



PETRONAS

Global Oil & Gas Industry Navigating Uncharted Waters

2 June 2020

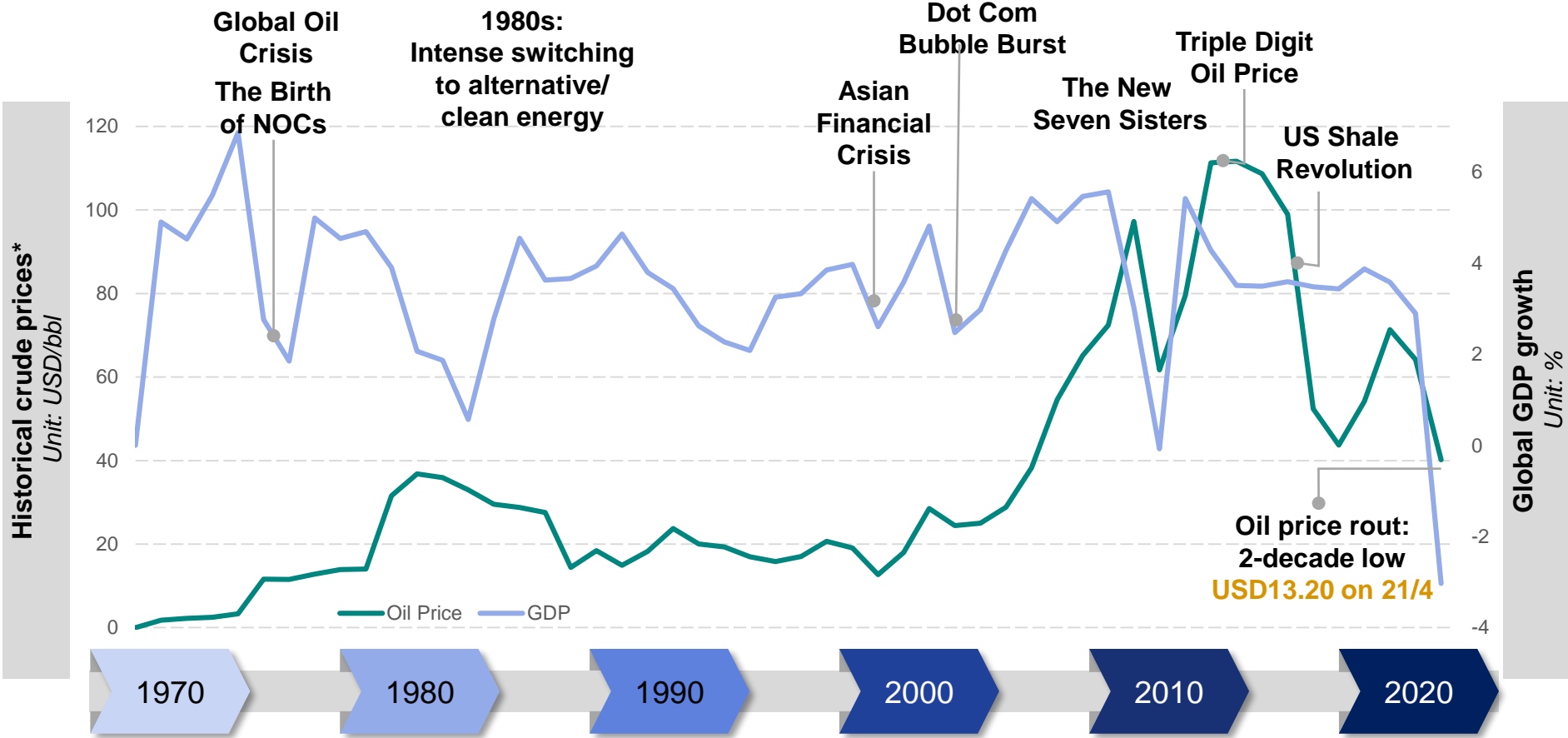
Strategic Research
Corporate Strategy

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The oil and gas industry has long been vulnerable to boom-and-bust cycles that trigger directional and structural changes in markets ...

The impact on the business was severe, putting companies in operational difficulties and financial distress



*Note:
1945-1983 Arabian Light posted at Ras Tanura
1984-2018 Brent dated

— Global GDP — Brent price



... however, the current COVID-19 led crisis is unprecedented as the global oil market is jolted by twin shock of demand erosion and supply glut

The Black Swan



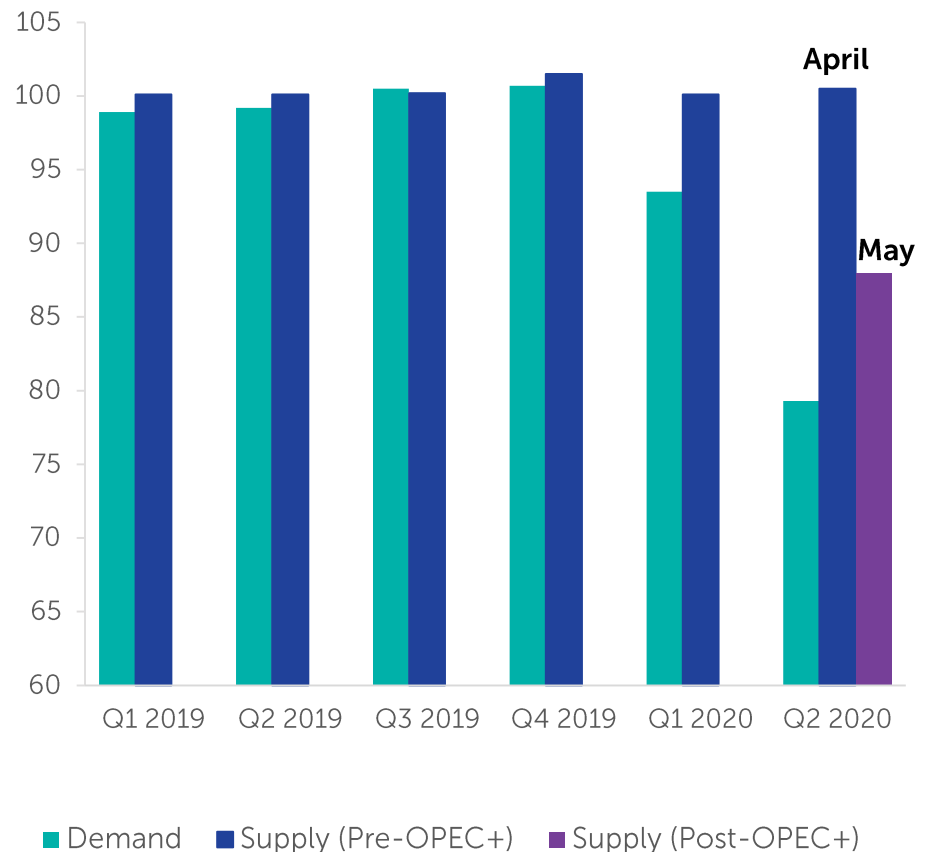
COVID-19 is an event no one saw coming, with devastating effects on the global economy, and the full impact yet to be quantified

The Gray Rhino



The **collapse of OPEC+ deal** is not a random surprise, but occurred after a series of warnings and visible evidence, with profound impact on the oil market.

Quarterly Global Oil Demand and Supply (mil bpd)

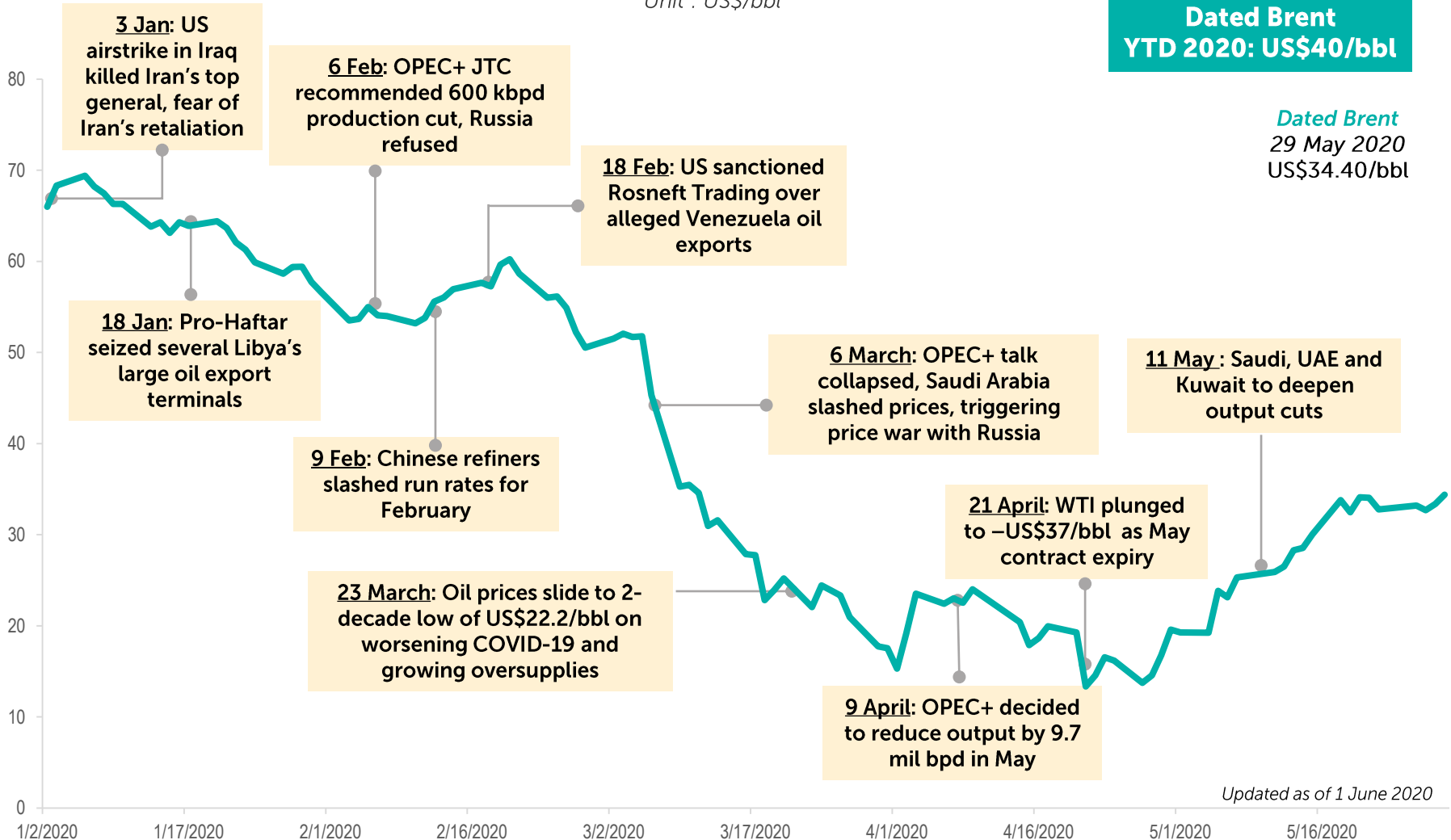


Oil price has climbed to above US\$30 from its lowest level since 1999 of US\$13.20 on April 21 ...

Dated Brent Prices

Unit : US\$/bbl

**Dated Brent
YTD 2020: US\$40/bbl**



Updated as of 1 June 2020

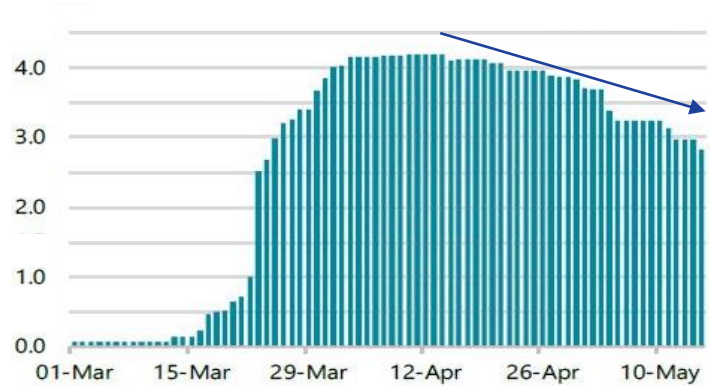


... due to easing of global lockdowns and travel curtailments

COVID-19 is still unfolding and without any vaccine, demand recovery hinges upon effective policy intervention before consumer demand takes off

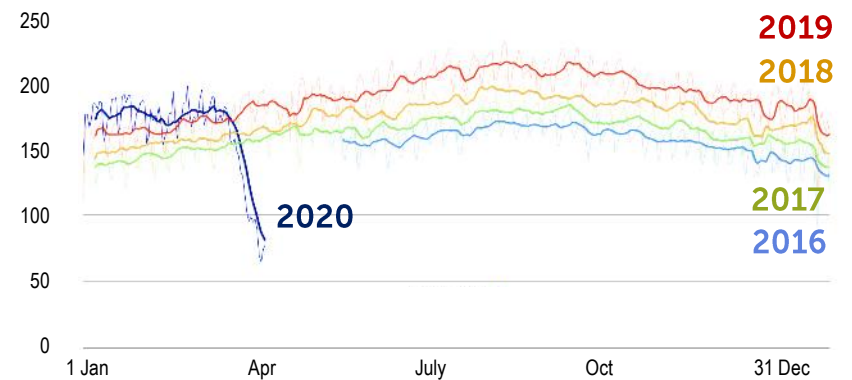
>4 billion people under 'The Great Lockdown'

Number of people (in billion)

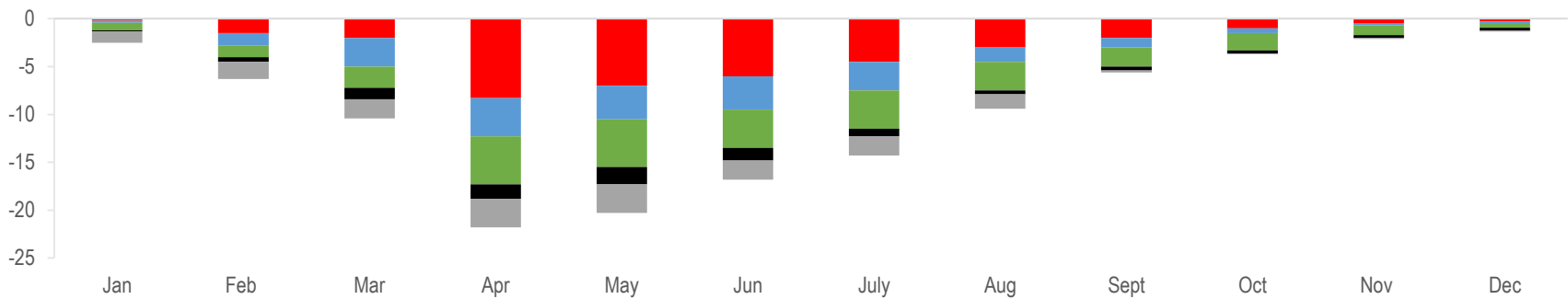


Historic drop in air travel

7-day moving average of total flights (in '000)



Impact of COVID-19 to global oil demand (mil bpd)



Gasoline Jet/kero Diesel Fuel oil Others

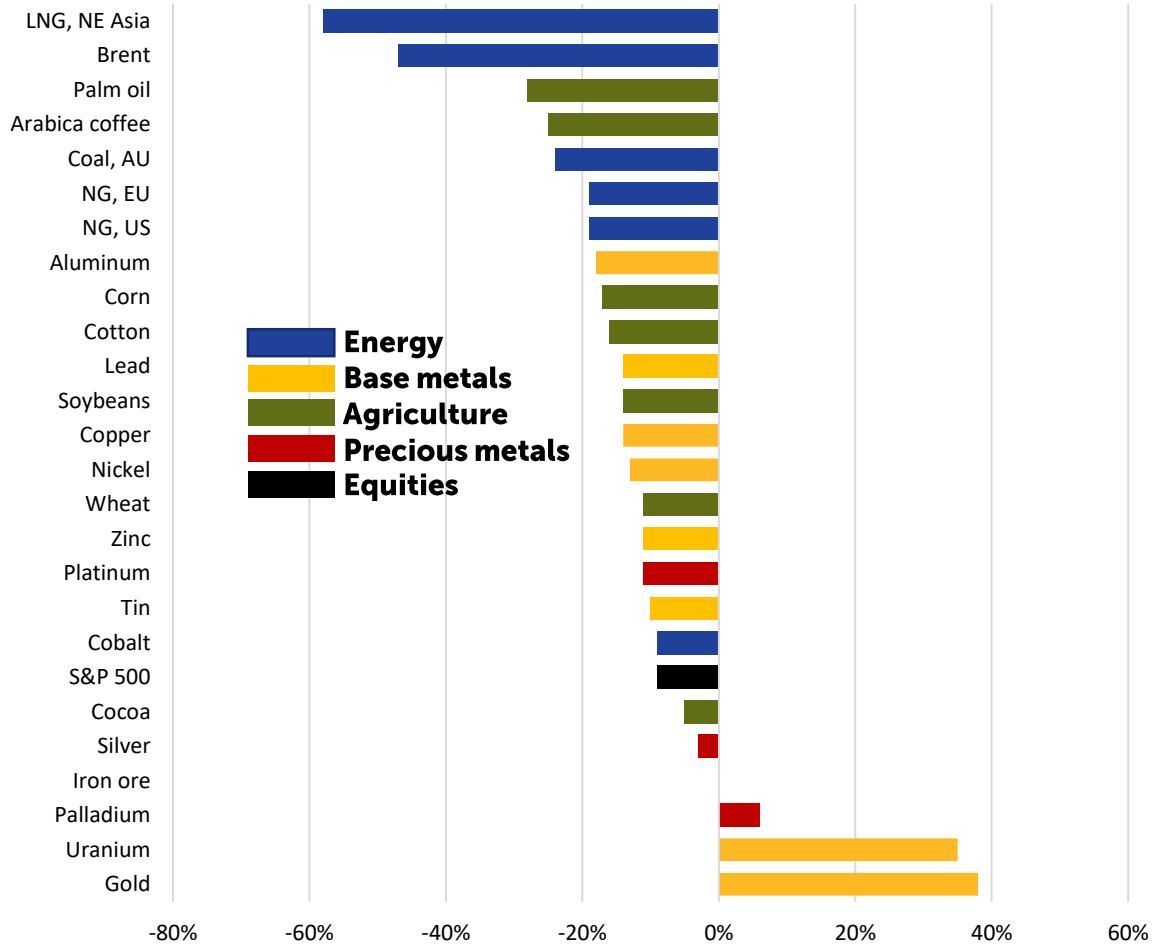




Amidst the prolonged pandemic, LNG has been hard hit by lockdowns and cargo deferrals ...

Impact of the COVID-19 outbreak

Unit: %

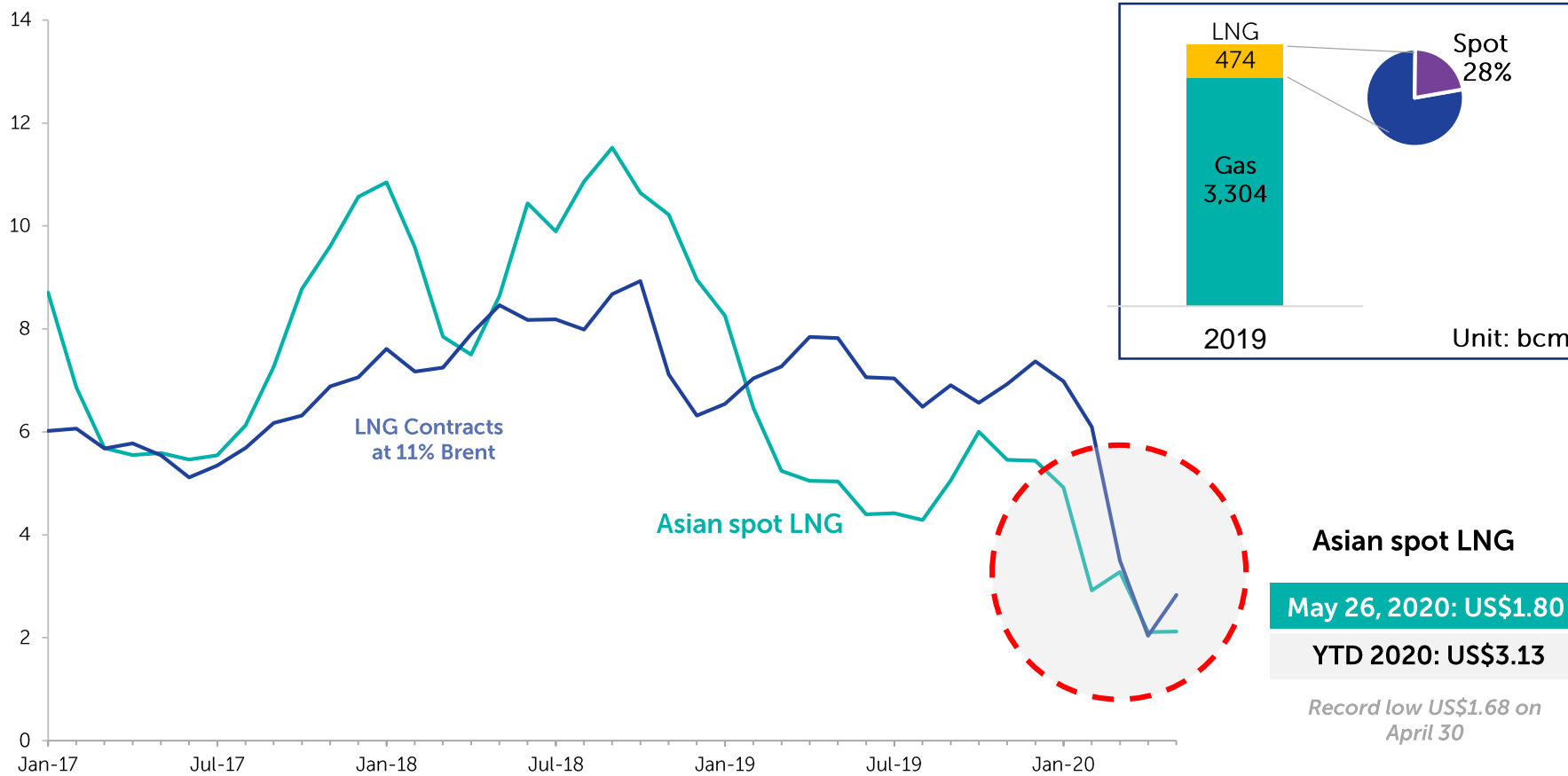


Note: The chart represents selected commodity price movements between Dec. 31, 2019 (pre-COVID) and May 19, 2020.

... while Asian spot LNG has tumbled to record lows as oversupply is worsened by COVID-19 demand destruction

Asian spot LNG vs oil-linked contract prices

Unit: US\$/mmBtu



The scale of the carnage poses existential threats across industries, triggering economic, financial and humanitarian crises

25 million
Actual number of people infected globally, higher than the reported **3.3 million**



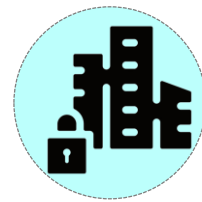
US\$252 billion
of revenue lost with 25 mil job losses

4 billion
Global population under lockdown in April



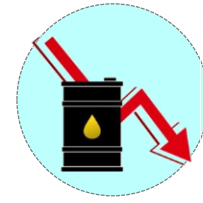
↓80%
Oil price nosedived in April to almost a two-decade low

81%
of the 3.3 billion global workforce have had their workplace fully or partly closed



>US\$90 billion
Oil & gas capex cuts

195 million
jobs wiped out, UN agency says



↓20 million
Oil demand destruction in April

Current weak market condition has prompted NOCs and IOCs to pursue cost-cutting measures

Oil & gas companies' spending cuts have exceeded **US\$90 billion**

IOCs

ExxonMobil

ExxonMobil loses US\$610M in 1Q, reduces 2020 spending by US\$10 billion, or 30%
May 1, CNBC

BP cuts spending by quarter, lowers U.S. shale output
April 1, Reuters



Total keeps dividend as profit falls, forecast cut
May 5, Market Watch

TOTAL

Shell cuts spending by US\$5 billion, reduces dividend first time since WWII
April 30, BBC



equinor

Equinor cuts dividend by two-thirds, removes US\$3B in spending
April 23, CNBC

Chevron cuts 2020 spending to US\$14 billion from US\$20 billion
May 1, CNBC



Independents

ConocoPhillips

ConocoPhillips slashes oil output and spending plans
April 17, Financial Times



Shale producer Concho takes US\$12.6 billion charge, cuts 2020 spending again
May 1, Reuters



EOG Resources

EOG Resources again cuts 2020 capex, production outlook
May 7, Seeking Alpha

Occidental posts US\$2.2 billion loss on charges, deepens spending cuts
May 6, Reuters



OMV pares back spending and output amid Q1 loss
April 28, Upstream Online

NOCs



Russia's Rosneft will reduce its capex by US\$2.7 billion
May 12, Argus

PetroChina to cut capex by US\$10.5 billion in 2020
April 30, OilPrice



Saudi Aramco cuts spending, hikes dividend
March 15, Wall Street Journal

Service Providers

Schlumberger

Schlumberger cuts spending 30%, eyes rapid slowdown in oilfield activity
March 24, Reuters

HALLIBURTON

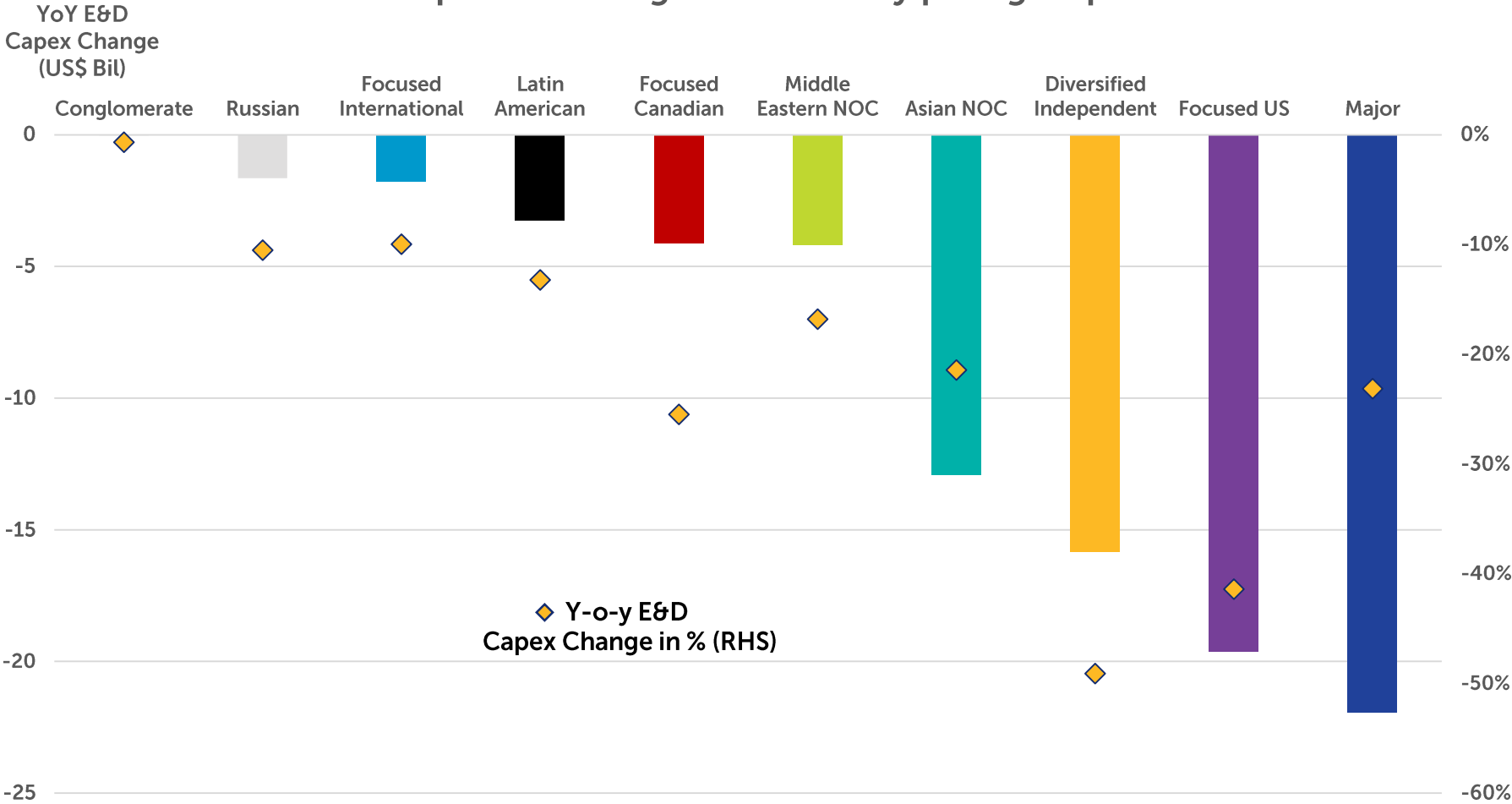
Halliburton books US\$1.1 billion charge, slashes spending by 50%
April 20, Reuters



TechnipFMC slashes capex 30%
April 1, Reuters

The largest upstream budget cuts are by oil majors but the biggest % cuts are by independents and US players

Upstream budget revisions by peer group



Key Takeaways

- COVID-19 pandemic and a protracted period of **ultra low oil prices** have **severely impacted the global oil and gas industry**, exposing players to **operational difficulties, financial distress and bankruptcies**.
- Oil and gas players remain **vulnerable to the 'boom and bust' industry cycles** as well as economic crises, and **PETRONAS is not immune** from this crisis where the impact has been felt across our businesses.

Petronas' capex cut another shock to local O&G companies

Battered by plunging oil prices, local upstream oil and gas services companies were hit by another piece of negative news last Friday - that Petrolim Nasional Bhd (Petronas) plans to cut its annual ...

TE The Edge | 22h

Petronas ups its resilience

PETALING JAYA: In dealing with volatile industry conditions, Petrolim Nasional Bhd (Petronas) has revealed measures to strengthen its resilience to weather the downward cycle in the oil and gas ...

The Star | 5d

Malaysia's Petronas braces for severe 2020 hit as Q1 profit plummets

Malaysian state oil firm Petronas posted a 68% slump in first-quarter profit on Friday and said it would cut capital ...

Nasdaq | 5d

Petronas cuts FY20 capex and opex as oil slump hits

Petrolim Nasional Bhd, which reported a 68% year-on-year fall in its first quarter profit after tax today, is slashing its ...

TE The Edge | 5d

Malaysia's Petronas posts 68% first-quarter profit plunge

Malaysian state oil company Petronas on Friday posted a 68% slump in first-quarter profit, dragged down by lower prices of ...

Reuters | 6d



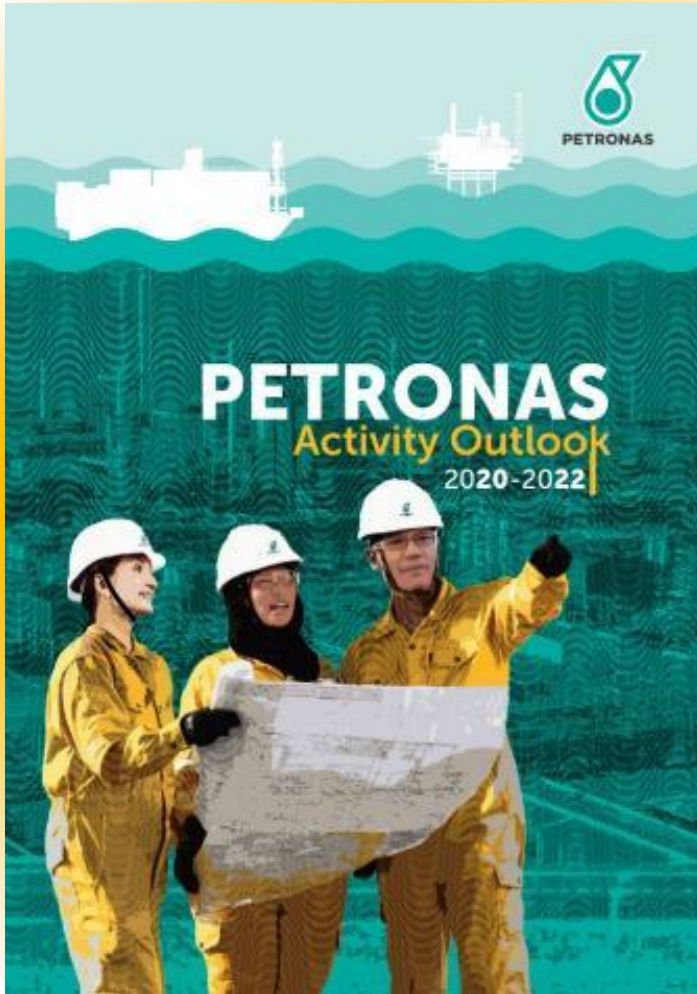
*"We are focused to ensure that PETRONAS **remains resilient**. At the center of this effort, we will continue to preserve cash & maintain our liquidity, which is crucial, given the markets ahead. Efforts on **cost compression** are also driven groupwide with emphasis on CAPEX & OPEX rationalization.*

***We will strive as far as practically possible to minimize the impact to our domestic CAPEX programme.** We will also respond to market changes with pace by delivering value safely and efficiently, while optimizing our integrated value chain."*

- YBhg. Tan Sri Wan Zulkiflee Wan Ariffin, 22 May 2020

Key Takeaways

- The scale and gravity of current crisis have yet to fully unfold, which leaves industry players with no option but to undertake **radical measures including cost cutting and rationalisation** in order to **stay afloat** and **survive** this downturn.
- The oil and gas industry landscape is set to witness further **structural changes and transformation** post COVID-19 – Malaysian oil and gas industry players need to be pro-active and nimble in adjusting to the '**New Normal**' in order to remain resilient and **survive** the **current and future crises**.



PETRONAS Activity Outlook 2020-2022

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Activity Outlook

2020-2022



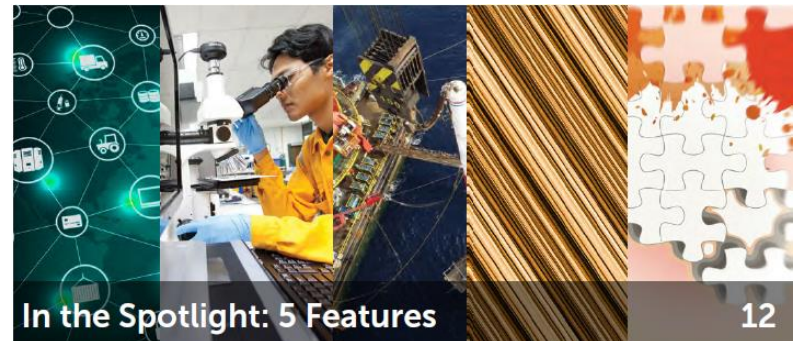
PETRONAS communicates its 3-year activity outlook, providing insights on opportunities as well as focus and direction for the industry



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Activity Outlook 38



In the Spotlight: 5 Features 12

- Digital Procurement
- Technology Agenda
- Discovered Resources Opportunities (DRO) and Late Life Assets (LLA)
- Simplification, Standardisation & Replication
- Corporate Liability



Technology Agenda

**New Investment Prospects
Discovered Resource Opportunities (DRO)
and Late Life Assets (LLA)**



Tembikai Non-Associated Gas Platform, a marginal field offshore Peninsular Malaysia

