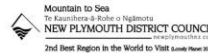


Industry Leader's Address

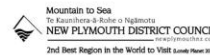
Colin Cruickshank
Vice President New Zealand Upstream Todd Energy
PEPANZ Board Member



Disclaimer

This presentation is provided for general information only and should not be relied on as individual advice. PEPANZ, Todd Energy Limited and Colin Cruickshank disclaim any responsibility or liability for any use of or misuse of this presentation by any person and make no warranty as to the accuracy or suitability of the information provided.

Copyright Todd Energy Limited 2017



Industry is still recovering from price slump

- Oil price reduction leading to challenging times
 - Investment decisions
 - Improve efficiencies
 - Cut costs
 - Staff reductions

Brent crude oil price - US\$/bbl)



Source: Investing.com



Industry is still recovering from price slump

- Oil price reduction leading to challenging times
 - Investment decisions
 - Improve efficiencies
 - Cut costs
 - Staff reductions

Crude oil price (USD\$/bbl)

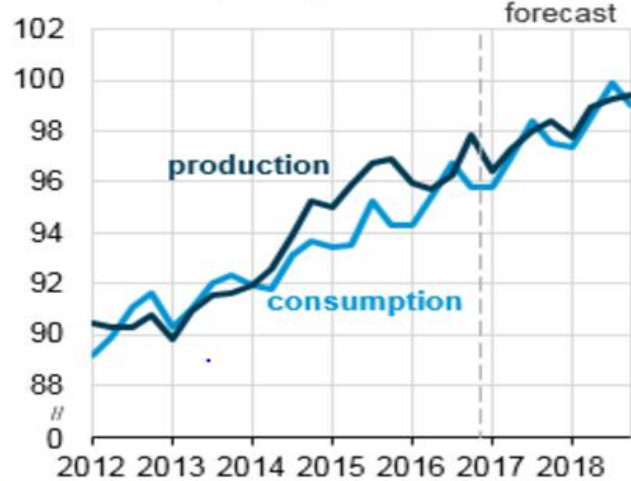


Source: <http://www.macrotrends.net/1369/crude-oil-price-history-chart>

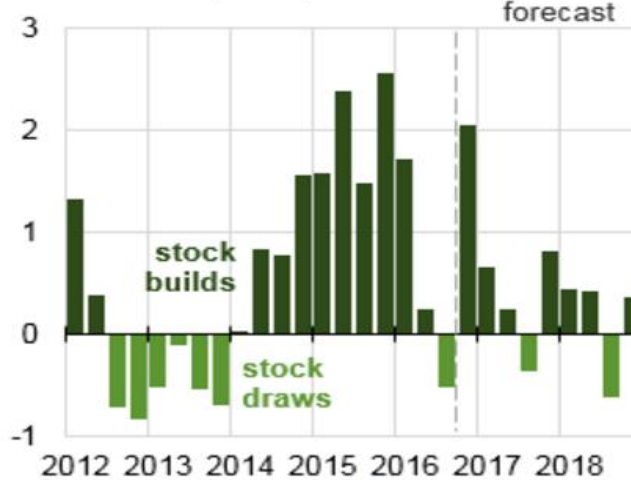


Supply and demand became unaligned

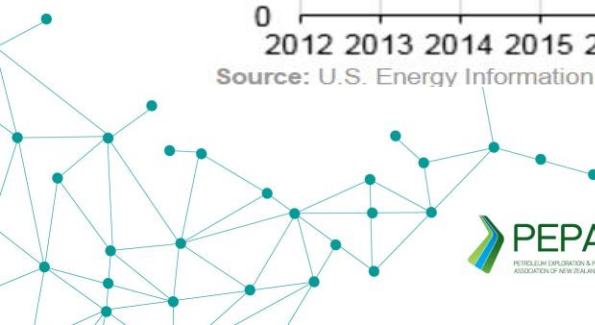
World liquid fuels production and consumption balance
million barrels per day



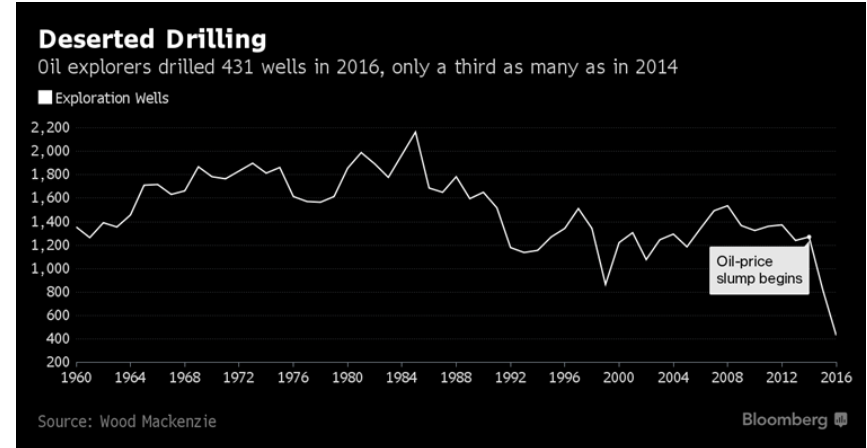
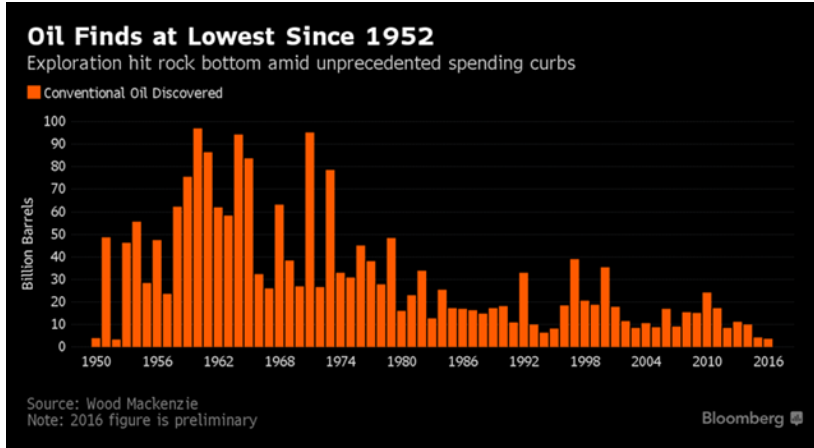
million barrels per day



Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, January 2017



Discoveries have dropped dramatically



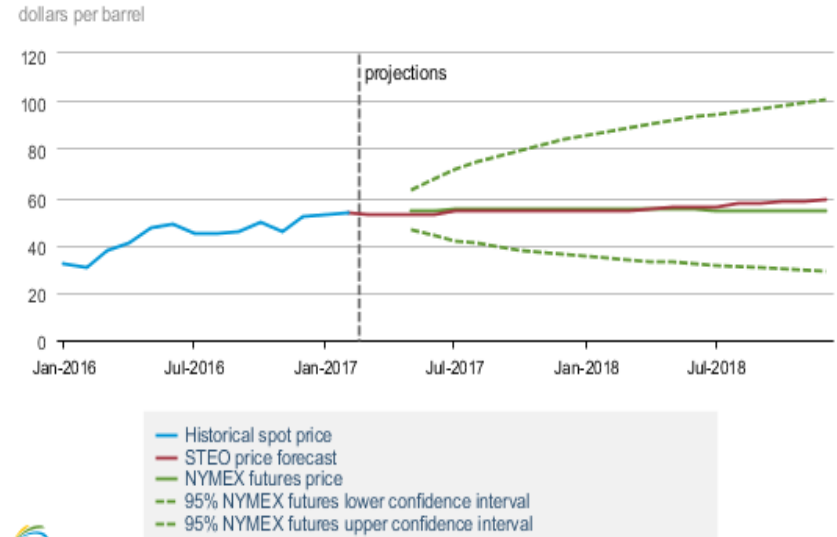
Source: Wood Mackenzie



Short term trends remain unclear

- OPEC production quota
- Trump Presidency
- Rising tide of Nationalism
- Syrian conflict
- Middle East stability
- NZ General Election

West Texas intermediate (WTI) crude oil price



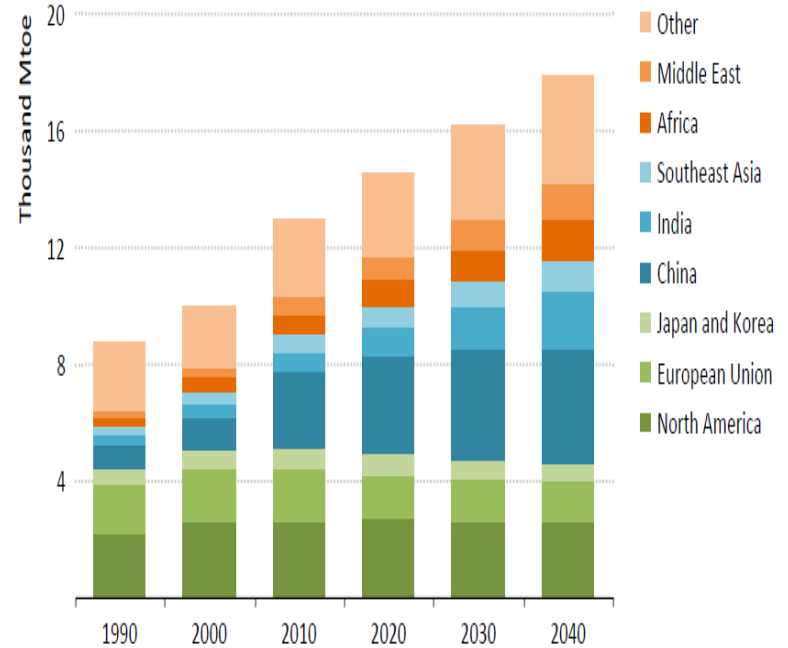
Source: Short-Term Energy Outlook, March 2017

Note: Confidence interval derived from options market information for the 5 trading days ending Mar. 2 2017. Intervals not calculated for months with sparse trading in near-the-money options contracts.

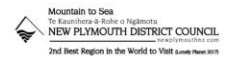


Energy demand will continue to grow

- The IEA forecasts demand for energy will continue to increase
 - Population growth
 - Increasing GDP
 - Urbanisation



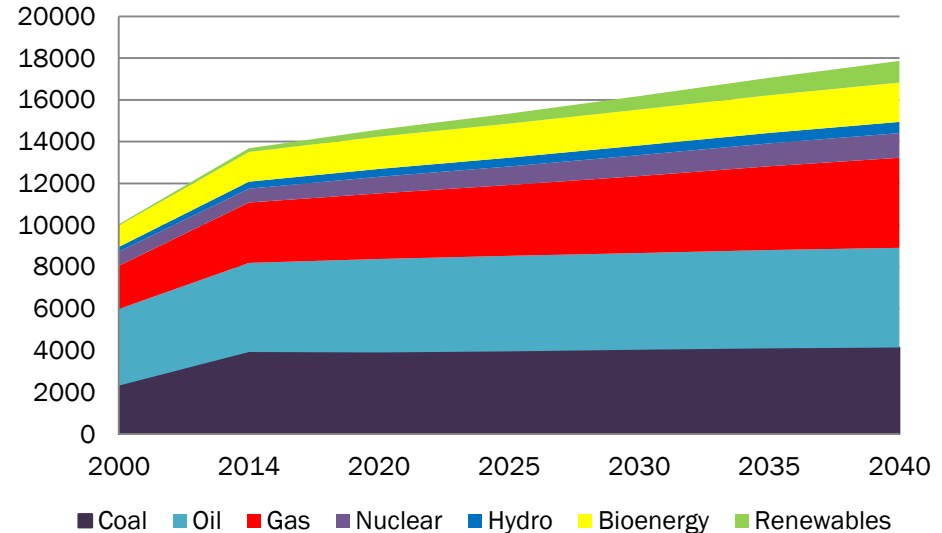
Source: IEA World Energy Outlook 2016



Oil and gas demand will continue to grow

- To meet demand - need more from all energy sources
 - Renewables fastest growing
 - Coal flat to reducing
 - Oil growing slowly
 - Gas to grow by 50%

World energy demand (Mtoe)

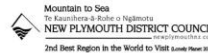


Source: IEA World Energy Outlook 2016



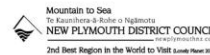
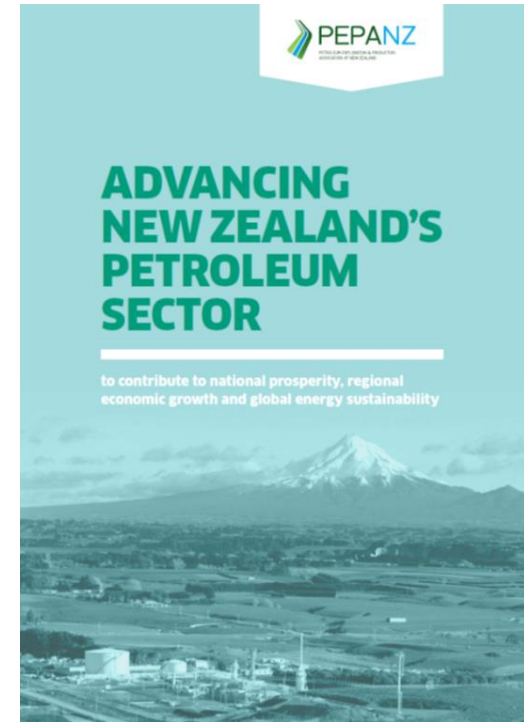
Is New Zealand well placed to help meet this demand?

- Petroleum is one of the most internationalised industries in the world
- Companies have choice where to invest
- Are New Zealand's policy settings and regulatory frameworks still appropriate to attract international investment in the current climate?



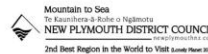
PEPANZ policy platform

- Policy recommendations
 - Legislative, regulatory and fiscal
 - Energy security, affordability and reliability
 - Climate change
 - Health, safety and the environment



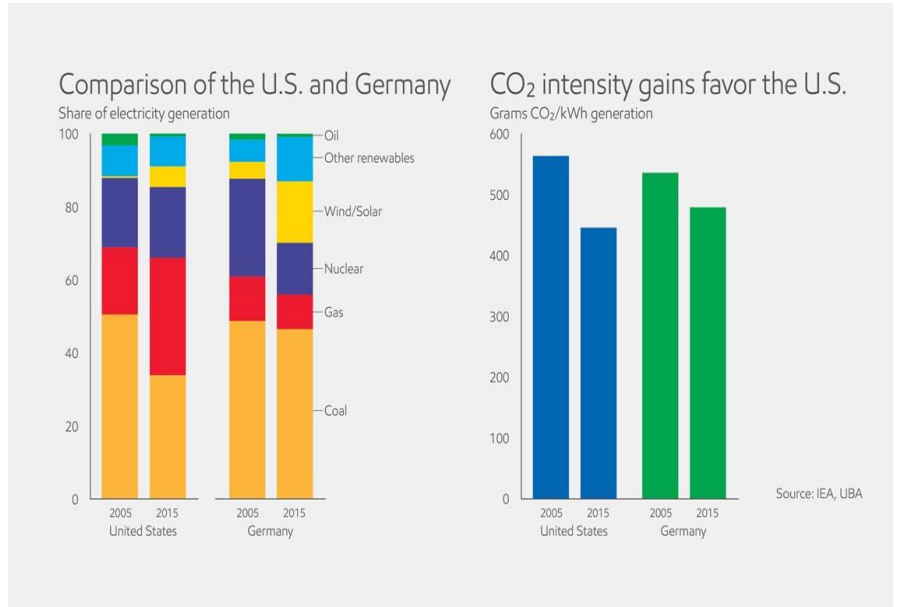
Where does oil and gas fit post-Paris?

- The world wants and needs cleaner sources of energy
- At the same time demand for oil and gas will continue to increase over the coming decades
- How do we reduce emissions while at the same time meeting this increased demand for increased energy?



Impact of Government Policy

- Reduce CO₂ intensity of their electrical power generation
- Germany
 - Reduce nuclear
 - Favour wind, solar
- USA
 - Reduce coal
 - Favour gas

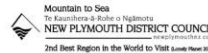


Source: IEA, UBA



We play an important economic role

- The contribution of our sector to the economy is immense:
 - \$2.5 billion to GDP
 - \$500 million in royalties and income tax
 - \$1.5 billion in exports
 - 11,000 jobs
- Natural gas feedstock for broader industry
- This cannot be taken for granted – require continued investment



Collaboration is important

- A thriving oil and gas industry is not only good for our companies, it is good for our region, it is good for the economy and it is good for New Zealand
- To achieve this are we truly demonstrating unity and working together for a united common goal to improve our overall industry?

