

# Nakilat posts 10.5% surge in nine-month net profit to QR728mn



Nakilat reported a 10.5% year-on-year increase in net profit to QR728mn in the first nine months of this year.

The company's positive financial performance can be primarily attributed to better operational performance in managing its liquefied natural gas (LNG) and liquefied petroleum gas (LPG) vessels.

It also realised higher revenues on additional income from the acquisition of two additional LNG carriers and one floating storage regasification unit (FSRU) in 2018, as well as higher LPG shipping rates worldwide.

Nakilat has also successfully managed to reduce operational expenses through continuous rationalisation of activities, process enhancements, and cost optimisation initiatives to remain efficient, leading to a significant increase in the share price of the company during this period.

"Nakilat's strong financial performance bears testament to the company's ongoing emphasis and continuous improvements to remain competitive within the global energy transportation market, sustaining healthy cash flow and generating steady returns for our shareholders," said Nakilat chief executive Abdullah Fadhalah al-Sulaiti.

In the coming years, Nakilat expects to take on greater ship management responsibilities following the second phase of LNG fleet management transition from Shell and management transition of FSRU, as well as the addition of four new build LNG carriers to its fleet.

Nakilat's superior operational excellence in energy transportation and maritime services not only supports Qatar's vision in developing the LNG market, but also contributes towards developing the country's shipping and maritime industry, al-Sulaiti said.

"With greater demand for clean energy globally, Nakilat is ambitious in expanding our international outreach and diversifying our portfolio to meet the growing energy transportation needs. Together, we will remain focused on achieving our strategic goals while prudently navigating challenges, propelling Nakilat forward as a global leader and provider of choice for energy transportation and maritime services," he added.

---

**QP joins global energy  
resources transparency  
initiative in Mideast first**



Qatar Petroleum (QP), the country's hydrocarbon major, has officially joined the Extractive Industries Transparency Initiative (EITI).

QP joined the EITI as a supporting entity, thus becoming the first national oil company in the Middle East to join this multi-stakeholder organisation that promotes open and accountable management of oil, gas and mineral resources.

"As our operating footprint expands beyond Qatar, it is important that we are known as an open and trustworthy organisation, one that is sought after as a partner of choice within the industry," said HE Saad bin Sherida al-Kaabi, Minister of State for Energy Affairs as well as QP president and chief executive.

Pledging a leadership role in advocating the EITI principles regionally and internationally, he said QP knows the benefits of conducting business in a professional and transparent manner.

"We are committed to ensuring that this practice is applied, wherever we operate. Together with the EITI, we will continue to proactively promote transparency throughout the petroleum

industry," al- Kaabi said.

Based in Oslo, Norway, and established in 2002, the EITI is guided by the belief that a country's natural resources belong to its citizens.

As a coalition of governments, companies, investors, civil society groups, financial institutions and partner organisations, the EITI works to build trust between governments, companies and civil society.

Corporate supporters of the EITI include mining firms, international oil companies and other major players in the oil and gas industry.

The initiative is focused on the disclosure of information along the extractive industry value chain—from the point of extraction, to how much revenues go to government treasuries, and to how the resources benefit the economy and society in general.

The EITI seeks to strengthen public and corporate governance, promote understanding of natural resource management, and provide the data to promote reforms for greater transparency and accountability within the global extractive sector.

---

**How Germany Deflected  
Pressure to Spend and Even  
Won an Ally**



*Explore what's moving the global economy in the new season of the Stephanomics podcast. Subscribe via Pocket Cast or iTunes.*

Germany backed further off a full-scale economic stimulus at a meeting of global finance chiefs, a remarkable outcome given relentless calls for action from Europe, the U.S. and international institutions.

Germany's success in deflecting the pressure suggests that Finance Minister Olaf Scholz, who came to Washington with a list of counter-arguments, got off lightly from his Group of 20 colleagues at the annual International Monetary Fund conference ending Sunday.

U.S. Treasury Secretary Steven Mnuchin, who publicly suggested Germany and China should enact growth-boosting policy measures, avoided singling out Europe's biggest economy behind closed doors, according to two people familiar with the private discussion who asked not to be identified.

Some other G-20 delegates repeated the IMF's general stance that governments with fiscal leeway should do more to strengthen the global economy. The Treasury didn't immediately respond to a request for comment.

“The chorus here in town is especially heavy on Germany to use its fiscal space,” said Robin Brooks, chief economist at the Institute of International Finance, a Washington-based trade group for the financial industry.

German officials had prepared a detailed line of defense: that Chancellor Angela Merkel’s government is already investing extensively, including an extra 54 billion euros (\$60 billion) in spending through 2032 to counter climate change.

## **‘Very Positive’**

Those arguments appeared to win some converts. IMF Managing Director Kristalina Georgieva said governments that have room to spend more used the meetings in Washington to make their case.

“What was very positive to hear during the meetings is countries with fiscal space are actually taking measures to stimulate the economy,” Georgieva told reporters on Saturday. “Germany for example is putting forward a very sizable climate investment strategy that would bring significant growth and investment. They are also looking into what more could be done if necessary.”

With a partial U.S.-Chinese trade agreement in sight and a Brexit deal on the horizon, Scholz was emboldened in his defense of a decade of fiscal prudence in Germany. He expressed growing confidence in the government’s projection that Germany’s slowdown will be moderate and temporary.

“I think we did a lot,” he said in a Bloomberg Television interview. “The more important question is what will happen to the global economy.”

## **Don’t Rush It**

A “rushed fiscal response” isn’t warranted as growth is expected to revive at the end of the year and success in

China-U.S. talks would deliver an “immediate boost” to the economy, Scholz told reporters.

For all the artful dodging, Scholz faced a broad front of finance ministers, central bankers and economists pointing at Germany to do more. On Thursday, the government in Berlin cut its 2020 growth forecast to 1% from the previous 1.5%. Data due next month may show the economy slipped into recession.

To shift the blame game on slow growth and inflation away from central banks, former European Central Bank official Lorenzo Bini Smaghi said governments, including Germany, have a role to play in stepping up borrowing and spending to support growth.

“If fiscal policy in Germany and other countries are not willing to do that job, it is too easy to blame the central bank,” he said on a panel.

Low or negative interest rates in many countries leave little room for monetary policy, South African Reserve Bank Governor Lesetja Kganyago said in an interview.

“Countries with fiscal space must utilize the fiscal space,” he said.

---

**Nebras and Kepco in deal to  
boost joint energy  
investments**



Nebras Power, a joint venture of Qatar Electricity and Water Company (60%) and Qatar Holding (40%), has entered into an agreement with Korea Electric Power Corporation (Kepeco).

Under this agreement, Nebras Power and Kepeco will jointly identify and invest in projects that utilise different fuels, including renewable energy.

The memorandum of understanding (MoU) between Nebras Power, the leading Qatar-based power investment company, and Kepeco, the largest state-owned utility provider in Korea, is a pioneering agreement that strengthens the strategic co-operation between two international companies in the field of energy investments.

“At Nebras Power we are always endeavouring to strengthen our relationships with prominent international organisations through seminal projects and initiatives. This MoU with Kepeco illustrates our promise to broaden our portfolio of investments worldwide,” according to Fahad bin Hamad al-Mohannadi, Nebras Power, chairman.

Nebras Power is currently focused on building its investment portfolio in a progressive and balanced manner as part of its commitment to the 2030 National Vision.

Further to this mandate, it will continue to hike its generation capacity from electricity and water while taking



into account the importance of diversity in fuels.

“This agreement is representative of Nebras Power’s prominent role in the energy sector and its ambition to secure robust investments globally by creating new partnerships and studying investment opportunities with trusted international partners,” said Khalid Mohamed Jolo, chief executive of Nebras Power.

---

## Global Finance Chiefs Pledge to Use All Tools to Aid Growth



Global finance ministers and central bankers pledged to use all their tools, including fiscal policy, to support demand amid a “highly uncertain” outlook and elevated risks.

“The outlook is highly uncertain and subject to elevated downside risks,” including trade tensions, policy uncertainty and geopolitical risks, according to a communique issued Saturday by the International Monetary and Financial Committee, the steering panel of the IMF’s 189 member countries. “We will employ all appropriate policy tools, individually and collectively, to mitigate risks, enhance resilience and shore up growth to benefit all.”

The statement was released in Washington, where the IMF and World Bank are holding their annual meetings.

An International Monetary Fund Committee (IMFC) plenary

session on October 18.

“Available fiscal space should be used to support demand as needed,” and monetary policy should aim to keep inflation approaching or stabilising around targets, the communique said.

The downbeat statement caps a week during which the IMF made a fifth-straight cut to its 2019 global growth forecast, projecting the weakest expansion since 2009. The fund’s chief economist, Gita Gopinath, earlier warned that “there is no room for policy mistakes and an urgent need for policymakers to co-operatively de-escalate trade and geopolitical tensions.”

“All tools can be applied – monetary policy where there is space for it” as well as fiscal measures and structural reforms when appropriate, IMF managing director Kristalina Georgieva said on Saturday at a press conference in Washington. Governments need to take these steps to stop or reverse the slowdown, she said.

Global finance leaders met against a backdrop of slowing growth in the world’s major economies and central banks grappling with limited room to support expansion.

In the US, the Federal Reserve has reversed some of its tightening to insure against downside risks, though consumer spending has largely held up amid weakness in manufacturing and business investment. China said on Friday that economic growth decelerated to the weakest pace since the early 1990s, yet it may be starting to stabilise as fiscal stimulus works its way through the economy.

For the euro area, policymakers don’t expect to go beyond the interest-rate cuts and quantitative easing pushed through by European Central Bank President Mario Draghi in September unless the economy is hit by shocks such as escalating trade tensions or a no-deal Brexit, according to regional officials. While the US and China have touted progress toward a trade agreement that leaders Donald Trump and Xi Jinping would sign next month, the situation remains uncertain and there’s no indication that the nations are preparing to roll back tariffs

implemented over the past two years.

The IMFC statement repeated language from the prior statement in April saying that “we recognise the need to resolve trade tensions.”

But the latest missive added a line saying that a “strong international trading system with well-enforced rules addressing current and future challenges would support global growth.”

---

## Il gas del Qatar guarda all'Europa



È l'opinione di Roudi Baroudi, veterano del business energetico, spesso d'aiuto per delineare la policy energetica per aziende, governi, e organismi sovranazionali come l'Unione Europea. Baroudi, attualmente Ceo della Energy and Environment Holding, con sede a Doha, è intervenuto sul tema: «Perché il Qatar è cresciuto così tanto nel business del gas». «Una volta capita l'estensione delle riserve naturali di gas del paese – spiega Baroudi – il governo ha intrapreso studi organici per comprendere le condizioni di mercato e le possibilità di sviluppo, definire le necessità interne, e identificare i migliori partner commerciali. Come risultato di questa

immediata scommessa, il Qatar in poco tempo è diventato l'esportatore numero uno di gas liquido. Posizione che detiene tutt'ora». E non solo da un punto di vista interno. Ad esempio Qatar Petroleum è in trattative con vari partner per la costruzione di un nuovo terminale di gas liquido sulla costa tedesca del mare del Nord. E un nuovo impianto di distribuzione verrà implementato nel porto belga di Zeebrugge entro il 2044. Ulteriori sviluppi dipingono il Qatar in prima posizione per quanto riguarda l'aspetto mercantile e finanziario. Nel luglio scorso Qatar Petroleum ha raggiunto la quota del 49 per cento in una joint venture con la Chevron, per lo sviluppo di un imponente complesso petrolifero sulla costa degli Stati Uniti, in prossimità della zona più interessante per la produzione di «shale gas». E solo qualche settimana fa QatarGas è entrato nella storia, quando una delle sue navi da trasporto per il gas, la Thumama, è riuscita – per prima – a completare il trasferimento di una unità di rigassificazione dal terminal di Moheshkhali, in Bangladesh. «Come si vede, le attività di estrazione, e trasformazione qatariote sono lanciate verso il futuro, e ci si aspettano grandi cose», ha commentato Baroudi.

---

**مؤتمر في موناكو عن ترسيم الحدود في البحار... بارودي: الاستعانة بالخبرات التقنية ستجعل إسرائيل تخسر 50% مما**

## تدعيه



international hydrographic organisation، بدأ في موناكو اليوم مؤتمر نظمته المتخصصة في ترسيم الحدود في البحار والمحيطات من خلال تطوير تقنيات هذه العملية، وملاءمتها مع القوانين الدولية ولا سيما قانون البحار وعمل المنظمات والجمعيات التابعة للأمم المتحدة المتخصصة، وذلك بهدف الحد من هذه النزاعات والتوصل إلى حلول ترضي الأطراف المتنازعة، وتستخدم هذه المنظمة التي تشارك فيها دول من مختلف أنحاء العالم تقنية جديدة بواسطة الأقمار الاصطناعية تؤمن دقة متناهية في إظهار الوقائع الجغرافية التي قد تكون شابتها أخطاء فرسمت الخرائط وفق هذه الأخطاء ما تسبب في النزاعات لبنان ليس عضوا في هذه المنظمة ولكنه يستطيع من خلال الاعتماد على قدرات هذه المنظمة وخبراتها التقنية أن يتوصل إلى حل لما تدعيه إسرائيل من حقوق لها في المنطقة البحرية المتنازع عليها، ومساحتها 860 كيلومترا مربعا.

وقال خبراء في هذه المنظمة إن صور الأقمار الاصطناعية التي بحوزتهم عند رأس الناقورة ستساهم في تحديد دقيق للخط الفاصل B1 للنقطة بين المنطقتين الاقتصاديتين لكل من لبنان وإسرائيل، من قبل طرف ثالث محايد لا تتدخل السياسة الإقليمية والدولية في توجيهه ولفتوا إلى أن في إمكان لبنان الاستفادة من قدرات هذه المنظمة في عملية استكمال ترسيم حدود المنطقة الاقتصادية مع قبرص التي هي عضو في هذه المنظمة، حيث يمكن للجزر قبالة طرابلس أن تخلق إشكالية في هذه العملية لجهة مساحة هذه المنطقة من الجهة اللبنانية أو أن تساعد في إيجاد الحل، كما يمكن لخبرات هذه المنظمة أن تساعد في حل الخلاف القائم على الحدود البحرية بين لبنان وسوريا التي هي

.عضو في هذه المنظمة، ولكن عضويتها معلقة  
الخبير اللبناني الاقتصادي في شؤون الطاقة رودي بارودي المشارك في  
هذا المؤتمر، لفت إلى أن "الاستعانة بالخبرات التقنية لهذه  
المنظمة وملائمتها مع ما يفرضه القانون الدولي سيجعل إسرائيل تخسر  
على الأقل 50 % مما تدعيه من حقوق لها في المنطقة المتنازع عليها  
مع لبنان"، لافتا إلى أن "التقنيات العالية التي أصبحت توفرها  
الأقمار الاصطناعية واستنادا الى القوانين الدولية قادرة على حفظ  
الحقوق اللبنانية كاملة، ولا سيما أن أخطاء حصلت في ترسيم الخط  
البحري اللبناني نجمت عن عدم توفر التقنيات الدقيقة في ذلك الوقت  
".وربما عن تسرع غير مقصود

---

**Qatar sets perfect example  
for would-be energy exporters  
in Mediterranean**





THE PENINSULA

DOHA

Wednesday 2 October 2019

It's because Qatar had made an early bet on liquefied natural gas that helped the country to emerge as the world's most prolific exporter of LNG, a position it retains to this day. It was good governance that made sure this resource has been very well-managed, a top energy expert said.

Attending a major energy congress in Athens, Roudi Baroudi, a veteran of the energy business who has helped shape policy for companies, governments, and even entities like the European Union, the World Bank and the United Nations, noted the North Field Expansion Project is a massive undertaking that will grow LNG output from the current 77 million tons per annum to 110 MTPA over the next five years. That will not only increase Qatar's lead over other producers, but also give it the

wherewithal to keep diversifying its holdings abroad.

Speaking on the sidelines of the First Annual Eastern Mediterranean Energy Leadership Summit, Baroudi (pictured), currently the CEO of Doha-based Energy and Environment Holding, elaborated on 'how did a tiny country like Qatar become such a giant in the gas business?'.

“ Once the full extent of the country’s natural gas reserves were understood, the government sought out the best advice, then undertook comprehensive studies to understand market conditions and forecasts, define its own needs and capabilities, and identify the best partners. As a result of these analyses, Qatar made an early bet on liquefied natural gas that soon made it the world’s most prolific exporter of LNG, a position it retains to this day.” He noted that it’s not only this domestic megaproject (North Field Expansion) that matters. Qatar Petroleum, for instance, is in talks to secure partners for the establishment of a new LNG distribution terminal on Germany’s North Sea Coast. Again, this a mutual benefit proposition from start to finish, with the German side increasing its energy security and the Qataris lining up future revenues by securing access to a crucial market. In addition, QP recently entered a new agreement that books LNG offloading facilities at the Belgian Port of Zeebrugge until 2044.

Other developments paint a similar picture of a wide-ranging strategy that keeps Qatar in its leading position by capitalizing on both its market influence and its financial resources. In July, QP took a 49 percent stake in a joint venture with Chevron Phillips Chemical Co. (51 percent) that will see the partners develop a huge petrochemical complex – including the world’s largest ethylene cracker – on the US Gulf Coast, taking advantage of the proximity of America’s most productive shale gas regions.

And just a couple of weeks ago, QatarGas made history when one



of its massive Q-Flex LNG carriers, the Thumama, became the first vessel of its class to complete an open-water ship-to-ship transfer to a floating storage and regasification unit off Bangladesh's Moheshkhali Terminal. Qatari investments and expertise are also driving exploration activities in several countries around the world. "Qatar is not sitting on its hands. Day in and day out, in all sorts of ways, the country is constantly taking stupendous strides toward bigger and better things to come", he said.

Roudi Baroudi

---

## The clean energy fast track



The global transition from carbon-intensive fossil fuels to cleaner, more reliable renewables like wind and solar is already well underway. But the big question – for the 2020s

and beyond – is how fast it will happen. A slow transition would mean that energy-sector incumbents continue to flourish, and we would all but certainly miss the emissions-reduction targets enshrined in the 2015 Paris climate agreement. But if the transition is rapid, incumbents will experience varying degrees of disruption – the price of keeping the Paris targets well within reach. As matters stand, both scenarios are possible, representing two paths that lie before us. In a new report for the World Economic Forum's Global Future Council on Energy, we and our co-authors identify four key areas that will determine which path we take. The Speed of the Energy Transition offers compelling evidence that the transition is coming fast, and that all stakeholders in the global energy system – which is to say, everyone – must start preparing.

One area where the gradual and rapid scenarios diverge is adoption of renewable energy. When will renewables start displacing incumbents? For markets, the key moment will be when renewables make up all of the growth in energy supply, as well as all the growth in electricity supply. That, most likely, will happen in the early 2020s, long before fossil fuels lose their dominant share of total energy supply. As renewables become the leading growth industries in the energy sector, financial markets will increasingly reallocate capital accordingly.

A second area concerns innovation in energy technology, and whether growth in new applications is linear (the gradual scenario) or exponential (the rapid scenario). Solar and wind are already cheaper than fossil fuels when it comes to generating electricity, and electric vehicles are close to challenging internal-combustion-engine cars on price. The evidence suggests that the barriers to growth for EVs in the foreseeable future are soluble. Moreover, new waves of innovation are forthcoming, in the form of nascent but already viable technologies such as green hydrogen energy. Prices for renewables will most likely drop far below those of incumbent

energy sources – and fast – leading to exponential growth in green energy.

A third key area is public policy. Will policymaking remain cautious, or will it become more dynamic and ambitious as new technologies create opportunities to improve the design and functioning of markets? Inertia being a powerful force, existing policies have been limited in scope. But history teaches us that there are tipping points: Once genuine change comes, it tends to be adopted rapidly across the board – as in the case of laws prohibiting smoking indoors.

Given that new technologies are already providing better solutions for consumers' energy needs, policymakers inevitably will respond to their constituents' demands. Once enough politicians recognize that the energy transition is not expensive, and will actually boost competitiveness (thereby reducing prices), they will update the rules governing energy markets to make way for the change that is already underway.

The last key area is emerging markets, which could either follow the fossil-fueled path of developed countries, or leapfrog to newer energy technologies. Countries like China and India undoubtedly need to generate far more energy for their citizens, and there are almost 1 billion people worldwide who still lack access to electricity. But that doesn't mean emerging and developing countries have to opt for high-emission fossil fuels.

Just as mobile phones made landline telephony irrelevant in much of the developing world, increasingly affordable renewables can become the obvious first choice for generating energy.

From our perspective, the evidence clearly points to a rapid energy transition in the years ahead. The danger is that key stakeholders – whether policymakers or investors – will mistake which path we are on, and make poor decisions. If so,

we will all have to bear the costs of stranded high-carbon assets and bad investments in obsolete technologies. Worse, we will have missed an early opportunity to achieve sustainability and minimize the risk of catastrophic climate.

Everyone – from innovative technology startups to energy incumbents and government policymakers – has a role to play in determining which path we take. If stakeholders recognize the rapid pace of the global energy transition already underway and embrace the change, we can still hit the Paris targets and have a planet that allows everyone to thrive.

Kingsmill Bond is the new energy strategist for Carbon Tracker. Angus McCrone is chief editor of Bloomberg NEF. Jules Kortenhorst is CEO of the Rocky Mountain Institute. THE DAILY STAR publishes this commentary in collaboration with Project Syndicate © ([www.project-syndicate.org](http://www.project-syndicate.org)).

---

**U.S. shale firms cut budgets, staff as oil-price outlook dim**



ODESSA, Texas (Reuters) – Oil producers and their suppliers are cutting budgets, staffs and production goals amid a growing consensus of forecasts that oil and gas prices will stay low for several years.

The U.S. has 904 working rigs, down 14% from a year ago, and even that is probably too many, estimated Harold Hamm, chief executive of shale producer Continental Resources (CLR.N), which has reduced the number of rigs at work.

Bankruptcy filings by U.S. energy producers through mid-August this year have nearly matched the total for the whole of 2018. A stock index of oil and gas producers hit an all-time low in August, a sign investors are expecting more trouble ahead.

“You’re going to see activity drop across the industry,” Earl Reynolds, CEO of Chaparral Energy (CHAP.N), told Reuters at the EnerCom oil and gas conference last month.

The Oklahoma energy firm has slashed its workforce by nearly a quarter, trimmed its spending plan by 5%, and agreed to sell its headquarters and use some of the proceeds to reduce debt.

Investment bank Cowen & Co estimated last month that oil-and-gas producers spent 56% of their 2019 budgets through June, based on its review of 48 U.S. companies. It expects total spending this year to fall 11% over last year, based on proposed budgets.

The slowdown in drilling is spurring cost-cutting in oilfield services, including staff cuts and restructurings at top firms Schlumberger and Halliburton Co. Schlumberger plans a writedown yet to be determined this quarter, noting its results in North America have been “under significant pressure,” CEO Olivier Le Peuch said on Wednesday.

Halliburton is paring its North American workforce by 8% because of customer spending cuts, and National Oilwell Varco recently offered buyouts to its U.S. workers.

“The service sector I think is going to be flat,” said Superior Drilling Services CEO Troy Meier, whose firm canceled plans to add new machinery.

Such signs of a downturn come as the shale sector had just started generating the cash flow long demanded by investors, who have grown weary of drilling expansions without returns. Last quarter, a group of 29 top publicly-traded producers generated more in cash – \$26 million – than it spent on drilling and dividends, according to Morningstar (MORN.0) data provided by the Sightline Institute and the Institute for Energy Economics and Financial Analysis. A year earlier, the same group had spent \$2.4 billion more than it generated.

Despite that progress, many small to mid-sized shale firms are now pulling back on production targets amid the gloomy price projections.

A slowing oil industry could weigh on the United States economy. The boom in shale oil output added about 1 percent to U.S. gross domestic product, or 10% of growth, between 2010 to 2015, according to the Federal Reserve Bank of Dallas. In

Texas, the center of shale oil production, energy employment dipped 1.8 percent in the first six months of 2019, according to the Dallas Fed. New drilling permits in the state fell 21% in July compared with the same month last year, according to state data.

## **MAJORS STAY THE COURSE**

Any broader economic impact, however, could be limited by the massive investments in shale drilling by some of the world's biggest oil firms – Exxon Mobil (XOM.N), Chevron (CVX.N), Royal Dutch Shell (RDSA.L) and BP PLC (BP.L). Even as small and mid-sized firms dial back, the majors continue to pour billions of dollars into years-long shale drilling plans. They have argued their integrated well-to-refinery networks allow them to control costs enough to withstand a sustained period of low prices.

Spokespeople for Exxon, Chevron and BP declined to comment on the industry downturn but referred to previous statements of their longterm commitment to shale. Shell did not respond to requests for comment.

Chevron has focused much of its production growth plans on shale, and CEO Michael Wirth has called its Permian Basin holdings in West Texas and eastern New Mexico the “highest return use of our dollars.”

Exxon CEO Darren Woods told a Barclays energy conference on Sept. 4 that the company continues to take the long view.

“The way we look at the business is tied to some very basic fundamentals that haven't changed for decades, if not hundreds of years,” he said, noting it took oil a century to replace coal as the world's dominant energy source.

Exxon has estimated it can earn a double-digit return in the Permian Basin even if oil falls to \$35 a barrel.

## BRACING FOR LOW PRICES

U.S. oil prices largely have traded just above \$50 a barrel since last November, requiring higher output to generate the same profit as when prices were higher. Prices this quarter are about 18% lower than this time last year, according to U.S. government data.

U.S. oil prices are likely to remain below \$55 a barrel for the next three years, said Scott Sheffield, CEO of Pioneer Natural Resources (PXD.N), one of the largest oil producers in the Permian Basin. Lackluster prices will result in a “significant fallback in Permian growth” and probably “no growth for most,” he said on a recent earnings call.

Part of the slowdown comes as the best drilling spots in some areas of the field are being “exhausted at a very quick rate,” Sheffield said.

The severity of the looming downturn is a matter of debate.

Flotek Industries Inc (FTK.N), a supplier of oilfield chemicals, has cut staff twice this year. CEO John Chisholm told Reuters that the industry is just “pumping the brakes” as it grapples with well-design issues.

Matt Sallee, a portfolio manager at energy investors Tortoise Capital, expects a longer industry decline.

“It’s hard to see how this gets any better for several quarters,” he said.