

Industries  
Energy, Utilities & Mining

# Global Energy Capability Statement


Delivering value with industry-focused services



\*connectedthinking

PRICEWATERHOUSECOOPERS 



A large offshore oil rig is shown at sunset, with the sky transitioning from blue to orange. The rig is a complex of steel structures, including a tall derrick on the right and various platforms and pipes. The water is dark blue with some ripples. The text is overlaid on the top left of the image.

# At the core of the industry

## At the forefront of developments

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# Introduction

## Delivering value with industry-focused services

The global economy is on the forefront of everyone's minds, including the energy sector, which has seen commodity prices drop by more than 65% in fewer than six months. Petroleum and natural gas prices hit new highs in July, and began collapsing by the end of that same month. How long the downturn will last remains an uncertainty, but most analysts agree that things will get worse before they begin to improve.

In addition to the economic environment, energy companies are also confronting the issue of carbon exposure and the impact of efforts to regulate greenhouse gas emissions. These important developments are only a part of the complexity of issues and challenges that oil and gas executives contend with regularly. Regulatory changes, workforce shortages, sustainability, supply and demand issues and creating value for stakeholders also contribute to the demands of the energy industry today.

At PricewaterhouseCoopers, our goal is to put ourselves in our energy clients' shoes, able to understand their needs and add value from our knowledge and experience. To accomplish this goal, we maintain a robust training program, designed to enrich not only our technical skills, but also to keep us abreast of the industry issues that our clients face. We examine the issues, and build teams of subject matter specialists who develop appropriate solutions through our assurance, tax and advisory services. For global clients, we put together experienced teams from around the world who contribute a local understanding in addition to global experience. At PricewaterhouseCoopers, we not only examine the industry issues to understand your concerns, but we are also committed to constantly evaluating and enhancing our well-developed services to better meet your needs.

PwC is the world's leading advisor to the energy industry, working with exploration, production, downstream and service companies to provide business solutions tailored to the energy sector. Our strength in serving this truly global business comes from our skills, our experience and our team of industry specialists. For more than 100 years, we have helped energy companies succeed. We look forward to the opportunity to work with your company.



Richard Paterson  
Global Energy, Utilities & Mining Leader

PricewaterhouseCoopers has been adding value by providing professional services to energy companies for more than 100 years. We help companies confront the industry's most challenging changes and issues by developing effective solutions and strategies.

# Specialized services for energy companies

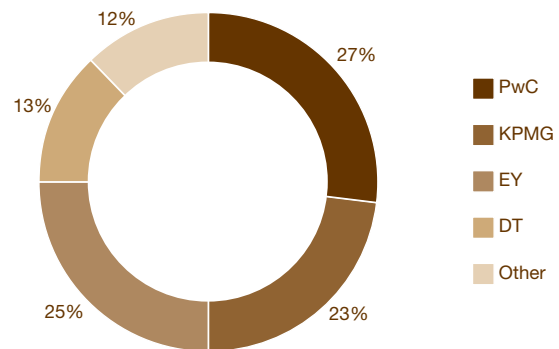
Energy has become a more prominent topic around the world. Consumers are confused and conflicted about oil and gas prices and company profits. Governments are concerned about energy security and climate warming. Energy companies are facing an increasingly complex environment, full of demands, changing geopolitics, tightening regulatory requirements, greater competition and higher stakeholder demands.

PricewaterhouseCoopers can help energy companies evaluate priorities, assess risks, and build stakeholder confidence. Our global energy practice focuses on delivering professional services to companies of all sizes, across all segments of the industry. We provide industry specific solutions in the fields of audit and assurance, tax, transactions, performance improvement, human resources and crisis management to help companies address their business and stakeholder issues.

## Audit and assurance

PricewaterhouseCoopers audits energy companies in all sectors—including national, international, upstream, midstream, downstream and oilfield services companies. Our market share of the energy sector is 27%. (Source: Hoover's Online)

### Auditor Market Share of Global Energy Companies \$10B+



Energy companies want audit teams to know their issues and understand their business challenges. Our industry-dedicated professionals receive specialized training, including regular updates on regulatory and technical issues. This training, combined with hands-on experience allows PwC's energy professionals to bring a high level of industry knowledge to their work.

PwC auditors around the world use a single, global audit methodology, fully compliant with International Auditing Standards and applicable national standards. Our globally consistent approach to the audit means that regardless of location, PwC people can understand and evaluate your business using a single language and common methods. In turn, that gives you a uniform level of quality in all our audits. This methodology also enables us to quickly organise and deploy the kinds of multinational audit teams often required by our larger energy clients. Many of PwC's

audit teams hold an annual Audit Planning Workshop, in which members of the team from around the world gather together for a one or two-day, face-to-face meeting, to plan and discuss the client's audit. The client's Chief Financial Officer or Controller often attend these meetings to hear about particular challenges involving staffing, regulatory changes, timing, etc.

When countries began to move to IFRS, PwC was ready to help our clients understand and adopt the new accounting standards. From the most complex organization to the private enterprise, our global team of accounting specialists was able to efficiently and effectively help our clients evaluate and implement the new system. New transparency regulations are proposed for discussion by the SEC and other organizations. If publicly traded international oil

companies are required to report actual payments to host countries and national oil companies with whom they work, how will this impact their contracts and relationships in oil producing nations? Our audit and assurance teams are already examining these matters and preparing to help our clients navigate the issue.

We offer a full range of assurance services to energy companies – covering areas such as statutory audit, regulatory risk, Sarbanes-Oxley and IFRS compliance, independent review of systems, controls, and processes, and advice on acquisitions, alliances and disposals. We are leaders in developing non-financial performance reporting, helping our clients respond to the need for greater transparency, improved corporate governance, and business models based on the principles of sustainability.

## Representative Audit and Assurance Clients

Aera Energy LLC	LG Group	PetroChina Company Limited
AmeriGas Partners, L.P.	Marathon Oil Corporation	Plains All American Pipeline
Canadian Natural Resources Limited	Nabors Industries Ltd.	Provident Energy Trust
Chesapeake Energy Corporation	National Cooperative Refinery Association	Royal Dutch Shell
Chevron Corporation	National Fuel Gas Company	Saudi Arabian Oil Co.
E.ON AG	Neste Oil Oyj	SemGroup, L.P.
Enbridge Inc.	Nippon Mining Holdings, Inc.	Sinclair Oil Corporation
EnCana Corporation	Noble Corporation	Singapore Petroleum Company Limited
Eni S.p.A.	OAO Gazprom	Southern Union Company
Exterran Holdings, Inc.	OAO NOVATEK	Southwest Gas Corporation
Exxon Mobil Corporation	ONEOK, Inc.	Suncor Energy Inc.
Imperial Oil Limited	Oxbow Corporation	TonenGeneral Sekiyu K.K.
John Wood Group PLC	Patterson-UTI Energy, Inc.	World Fuel Services Corp.
Knight Inc.		

## The U.S. Securities and Exchange Commission revises how companies disclose reserves

On December 29, 2008, the U.S. Securities and Exchange Commission (SEC) revised its decades old disclosure rules for reporting oil and gas reserves. Under the new rules, oil and gas companies will be able to disclose possible and probable reserves, whereas they were previously limited to only reporting reserves that were proven. Companies also will be able to treat non-traditional resources, such as oil sands and shale oil, as oil and gas reserves instead of mining reserves. In addition, companies reporting reserves will be able to use an average commodity price based upon the prior 12-month period rather than having to use year-end prices. These changes will come into effect on January 1, 2010.

The energy industry has strongly supported these changes which should have a favourable impact on companies' balance sheets. But with all rules changes, companies will need to begin planning and preparing for the best way to incorporate these changes into their financial accounting reporting processes. PricewaterhouseCoopers is ready to help our clients prepare for this transition.

## Advisory services

Our advisory services utilize our deep financial, analytical and business process skills to provide energy companies with the advice and assistance to improve stakeholder value build trust and boost performance. Around the world, organisations engage us to help them capture opportunities, navigate risk and deliver lasting change across business networks. In particular, we help clients to:

- Capture value from deals
- Achieve growth
- People and change
- Manage business performance
- Shared services and outsourcing
- Embed sustainability
- Make smarter risk decisions
- Deal with unplanned events

### Capture value from deals

Deals are crucial to many energy company strategies, driven by the need to secure supply, extend market footprint, or free up cash and capital. Whether it is full-scale merger, or sales or purchases of producing properties, or evaluating options, PricewaterhouseCoopers is well known in the marketplace for our knowledge and experience in all types of financial transactions including mergers and acquisitions, valuation, growth or divestments, and exit strategies. We focus on the deal continuum from strategy through execution to post deal integration, including financial and operational due diligence, accessing the capital markets and valuing, negotiating and structuring deals. We provide advice on the implications of financing projects, corporate debt, restructuring, investments, mergers and joint ventures; we advise on ways of managing assets and large capital investments better amidst increased competition, or in times of uncertainty; and we evaluate technical,

operational, market and financial risks. Our advisors help companies with growth strategies or divestments and developing exit strategies.

### Achieve Growth

Globalization, commodity price fluctuations, supply challenges and a host of other factors can hinder growth objectives. Companies need to create efficiencies, and find ways to maximize the entire value chain to make the most of their organic growth potential. Non-organic growth is a key route for companies seeking to gain access to new reserves and markets, but geo-political and economic factors can place added demands on deal-making. PwC has a broad spectrum of capabilities to support companies' efforts to manage the growth that will be necessary to meet the ever-increasing energy demand. Whether a company is considering a transaction, joint venture agreement, production sharing agreement, or organic expansion, our energy professionals have the experience and deep industry understanding to deliver value and contribute to your success.

### People and change

Energy companies face huge gaps in their workforce, due a high number of aging employees, fewer graduates with technical, petroleum and science degrees, and a competitive marketplace. With more than 6,000 professionals in over 150 countries, the PricewaterhouseCoopers network has one of the world's largest human resource (HR) advisory organisations. Our multidisciplinary approach allows us to advise on all aspects of people management, helping our clients to create value and deliver competitive advantage for their businesses through people. Whether it is assisting with international expansion, change programmes, tackling skills shortages, improving and measuring human capital performance or developing effective remuneration systems, PwC's HR professionals can help.



## **Manage business performance**

The regulatory, shareholder and markets pressure on energy companies to deliver year-on-year performance improvement is becoming even more intense in a fluctuating environment. What worked six months ago may no longer apply to cost containment or risk management issues today. From getting the most from your own operations to improving internal systems performance or managing your supply chain and outsourced relationships effectively, we really listen to your business issues and work with you to deliver sustainable performance improvement.

## **Shared services and outsourcing**

Many companies have already outsourced their IT and back-office functions or established shared services centres for major business processes. They are now outsourcing core activities like human resources and tax and legal services, as globalisation and connectivity enable new ways of doing business. The rationale for outsourcing is thus changing dramatically; a growing number of organisations see it as a means of obtaining strategic advantages, not just as a cost-cutting measure. PwC's specialists assist companies by helping identify which activities to outsource, defining your requirements and assessing suppliers, negotiating terms, making the necessary internal changes and communicating these to employees, managing the related risks, and managing the contracts.

## **Embed sustainability**

Energy companies know that they must provide reliable and affordable energy. Many energy companies are successfully integrating sustainability into their overall strategies by engaging all stakeholders, developing robust performance indicators, voluntarily preparing sustainability, corporate social responsibility, and environmental reports, and, in some cases, providing independent verification of these reports to increase the

transparency of their disclosures. PwC's Sustainable Business Solutions team works with energy companies to align corporate governance and policies, operating systems and processes, performance reports and mechanisms to meet the needs and expectations of stakeholders.

## **Make smarter risk decisions**

Energy companies face a variety of risks—from geopolitics and regulatory concerns, to investment and financial decisions. PwC can help clients with all aspects of the risk continuum such as regulatory remediation, integrated governance risk and compliance, tax effectiveness, managing costs, and evaluating new opportunities. We do all of this in the context of the broader risk equation that enables companies to meet performance and risk objectives, resolve uncertainty and achieve their goals.

## **Deal with unplanned events**

In today's environment, businesses need to anticipate, prevent and effectively manage critical risks that have the potential to cause significant interruption and generate negative media attention. Sometimes, the unplanned occurs—a hurricane strikes an offshore platform, a terrorist group threatens assets or people, an important contract is suddenly cancelled—and being able to respond immediately can make all of the difference in the outcome. PwC can help you respond to and control the situation. We offer a broad spectrum of services—with the ability to deploy a cross-border team—on a moment's notice. From business recover services, to dispute analysis and investigations and disaster recovery, PwC's specialists can provide you with direction, an understanding of your options, and an expedient plan forward.

## Tax services

Tax regulatory issues are top of mind for oil and gas companies operating around the world today. PwC has the strongest international network of any professional services firm, with dedicated tax specialists in 153 countries. This means that we can support you both locally and globally, wherever you require tax advice.

Our tax professionals solve challenging issues, anticipate changes that can impact your tax situation and financial statements, and keep you apprised of local, state, foreign and international tax regulations as they pertain to your company's operations. Our network of international tax structuring professionals can enable you to structure your international business in a tax efficient manner, both locally and globally. We can help you construct effective cross-border strategies and manage your global structural tax rate. We will also keep you abreast of new developments in the international arena that affect your business.

For both corporate income taxes and indirect taxes, our Global Compliance Services group offers unparalleled excellence. Our approach to corporate income tax compliance fits well with the groups seeking better tax management across a number of territories or with multiple entities in one territory. This is particularly so where the company is entering new countries or where accounting and finance resources are being moved into shared service centres. We have specialist tax compliance centres and skilled local territory tax teams providing quality technical support around the world.

Indirect taxes, including Goods and Services Taxes (GST), Value-Added Taxes (VAT), severance, property, employment, excise, motor fuels, sales and use taxes, and customs and duties are uniquely imposed by a variety of jurisdictions and can be a significant burden for any energy company. Energy companies in particular, due to their large volume of commodity based transactions, can be exposed to significant taxes on transactions. Our indirect tax professionals can

assist in first determining what taxes are imposed by a jurisdiction, whether the activities of a company are enough to subject it to tax, and how to either structure the company's activities so as to avoid the tax or assist in complying with the filing requirements. Due to the significant differences in taxes and related rules among the jurisdictions, it may be possible to minimize the overall tax paid through proper planning.

Early tax planning for mergers and acquisitions is essential to reduce both the actual transaction tax costs and the long term sustainable tax rate following the transaction. PwC has the largest network of M&A tax specialists in the world and we can offer you expert deal structuring and financing advice at all points throughout the deal cycle. We deliver value through quantitative analysis, rigorous implementation and leading edge structuring techniques, carrying out pre-acquisition due diligence, ensuring tax efficient deal structuring, and ensuring post-deal integration.

Inter-company transactions across borders are growing rapidly and are becoming much more complex. At PwC, we have a strong international network of dedicated transfer pricing specialists with advanced training in economics, accounting, law and project management, ready to work with you. Our industry and tax authority experience and unique capabilities enable us to develop innovative approaches for energy industry participants.

Most oil and gas companies today operate in more than one country or region. For these companies, deployment of talent is key to success. Whatever the mission—sharing knowledge, implementing management processes, expanding business into new territories—assignees provide the fuel for global growth. Our International Assignments tax group can help companies with ensuring that your international assignment policies are aligned with and meet the needs of your business while being cost-efficient. We help client prepare tax-efficient international assignment structures and policies and manage risks by complying with the regulations where their workforce is deployed.

# Industry challenges and PwC solutions

Falling oil and gas prices, pressure to reduce the carbon footprint, whether to invest and how much to invest in alternative fuels and energy sources, steadily growing worldwide demand for energy particularly in emerging markets, rising operating costs, skilled workforce shortages, and changing geopolitical scenarios are just some of the issues and challenges facing energy companies today. Energy companies know that their business is cyclical, and that new projects require long lead times. Managing the ups and downs of commodity prices, while trying to remain competitive and satisfy stakeholders is difficult. At PricewaterhouseCoopers we deliver value to our clients by delivering services that help energy companies address the many challenges they face today.

## Improving performance and operational effectiveness

As a mature industry, energy companies are expected to achieve enhanced profitability, in large part, through best-in-class performance and disciplined cost controls. Market demand for oil and gas products are strong, but not without fluctuation. Over the past year, commodity price levels have fluctuated in unprecedented fashion, and will likely remain low in the short-run. When will commodity prices recover? Such uncertainty calls for an efficient and streamlined business, squeezing costs and finding ways to perform more efficiently. Improving processes and efficiencies can be overwhelming, exacerbated by transactions and fast-paced growth.

### **PwC Services**

When companies want to make sustainable changes to improve performance, they call on PwC to help design, manage and execute a program to reduce costs, increase efficiencies and enhance operational effectiveness. Using our deep understanding of finance, risk management/compliance, IT systems, operations and human resources, we help our clients identify and implement cost saving initiatives, improve processes and internal controls, identify and manage risk and improve quality. We also use our proven experience and knowledge to provide hands-on assistance to improve financial under-performance and cash-flow management. Our deep industry skills and understanding ensure tailored solutions to support your response to increasing regulation, competition, risk and costs. Services we provide include the following:

- Financial effectiveness
  - Standardization and simplification
  - Consolidation and management information
  - People and organization
  - Treasury and capital optimization
  - Controls optimization



- IT effectiveness
  - Aligning IT to the business
  - Managing IT cost and value
  - Sourcing and service management
  - IT transaction services due diligence
- Governance, risk and compliance
  - Governance
  - Enterprise Risk / portfolio risk management
  - Managing business process for compliance outcomes
  - Compliance monitoring and reporting
  - Compliance cost management
  - Incident identification and remediation

## Performance improvement

When a global integrated oil company wanted to improve the efficiency and effectiveness of their financial planning and transaction processing functions throughout their organization, they asked PwC's performance improvement team for help. PwC was asked define some actionable programs to improve the efficiency and effectiveness of the company's finance department processes, specifically within the budgeting, reporting, and transaction processes. As a result of our efforts, the company anticipates reducing 180,000 man-hours of resources required to process accounts payable and accounts receivable transactions. This represents a 35% reduction in total resources utilizing existing system capabilities. In addition, they expect a reduction of 100,000 man-hours of resources required to prepare the annual budget and reduced budget cycle time by more than 40%. This represents a conservative 25% reduction in total finance resources. The company will see a significant shift in finance workload from the summer to early fall to prepare the budget, better enabling vacations and family commitments.

## Sustainability, climate change and security of supply

Across the globe governments and consumers alike are calling for a secure energy supply. In developing economies, energy is synonymous with economic growth. In developed economies, energy companies are called upon to supply a clean fuel source, readily available at a reasonable price. In both developed and developing countries, energy companies face an increasingly complex environment. New reserves are becoming more difficult to find and develop, with some regions are off limits due to nationalism, environmental issues, war or terrorism.

### PwC services

Our global energy practice includes over 3,100 professionals in 153 countries around the world, providing our clients with on-the-ground resources in every major energy centre. Such global reach allows us to keep our clients better informed of new developments, such as changing political and regulatory environments, economic conditions, environmental developments and other situations which can have an impact on your business. We provide insight and advice in areas including:

- International expansion through direct investments, transactions, joint ventures or production-sharing agreements
- Carbon management
- Managing commodity price and currency risks
- Assessing and managing geopolitical risks
- Non-financial reporting such as sustainability reporting
- Managing cash repatriation
- Global workforce strategies and expatriate planning
- International tax structuring, tax planning and favourable tax regions
- Enterprise-wide risk management

## Sustainability : Capturing and reporting worldwide EH&S data

PwC reviewed and verified the overall structure of the systems for data capture and reporting used worldwide by a European oil and gas client to generate, aggregate, and report EH&S data from the plant level to Corporate Group. We developed a standard methodology to assess the adequacy of controls over data reporting and associated data quality. We tested these systems from the perspective of how the various facilities defined data parameters, associated methods of determining EH&S data, data accuracy, completeness of the data reported, and overall efficacy of the EH&S data reporting controls. We have evaluated upstream (exploration and production) and downstream (refining, lubricants and chemical production) business units. We assessed up to 30 different performance indicators on an annual basis, as well as specific management programs, at over a dozen facilities in the U.S. and Canada. PwC described deficiencies identified during the verification efforts, summarized our assessment of each performance indicator verified, and developed recommendations for improving the EH&S data systems.

## Managing geopolitical risks

Energy companies understand the business consequences of political change perhaps better than in any other industry. A political change—the outcome of an election or shift in regulatory environment—can change everything in a flash. Regulatory changes, including tax rates, environmental standards and labour laws can have a significant impact on the cost of doing business.

Many of these changes can be anticipated, and therefore managed. The process of managing political risk can help position companies to better prepare for the risks most likely to affect business operations, market performance and shareholder value, as well as take advantage of new opportunities before competitors do.

### **PwC Services**

PricewaterhouseCoopers has teamed with Eurasia Group to bring together a team of specialists who developed a Political Risk Assessment (PRA) diagnostic and monitoring methodology which enables companies to isolate and assess the contribution of political risk to their overall risk profile. This PRA allows energy companies to understand and better manage these risks, and identify and capitalise on unexploited opportunities.

Leveraging PwC's global network is a significant competitive advantage for our clients as they manage geopolitical risks. Our industry specialists on the ground understand both the client's business and the dynamics of doing business in a territory targeted for expansion. For example, our tax specialists help companies balance the tax opportunities and risks in a new reporting location to manage the client's overall effective tax rate changes proactively.

## Managing political risk to improve business performance

PwC was asked by a major international oil company to help them develop a more quantifiable approach to measuring political risk. The company recently decided to limit its core oil and gas exploration to a select group of countries with higher risks to the company rather than search for reserves in more politically stable jurisdictions. The organization believed that this approach to exploration created higher risk, but with a higher risk-adjusted rate of return. As a part of their analysis, the company wanted to quantify the risks associated with their strategy, especially political risk. By doing so, they could incorporate measures of political risk into their business development and capital allocation models. PwC demonstrated how political risk can be measured by first identifying the key elements of political risk that influence the company's performance in the oil and gas sector. These elements can be evaluated using qualitative and quantitative measures. The measures are then assigned risk probabilities and values that can be incorporated into the clients' risk model. This beneficial approach allows risk probabilities and values to be monitored and adjusted over time; and provides the company with a measure of risk-adjusted return on capital.



## Industry transactions and consolidation

The size and scale of energy companies will continue to grow to meet the world's ever-increasing demand for energy. Today's worldwide energy consumption is projected to increase by 50 percent from 2005 to 2030. To feed the world's increasing demand for affordable and reliable access energy sources requires greater capital, larger workforces, better technology, and effective risk management. To achieve growth, energy companies often look to consolidation strategies as an efficient means of gaining access to desirable reserves, markets and labour.

### PwC Services

PwC has a broad spectrum of capabilities to support companies' efforts to manage the growth that will be necessary to meet the ever-increasing energy demand. Whether a company is considering a transaction, joint venture agreement, production sharing agreement, divestiture or organic expansion, our energy professionals have the experience and deep industry understanding to deliver value and contribute to your success.

- **Services for buyers**—We help acquirers evaluate targets, improve their M&A process and set post-close priorities. After a deal closes, we counsel a company on improving the internal controls governing a target's financial, IT, back office, supply chain and customer management systems and processes.
- **Services for sellers**—We help clients identify and resolve carve-out issues, assess the quality of earnings, determine the impact of transition/removal issues, assist in the coordination and structure of the data room, and advise on the purchase agreement.
- **Structuring services**—Our structuring specialists advise companies on how to ensure that the financial structures employed in a transaction comply with applicable financial accounting standards. We also help clients understand the impact of income tax, financial market, corporate governance, rating agency or regulatory concerns on the proposed treatment of a transaction.

- **Tax and sustainable business solutions**—Our tax and sustainable business specialists play a significant role in advising companies about structuring transactions from a tax perspective, building a cohesive global tax structure for a transformed enterprise, and understanding the environmental and reputation risks inherent in a strategic acquisition or merger before a decision is taken.
- **Post transaction services**—We have post transaction specialists who can assist you in areas of systems and process integration, human resources, and ways to achieve additional synergies from a completed transaction.

### Oil and gas exploration—Financial & Tax Due Diligence

PwC was asked to perform financial due diligence, at very short notice, on an upstream oil and gas company listed on the AIM market in London. The client sought our input to ensure there were no "show stoppers" or items that would prevent them from investing in the target with regards to accounting and tax matters.

We performed a financial and tax due diligence review. The financial due diligence was risk-based and focused on specific oil & gas issues such as reserves accounting, production (including over-lift and under-lift), asset retirement obligations, as well items specific to the Target such as debt obligations, covenant compliance, hedging, and internal controls.

The client revised its original bid, having developed a more in-depth understanding of the value and sensitivities of its business based on our due diligence findings. It is currently trying to complete this transaction even in the current challenging market conditions.

## Complying with regulatory and reporting requirements

The regulatory and reporting landscape is particularly complex for oil and gas companies. Energy companies conduct operations in a variety of regulatory and tax regimes, many with more transitional rather than static regulatory environments. The geopolitical, environmental, energy and natural resource supply and trading environment, combined with often complex stakeholder and business relationships, adds to the complexities oil and gas companies face. In addition, the advent of International Financial Reporting Standards (IFRS) and section 404 of the Sarbanes-Oxley Act for US registrants has added to the challenges. All of these circumstances demand careful judgment around corporate governance, internal controls and external reporting.

### PwC Services

- **Audit services**—All 60,000 auditors in PricewaterhouseCoopers firms around the world use a single global audit methodology that is fully compliant with International Auditing Standards and applicable national standards, such as U.S. GAAP and IFRS.
- **For our energy clients, we bring together a global team with appropriate industry experience and skills, including functional and technical specialists. We review external reporting for transparency consistent with the internal information that management uses to run the business. To gain audit comfort, we examine and validate the controls put in place by management to mitigate financial reporting risks.**
- **Reporting and compliance consulting**—PricewaterhouseCoopers helps clients identify governance, risk management and compliance information needs for both stakeholder reporting and operational monitoring in every area of the company. We evaluate the source and quality of the data to support the information needs and, after considering cost and other factors, recommend processes, organisation and use of technology for obtaining and preparing data and delivering timely information.
- **Energy regulations**—One of the key benefits our oil and gas clients receive is a team of professionals who are thoroughly trained in industry-specific

issues and accounting treatments. We keep abreast of changes and trends involving all of the petroleum accounting matters—oil and gas reserves accounting, impairments, transactions, revenue recognition, intangible assets, suspended wells, and many others – so that we can provide the best guidance to our clients.

- **Public offering readiness**—Our Global Capital Markets Group works with companies seeking to raise debt or equity capital in the capital markets. We can provide an independent view of the critical issues involved in accessing a particular capital market. Our advice is tailored according to whether you are a smaller, entrepreneurial company unfamiliar with the IPO process, or a sophisticated national or multinational company that regularly uses the international capital markets. PwC provides advice at all stages of the process, from preparing for operation as a public company, selecting the right capital market, and establishing the right team of Pre-IPO workshops.

### IFRS implementation

PwC worked with one of the largest integrated energy companies to implement IFRS, including a review of significant differences between existing statutory GAAP and critical accounting policy decisions related to implementation. This effort required in-depth energy industry experience as well as deep IFRS knowledge, both of which were brought to bear over the course of our engagement. In addition, we provided pre- and post-implementation training to the company's staff and management to enhance their IFRS knowledge base. The implementation was a success and the company has used their experience to build a sustainable IFRS reporting process.

## Recruiting and retaining a skilled workforce

The global labour shortage for oil and gas companies continues to be a perplexing problem. Analysts predict at least a 10% shortfall of workers in key areas such as petroleum engineering, geology and project management by 2010. In some countries, such as the U.S., the average age of employees is 47, and over half of the current oil and gas workforce will reach retirement age in the next decade. Recruiting strategies and the ability to retain employees in oil and gas companies is more important now than ever.

With growing global demand for energy, companies will need to grow their workforces to meet their production goals and remain competitive. Developing human resource strategies that help attract new recruits, as well as retain the experienced workforce and their knowledge and skills, are imperative to the future of the industry.

### PwC Services

With more than 6,000 specialists in over 100 countries, the PwC network is one of the world's largest HR advisory organizations.

PwC's multi-disciplinary approach allows us to advise on all aspects of people management, helping our clients to enhance value for their businesses through people. Our human resource services practice brings together professionals who work across four core disciplines:

- International assignments (expatriate services)
- HR management
  - Saratoga-Human capital and benchmarking services
- Employee rewards (compensation, benefits, pensions)
- Organizational change and program effectiveness

Access to our Saratoga modelling capability and vast databank of workforce and HR metrics allows us to provide clients with human capital measurement, benchmarking and strategic applications of human capital information.

## Staff Skills Assessment

A global company was undertaking a Corporate and Global Finance realignment. The new CFO wanted a competency assessment to better understand the skills and knowledge base of the staff. PwC developed a competency model, benchmarks and performed one-on-one assessments of the technical financial competencies in the areas of tax, treasury, accounting, investor relations, financial controls & planning, and internal audit. PwC provided 150+ individual reports and one-on-one feedback sessions to the finance staff, developed 7 aggregate reports and recommendations across the functional processes in the areas of leadership and finance, and provided an overall summary report for the CFO and audit committee. At the conclusion of this project, finance executives received a complete competency assessment that enabled the team to fill gaps in the collective skill set of their associates via strategic hires and employee development. They also became empowered to make succession planning and rewards decisions to help retain key associates.



# What makes us distinct

PricewaterhouseCoopers is located wherever the industry is exploring for, producing, refining and selling hydrocarbons. More than 3,100 specialists are assigned full-time to the Global Energy Group, making it the largest group of its kind in the industry. We have over 300 partners serving global energy companies worldwide. Headquartered in Houston, Texas our Global Energy Group has thirteen regional Centres of Excellence in key industry locations to better support our clients.





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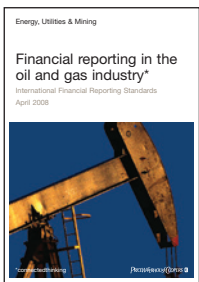
Our commitment to the energy industry goes beyond our services. We stay in touch with our clients through thought leadership and sponsorship activities. PwC is a Patron of the World Energy Council, and a long-time sponsor and participant at the World Energy Congress to be held in 2010 in Montréal, Canada, and the World Petroleum Congress, to be held in 2011 in Doha, Qatar.

Our Energy practice is the only Big Four firm to serve as a key sponsor of the Global Oil Summit at CERAWEEK each year. Cambridge Energy Research Associates is the highly respected energy advisory firm and this annual event is one of the most widely attended in the industry. Our energy partners participate in many of the leading industry organizations, including the Independent Petroleum Association of America (IPAA) and the United States Energy Association.

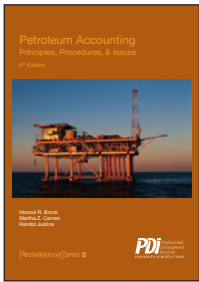
From our experience, we develop industry specific instructional materials and reports on issues of strategic importance to help keep our clients informed. Some of our upcoming and recent publications include:



*Oil & Gas Deals* is PwC's annual review of mergers and acquisitions activity within the global oil and gas market. In this report, we examine both the rationale behind the overall trends and look at the key individual deals. We also highlight, in a series of dialogue panels throughout the report, some of the critical issues for companies engaging in deal activity within the sector. Drawing on our global experience as an adviser to oil and gas M&A players, our commentary addresses all key markets in the sector. Available online in February 2009 at [www.pwc.com/energy](http://www.pwc.com/energy)



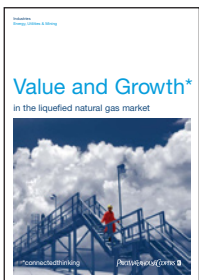
*Financial reporting in the oil and gas industry\**  
*International Financial Reporting Standards*—National standards in other countries are being converged with IFRS. The global trend towards IFRS has gained significant further momentum with the US Securities and Exchange Commission's (SEC) commitment to the standards, beginning with its decision to drop the requirement for foreign listed companies in the US to reconcile to US GAAP. This edition of "Financial reporting in the oil and gas industry" describes the financial reporting implications of IFRS across a number of areas selected for their particular relevance to oil and gas companies. Available online at [www.pwc.com/energy](http://www.pwc.com/energy)



*6th Edition Petroleum Accounting Principles, Procedures & Issues* published jointly with the University of North Texas' Professional Development Institute. This textbook and leading reference tool focuses on U.S. financial accounting and reporting for petroleum exploration and production activities. The book also covers hot topics including risk management, international operations, accounting for business combinations and others. Available through [www.pdi.org](http://www.pdi.org) or [www.amazon.com](http://www.amazon.com)



*Intertwined: the physical and the financial—Commodity risk in the oil & gas, power utility and mining sectors* looks at the new commodity risk challenges facing companies in the oil and gas, power utility and mining industries. It also looks at the specific challenges that arise within each of the industry sectors. Key questions such the role of trading and hedging within company strategies are examined as well as how best to get key building blocks such as organisational structure, tax, valuation and accounting right. Finally, we conclude by looking at what companies should do to embed effective risk management in this new environment across the whole of their company. Available online at [www.pwc.com/energy](http://www.pwc.com/energy)



*Value and Growth\* in the liquefied natural gas market*—In this report, we look at the challenges for the various players. We map the nature of these challenges—from handling geopolitical and trading risk to determining the best commercial and tax structuring—and the different strategies that need to be considered. We look at how the LNG market is evolving and changing from a previously concentrated market to a future where it will take on more of the characteristics of the global oil market. We look at where LNG is now and where it will be in the decade ahead. Available online at [www.pwc.com/energy](http://www.pwc.com/energy)



# Global energy team contacts

The member firms of the PricewaterhouseCoopers network provide industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network work collaboratively using Connected Thinking to develop fresh perspectives and practical advice.

## Global Contacts

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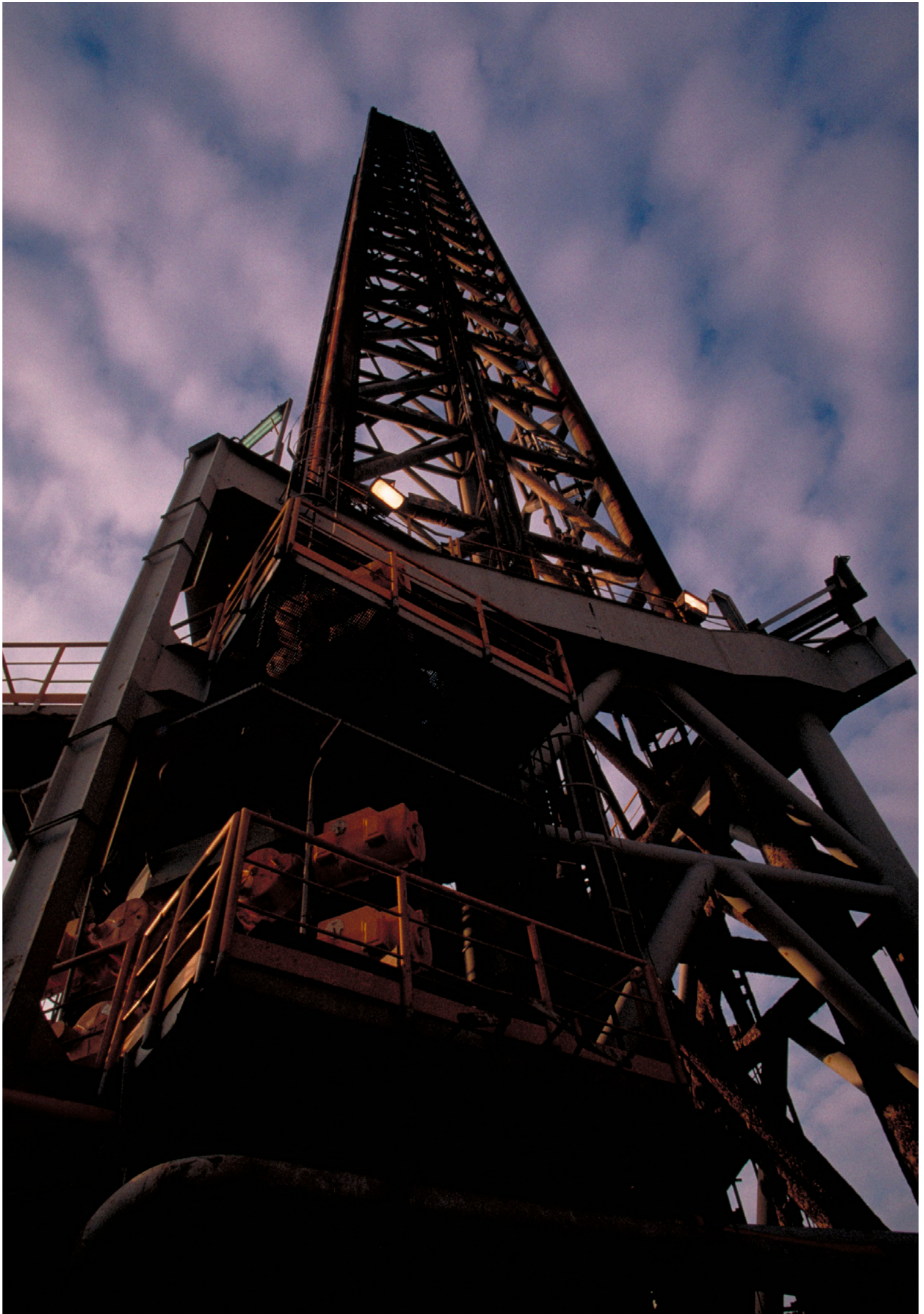
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The PricewaterhouseCoopers Global Energy, Utilities and Mining Group is the professional services leader in these industry sectors, advising clients through our global network of fully trained and dedicated industry specialists.

For more information, please visit  
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