Annual Upstream Oil and Gas Investment Needs to Rise 28 Percent by 2030 - New Report by IEF and S&P Global Commodity Insights

$4.9 trillion cumulative investment between now and 2030 is required to meet market needs and avoid supply shortfalls, report says

NEW YORK, Feb. 16, 2023 /PRNewswire/ -- Annual upstream oil and gas investment needs to rise by 28 percent to reach $640 billion by 2030 to ensure adequate global supplies, according to a new report published by the International Energy Forum (IEF) and S&P Global Commodity Insights™, the leading independent provider of information, analysis and benchmark prices for the commodities and energy markets.

S&P Global
Commodity Insights

Capital expenditure in 2022 rose by 39 percent from the previous year to $499 billion, the highest level since 2014, but drilling remained below pre-pandemic levels as inflation ate away at the spending, according to the report. The number of drilling rigs rose by 22 percent in 2022, but this was still 10 percent below 2019 levels.

"While we ramp up investment in renewables and pursue the energy transition, we also need to lift investment in oil and gas to support the global economy, and protect the quality of life for everyone," said Joseph McMonigle, Secretary General of the IEF.

The recovery in 2022 marked a change from the previous two years, when capital expenditure slumped with the COVID-19 pandemic contributing to a tightening of global energy markets, price spikes and shortages of natural gas.

"The global economy continues to need adequate and reasonably priced hydrocarbon supply alongside the scaling up of renewables and low-carbon technologies," said Daniel Yergin, Vice Chairman of S&P Global. "The energy future must be secure and affordable, as well as sustainable. Adequate investment that avoids shortages and prices spikes, and the economic hardship and social turbulence that they bring, is essential to that future."

A cumulative $4.9 trillion will be needed from now until 2030 to meet market needs, even if the growth in oil and gas demand slows down, the report says.

"As we saw last year, high energy prices and volatility have disastrous effects on households all over the world, hitting the poorest people the hardest. Underinvestment in oil and gas threatens energy security and stalls progress on climate goals by increasing reliance on more carbon-intensive options," said Mr. McMonigle.

The report says that if consumer countries wish to support markets they would need to send clear signals about future demand, building and maintaining sufficient inventories, supporting long-term offtake contracts, and preventing prohibitive policies.

Meanwhile, producers can support markets by promoting investment, it says. Operators need a certain level of assurance and fiscal certainty to invest in capital-intensive, long-cycle projects. They will be increasingly constrained in committing capital, or will require higher returns to do so, as risks evolve, the report says.

"Future supply must clear an acceptable hurdle rate that accounts for policy uncertainty, variable oil and gas prices, and, increasingly, carbon price assumptions," the report says.

Additionally, governments should base policies on realistic energy demand outlooks and to ensure adequate and affordable energy supplies during the transition, the report says. "Governments need to ensure assumptions do not underestimate energy

demand growth coming from the 80 percent of the global population in the developing world," it says.

Mr. McMonigle said: "We don't yet have viable alternatives to oil and gas to power heavy industry, food production or plastics. So, the transition to a carbon neutral economy is challenging and will take time and innovation. Even as we invest in new technologies to cut greenhouse gas emissions, we also need to invest in oil and gas during the transition."

The report's authors are Roger Diwan and Karim Fawaz from S&P Global Commodity Insights and Mason Hamilton and Allyson Cutright at the IEF. The full report is available at:https://ief.org/ogir

About the IEF
The International Energy Forum is the world's largest energy organization, with 72 member countries accounting for 90 percent of the world's energy market. The IEF is the global home of energy dialogue promoting energy security, market stability and transparency. For more information visit www.ief.org.

Media Contacts:

S&P Global: Jeff Marn +1-202-463-8213, Jeff.marn@spglobal.com
S&P Global Commodity Insights, Global/EMEA: Paul Sandell + 44 (0)7816 180039,paul.sandell@spglobal.com
Americas: Kathleen Tanzy + 1 917-331-4607, kathleen.tanzy@spglobal.com
Asia: Melissa Tan + 65-6597-6241, melissa.tan@spglobal.com

About S&P Global Commodity Insights

At S&P Global Commodity Insights, our complete view of global energy and commodity markets enables our customers to make decisions with conviction and create long-term, sustainable value.

We're a trusted connector that brings together thought leaders, market participants, governments, and regulators and we create solutions that lead to progress. Vital to navigating commodity markets, our coverage includes oil and gas, power, chemicals, metals, agriculture, shipping and energy transition. Platts® products and services, including the most significant benchmark price assessments in the physical commodity markets, are offered through S&P Global Commodity Insights.

S&P Global Commodity Insights is a division of S&P Global (NYSE: SPGI). S&P Global is the world's foremost provider of credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help many of the world's leading organizations navigate the economic landscape so they can plan for tomorrow, today. For more information visit https://www.spglobal.com/commodityinsights.

SOURCE S&P Global Commodity Insights

---

https://press.spglobal.com/2023-02-16-Annual-Upstream-Oil-and-Gas-Investment-Needs-to-Rise-28-Percent-by-2030-New-Report-by-IEF-and-S-P-Global-Commodity-Insights