

Financing Oil & Gas Projects in a Low Oil Price World

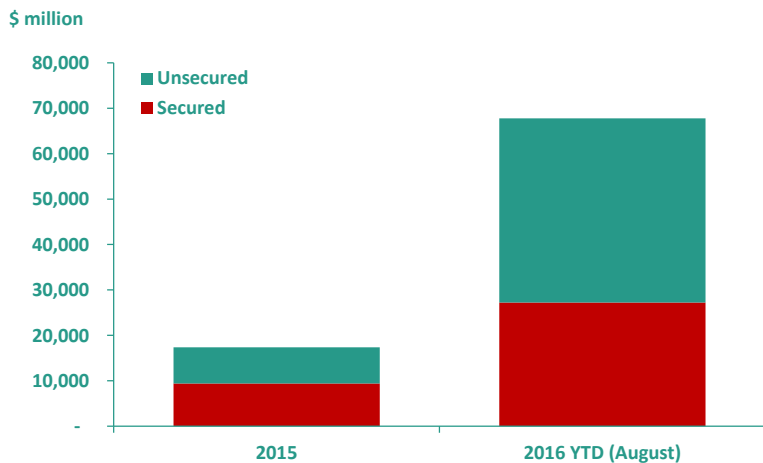
- Panel**
- Peter Gaw** – *Managing Director, Global Head Oil and Gas, Standard Chartered Bank*
 - Julian Mylchreest** – *Global Head, Energy and Power, Bank of America Merrill Lynch*
 - Ignacio de Calonje** – *Chief Investment Officer, IFC Natural Resources*
- Moderator**
- Jan Prins** – *Independent Consultant, Energy and Infrastructure Finance*

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Total Bankruptcies in N. American Oil and Gas sector

Observations:

- 2015: 44 bankruptcies;
- 2016 YTD: 58 bankruptcies;
- 2016 bankruptcies to include:
 - Sandridge (\$ 8 bln)
 - Linn Energy (\$ 6 bln)
 - Pacific Energy (\$ 5 bln);
- Significant drop loan Recovery Rates in 2015 *):
 - Unsecured Loans: RR 21% (hist. avg. 51%)
 - Reserve Based Loans: RR: 81% (hist. avg. 98%)



*) Source: Moody's Investors Services

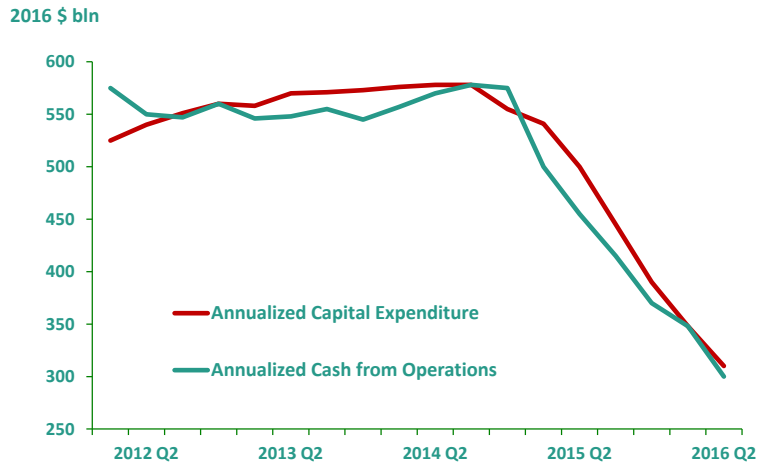
Source: Haynes and Boone, LLP Bankruptcy Monitor

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Financial Trends: US and International Oil & Gas *)

Observations:

- Since 2012 Capital Expenditure exceeded Operating Cash;
- Funding gap filled by Asset Sales, Equity issuance or Debt finance;
- Since 2014 Capital Expenditure reduced in line with declining Operating Cash;
- Curtailment Dividend Payments mainly avoided;
- Aggregate Net Debt has significantly increased;
- Debt Service as % of Operating Cash increased from 20% to 60%.



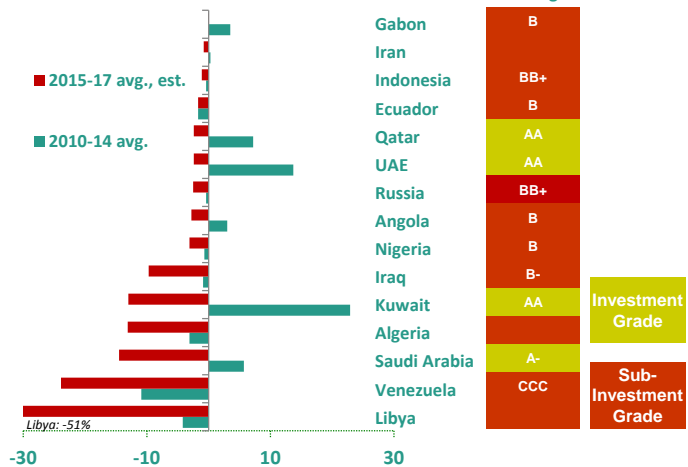
Source: U.S. Energy Information Agency , EvaluateEnergy
 *) Study based on financials of 112 US and International oil and gas companies.

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Fiscal Balance Oil Producing Countries, as % of GDP

Observations:

- All OPEC states as well as Russia will run fiscal deficits this year.
- Oil exporting countries hit by downgrades of their credit rating, some to 'Sub-Investment Grade';
- Fund raising for energy in Sub-Investment Grade countries challenged (mandatory country risk provisions);
- Multi-Lateral Agencies (e.g. World Bank/IFC) to provide co-finance facilities;
- Some countries have improved oil investment terms, yet risk of financial pressure on oil sector not to be ruled out.



Source: Energy Intelligence, Research & Advisory

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