CERA Construction Trends

Baker Institute
April 2009

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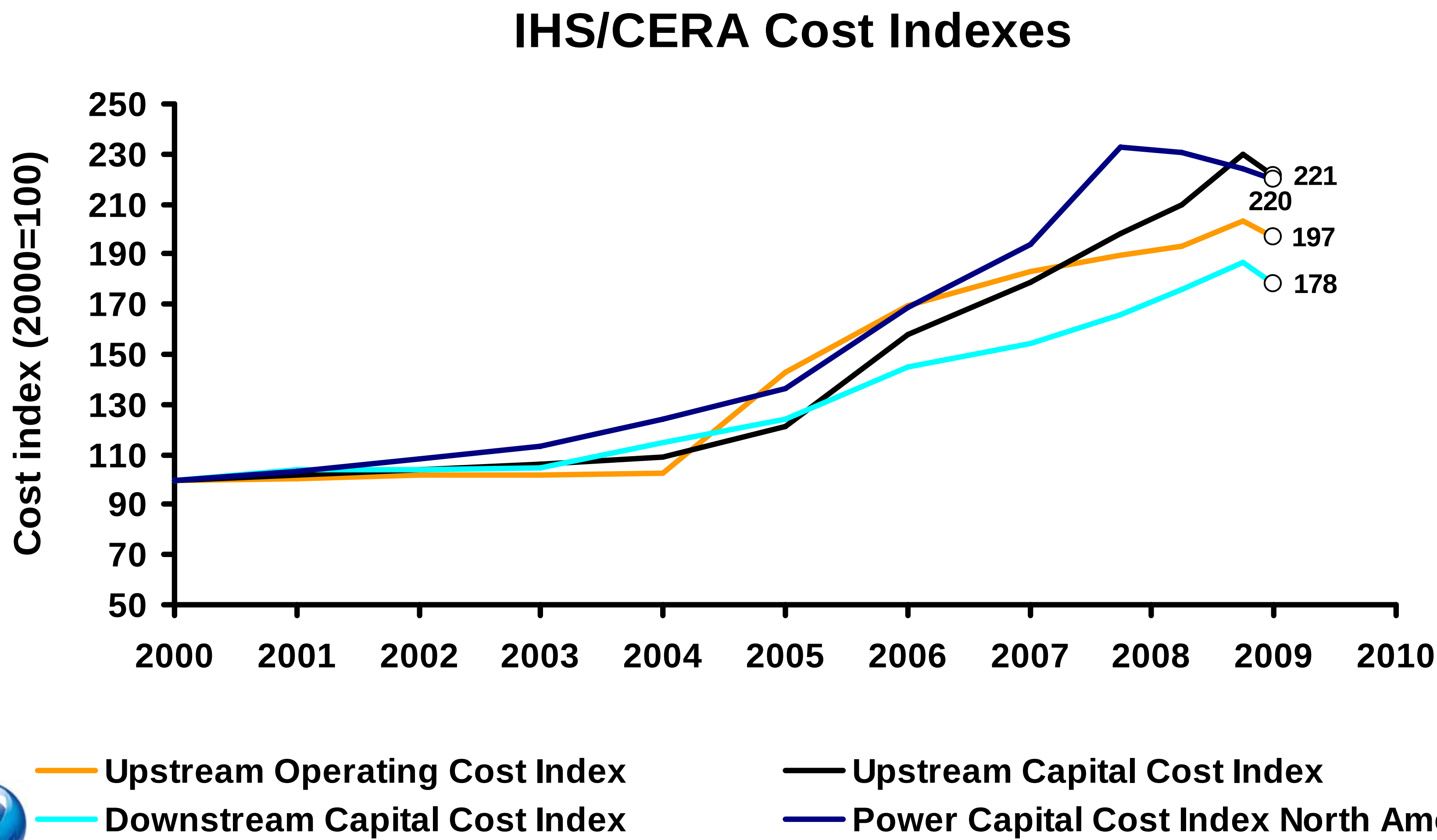
Energy Cost Indexes



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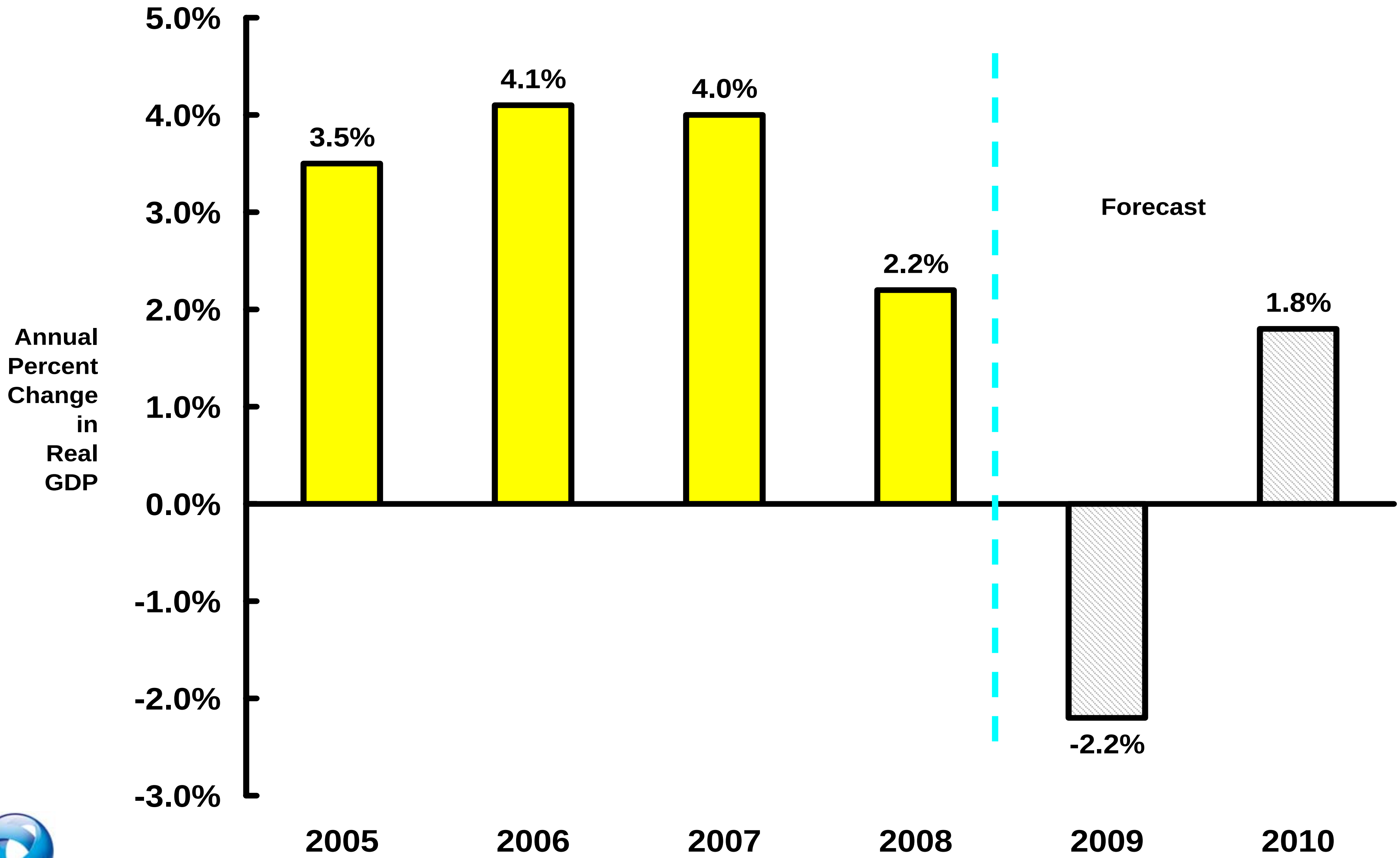
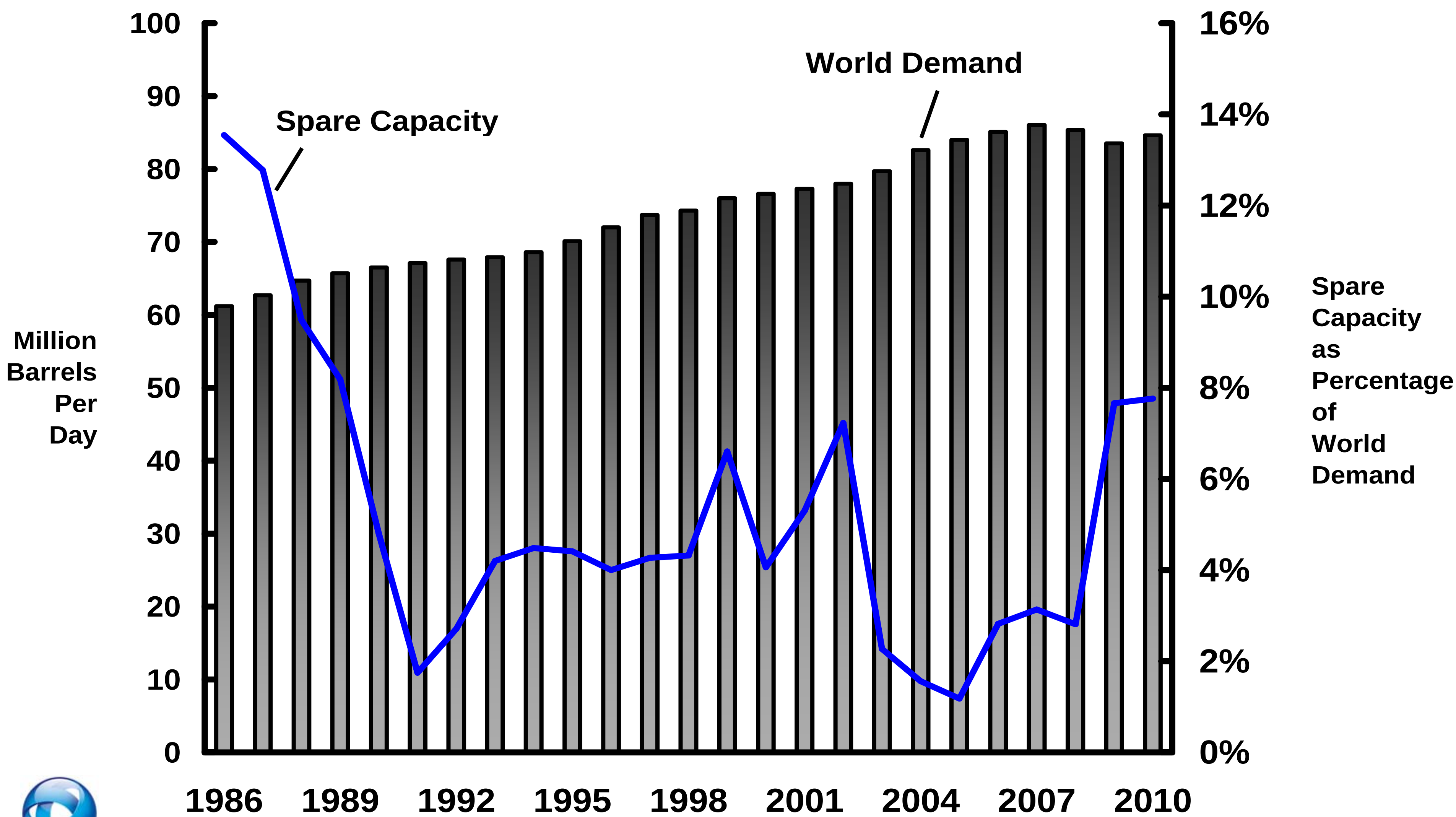
Recession

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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CERA_Template_MMDD08

Industry Cycles
Lessons from the 80's

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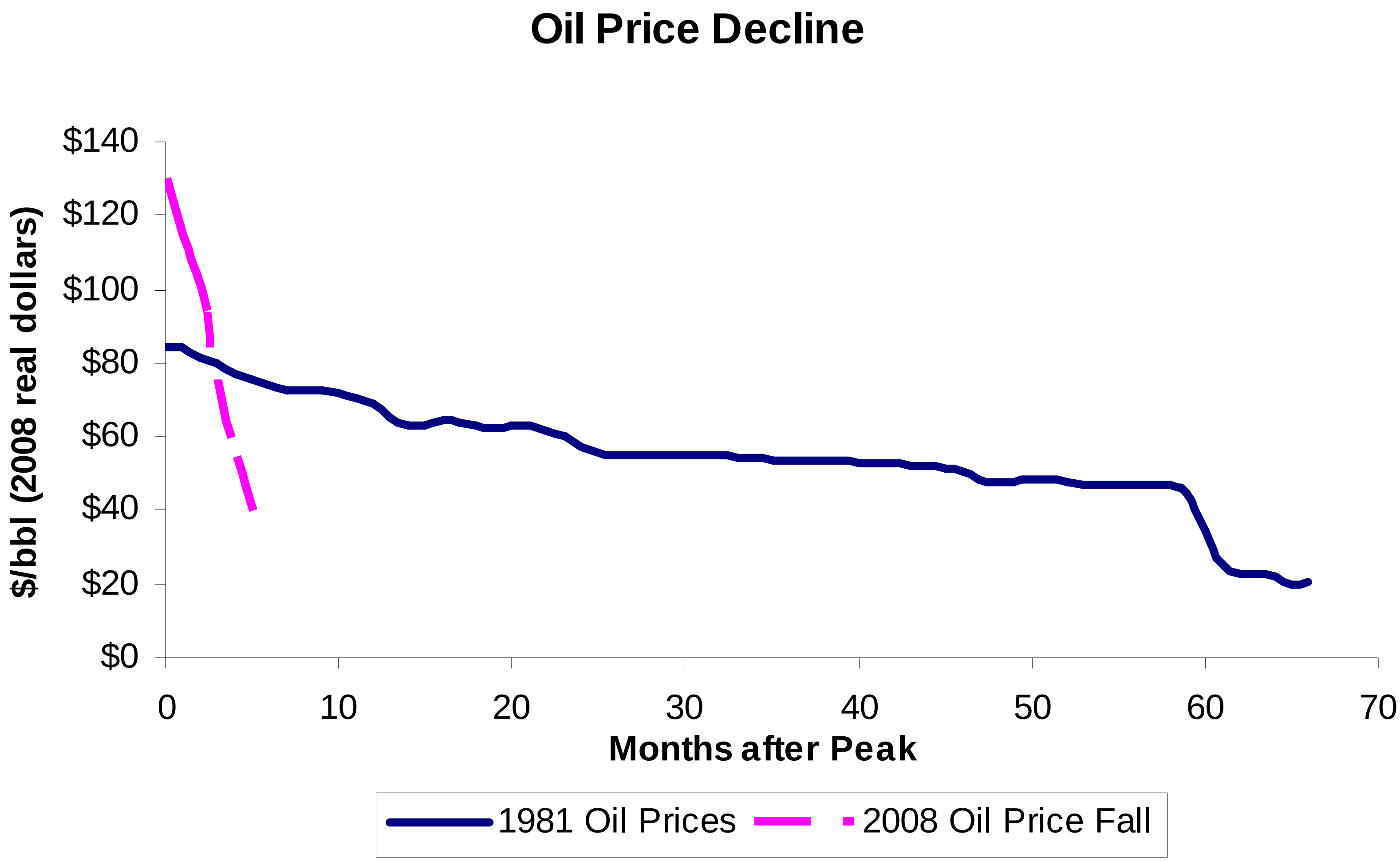
2008 Drop in Oil Prices is More Severe than Early 1980s



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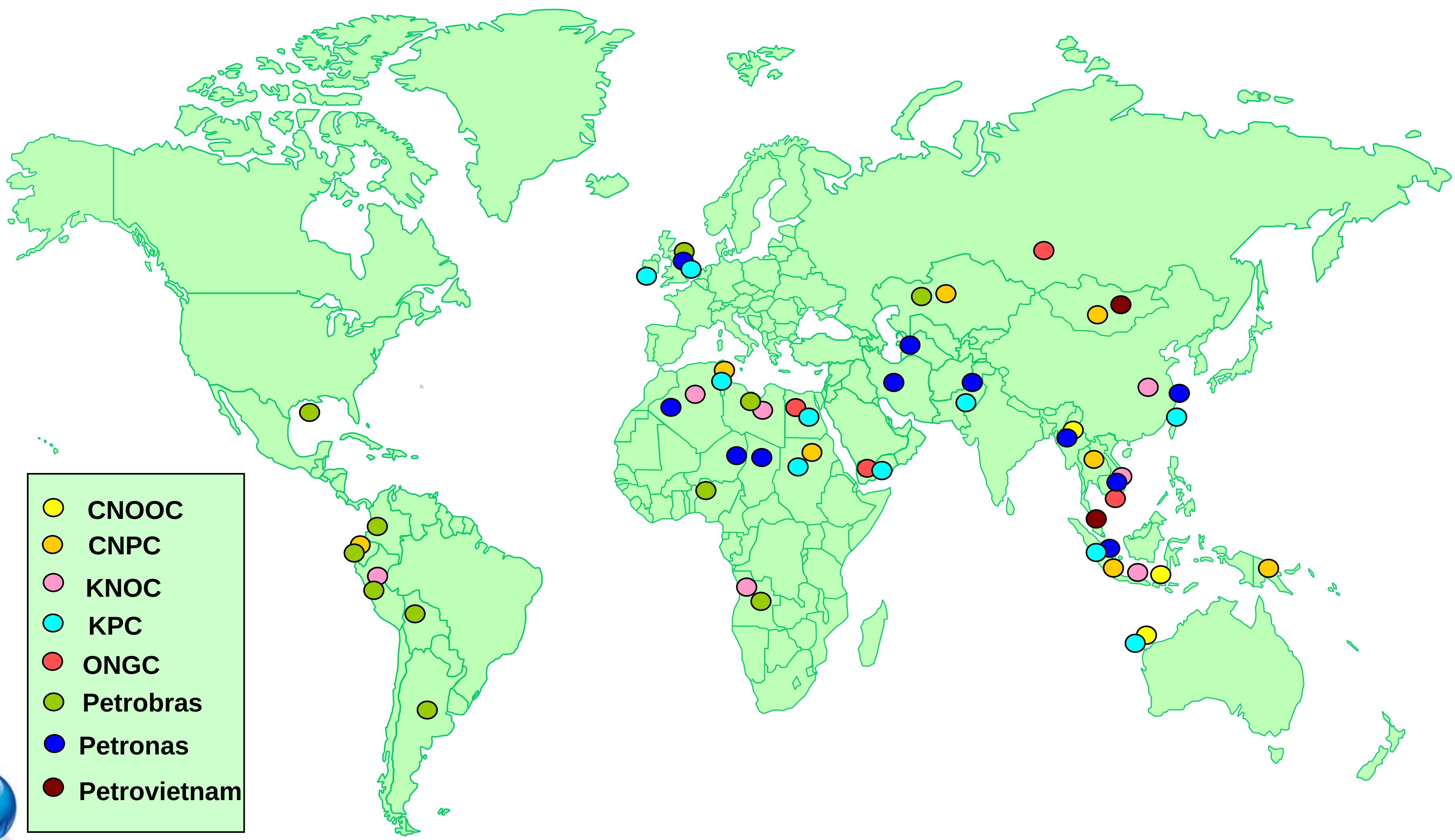
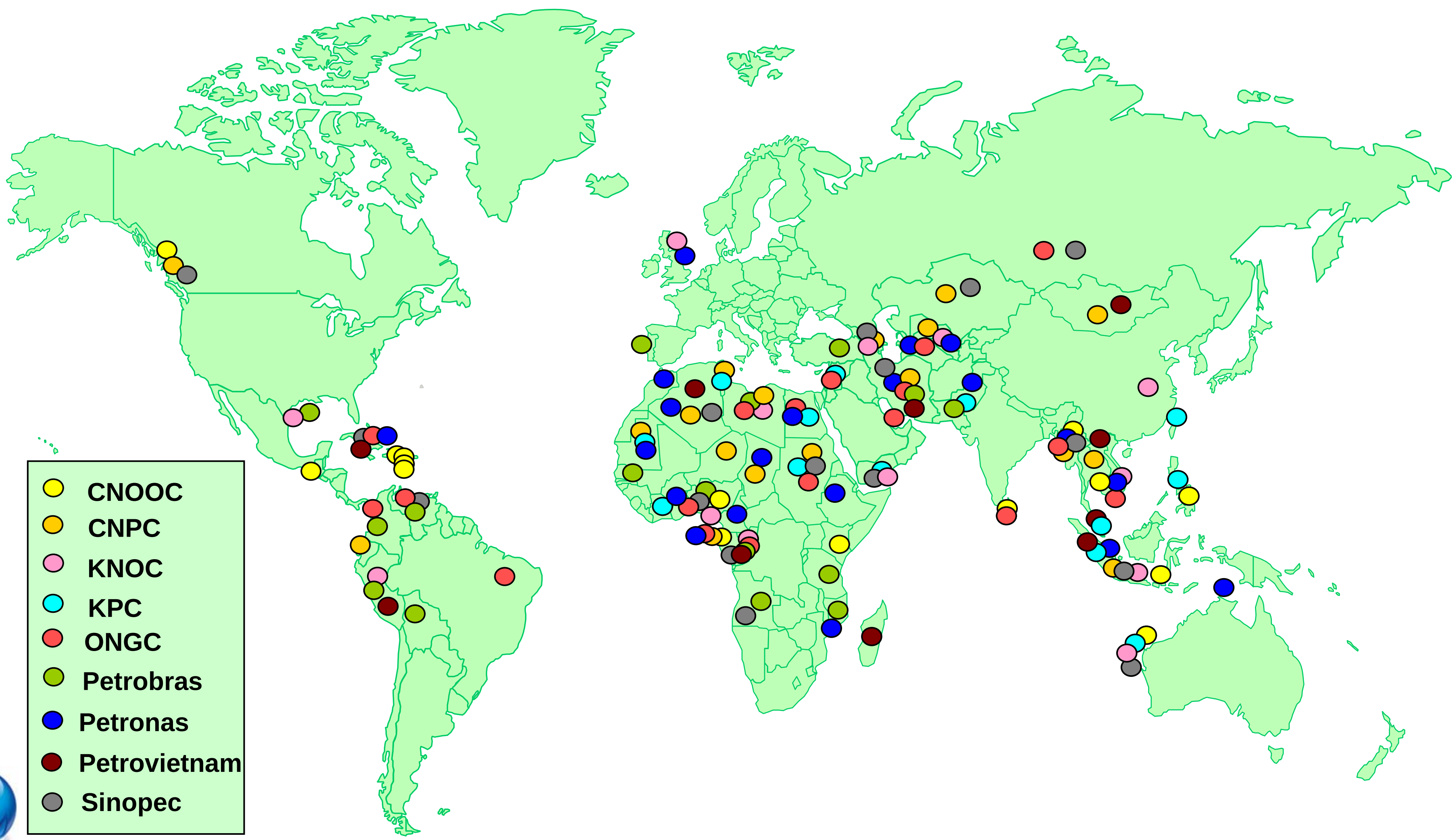
NOC Worldwide Acreage Holding - 1995



NOC Worldwide Acreage Holding - 2008



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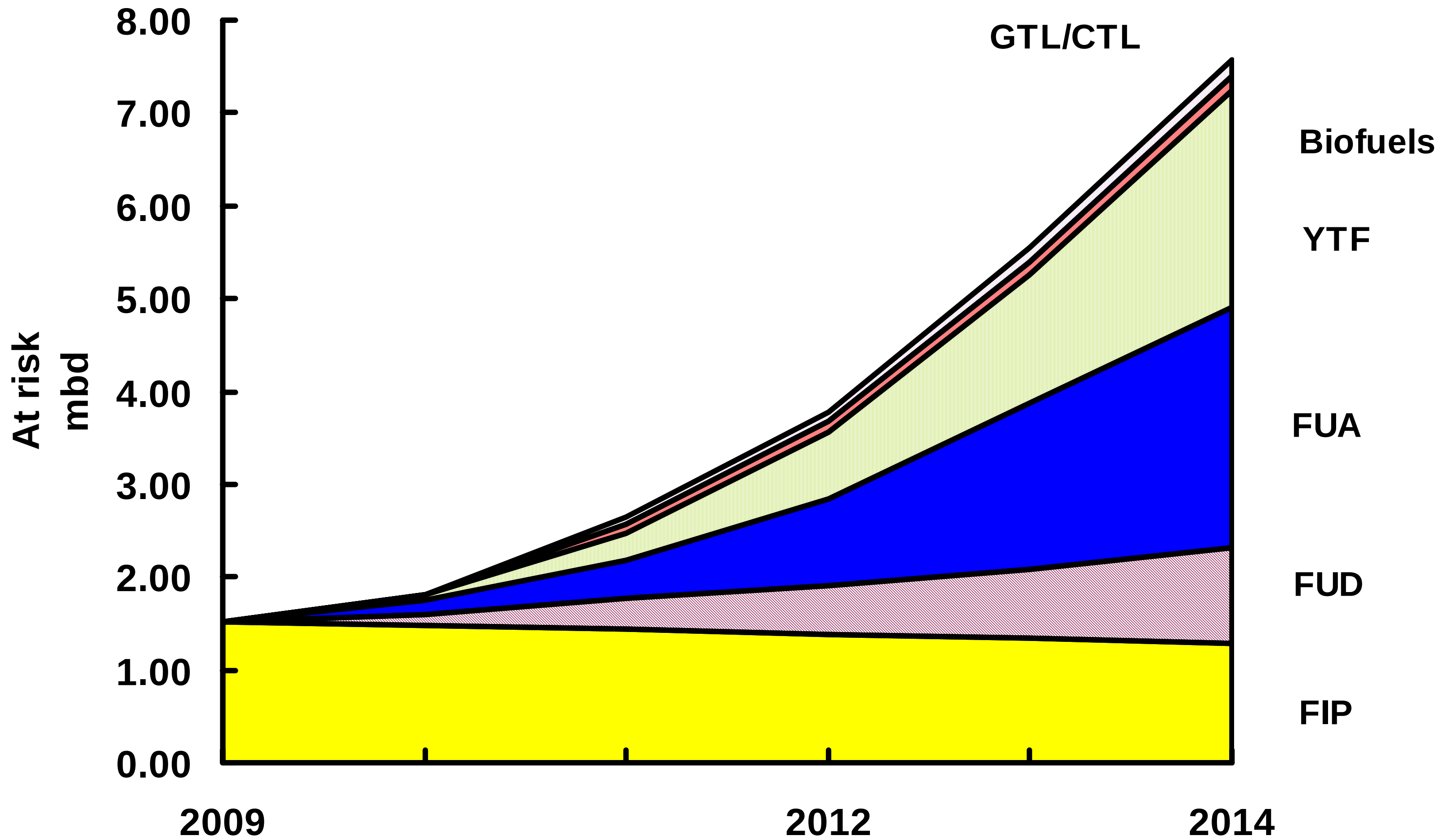
Nearly 7.6 mbd of Capacity Growth at Risk of Deferral

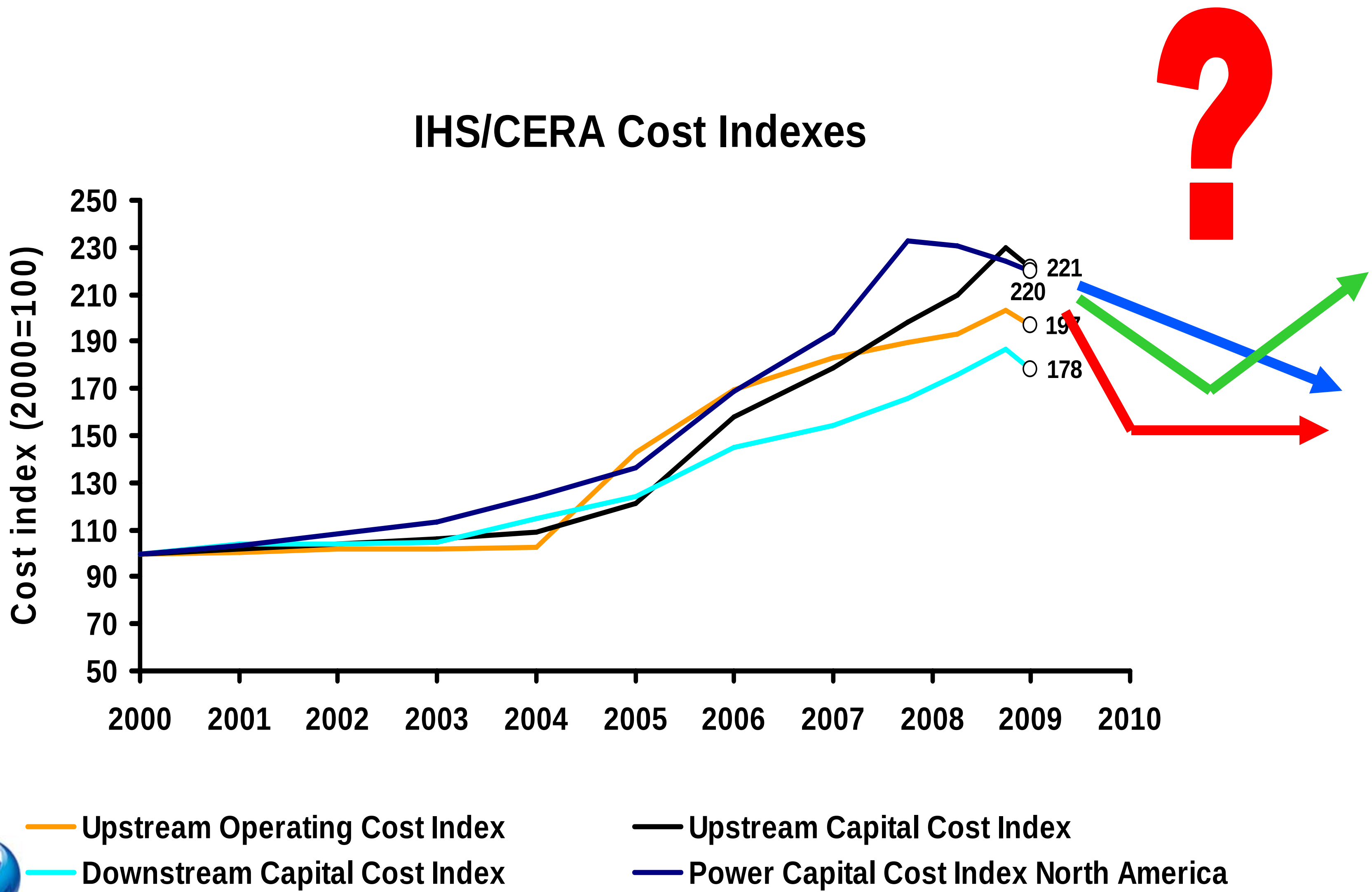


Factors Influencing the Direction

- **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



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

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