CERA Construction Trends

Baker Institute
April 2009
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Energy Cost Indexes

IHS/CERA Cost Indexes

- Upstream Operating Cost Index
- Upstream Capital Cost Index
- Downstream Capital Cost Index
- Power Capital Cost Index North America

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Recession
World Economic Growth

Source: Historical data from International Monetary Fund. 2008 and 2009 CERA projections.
Oil Spare Capacity versus World Demand

Source: Cambridge Energy Research Associates.

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Industry Cycles
Lessons from the 80’s
2008 Drop in Oil Prices is More Severe than Early 1980s
NOC Worldwide Acreage Holding - 1995
NOC Worldwide Acreage Holding - 2008
Nearly 7.6 mbd of Capacity Growth at Risk of Deferral
Factors Influencing the Direction

- Salary and wage rate levels.
- Backlogs orders
- Manufacturing cut backs
- Offshore Deepwater Rigs
  - NOC’s continuing
  - Cancellation clauses
- Equipment supply chain
- Limited large dia. pipe suppliers
- Deepwater services remaining strong
- Commodities and raw materials
- Surplus of OCTG
- Lower feedstock costs for chemicals and fuel costs
- Lower transportation
- Drop in industrial activity
- Rig utilization falling
- Construction slowdown
- Staff layoffs
Shape of Things to Come

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If you have any questions about this presentation or CERA in general, please feel free to contact

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