



# The “New Normal” for the Oil Market: Need for Transformation

2<sup>nd</sup> Iran E&P Congress | Tehran, Iran | March 4<sup>th</sup>, 2018  
Ramin Forouzandeh | Dana Energy

# Outline

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- Oil Downturn
- Forecast
- The New Normal
- Transformation

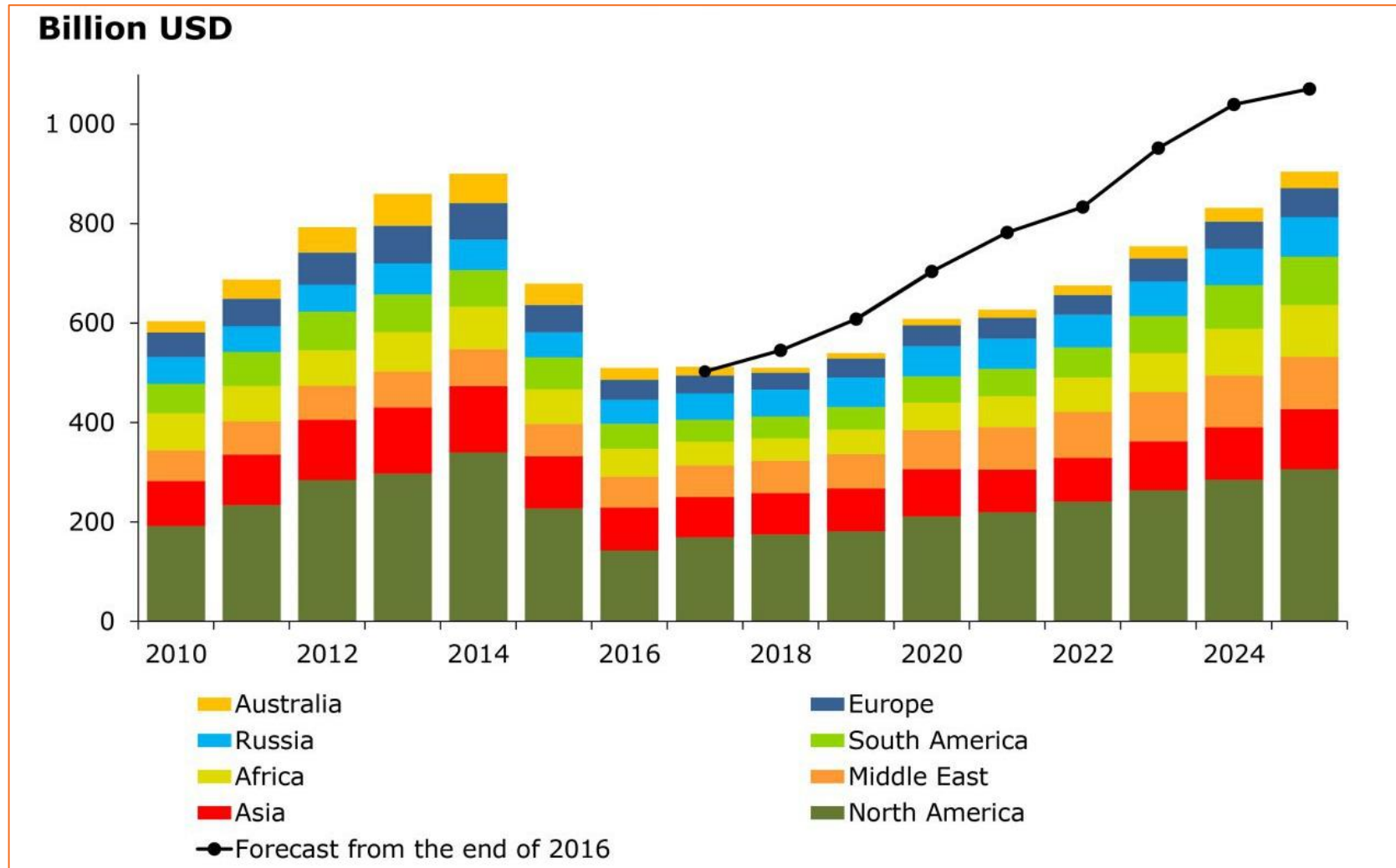
# Oil Prices Fall



### Weekly Europe Brent Spot Price FOB (Dollars per Barrel)



# Upstream CAPEX



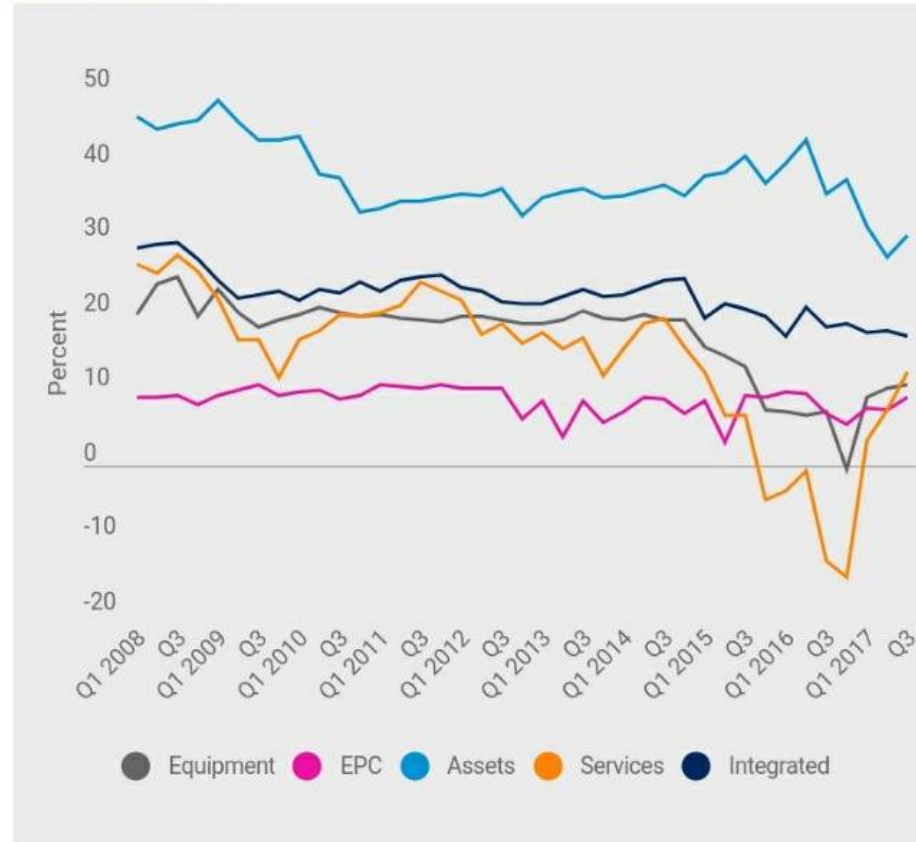




# Shrinking Margins

McKinsey & Company

EBITDA margin<sup>1</sup>



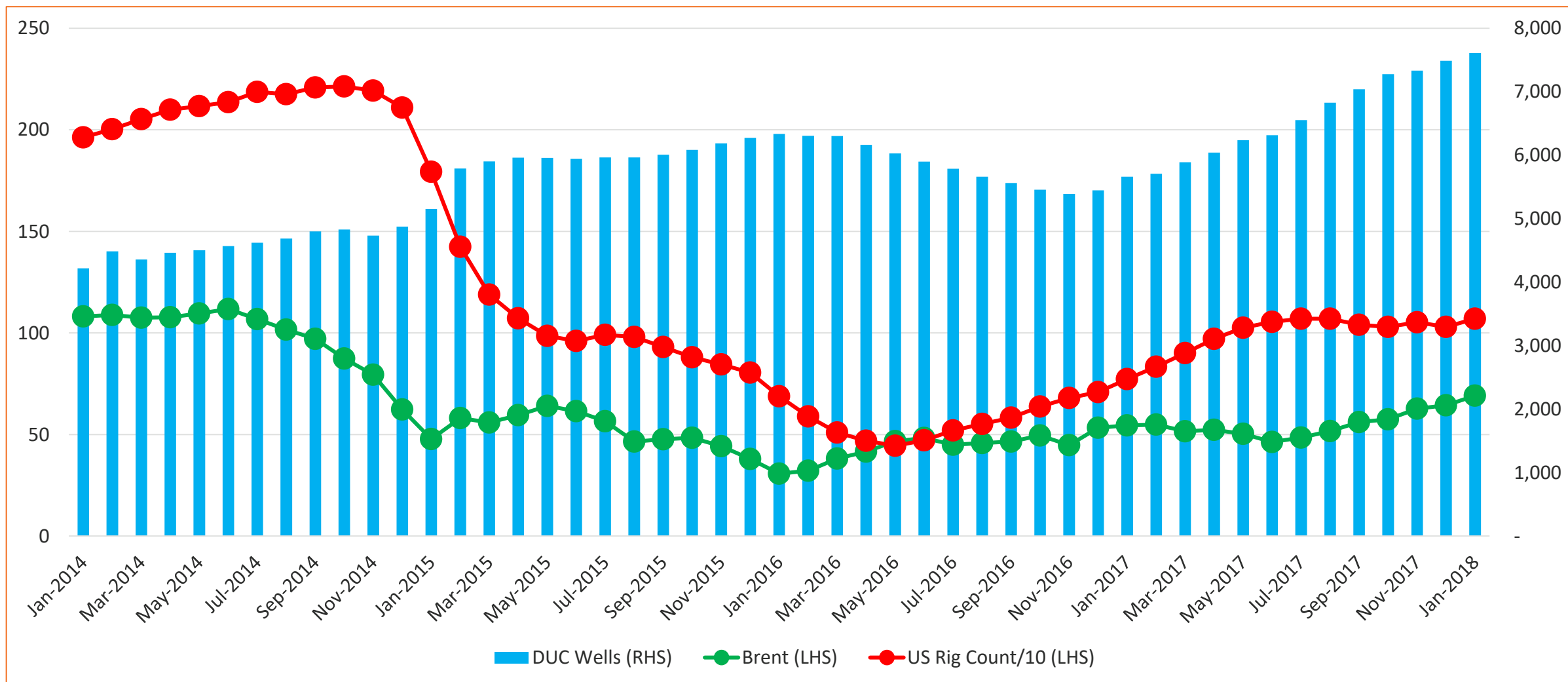
EBITDA margin change, % points

	Quarter vs previous, Q3 2017 vs Q2 2017	Year on year, Q3 2017 vs Q3 2016
Assets	2.9	-5.6
Integrated Services	-0.8	-1.1
Services	5.1	25.2
Equipment	0.6	3.8
EPC	1.9	2.4

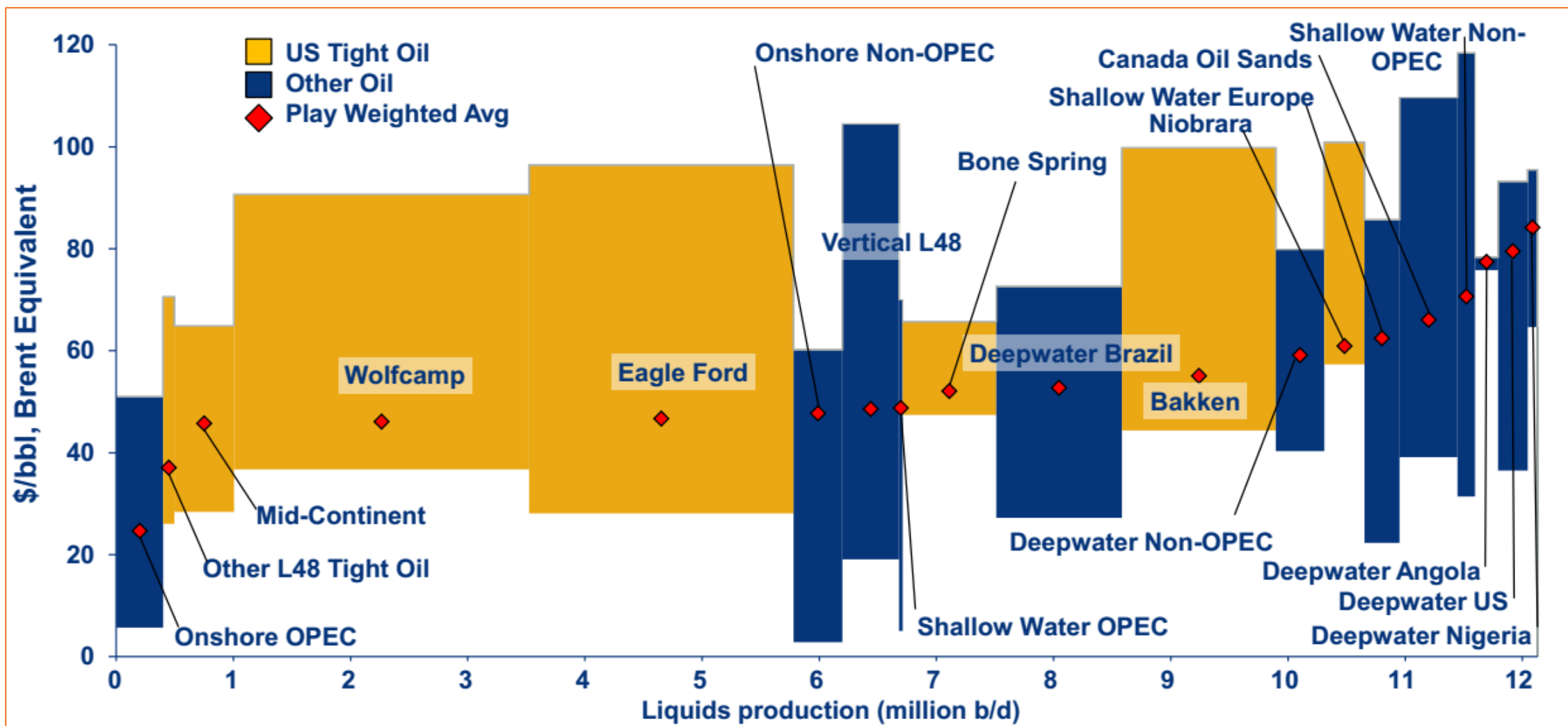
<sup>1</sup> EBITDA = earnings before interest, taxes, depreciation, and amortization. Revenue and EBITDA as announced, adjusted for different accounting/disclosure policies. Sample includes 23 Assets, 12 Equipment, 9 EPC, 7 Services, and 3 Integrated Services companies.

SOURCE: S&P Capital IQ; McKinsey analysis

# Rig Count & DUC Wells



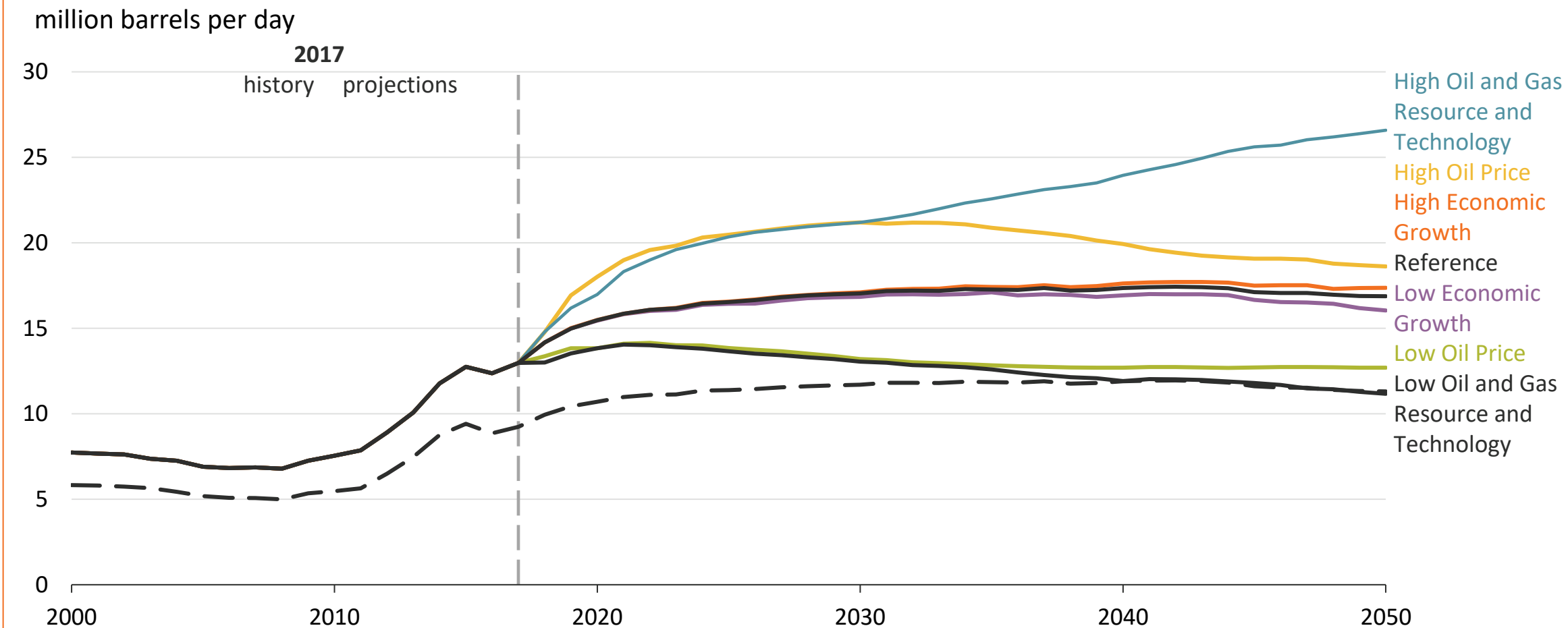
# Cost Curve





# US Oil Production - 1

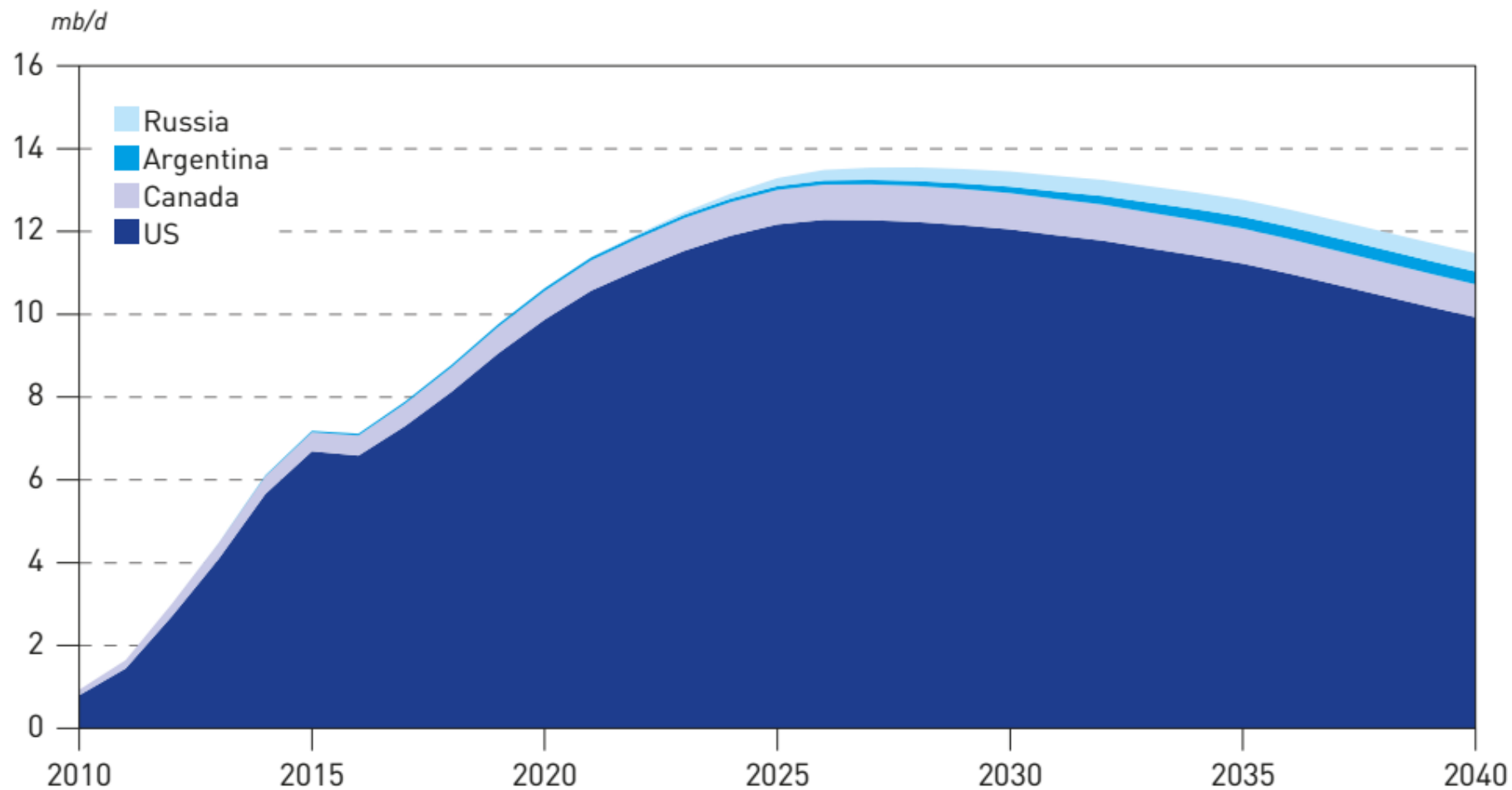
## U.S. crude oil and natural gas plant liquids production



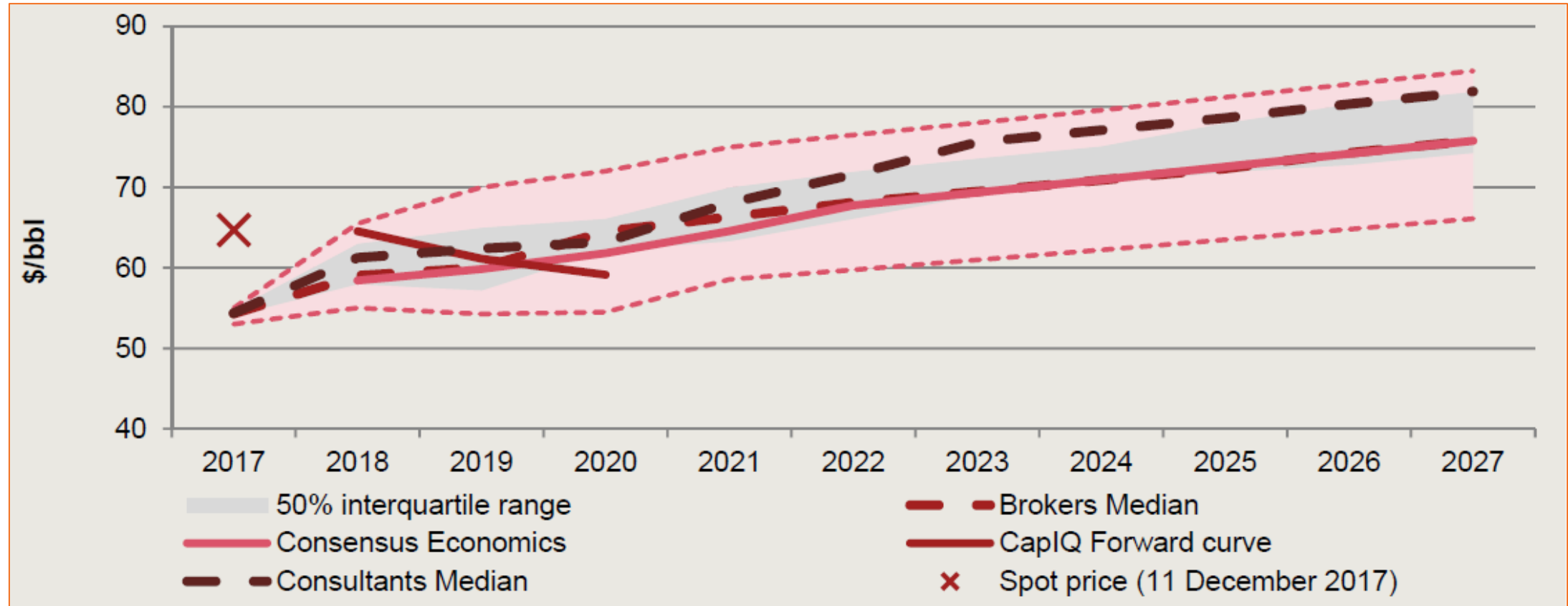
# US Oil Production - 2



## Global tight oil supply outlook in the Reference Case



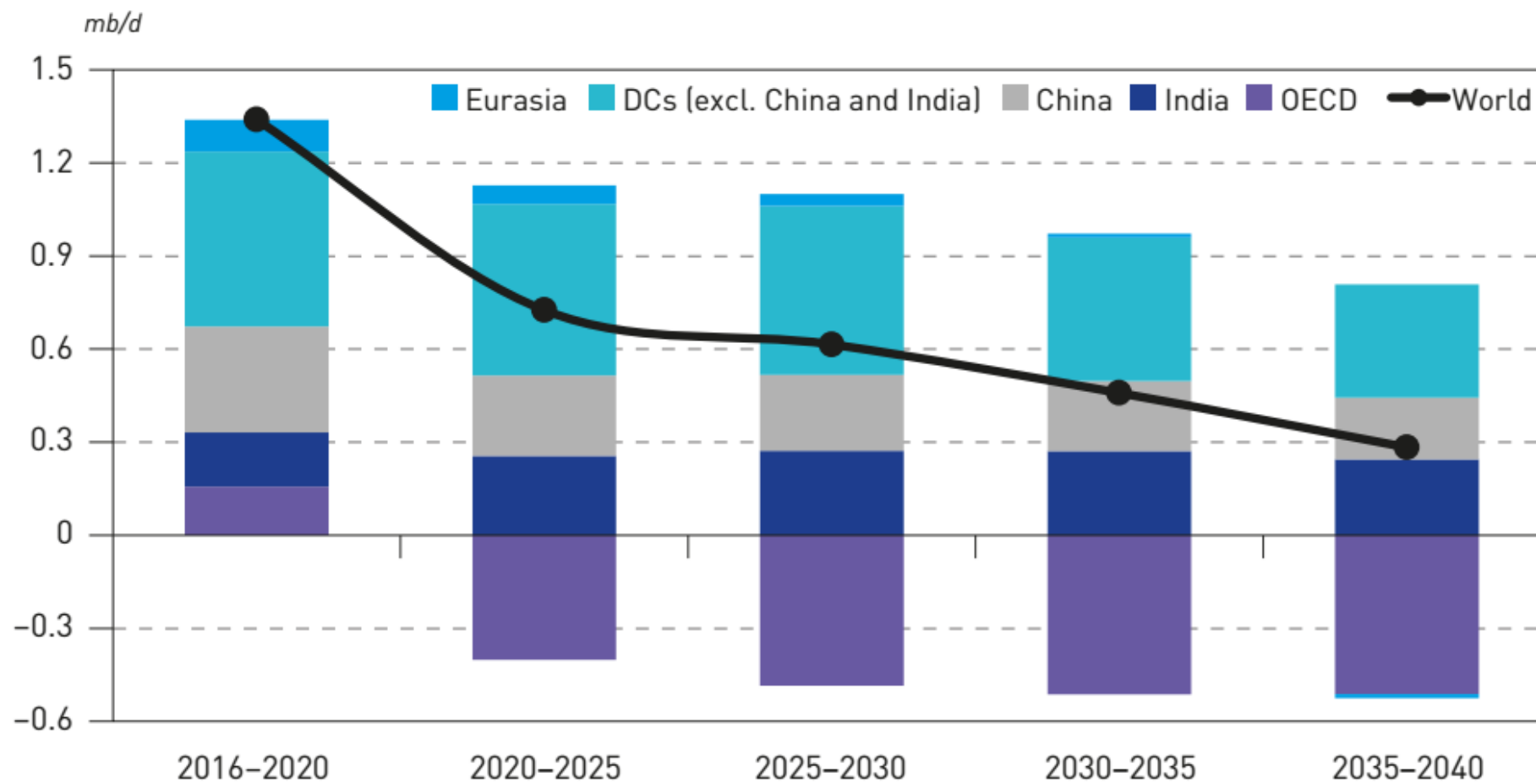
# Lower for Longer Environment



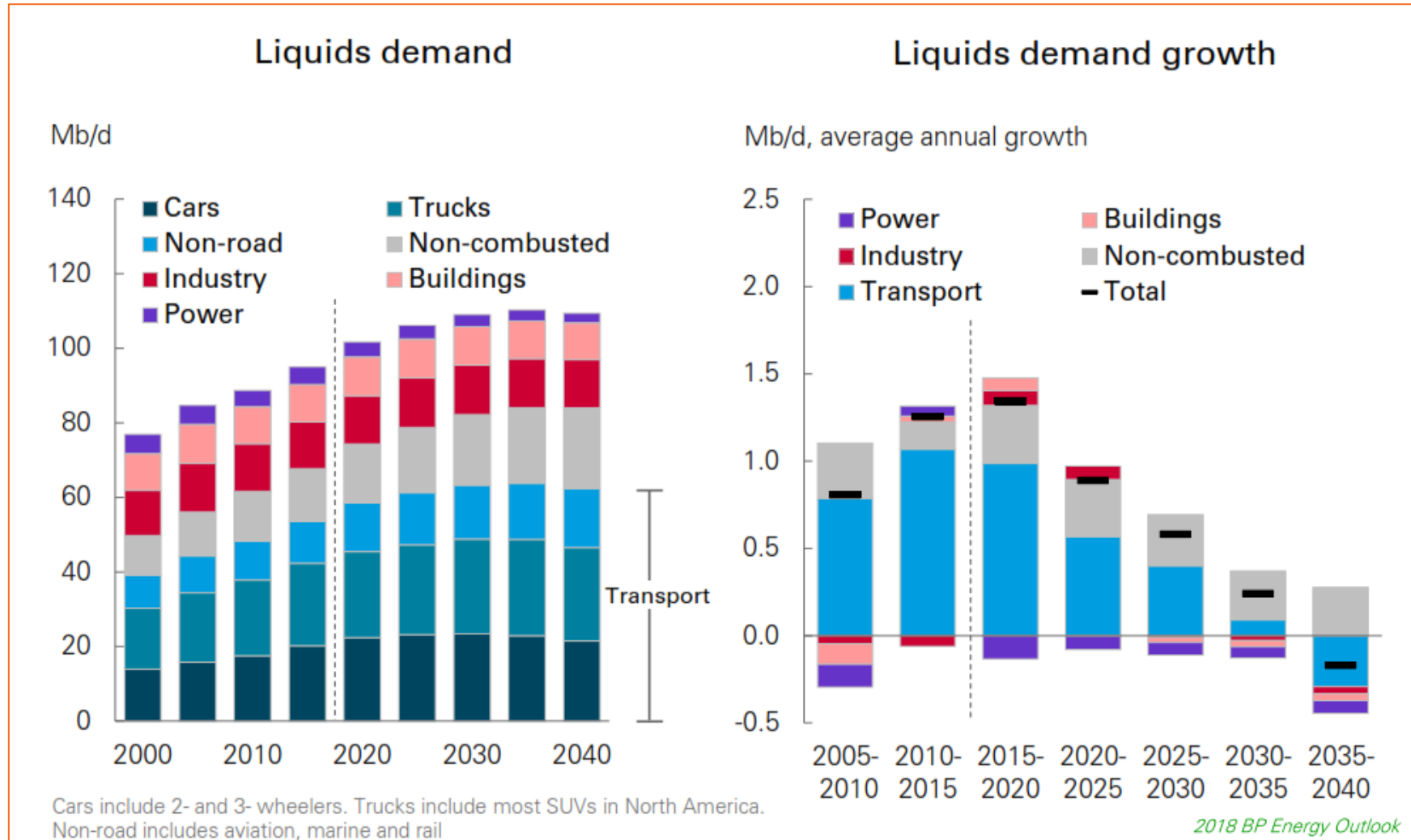
# Toward demand peak? -1



*Average annual oil demand growth in the Reference Case*



# Toward demand peak? -2



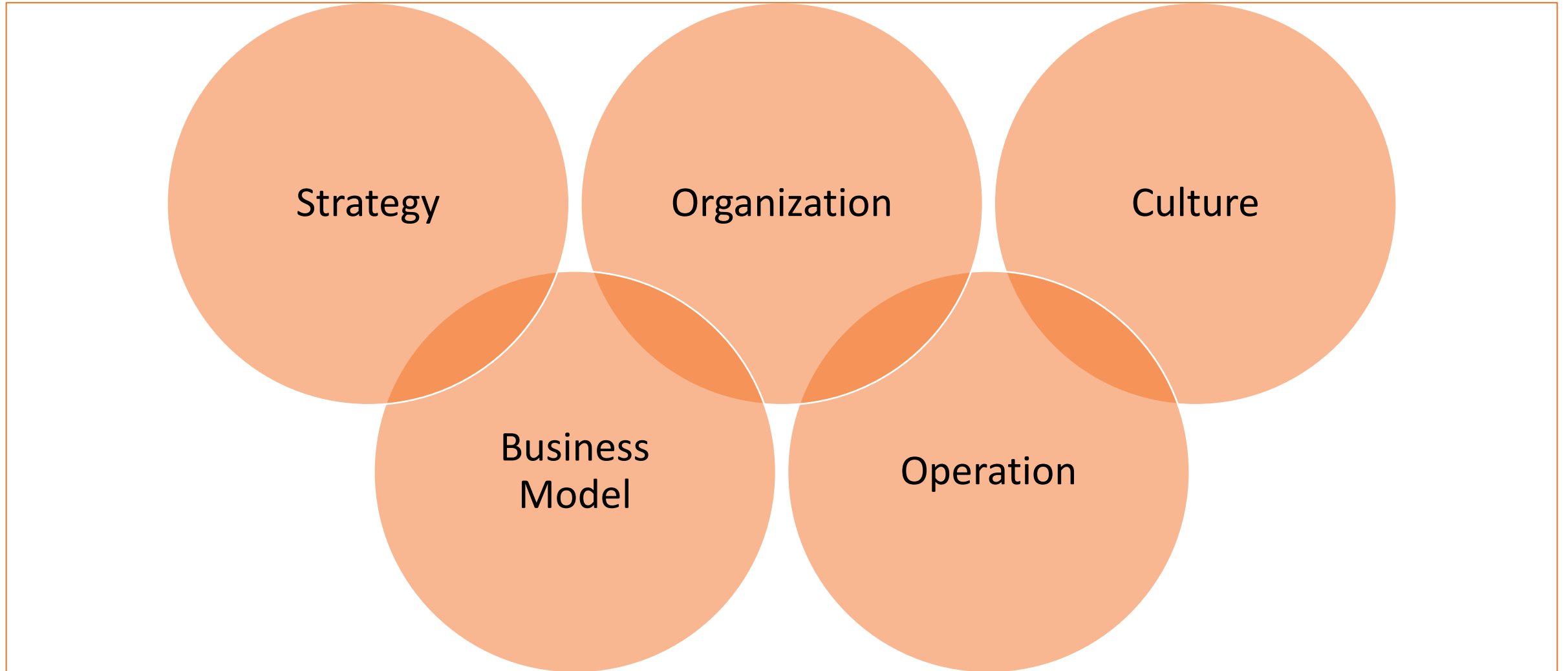


# Need for Transformation

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- Low Prices
- Prospect for Peak Oil Demand
- Renewables
- Efficiency gains

# Transformation-1



# Transformation-2

## Making change stick

- What should our target culture be, given our business strategy and stated goals?
- What changes can we make to our environment to drive a different set of behaviors?
- What changes can we make to our operating model to increase commitment and accountability on all levels of the organization?

## Transforming into an agile organization

- What is the ideal organizational setup for the adjusted portfolio and operations?
- How can we improve the efficacy and speed of our decision-making processes?
- How can we keep the organization focused on our core assets?



## Getting the portfolio right

- What is our long-term goal and vision? Where do we have a real competitive advantage?
- What are the deaveraged full-cycle economics of our assets?
- How can we ensure that our assets are resilient to changes, including changes in the market, politics, and demand?

## Simplifying and fortifying processes

- How can we increase the performance of our core processes through simplification?
- What tools, including digital technologies, can we leverage?
- How can we partner with suppliers to drive progress?

# Thank you

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