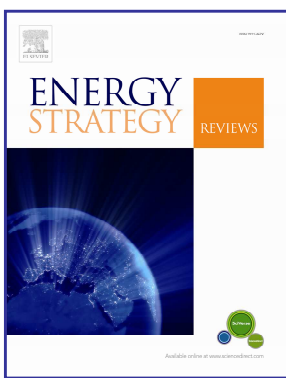
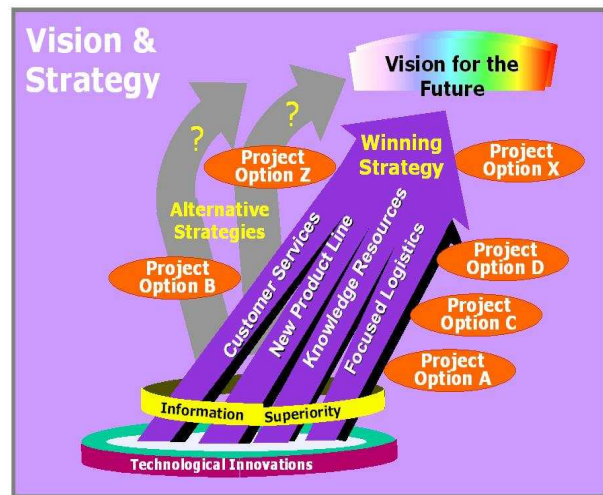
Energy Strategy Value Series



Energy Strategy Formulation & Validation

Alboran offers proprietary strategy counseling tailor-made for your energy business. Strategy planning begins at the portfolio level and requires leaps of imagination to break out of your corporate constraints to explore new project options. Energy companies operate in a rapidly changing business landscape. The corporate strategy must respond to new market challenges and leads the company into new opportunities. Your corporate vision and strategy must guide your workers into exploring new products and services, expanding current ones, and entering into new markets. Strategy thinking is needed to create new pathways to leap forward.

Alboran excels at finding the right balance between logic reasoning and creative option generation in line with the strategy for improving your corporate performance. We use tools and methods to maintain an auditable balance between risk and opportunity in your project portfolio. Your organizational dynamics, culture, and stakeholders must match the competitive arena and entrepreneurial environment in which your firm operates.



Alboran’s strategy research capacity is unrivalled. Our leading knowledge base is exemplified by our editorial governance and partnership in Elsevier’s leading journal Energy Strategy Reviews.

Examples of our energy strategy insights have been published in the peer-reviewed domain. We distinguish between *sovereign energy strategy* focused on security of supply, power and resource optimization, and *corporate energy strategy* driven primarily by shareholder’s interest in returns on investment.

Sovereign Energy Strategy Studies

1. Time for Europe to face oil and gas supply realities

First Break, 2011, Vol. 29, Issue 7(July), pages 43-46.

The peaking of Europe’s oil and gas production is undisputed but the current EU 2020 energy conservation policy does not address this decline. The strong focus on 20–20–20 targets arguably has diminished the EU’s vigilance about the strategic security of its fossil energy supply. Traditional oil and natural gas still account for a hefty 60% of Europe’s primary energy demand. Strategy options are recommended to improve the security of Europe’s future oil and gas supply.

2. Trans-Atlantic energy prices show need for realignment

***Oil and Gas Journal*, 2011, Vol. 109, Issue 23 (June 6), pages 26-33.**

The gap between North American and European oil & gas prices has widened to historic levels. Divergence in these fossil fuel prices affects the mutual competitiveness of each continent -convergence of oil and gas prices would help to restore an even play field. This article analyses the fundamentals that drive the oil & gas price dichotomy, and gives recommendations for a strategic re-alignment of the two western energy markets.

3. Can the Dutch Gas Bubble defy King Hubbert's Peak?

***First Break*, 2011, Vol. 29, Issue 4 (April), pages 35-39.**

Hubbert's theory – if not deferred by further production innovations - heralds an imminent end for the Dutch gas bubble. The Netherlands still plays a lead role in European gas supply after Norway: in 2009 it was still the world's 6th ranked producer and 7th ranked gas exporter. However, recent inventories of all past gas production and remaining field pressures (EBN/ TNO reports) foresee a steep decline in conventional gas production. If correct, Holland's gas production may have peaked for a last time in 2010 and is now entering a final decline phase. This article examines whether past success can be equaled by future exploration initiatives.

4. Dutch Natural Gas Strategy: Historic Perspective and Challenges Ahead

***Netherlands Journal of Geosciences /Geologie & Mijnbouw*, 2011, Vol. 90, Issue 1, pages 1-12.**

After 50 years of successful gas development, production output of *conventional* fields in the Netherlands will decline from 2010 onwards. The projected decline in Dutch gas output will lead to a loss of future income for the State. In the past, E&P companies were prepared to compete for access to Dutch assets and lead in research as well as in the exploration for the development of conventional gas resources. Today, this cannot be assumed for the development of unconventional resources. The US boom in unconventional gas production was preceded by government sponsored research programs that stimulated the development of unconventional gas production technology. Decline in domestic gas production in the Netherlands therefore prompts for a dedicated upstream gas research program. This will help to unlock future value from stranded conventional gas and unexplored unconventional gas resources. If such new gas resources can indeed be developed with the aid of research, undue loss of state income can be mitigated, which makes such a program a compelling business case.

Corporate Energy Strategy Studies

5. Bigger is better when it comes to Capital Markets and Oil Liquidity

***First Break*, 2010, Vol. 28, Issue 6 (June), pages 37-41.**

This report reconstructs how the financial markets have become more prominent agents in the chances of survival for smaller oil & gas companies, as well as for operators of unconventional oil & gas fields. Most oil professionals focus on E&P's operational excellence in technology and delivery of production rate and improved recovery factors. But as oil & gas companies compete to restore their earnings to match those prior to the Great Recession, competition for access to capital markets has intensified. The declining cash flow from oil & gas operations means companies must compete for additional cash raised from financing

activities (debt & equity financing), until restructuring and cost-cutting programs that diminish operating expenditure (OPEX) will start to restore past earning levels. A close balance between operational and financial value chains is required to ensure any cash flow shortage is swiftly mitigated. Access to capital markets was an option for some but remained barred for others in need of capital at the height of the 2008/2009 recession. Recommendations are made as how to mitigate liquidity problems. Ultimately, M&A's may offer a final escape from insolvency for some, and a fast track to corporate growth for others.

6. Credit Ratings and Cash Flow Analysis of Oil & Gas companies: Competitive disadvantage in financing costs for smaller companies in tight capital markets

SPE Economics & Management, 2011, Vol. 3, Issue 2 (April), p. 54-67 (SPE paper 144489).

Oil companies generate cash from the following two main sources of funds: (1) net cash generated from operations, and (2) net cash raised from financing activities. In-depth analysis of the cash flow metrics for each market capitalization category revealed that the operational income of smaller oil and gas companies commonly is insufficient to fund new capital expenditure (CAPEX) projects. Such companies must resort to external financing resources (debt and equity financing) as follows from this study. The competition for financial resources has heightened since the onset of the recession and companies need to be entrepreneurial in their search for capital. The pattern that emerged provides a crisp explanation on what drives asset swaps and acquisitions in times of tight capital. This analysis provides useful insight for oil executives as to the range of options and possible outcomes of finance strategies.

7. Tracking the impact of recession on oil industry supermajors and timing of sustained recovery

First Break, Vol. 28, Issue 1 (January), pages. 33-39.

The impact of the 2008/2009 recession on the oil business is tracked by time-series of carefully selected KPIs for the six Supermajors prior to - and over - the recession period. What emerges is that business recovery has begun since May 2009 for nearly all Supermajors. However, the oil industry's exceptionally high Returns on Capital Employed of well over 20% seen immediately prior to the recession seem unlikely to recur and are argued to be non-sustainable. The overall business outlook remains very positive but competition will be fierce, both for access to resources and customers - as interfuel competition and environmental legislation intensify over the next decade.

8. Decade of economic turmoil – How has the oil and gas business come through and what comes next?

First Break, in prep.

Forthcoming.

We are delighted to provide additional information on our services.

Please contact us by Phone or Email:

Phone: +31 655 873136

Email: info@alboran.com