

The Road Ahead for Oil and Gas

Summary of Comments - January 2023

On January 24, 2023, OurEnergyPolicy hosted industry leaders to discuss the current status of oil and gas production and markets, challenges facing the sector, and the industry's role in the energy transition.

Find the recording [here](#).

KEYNOTE CONVERSATION



Starlee Sykes

Senior Vice President,
Gulf of Mexico and Canada
BP



Paul Pavlou

Dean, C.T. Bauer College of
Business
at the **University of Houston**

PANELISTS



Jeff Holmstead

Partner
Bracewell LLP
Moderator



Dean Foreman

Chief Economist
**American Petroleum
Institute**



Aura Cuellar

VP of Energy Transition
Shell



Ben Exner

Director, Energy
Investment Banking
Citi

The Road Ahead for Oil and Gas

Summary of Comments - January 2023

Keynote Summary

- The Russia-Ukraine War has increased global attention to the Energy Trilemma, which refers to balancing energy reliability, affordability, and sustainability.
 - In the medium term, new sources of oil and natural gas are required to stabilize both supply and prices, particularly in Europe and Asia. Continued supply shortages in the coming years will sustain price pressure on oil and may fuel inflation.
 - In the long term, the conflict's impacts will increase global focus on energy security, requiring different strategies depending on a country's existing energy systems and priorities for the future. In many places, this may drive more rapid adoption of renewable energy sources as countries prioritize energy that is produced and consumed locally.
- Hydrocarbon fuel production remains a key pillar in BP's transformation into an integrated energy company. As renewable energy adoption and electrification expand, oil and gas remain important for maintaining the reliability and security of the energy grid.
 - BP's operations in the Gulf of Mexico produce some of the least carbon-intensive oil in the world, prioritizing operational efficiency to minimize emissions and realize BP's goal of net-zero emissions by 2050.

The Oil and Gas Industry

- The global demand for fossil fuels is likely to continue growing as the economy recovers from the impacts of the COVID-19 pandemic and the Russia-Ukraine War, but uncertain economic conditions make it difficult to predict the level of supply needed to match this growth.
- The economic outlook for oil in the U.S. differs from that for natural gas. Oil extraction, production, and distribution require cooperation between multiple states and federal entities, while natural gas can be produced more locally -- largely in states with supportive business environments where production can more easily increase as needed.
 - Natural gas remains key for integrating renewable technologies into the energy grid.
- Making the energy transition profitable for oil and gas companies will require working with customers to understand their needs and concerns. Investing in new technologies, empowering innovation to reduce costs, and making this information more transparent are all keys to producing a supply of new, clean energy that matches demand.
- Traditional energy companies have an important role to play in driving investment in renewable technologies. While more funding is beginning to flow into renewable energy, the economics of fossil energy assets remain strong and smaller renewable companies often do not meet the underwriting standards for loans from traditional financial institutions.

The Road Ahead for Oil and Gas

Summary of Comments - January 2023

Outlook on the Energy Transition

- The energy transition remains a key challenge for the oil and gas industry.
 - An "all of the above" approach to energy production, incorporating both traditional oil and gas resources and clean energy technologies, is ideal for maintaining grid reliability and affordability.
 - The clean energy economy is a nexus of traditional energy companies and newer ones promoting clean energy technology. Financing the energy transition requires cooperation among these parties, utilizing traditional energy assets and investment tools to expand the market opportunities for emerging companies.
 - The best solutions will be those that cost the least, reduce emissions the most, and consistently promote environmental and social justice.
- Cogent energy policy throughout the energy value chain is key to maintaining U.S. energy security and its role as an energy exporter.
 - Permitting reform is essential to ensure energy projects can be developed and constructed at the speed necessary to match energy supply with rising demand.
 - Carbon pricing may incentivize industry-wide decarbonization by encouraging companies to determine the least-cost approaches to reduce emissions.

Considerations for the Future

- While the Inflation Reduction Act is very positive for the energy sector in general and renewable energies in particular, further policy action is needed to ensure a reliable, affordable, and sustainable energy transition.
 - Investors remain leery of underwriting loans to renewable energy companies because of uncertainty around the returns on such investments.
 - Permitting reform in the U.S. is essential to develop the infrastructure required for a clean energy future at the pace necessary.
- A sustainable path to economy-wide decarbonization requires creating an affordable path for consumers to decarbonize their own lives while still accessing necessary fuels.
- The U.S. economy may benefit from the increased global demand for oil and natural gas exports, but only if it can produce adequate supply.
- Traditional energy companies like Shell and BP are increasingly looking to expand their renewable operations, balancing those investments with oil and gas production to maintain a reliable energy system and reduce their emissions.