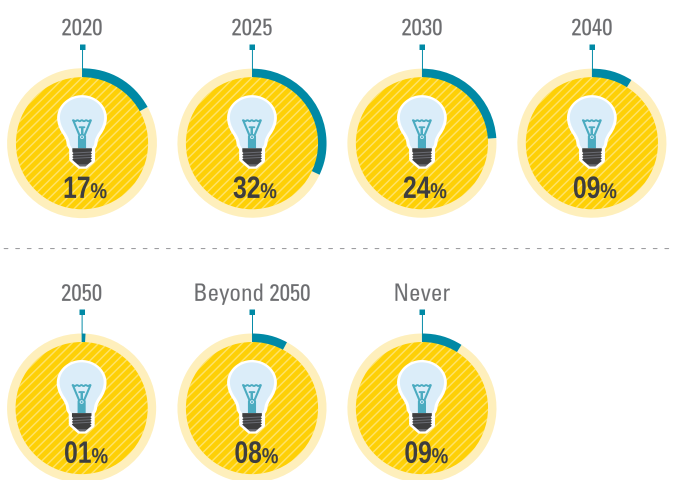
U.S. energy riches expected to fuel megagrowth

The boom period for the U.S. energy sector continues, spurred by a stabilizing economy, surging global energy demand, and emerging technologies that facilitate more efficient and economical exploration and production of traditional and alternative energy supplies. Despite the challenges of a complex regulatory climate, an aging workforce, and rising operating costs, KPMG LLP's (KPMG) 2014 Energy Industry Outlook Survey reveals that U.S. energy executives are feeling upbeat about the future. To seize the opportunities presented by the nation's sudden energy abundance, they are positioning their companies for growth through both acquisition and geographic expansion. Explore a snapshot of the key findings of our 12th annual Energy Industry Outlook Survey, reflecting the viewpoints of 100 senior oil and gas and power and utilities executives on the key issues and trends in 2014.

High likelihood seen for energy independence

More than 90 percent of surveyed energy executives believe the U.S. will attain energy independence, and 73 percent think it will happen in the next 15 years.

WHEN DO YOU THINK THE UNITED STATES COULD ATTAIN
ENERGY INDEPENDENCE?

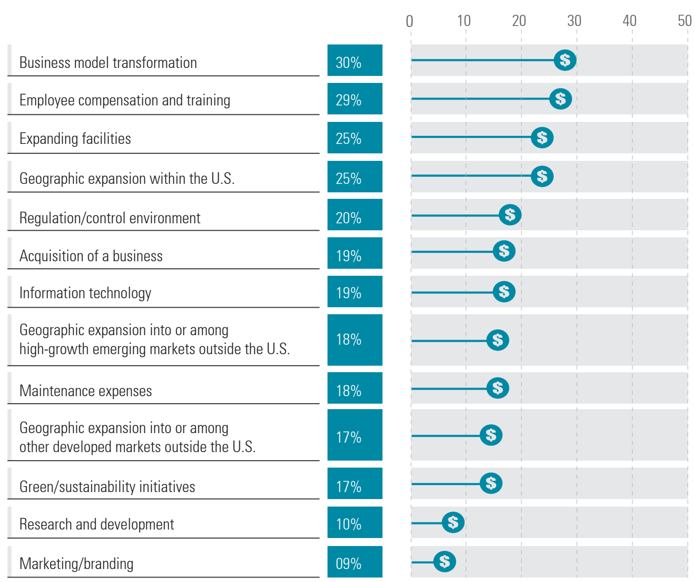


KPMG's outlook: It is difficult to fathom the far-reaching economic and geopolitical implications of the United States eliminating dependency on foreign energy sources and achieving energy independence, while complete independence is unlikely to ever be achieved, U.S. energy security is definitely within reach. U.S. natural gas is a low-cost alternative to other energy sources that is quickly becoming an essential part of the global energy mix. Further, executives expect greater use of renewable energy (23 percent) and alternative fuels such as natural gas, electricity, and biodiesel for transportation (20 percent) to play a role in accelerating U.S. independence, although the development of cross-border pipelines and transmission lines (37 percent) would have the biggest effect.

Business models are transforming geographic footprint expansion

The top area executives expect to increase spending on business model transformation reflecting the ongoing changes in the industry.

IN WHICH AREAS DO YOU EXPECT
YOUR COMPANY TO INCREASE SPENDING
THE MOST OVER THE NEXT YEAR?



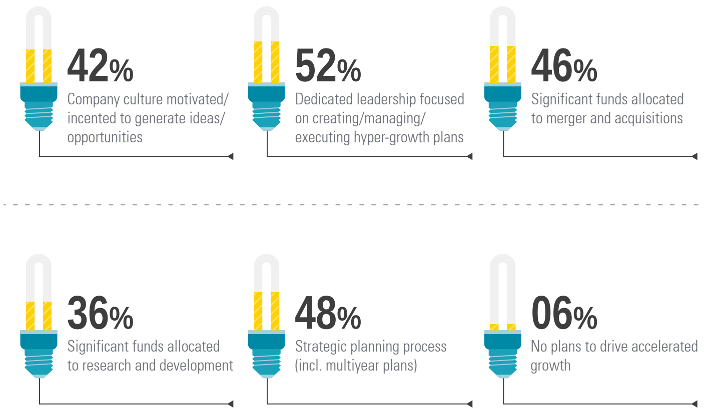
KPMG's outlook: With plenty of capital investment opportunities available (more than two-thirds of executives plan to raise or refinance capital or debt in 2014), and the influx of innovations that make it possible to recover previously untapped energy reserves, expanding into new areas is a natural choice for energy companies. But the move also subjects companies to a new set of regulatory, energy, legislative, and taxation challenges that energy leaders must consider before committing to geographic expansion. In fact, energy executives cite increased taxation (34 percent) and regulatory and legislative pressures (29 percent) as significant growth barriers. With all of the changes occurring in the industry, executives recognize that they need to adapt their business models to take advantage of the new growth opportunities.

> *"Exciting breakthroughs in technologies are leading to greener and new supplies of energy. These new supplies are adding to the increased optimism among energy executives on the potential for U.S. energy independence and the overall future of the energy industry."*
>
> John Kunasek | National Sector Leader | Energy and Natural Resources | KPMG

Aggressive push for growth expected

Ninety-four percent of energy companies say this is the year they will drive accelerated growth.

IN AN EFFORT TO DRIVE ACCELERATED GROWTH OVER THE NEXT 3-5 YEARS, WHAT **PROCESSES/RESOURCES** IS YOUR COMPANY DEPLOYING?

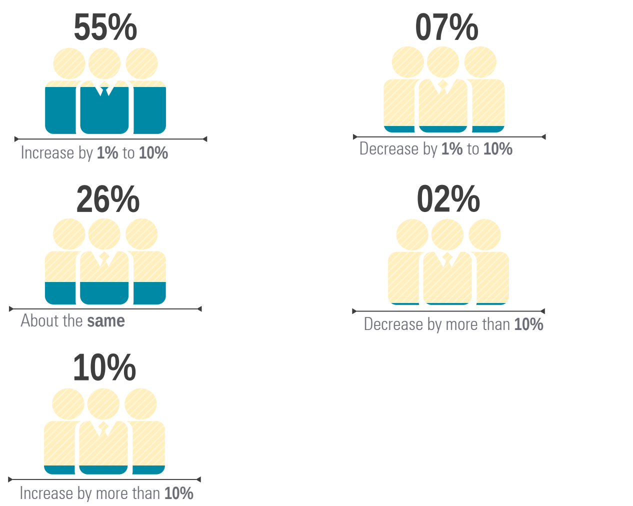


KPMG's outlook: 2014 will be a year of transition and consolidation, as energy companies jostle for top position in an active and highly competitive market. Companies will seek to emerge from the pack by improving performance and developing operating models that can help convert current marketplace pressures into competitive advantages. Acquisition activity will be active, with 65 percent of respondents saying their companies are likely to acquire stakes in another company. But whether an organization, expands to a new area, consolidates its core businesses, streamlines operations through emerging technology, or waits to see how things shake out, no company will be unaffected by the aggressive push for growth throughout the industry.

Workforce expansion will continue

Sixty-five percent of energy companies expect to grow headcount this year.

HOW DO YOU EXPECT YOUR COMPANY'S **U.S. HEADCOUNT** TO CHANGE ONE YEAR FROM NOW?



KPMG's outlook: The Energy Information Administration reported that during the six-year period between 2007 and 2012, the oil and gas industry recorded a 40-percent employment jump, compared to one percent job growth in the private sector[1]. And our survey reveals that the energy sector will continue to be the place to look for work, as companies seek new talent to support aggressive growth plans. They will also have to replace the industry's significant retiring population. More than 50 percent of companies report that five or more percent of the workforce will retire in the next five years, often from senior-level positions. In addition to ramping up hiring efforts, involving industry workers at earlier phases of key projects (48 percent) and investing in internal training programs (29 percent) are some steps energy companies will take to prepare for the decline in skilled trades workers. We also suggest that innovative technology—which enables organizations to do more work with fewer employees, enhances recruitment and training, and is often attractive to potential technologically savvy employees who will backfill positions—represents a powerful opportunity for managing the energy industry talent crisis[2].

1 Shale Boom Spurs Rapid Job Growth (Fox Business, Aug. 8, 2013)

2 Addressing the Energy Industry Talent Gap (KPMG, 2014)

About the KPMG Global Energy Institute

Through the KPMG Global Energy Institute (GEI), energy industry peers share insights on important trends, opportunities, and practices. With trusted, up-to-the-minute information and thought leadership, the GEI fuels more confident and informed business decision making, and plays a part in shaping a stronger energy future.

About KPMG's Energy & Natural Resources practice

KPMG's Energy & Natural Resources (ENR) professionals combine real-world industry experience, global perspective, technical acumen, and an in-depth understanding of client issues to help major energy organizations respond quickly to emerging challenges and opportunities. We deliver value-adding audit, tax and advisory services to a broad portfolio of energy clients, ranging from giant global companies to next-generation leaders in the oil and gas, power and utilities, chemicals, mining, and forestry industries.

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