KPMG

KPMG GLOBAL ENERGY INSTITUTE

Global Oil and Gas Profile

Vision, reputation, and commitment

KPMG INTERNATIONAL

AUDIT ▪ TAX ▪ ADVISORY

Contents

Introduction

This is a time of extraordinary global economic turbulence. The oil price has fluctuated dramatically and, with cost levels flat or at best decreasing at a much slower pace, the oil and gas industry is facing many challenges and pressures.

Businesses in this sector need forward thinking advice and practical strategies from professionals who understand their businesses and their challenges.

KPMG's vision: We aim to maintain our position as a leading advisor to the oil and gas sector by continuously developing strategic thought leadership and practical strategies that help our firms' clients meet their challenges. Our industry-leading initiatives include KPMG's Global Energy Institute and Global Energy Conference.

KPMG's reputation: Through our firms' national practices and KPMG's Oil and Gas Centers of Excellence, we constantly strive to provide services of the highest quality and the best available advice to clients around the world.

KPMG's commitment: Our understanding of the demands and challenges oil and gas companies face enables our firms to develop services, methodologies, and original thinking that specifically address the needs of this sector. We look at industry challenges from multiple angles, pooling our knowledge and resources to develop holistic services that are designed to fit our firms' clients' ever-changing requirements.

The following document aims to capture who we are and how we can help you. Throughout, we have included conversations with some of our people from around the world because, first and foremost, KPMG is a global network of people. Each of us, wherever we operate from around the world, is committed to the oil and gas industry and cares deeply about the sector's continued success.

Michiel Soeting
Chairman, Global Energy & Natural Resources

Vision

1: KPMG's vision – a leader in the field

KPMG's Oil & Gas practice has one clear vision: to be the leading provider of professional services to the oil and gas sector.

This means more than just having a strong client base. KPMG member firms already provide services to numerous global majors, independents, refining and service companies, and national oil companies across many regions. Being the leader means investing in developing thought leadership, spearheading industry debates to help keep our firms' clients at the forefront of progressive thinking, and giving our people the skills and knowledge to provide the quality, customized services our clients want.

Our objective is consistent, high-quality, specialized service delivered on a global basis in each region where oil and gas companies operate.

Investing in the sector

KPMG member firms invest significant time and resources in deepening our understanding of the sector. This enables us to provide our clients with strategic and insightful services that are truly tailored to their specific needs and based on a real understanding of their challenges.

Key initiatives include

— The KPMG Global Energy Institute (GEI): Launched in 2007, the GEI provides critical insights and analysis to the energy sector, helping finance, tax, and risk executives meet new energy challenges and make the most of new opportunities. The GEI interacts with members through a variety of channels, including Webcasts, podcasts, conferences, share forums and a web portal: www.kpmgglobalenergyinstitute.com.

  The GEI regularly produces thought leadership and commentaries on a wide variety of subjects that affect the oil and gas industry. These publications provide interpretations, insight, and practical guidance, and range from white papers, podcasts, and surveys through to opinion pieces and regulatory analysis.

— The KPMG Global Energy Conference: The annual Global Energy Conference in Houston, Texas, US, focuses on the industry and financial issues that matter to senior executives in the energy industry, and seeks to bring insights and understanding of their implications for the future of the industry.

  Each year, a keynote speaker provides his or her perspective on the energy industry. Past speakers have included:

— Marvin Odum, President of Shell Oil Company in the US

— Fred Fowler, Group Executive and President of Duke Energy Gas

— David Crane, President and Chief Executive Officer, NRG Energy (NRG)

Other attendees and speakers include former US Secretary of State, Madeleine Albright; former US President George H.W. Bush; William H. Donaldson, 27th Chairman of the US Securities and Exchange Commission; and Vicente Fox, former President of Mexico.

In addition to giving our firms' clients an opportunity to network, the conference also includes a selection of interactive panel discussions to enable participants to focus on critical business issues including, for example, IFRS, cost optimization, tax risk, energy infrastructure, and credit liquidity.

For more information, please visit www.kpmgglobalenergyconference.com

A European perspective

A conversation with Anthony Lobo, KPMG in the UK

Anthony Lobo
Head of Oil & Gas
KPMG in the UK
T: + 44 20 7311 8482
E: anthony.lobo@kpmg.co.uk

What are the major challenges currently facing oil and gas businesses in Europe?

Currently, Chinese and Indian oil companies are driving a lot of the mergers and acquisition activity in the market. The Chinese, in particular, are looking to secure their supply and are using the current financial environment, with its low oil prices and the difficulties the independents have in raising debt and finance, to gain access to reserves. And, because these are national oil companies and are effectively supported by the governments behind them, they are able to provide significant debt for these transactions.

The protectionism of reserves continues to drive the agenda of governments as they seek to retain control of developing their reserves. However, the lack of financing means that they are forced to look for outside help to fund the huge amount of capital expenditure required to fully bring these reserves to market. This provides opportunities for those companies with access to capital and government funds.

How are KPMG firms helping these companies?

From a mergers and acquisitions perspective, we are helping these companies with the political and corporate risks they face in entering new territories. We look at who actually owns the underlying interests, how the production-sharing contracts work, as well as identify the key counterparties and the risks of doing business in these countries. We also assess the key drivers in the country, the issues of getting the cash out of the country, and how the value will flow going forward.

One of the areas where KPMG firms have significant experience is around the integration and optimization of the businesses post-deal. We help clients understand what value is in the deal and then help them rapidly drive the value out for the benefit of shareholders.

"The protectionism of reserves continues to drive the agenda of governments as they seek to retain control of developing their reserves."

The sector is also seeing joint ventures increasingly used as a proposed structure. KPMG firms have significant experience here, having been involved in the TNK-BP joint venture in Russia. We help clients think about the full life cycle of a joint venture when often, in the desire to do the deal, issues such as how to exit the joint ventures are not considered. Parent companies should also consider how the venture may compete with two parents in different territories; it is very important that both parties have a clear view of the remit of the joint venture.

On the downstream side, in Europe, many majors continue to divest their refining and retail outlets; the capital required to maintain and invest in these assets doesn't justify the investment profile so the companies are selling their non-core activities. Many of the players that bought these assets a couple of years ago are now struggling themselves. In many cases, the lack of access to capital and declining refining margins means that these players' cash flows are increasingly stretched.

KPMG firms are helping our clients look at this challenge from a different perspective, assessing to whom they are selling and their counterparty risks, and helping them understand the profile they have with them. As they sell their downstream assets, our clients' exposures are changing.

Whereas the majors previously had the crude in the ground, which they would then take through a refinery and sell in their own petrol stations, this chain has been broken. The majors are selling elements of this chain and have customers that behave in very different ways. As these customers come under more financial stress, our clients need to think very carefully about how to manage this exposure.

We use a combination of restructuring and mergers and acquisitions skills to help them think through their options if, for example, a customer goes into receivership or liquidation – do they sit back and let it happen; do they understand the legal framework in each of the European countries in which they operate; and how do they safeguard their interests? The answer may involve buying the asset back or thinking about ways to structure or fund the asset going forward.

Our professionals' skills sets give our firms' clients options and help them to make decisions based on a more complete understanding of the ramifications and potential outcomes.

Developing industry best practice

A conversation with Hilda Mulock Houwer, KPMG in South Africa

Hilda Mulock Houwer
Global Head of Advisory for KPMG's Energy & Natural Resources Practice
KPMG in South Africa
T: + 27 21 408-7032
E: hilda.mulockhouwer@kpmg.co.za

How do KPMG firms stay at the forefront of industry best practice?

First and foremost, it is our people who push us to the front. We really know this sector – many of us have worked in it all our careers, and we are passionate about it.

We debate ideas, discuss services, and listen to each other and our clients, to help ensure we are providing answers that consider all aspects of our clients' challenges. And this means our strategies can touch all levels of our clients' businesses.

Of course, we also recognize that leading practices are developed in other industries too. We regularly meet and interact with our colleagues from across our Energy and Natural Resources practice, and beyond, to ensure our clients benefit from all the best new ideas and practices, adapted to suit their particular challenges and needs.

How does this work in practice?

Our approach is not to present KPMG firms' clients with products, but rather to work with them, debate and discuss issues, and formulate services that work for them. This approach helps not only to limit the expectation gap between our clients and KPMG member firms, but also helps to ensure our clients are part of the service provision. And, because we work with our clients, we provide a sustainable service offering.

For example, in our cost optimization projects, we use a methodology combining intensive analytics, the 'private equity lens', with the broad spectrum of KPMG firms' delivery capabilities across transaction services, business effectiveness, financial management, restructuring, IT advisory, and tax. The outcome is a set of challenging change plans founded on fact-based rationales and detailed implementation strategies, backed by in-depth quantitative and financial analysis.

We see knowledge sharing as critical to the success of any project and ensure that, when we leave, our firms' clients are empowered to take things forward and continue without us.

> "Our approach is not to present KPMG firms' clients with products, but rather to work with them, debate and discuss issues, and formulate services that work for them."

Another example is our legal entity reduction program. One outcome of the global financial crisis is that large global corporations are looking to simplify and streamline their organization structures, with the aim of decreasing costs and freeing their people from the administration burden of maintaining unnecessary legal entities.

The tools we have developed, such as the efficient selection of the jurisdiction to begin legal entity reduction, enable our firms' professionals to offer clear action plans aimed at developing an 'end state' structure that considers inputs from the various functions within the client organization, such as tax, legal, controller, and finance.

These plans have been successfully implemented in numerous businesses, and they are already delivering good results. Because we get executive buy-in at the start of each project our interactions have top-down support from the client's leadership.

Another example is a South African project that deals with a challenge faced by many oil and gas companies with downstream businesses around the world. We were involved in assessing the company's management of inventory, looking at its business processes, from purchasing through to the end product, from multiple angles.

Inventory was the largest item on the company's balance sheet and we were there to help make sure their assets were being looked after. We looked at it from a forensic point of view to assess the security of their operations; we considered the optimization of the value chain by pinpointing the risk areas to save money; and we looked at it from an accounting perspective to assess how the company accounted for inventory. We provided a clear picture of what management needed to do to protect inventory value.

During our assessment, we benchmarked the company's inventory losses against other oil companies. This resulted in an unexpected benefit for our client: the realization that their tolerance level for inventory losses in some areas was actually higher than the rest of the industry. The results have made management rethink its approach to inventory losses.

Investing in the sector (continued)

Informing our firms' clients

To maximize the benefits our clients receive from our investment in thought leadership and training, KPMG also opens up its education programs to clients.

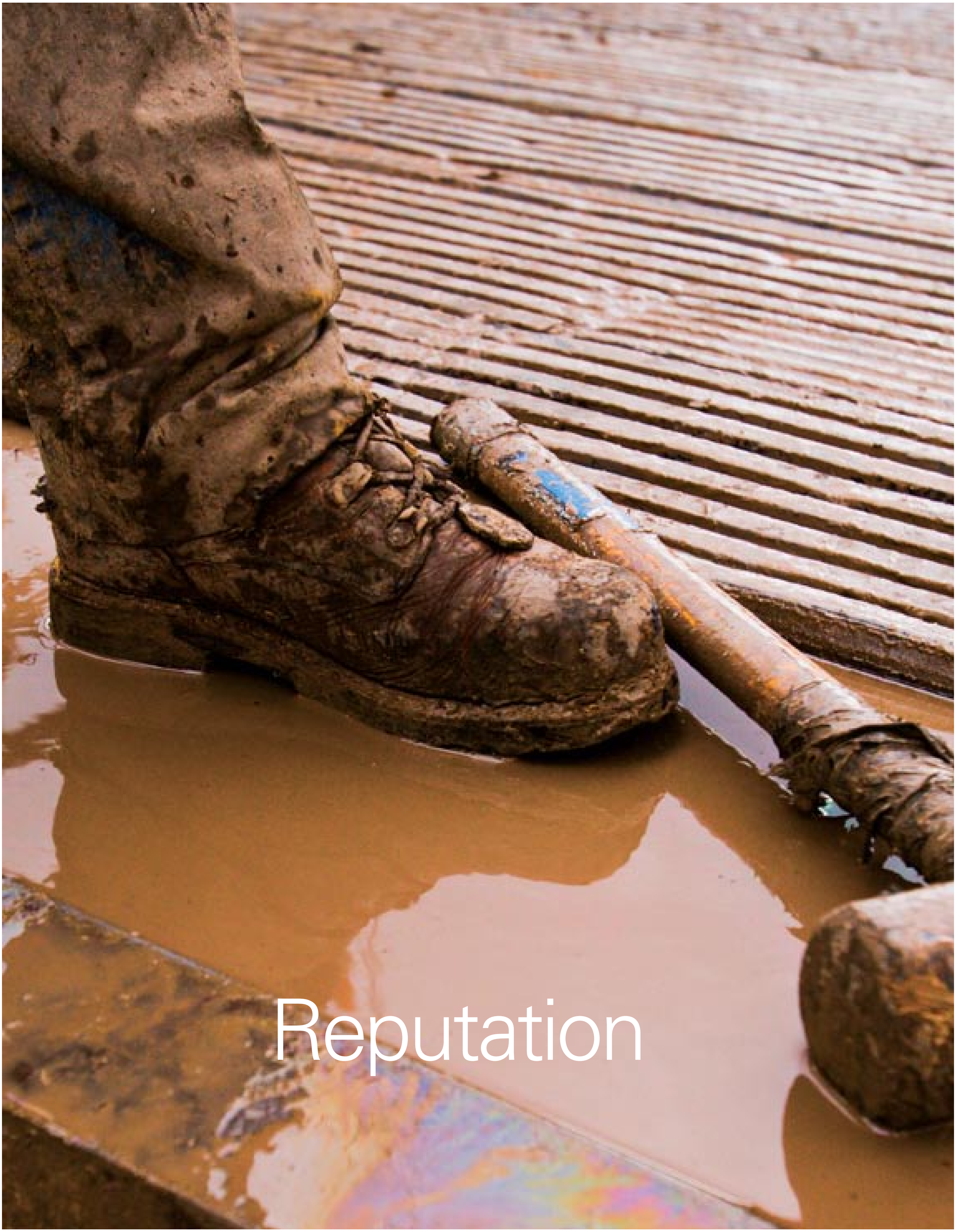
The KPMG Global Energy Institute Executive Education program is designed to provide energy financial executives with current information on trends affecting the industry and a continuous education forum. Program sessions cover, for example, IFRS, cross-border M&A, and integrating tax and supply chain planning in the energy industry.

The speakers and instructors for the sessions include well-known executives from the industry and leading professionals from KPMG's Energy & Natural Resources practice.

Employers of choice

To be the leading advisor to the oil and gas sector, KPMG member firms must provide the best people. We believe there is a clear link between our culture, the people we hire, and the clients we work with – our people are the fundamental reason that our clients choose to work with KPMG member firms.

KPMG's oil and gas professionals all have a wealth of experience in the sector. This enables member firms to provide our clients with services tailored to their specific challenges and needs. Our people also have access to ongoing professional and industry training that together with their experience on the ground, provides them with the skills and knowledge to achieve our objectives of providing outstanding services around the world.



Reputation

2: KPMG's reputation – trusted advisors

KPMG member firms' oil and gas clients operate in many countries and have a diverse range of needs. In each of these countries, we have local practices that understand the oil and gas industry's challenges, regulatory requirements, and preferred practices.

It is this local knowledge, supported and coordinated through KPMG's regional oil and gas Centers of Excellence, which enables our firms' to work toward our objective of providing clients high-quality services and the best available advice, tailored to their specific challenges, conditions, regulations, and markets.

KPMG's global footprint

KPMG firms are organized into three operating regions: the Americas, Europe, Middle East and Africa (EMA), and Asia-Pacific (AsPac). This structure helps us achieve a balance between understanding and serving local markets and implementing global strategies, methodologies, and preferred practices.

KPMG delivers a consistently high quality of service to meet those needs on a global basis.

Our major oil and gas clients include:

Audit	Non-Audit
Abu Dhabi National Oil Company (Abu Dhabi)	BP (UK)
BHP Billiton (Australia/UK)	Chevron (US)
Dong Energy (Denmark)	ENI (Italy)
Halliburton (US)	Gazprom (Russian Federation)
Husky Energy (Canada)	Petroplus (Switzerland)
Kuwait Petroleum Corporation (Kuwait)	Qatar Petroleum (Qatar)
Lukoil (Russian Federation)	Repsol YPF (Spain)
Occidental Petroleum (US)	Royal Dutch Shell (Netherlands)
PDVSA (Venezuela)	Schlumberger (US)
PEMEX (Mexico)	Statoil (Norway)
Petrobras (Brazil)	TNK-BP (Russian Federation)
Petronas Group (Malaysia)	
SASOL (South Africa)	
Sinopec (China)	
TOTAL (France)	
Valero Energy (US)	

KPMG'S PROFESSIONAL SERVICES

KPMG member firms provide professional services to*:

74

percent of top 50 oil and gas companies in the Forbes 2000

72

percent of oil and gas companies in the FT Global 500

80

percent of the largest refining companies in the Fortune 500

*Source: KPMG Analysis, July 2009

KPMG's Centers of Excellence

A conversation with Wayne Chodzicki, KPMG in Canada

Wayne Chodzicki
Global Head of Oil & Gas
KPMG in Canada
T: + 1 403 691 8004
E: wchodzicki@kpmg.ca

What inspired you to develop KPMG's Oil & Gas Centers of Excellence?

In 2004, my colleagues and I created the concept of the Centers of Excellence. While we had tax, audit, and advisory teams providing services to our firms' oil and gas clients around the world, we wanted to make sure that the lessons being learned, forward-thinking approaches being created, and service being delivered locally could be made available to all clients, especially those with a global reach and global needs.

How were the Centers selected?

We have over 40 member firms that actively focus on the oil and gas industry. It was important to be able to "raise the bar" when selecting those that would be part of the smaller Centers of Excellence concept.

Naturally included were Houston, Perth, and Calgary, where oil and gas is a dominant part of the local office client base. London, Paris, Rotterdam, and Moscow were also natural choices as they work with a number of significant global clients. Johannesburg, Beijing, Muscat, and Rio de Janeiro were strategic choices because of their geographic location, experience, and client base.

We continue to evolve the criteria to be selected as a Center, while considering the evolving needs of clients.

How is the network used?

In those countries where we have historically been known to be strong in oil and gas, it is an effective means of sharing industry knowledge and experience with the global network.

In emerging oil and gas countries, the network has also been used, for example, to raise the country's profile with our firms' clients, and demonstrate its oil and gas experience and our international connectivity. The Australian firm and the Middle Eastern member firms are great examples where they have actively taken the Centers concept to our markets. The Centers help clients in their countries and across the greater oil and gas network, and reinforce that our member firms have the experience locally and around the world.

> "The Centers help clients in their countries and across the greater oil and gas network, helping to reinforce that our member firms have the experience locally and around the world."

Probably one of the most rewarding aspects of the Centers has been our increased connectivity. As significant service providers to the oil and gas industry, our member firms are much stronger because we know each other; we speak with each other frequently and meet at our sector conferences. This makes a real difference. If we are contacted by a client regarding a matter in another country or region, we know who to talk to and who we can trust to deliver the right technical skills and level of service.

The Centers also work closely with the KPMG Global Energy Institute. Our Centers help ensure that our firms' clients around the world have access to the benefits offered by the Institute, inviting them to dial in and listen to current industry thought leadership presentations and to take part in related topical discussions. The number of clients, targets, and industry professionals joining the Institute is growing significantly – I believe part of this is a direct result of our Centers and oil and gas networks encouraging registration.

How have the Centers helped KPMG better service our firms' clients?

Our networks have identified a number of issues that are among the most pressing for our clients, such as the need to be financially competitive, reducing the number of legal entities, working capital management, challenges around the "green agenda", and managing large capital projects. We have approached industry issues and our strategies from management's perspective, not ours, and have been developing multidisciplinary services that are designed to directly relate to our firms' clients' needs and issues.

Through the Centers, we have accessed our internal experience in each of these areas - people in our global network of member firms who have already demonstrated that our offering meets the needs of our clients. They share their insights with the rest of the network during our bi-monthly global Centers of Excellence on-line seminars. We are taking something that has worked well in the field, such as legal entity reduction and working capital management, and sharing it so that all our firms' clients can potentially benefit.

Oil & Gas Centers of Excellence

KPMG member firms offer global connectivity. We have 11 dedicated Oil & Gas Centers of Excellence in key locations around the world, working as part of our global network. The Centers are located in Beijing, Calgary, Houston, Johannesburg, London, Moscow, Muscat, Paris, Perth, Rio de Janeiro and Rotterdam.

Our Centers of Excellence enable us to transfer knowledge and information globally, quickly, and openly. With regular calls and effective communications tools, we share observations and insights, debate new emerging issues, and discuss what is on our firms' clients' management agendas. The Centers also produce regular surveys and commentary on issues impacting the sector, business trends, changes in regulations, and the commercial, risk, and financial challenges of doing business.

We have 11 dedicated Oil & Gas Centers of Excellence in key locations around the world, working as part of our global network.

KPMG member firms operate in the following countries and territories

Americas

Argentina
Brazil
Canada
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Israel
Mexico
Nicaragua
Panama (Republic)
Peru
United States of America
Uruguay
Venezuela

Asia-Pacific

Australia
Brunei Darussalam
Cambodia (Kingdom of)
China
Cook Islands
Fiji Islands
Indonesia
Japan
Korea (Republic of)
Lao People's Democratic Republic
Malaysia
New Zealand
Papua New Guinea
Philippines
Singapore
Taiwan
Thailand
Vietnam

Europe, Middle East, and Africa

Algeria
Andorra (Principality of)
Austria
Belgium
Cyprus
Denmark
Finland
France
French Polynesia
Germany
Greece
Iceland
India
Ireland
Italy
Ivory Coast
Liechtenstein
Luxembourg
Monaco
Morocco
Netherlands
New Caledonia
Norway
Portugal
Senegal
Spain
Sweden
Switzerland
Tunisia
Turkey
United Kingdom

Africa

Angola
Botswana
Ghana
Kenya
Malawi
Mauritius
Mozambique
Namibia
Nigeria
Sierra Leone
South Africa
Swaziland
Tanzania
Uganda
Zambia
Zimbabwe

Central and Eastern Europe

Albania
Belarus
Bosnia & Herzegovina
Bulgaria
Croatia
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Macedonia (Republic of)
Moldova
Montenegro
Poland
Romania
Serbia
Slovakia
Slovenia

Commonwealth of Independent States

Armenia (Republic of)
Georgia
Kazakhstan
Kyrgyzstan
Russian Federation
Ukraine

Middle East and South Asia

Afghanistan
Bahrain
Bangladesh
Egypt
Iran
Kuwait
Lebanon
Maldives
Oman (Sultanate of)
Pakistan
Qatar
Saudi Arabia
Sri Lanka
Syria
United Arab Emirates
Yemen (Republic of)

The Offshore Group

Anguilla, BWI
Antigua and Barbuda
Aruba
Bahamas
Barbados
Bermuda
British Virgin Islands
Cayman Islands, BWI
Gibraltar
Guernsey
Isle of Man
Jamaica
Jersey
Malta
Netherlands Antilles
Suriname
St. Lucia
St. Vincent and the Grenadines
Trinidad & Tobago
Turks & Caicos Islands, BWI

A North American perspective

A conversation with Regina Mayor, KPMG in the US

Regina Mayor
Principal, Advisory
KPMG in US
T: + 1 713 319 3137
E: rmayor@kpmg.com

What do you see as the key challenges facing oil and gas companies in North America?
North America's challenges mirror the industry's global challenges, but are exacerbated by the maturity of the sector and the political environment.

Specifically, North America is actively pursuing oil shale and other non-traditional sources that make economic sense at a higher per barrel oil cost. They are seeking ways to find hydrocarbons in pristine, natural settings (onshore and offshore) in ways that will not harm the environment. And the US will soon deal with more stringent carbon management requirements that will require new processes and reporting mechanisms. While "Energy Independence" (i.e., less foreign oil dependence) is likely not attainable in the near term (if ever), US executives and politicians are seeking ways to drive more hydrocarbon production in the US, a more balanced mix with alternative energy, and ways to better manage demand. Reducing demand for energy is clearly a potential tool in the policy making toolkit as evidenced by the strong drop in gasoline purchases once the price exceeded US$4 / gallon.

In response to these factors, KPMG firms see American companies seeking to balance their exploration and production across a mix of options – both domestically and internationally. We see more aggressive and real efforts to invest in alternative energy. And we see back to basics in cost control and cost-reduction measures. Many businesses are looking at all aspects of their spend to find opportunities. Some of the bigger focus areas include logistics and procurement, leveraging technology investments, managing cash flow, and ensuring they are achieving the benefits that are already built into existing contracts.

We also see companies responding to commodity price volatility by actively hedging positions and managing risk, to the extent that energy trading is once again a well-accepted business model.

One sector KPMG firms see potentially suffering from the fall in the price of crude oil is the oilfield service companies, and in particular, the drilling activity. If you look at the active rig count from 2008 to 2009 in the US, there has been a drop-off of almost half. This dramatic shift has this sector reducing cost structures, and driving more innovation in pricing and customer service.

Finally, another factor limiting the US ability to achieve "Energy Independence" is the lack of expanded manufacturing capacity. No one in the US is building new refineries, and even expansion projects have tailed off dramatically. Moreover, North America faces stronger competition from foreign markets that will even import refined product into the US below cost to maintain market share. This requires US producers to improve cost competitiveness and performance. Given these pressures, we expect to see further consolidation across the sector in the next 12 to 18 months.

How is KPMG helping these companies?
KPMG firms have a strong oil and gas performance improvement practice and can provide practical, hands-on help. We help businesses identify saving opportunities, and then help them take steps to realize them. We can identify the quick wins, but also work with clients to create sustainable strategies. What we aim to do is focused on bottom-line results, removing costs from the system and improving business and financial performance.

My team and I worked with a major integrated oil company that was having difficulty managing its Requisition to Pay process. We analyzed their processes and identified that they had 10 different hand offs, creating confusion and a lack of visibility across the end to end activity. We openly shared our leading practices and advised on redesigning the process – the results were tangible with a reduction in the invoice backlog of 95 percent.

KPMG firms can help companies with their energy trading strategies, focusing particulary on how to deal with commodity price fluctuations, and how to leverage technology for real-time deal and transaction monitoring. We help develop technology solutions that connect deal transaction systems into the company's financial systems so companies can understand their exposures as close to real time as possible when traders are executing trades.

Effectively managing cash is a key challenge, and KPMG firms have assisted clients with improved working capital across complex areas such as Treasury and Cash Management, Foreign Exchange exposure and spare parts / MRO.

Our goal is to work with our firms' clients to work across their business to help them improve performance and achieve bottom line efficiencies.

Key facts: Americas Region

Leading the way

— Centers of Excellence in Calgary, Houston, and Rio de Janeiro

— KPMG firms in the Americas region are actively involved in the American Petroleum Institute, American Gas Association, Canadian Association of Petroleum Producers, Energy Council of Canada, Independent Petroleum Association of America, Petroleum Equipment Supplier Association, Small Explorers and Producers Association of Canada (SEPAC), and US Energy Association

— KPMG's Global Energy Conference takes place in Houston, Texas, every May

— KPMG hosts the semi-annual Energy CFO Share Forum and Quarterly Oil & Gas Update Calls

— KPMG will be a gold sponsor of the 2010 World Energy Congress in Montreal, Canada

— Thought leadership includes *Illustrative Financial Statements – Canadian Full Cost Oil and Gas Industry*, and *Impact of IFRS on the Oil and Gas Industry.*

Key clients:

Audit	Non-Audit
Anadarko Petroleum (US)	Chevron (US)
Husky Energy (Canada)	Pride International (US)
Halliburton (US)	Schlumberger (US)
Occidental Petroleum (US)	
PDVSA (Venezuela)	
PEMEX (Mexico)	
Petrobras (Brazil)	
Valero Energy (US)	

KPMG PROFESSIONALS

185

KPMG firms in the Americas region operate in 185 offices across 19 countries

39,000

KPMG firms in the Americas region employ nearly 39,000 people

A Latin American perspective

A conversation with Antonio Ramirez, KPMG in Venezuela

Antonio Ramirez
Partner
KPMG in Venezuela
T: + 58 212 2777819
E: antonioramirez@kpmg.com

What are the biggest challenges facing oil and gas businesses in Latin America?

I think that, in order to understand the challenges facing oil and gas businesses in the region today, you have to understand the history. There has been more than a century of the hydrocarbon industry in Latin America. The development of our people, technology, and economies is inextricably linked to the oil and gas industry. This gives geo-political power to whoever controls the sector, whether it is the national, state-owned companies or international organizations.

In this business, it is usually the reserves and production that determine the flexibility of the rules and regulations governing the oil and gas sector. In Venezuela, we have huge proven reserves of oil. It is possible for the government to use high prices in oil and gas to impose its own terms and conditions on international oil companies wanting to participate in the sector.

PDVSA generate 95 percent of the oil-related GDP in Venezuela, and in order to produce the necessary volumes, the national oil industry has put into effect a mixed company scheme, where PDVSA participates as stockholder, thus offering the private sector the opportunity to participate jointly with PDVSA in the operations of such industry.

On the other hand, if you go to Colombia, the country doesn't have enough reserves or production so they are trying to attract more investment and promote the participation of the private sector.

In Mexico, the government is trying to bring in foreign companies to help produce more efficiently.

Brazil also produces a lot of oil, and the national oil company, Petrobras, is an important global player. So, while regulations in Brazil are open to the private sector, Petrobras is usually involved due to its local skills and experience. The Brazilian legal framework provides foreign investors with incentives to participate and the recently discovered reserves have generated excellent conditions for international oil companies.

Because Argentina, Bolivia, Ecuador, and Chile don't have big oil and gas reserves, they are trying to invest in energy alternatives.

So, if you are an international oil company wanting to operate in Latin America, you should be aware of the context and political environment of each of these countries. In the big four oil and gas countries – Colombia, Venezuela, Mexico, and Brazil – the opportunities for international companies include providing technological support and operational techniques. Because, even if these countries have reserves and want to keep control, they need technical assistance to produce the oil.

What are KPMG firms doing to help?

For the last four years, my team and I have been helping companies create the right environment for a smooth transition from their former contracts and association agreements (joint ventures) with Petróleos to the new mixed-company vehicles under Venezuelan state control. This process has been very difficult for many of the companies because, for example, the government may change terms mid-way through existing long-term contracts. If this occurs, the companies may have to decide whether to continue under the new terms.

We have been helping companies with their negotiations and advising investors on how to protect their investments using tools such as bilateral investment treaties and corporate structures. These treaties are a very important area of practice because foreign companies are trying to use jurisdictions in which Venezuela has bilateral investment treaties, to protect their businesses.

In Colombia, they are looking for investors and have introduced new regulations to promote foreign company participation in the oil and gas sector. The majors are trying to operate in Colombia but the reserves are not accessible and the infrastructure needs to be built. KPMG in Colombia is providing a number of majors with tax services and helping them with their exploration and production activities.

Brazil is growing very quickly and all the major players are trying to operate there, even though the Brazilian environment is bureaucratic and taxation is complex and on many levels – national, state, and local. KPMG in Brazil is working with Petrobras, Chevron, BP, Shell and others to help them deal with these substantial tax challenges.

Key facts: EMA region

Leading the way

— Centers of Excellence in Johannesburg, London, Moscow, Muscat, Paris, and Rotterdam

— KPMG in the Russian Federation is a member of the Russian Union of Industrialists

— KPMG in the UK hosts twice-yearly informal dinners for FTSE 350 and AIM-listed companies, providing mid-tier executives with the opportunity to share issues, challenges, and ideas in a round-table format

— KPMG's Oil & Gas Country Head in Oman, Michael Armstrong, is a Founder and Board Member of the Oman Society for Petroleum Services (OPAL)

— In 2008, KPMG sponsored the World Petroleum Congress in Madrid, Spain, and, in 2007, the World Energy Conference in Rome, Italy

— Local thought leadership includes *Central and Eastern European Natural Gas Outlook* and *Oil & Gas Scenario in India*

Key clients:

Audit

Abu Dhabi National Oil Company (Abu Dhabi)
Dong Energy (Denmark)
Lukoil (Russian Federation)
Kuwait Petroleum Corporation (Kuwait)
TOTAL (France)

Non-Audit

BP (UK)
ENI (Italy)
Gazprom (Russian Federation)
Petroplus (Switzerland)
PetroSA (South Africa)
Repsol YPF (Spain)
Royal Dutch Shell (Netherlands)
Statoil (Norway)
TNK-BP (Russian Federation)

KPMG PROFESSIONALS

457

KPMG firms in the EMA region operate in 457 offices across 87 countries

72,000

KPMG firms in the EMA region employ over 72,000 people

A Russian perspective

A conversation with Boris Lvov, KPMG in Russia

Boris Lvov
Partner
KPMG in Russia and CIS
T: + 7 495 937 2979 ext 13106
E: BLvov@kpmg.ru

What are the major challenges facing oil and gas companies in Russia?

Russia has a number of the world's largest oil and gas companies. The sector leaders include companies such as Gazprom, Novatek, Rosneft, Lukoil, and others.

I think the challenges facing the companies in Russia are two-fold. First, there is an external challenge caused by the volatility of global oil and gas prices – management is concerned about balancing demand and supply.

All projects require significant capital investment and it is difficult for management to accurately project future returns. For example, Gazprom and other players in the gas sector need to develop new gas fields and transportation capacity in remote areas, which requires huge capital investment. Russian companies are spending more per unit of production or transportation capacity than their peers, weighing down return on capital. At the same time, there is volatility in demand; recently, the demand for gas from European countries dropped by almost 30 percent, affecting revenue streams and companies' projections.

The second challenge is an internal one. Historically, Russian companies developed locally, and rapidly grew to become international players. They now need to determine the best possible organizational structure and best delegation of duties between head office and subsidiary companies. They should also carefully manage their international expansion and development projects in Latin America, Asia, and Africa.

And the oil industry?

Before 2009, the source for growth in the Russian oil industry was from increasing oil prices, and so cost control was not a priority. The large integrated oil and gas companies, such as Lukoil, Rosneft, and TNK-BP, were expanding rapidly and investing heavily in new oil fields and ventures. With the drop in the price of oil, they are now considering cost reduction; cost control and investment program rationalization so that they can remain profitable.

We are talking to them about new approaches to budgeting and working capital management. In my estimates, the break-even point for Russian oil companies today (after the cost reduction measures) stays at US$35-40 per barrel, while in 2008 it was close to US$50 per barrel.

Around 24 percent of Russian oil production comes from fields that have already produced 60 percent of their total recoverable reserves. Achieving continued growth at post-peak fields is likely to become more problematic as oil companies run out of easy, and less costly, opportunities to manage the rate of decline.

The production is expected to grow through exploration of the new oil fields in East Siberia. By 2015, the region is estimated to produce 15 percent of all oil in Russia, up to 20 percent by 2020. Transneft, Russia's national pipeline company, is building a pipeline connecting East Siberia to the Pacific Ocean, which will enable Russia to market this oil in China and Southeast Asia. The Russian government is creating special tax benefits to encourage oil development in the region. This should benefit companies such as Rosneft, Surgutneftegas, Gazprom Neft and TNK-BP.

What are KPMG firms doing to help these companies?

Working with KPMG in Germany, we have recently finished two large treasury management projects to enable the companies to better manage the finances in their foreign subsidiaries. We are helping them create cash pooling offices where they can pool the cash from all their foreign subsidiaries around one bank and improve their working capital.

And, to help them understand the functionality they can get from the treasury and budgeting systems, we arranged for them to visit the German firm's Frankfurt office, meet the teams involved and see the new treasury system working in practice.

In fact, we are working jointly with a number of KPMG member firms on projects and joint ventures. For example, KPMG in Russia is working with a joint venture between Sinopec and Rosneft and we are helping them with their understanding of Russian accounting systems and the differences between Russian and international accounting standards.

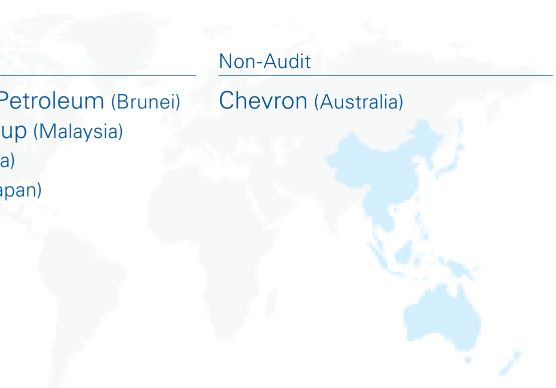
The examples of KPMG's firms supporting companies are numerous because Russia is an important source of oil and gas experience globally and our network of member firms is strong. We are always willing to share our experience, as are our colleagues around the world.

Key facts: AsPac region

Leading the way

- Centers of Excellence in Beijing and Perth
- KPMG's Australian firm has an excellent relationship with Australian Petroleum Production and Exploration Association (APPEA), the leading Australian industry body, and regularly provides speakers for its conferences
- KPMG in Japan is also the only professional services firm that is a member of the Japanese Energy Association
- Local thought leadership includes *China's Energy Sector: A Clearer View* and *Key Tax Considerations for Australian Oil and Gas Independents*

Key clients:



Audit

Brunei Shell Petroleum (Brunei)
Petronas Group (Malaysia)
Sinopec (China)
Tokyo Gas (Japan)

Non-Audit

Chevron (Australia)

KPMG PROFESSIONALS

97

KPMG firms in the AsPac region operate in 97 offices across 18 countries

30,000

KPMG firms in the AsPac region employ over 30,000 people

A Chinese perspective

A conversation with Peter Fung, KPMG in China

Peter Fung
Partner
KPMG in China
T: + 86 10 8508 7017
E: peter.fung@kpmg.com.cn

What do you see as the biggest challenges facing China's oil and gas industry?
The market in China is not like that in Western markets. The national oil companies – dominate the oil and gas sector. They operate from upstream, refining and chemicals, to downstream and retailing.

> "It is not only the national oil companies in China that are trying to be more cost effective... we are offering industry best practice to Chinese companies from around the world, showing them how things can be done more efficiently."

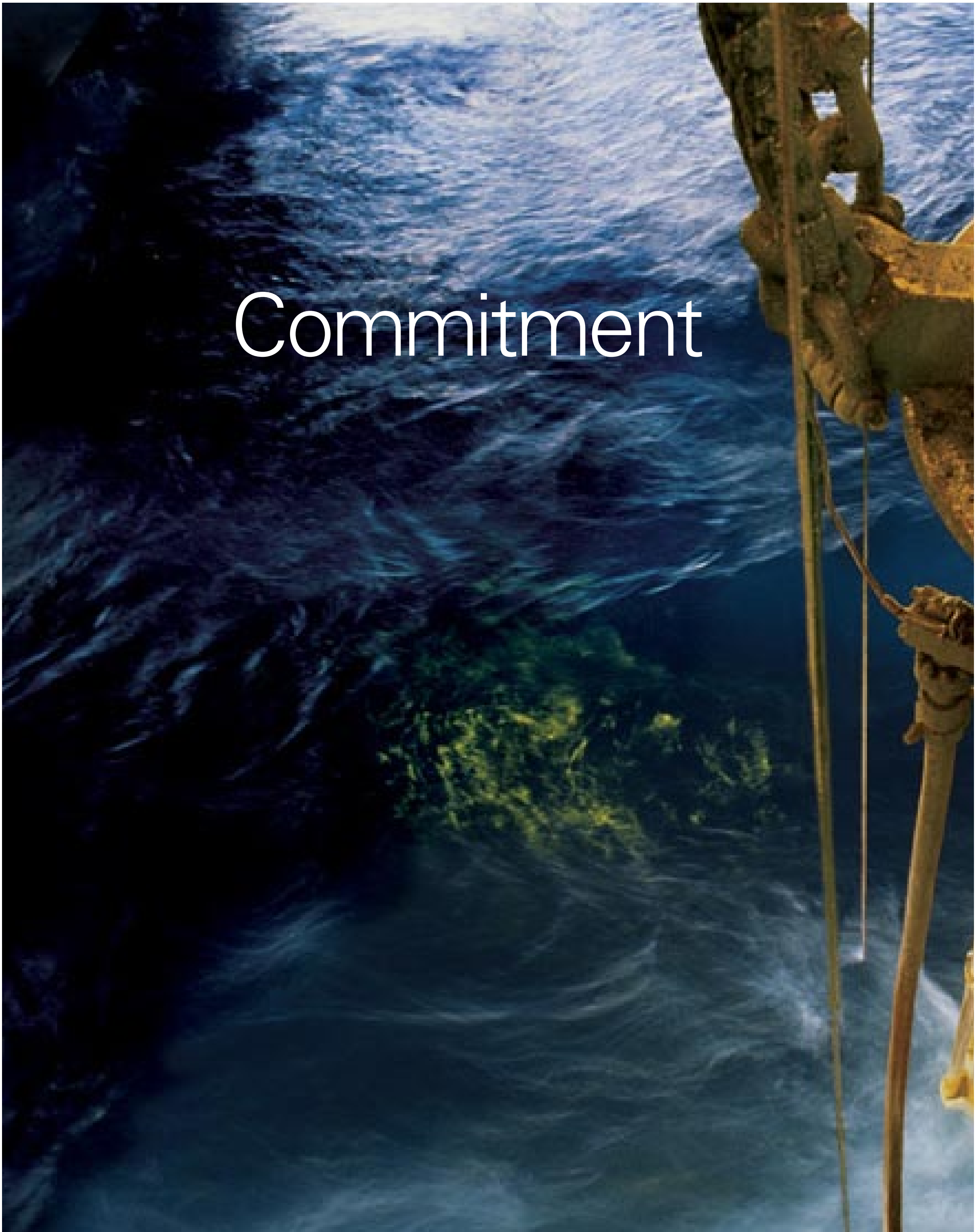
While the market mechanism is moving toward open markets, it is not quite there yet. Until the beginning of this year, gas was heavily subsidized by the central government so the pump prices remained stable despite fluctuating costs. This meant that the Chinese refineries weren't making the same profits that were being made by the internationals. Recently, the government changed the pricing mechanism so that the pump price became more in line with the actual crude price. This change in policy meant the recent loss-making refinery businesses were, overnight, making a profit again.

The upstream oil and gas reserves will continue to be an issue for the national oil companies. In China, the biggest oil fields have been in production for many years. Some have been producing for 50 to 60 years and the production rate has gradually decreased as the reserves have been depleted. It is critical for them to find replacements, and a lot of the exploration work has moved inland to the north and west of the country. These areas are not all accessible and the infrastructure has still to be developed to support the industry. In the longer term, the ability of international oil companies to replace oil will be critical for continued growth.

It is highly likely that China will continue to be dependent on imports of oil and, over the last five years, our national oil companies have been looking for opportunities in Africa, Central Asia, and South America to secure supply. Many analysts are expecting oil prices to rise again, so China is trying to balance the risk of higher costs.

On a local level, what can KPMG firms do to help our clients?
There are a couple of areas in which we are working with clients. The nationals are now very active in exploring joint ventures overseas. We work with our firms' clients around the world, helping them with, for example, their investment review process, or assessing the tax implications of their investments.

Another area is industry best practice knowledge sharing. It is not only the international oil companies in China that are trying to be more cost effective. Many Chinese national companies are looking to improve efficiency from an operational and cost perspective. We are offering industry best practice to national and international companies in China, sharing with them how things can be done more efficiently.


Commitment

3: KPMG's commitment – focusing on our firms' clients

As part of our vision to be the leading provider of professional services to the oil and gas sector, KPMG member firms invest in understanding the demanding economic environment and ever-changing regulatory requirements that oil and gas companies are facing around the world. This enables us to develop services, methodologies and, just as important, original thinking, that specifically address the challenges and key issues that matter to oil and gas companies.

Our audit, tax, and advisory services methodologies form the foundation of our approach around the world. KPMG recognizes that every business is different, each with its own internal and external pressures and challenges. These methodologies are therefore flexible and enable our people to use their knowledge and experience to apply them appropriately for each client.

The services that we offer start from our clients' perspective. We look at industry challenges from multiple angles, pooling our knowledge and resources to develop holistic services that fit our firms' clients' ever-changing challenges and requirements.

Working with nationals

A conversation with Tim Rockell and Peter Hynes, KPMG in Saudi Arabia

Tim Rockell
Director
KPMG in Saudi Arabia
T: + 966 3 887 7241
E: timrockell@kpmg.com

Peter Hynes
Partner – Advisory
KPMG in Saudi Arabia
T: + 966 3 887 7241
E: phynes@kpmg.com

How do you ensure KPMG provides services that make a tangible difference to your Saudi clients?

Tim: Fundamentally, my role is to build trust and grow relationships. I strongly believe that, in order for KPMG firms to provide clients with sustainable results and real added value, we need to have more than just excellent sector knowledge. We also need excellent client knowledge and, by this, I mean excellent knowledge of the people, the culture, the business strategy, the operations, the risks, the markets, the challenges, the regulatory landscape, everything.

> "As well as supporting the national oil companies in finance and IT, we help joint venture partners coming into the countries. We have a good understanding of their strategies and requirements."

Peter: This is why I spend a lot of time visiting clients, meeting with people across the business so that I really understand their requirements. And then I work with our teams to make sure we deliver what our clients need. Of course, none of this is static so I make sure that I keep up with all the changes happening within the companies and in the wider markets.

What do you see as the biggest challenges facing national oil companies?

Tim: National oil companies, such as Saudi Aramco in Saudi Arabia, tend to be state owned or, if listed on local stock markets, majority owned by the state. Until 2008, as oil prices increased, they had been doing very well and governments had been using the windfall from oil to invest in large-scale infrastructure projects. For example, Saudi Arabia has been building new cities and Saudi Aramco has been developing upstream exploration and production capacity and investing in new export refineries, some with international joint venture partners.

One of the biggest issues they are now facing is that costs on these projects have also ramped up over the last few years. There had been a shortage of services, people, and equipment available, so prices went up dramatically. Of course, now that the oil price has dropped from its peak, many of these projects need to be re-budgeted. For example, Saudi Arabia has postponed projects and asked contractors to review their pricing.

In addition, many governments want to get more value from their crude by building refineries and using the oil windfalls to encourage development of secondary industries, such as plastics-related manufacturing.

What can KPMG firms do to help?

Tim: As well as supporting the national oil companies in finance and IT, we can help joint venture partners coming into the countries. KPMG firms audit many national oil companies and we have a good understanding of their strategies and requirements.

Our member firms also have a global network of oil and gas professionals working with many of the major internationals. These relationships mean we can help the joint ventures be tax efficient and have robust corporate governance frameworks and effective financial systems. For example, in Saudi Arabia, our local knowledge can help ensure joint ventures are fully cognizant of the tax implications of operating in the Kingdom. Many people assume that there is limited taxation in Saudi Arabia, but there is a wide range of taxes and joint venture partners can overlook and misunderstand these costs. Our firms have local and international tax experience that can ensure that all taxes are considered.

Peter: We have worked hard to build the capabilities of our teams in the Kingdom. As well as the audit, tax, and more traditional areas of advisory work (such as financial risk management and mergers and acquisitions) for which we are known, we provide IT, business process, strategy, HR, and people and change services. Each department is headed by a very experienced director. And, if we don't have the exact knowledge or skill within the Kingdom, we pull in people from KPMG's network of member firms to help. We have had, for example, teams from the UK and South African firms on risk management, a resource from our Indian firm on a technical segregation of duties project, and our UK firm's corporate finance team is working with the municipal government to develop new phases of city growth, looking at secondary industries that can be established and developed.

I think this is one of the great benefits of KPMG's global network of member firms: because we communicate and meet so often, we can identify people with direct experience of providing similar services to help our clients, from IT advice to specialist investigative work.

Audit

KPMG's Global Engagement Approach

To ensure we have a positive impact on our firms' clients in all their locations, we use a Global Engagement Approach. The approach provides a structured framework for undertaking projects, from initial contact through to project review and assessment.

Our Global Engagement Approach is designed to provide our firms' clients with sustainable results and change. Before we begin, we talk to our clients to help ensure we understand their aims and requirements. Using our extensive experience in the sector, we work with our clients to define the scope, key performance indicators, and success factors.

Our approach is designed around a common global risk management and engagement methodology. While providing our firms' professionals with technological tools to help them better manage our engagements, manage risk, and meet our quality objectives, our approach still allows for flexibility. This enables us to adapt to our clients' project management methodology, creating a shared platform for adding value to their organizations.

On completion of assignments, we aim to leave our firms' clients with greater knowledge and capabilities than when we arrived. We do not seek to create operational dependencies.

Continuous improvement

To help ensure we continuously improve and adapt our service to our firms' clients' needs, KPMG teams regularly review our performance using independent client service reviews. Conducted by an independent reviewer at KPMG's expense, these reviews enable our clients to provide open feedback on their KPMG team.

KPMG member firms use these reviews to measure the performance of our teams and improve our service delivery. We address the feedback with the team and discuss how we can better meet our clients' needs by developing and agreeing upon an action plan with them.

Independence

Our audits are independent. Our audit and advisory teams adhere to our clients' independence rules, our own independence rules, and the independence rules of local regulatory authorities. This is also enhanced by our technology and strong central control.

A focus on IFRS

A conversation with Jimmy Daboo, KPMG in the UK

Jimmy Daboo
Global Head of Audit for KPMG's
Energy & Natural Resources Practice
KPMG in the UK
T: + 44 20 7311 8350
E: jimmy.daboo@kpmg.co.uk

How important is it that the US adopts IFRS?

I believe that it is critical that the industry moves to a single set of global accounting standards. And I believe the best way to achieve this is to continue and, indeed, accelerate the convergence between IFRS and US GAAP. The US should commit to moving to IFRS relatively soon otherwise there is a risk that it will be left out in the cold. Of course, a pre-requisite is that the IASB remains a truly independent accounting standard setter, and recent events show that this is not yet completely secure.

Having worked with many European companies going through IFRS conversion, what do you see as the critical success factors for US companies?

I think the overarching lesson was that the transition is somewhat transformational for a company's finance department and has multiple aspects that can involve many areas of the business beyond finance. Careful planning and regular communication are critical.

There was also a great fear that a big bang transition would leave analysts unclear on underlying business performance and how to assess relative performance with peers. This was driven by the potential accounting policy choices that companies could make under IFRS.

However, companies in the sector collaborated so that, while not everyone made the same choices, each was clear what the others would be doing and could brief their analysts accordingly. Oil and gas companies had quite detailed discussions around difficult areas, such as accounting for derivatives, production sharing contracts, and taxes. This worked very well.

I think some commentators were surprised by how little disruption the transition caused to the capital markets but, given my close contact with those preparing accounts in the sector, I was not at all surprised.

Because IFRS is less specific than US GAAP, will it be more difficult to deal with regulators such as the SEC?

Accountants in oil and gas companies in the US are concerned about operating in an accounting environment where there is less specificity about how to account for transactions. There is a legitimate concern that this could make companies' accounts less comparable, and there is certainly the potential for this.

From what I hear though, a greater concern is that people worry about being second-guessed on areas in which they will have to use judgment. Many could criticize the plethora of detailed rules and "guidance" in US GAAP as creating so much complexity that it is far too easy to get things "wrong" by not finding a critical, but small, rule somewhere in the literature.

Others, though, see the potential benefit of being able to find that rule and "prove" they have done the right thing. This will require a mindset change from not only the US accounting profession, but also the regulators. The SEC, in particular, will have a huge influence on how IFRS is adopted in the US.

What about cost?

The experience in Europe was very mixed because the approach taken to transition varied greatly. Where significant system changes were required, in areas such as derivatives valuation, in some cases this was very expensive. Where a company had to retrain a large global finance team, this too was likely to be expensive, though taking a graduated approach spread the cost over time. However, overall, companies in Europe did not end up spending large amounts unless they used the transition to IFRS as a trigger for already necessary systems upgrades.

What areas should companies watch out for?

The oil business is a specialist sector and it would be natural to focus on the industry-specific accounting areas. However, this would be a mistake. There is also much complexity in accounting for areas, such as post-retirement benefits employee share awards, and deferred taxes, which apply regardless of industry.

Companies should also look around the business for areas that use accounting data and ensure any issues are addressed early. For instance, are there debt covenants that would be affected by the changed accounting? Do your employee bonus plans have accounting profit-based targets? Do your tax payments change? There can be quite unexpected consequences, and identifying these areas early, and planning for them, definitely contributed to smoothing the transition in Europe.

Audit (continued)

Robust audits that deliver real assurance

A high-quality audit is a great deal more than a set of mechanical procedures. Professional judgment and skepticism, combined with thorough knowledge, must be exercised continuously in every area. Our firms' oil and gas audit professionals bring integrity and exceptional rigor to a process that has been refined over many years of serving global leaders and smaller businesses.

Our robust procedures and established methodologies support our audit process; it is the knowledge and experience of our integrated teams of auditors and specialists that enables KPMG member firms to deliver an audit that adds real value to our clients' operations. Our understanding of their businesses, and the oil and gas sector as a whole, drives the focus of our audit, as we seek to provide proactive, constructive advice and a robust and efficient audit.

We use proprietary audit software applications to perform audits in a controls-based manner. Our technology enables our member firms to effectively share and coordinate our evaluations, allowing us to capture a global view of our clients' controls, highlighting shared issues and key exceptions.

Throughout the year, we also talk to our clients and reassess their risks and the focus of our audit. This flexible approach is designed to ensure an audit that continually evolves to deliver assurance over our firms' clients' emerging risks and challenges.

Timely strategies, consistently applied

As global businesses, it is important for many of our firms' oil and gas clients to have consistent accounting approaches that are both pragmatic and compliant with applicable accounting standards. We monitor and control our firms' response to audit and accounting matters, with the aim of ensuring that a consistent approach is taken with clients.

Our robust procedures and established methodologies support our audit process; it is the knowledge and experience of our integrated teams of auditors and specialists that enables KPMG member firms to deliver an audit that adds real value to our clients' operations.

Audit (continued)

The challenges facing the sector

In today's environment, shareholders, through audit committees, are demanding more of auditors in terms of stress testing financial statements determining the impact of changing price outlook for oil and gas, cost escalation, liquidity shortages, frontier technologies and unconventional resources and changing relationships with host governments.

The same is also true of management, who are looking increasingly to KPMG firms for assurance over areas such as project risk management and cost control, the effectiveness of their risk management and internal audit processes, and compliance with ever more complex accounting standards, whether in the field of revenue recognition or joint ventures (including production sharing and risk sharing contracts).

- Enterprise Resource Planning (ERP): One of the key challenges currently affecting our firms' oil and gas clients is the implementation of global ERP systems in shared-service centers to help reduce costs.

  KPMG has developed audit tools for these ERP systems that can help to reduce audit costs while delivering systems auditing. We use integrated audit teams from a range of disciplines: forensic, internal control, information risk management, business transactions, and tax.

  Working together, we focus on key areas of risk and the adequacy of internal controls, helping to save our firms' clients' time and money while delivering robust assurance over their controls.

- Reserves: reporting of oil and gas reserves continues to be a critical issue for our firms' oil and gas clients. Rules are changing in the US and evolving under the International Accounting Standards Board. Oil and gas companies continue to stretch the boundaries of their businesses and need to communicate effectively the impact on their future cash streams.

KPMG firms continue to provide leading input to oil and gas companies and to regulators, combining our knowledge of the capital markets and current trends in reserve engineering and financial reporting.

Leading the way

To help businesses maintain good corporate governance, KPMG established the Audit Committee Institute (ACI) with chapters in the Americas, EMA, and AsPac regions. The ACI is a forum for the exchange of ideas and research into audit effectiveness and good governance. The ACI now has 1,800 members, many of them chairs or senior members of audit committees.

AUDIT COMMITTEE INSTITUTE

1,800

The ACI now has 1,800 members, many of them chairs or senior members of audit committees

An overview of our audit services

Client business issues/risks	KPMG services	Service description
Compliance with accounting standards	International Financial Reporting Standards (IFRS) advisory	— Preparing and helping clients manage the change to IFRS — Provision of training
	US accounts and reporting	— Compliance with US GAAP an SEC requirements — Provision of training
Cost audits	Cost assurance and audit	— Audit of costs incurred by contractors or being claimed as variations
Hydrocarbon emissions	Hydrocarbon emission audits	— Audit of hydrocarbon emissions, carbon storage, and carbon credits
IT projects implementation	IT risk management	— Pre- and post-implementation reviews of major ERP systems — Automated controls reviews
Joint ventures	Joint venture audit	— Audit of JV statements — Assurance over costs subject to cost recovery under production sharing agreements
Major project assurance	Financial management	— Provide assurance to senior management that major projects are well managed and issues are flagged early
	Project governance	— Established approach on all major projects, including IT implementation, outsourcing of back- and middle-office functions, major refinery builds, liquefied natural gas projects, and offshore oil field developments
Quality reporting	Financial statement audit	— Provision of statutory financial statements audits
	HSE report	— Provision of assurance services in relation to HSE reports

A focus on carbon trading and the Cap and Trade Program

A conversation with Cathy Lewis, KPMG in the US

Cathy Lewis
Global Head of Tax for KPMG's
Energy & Natural Resources Practice
KPMG in the US
T: + 1 816 802 5240
E: calewis@kpmg.com

How is KPMG involved in current discussions around the Cap and Trade Program in the US?

For the last couple of years, we have been helping to frame the debate around the Cap and Trade Program, holding a lot of discussions, leading Webcasts, and participating in share forums with interested parties across the industry and political arena.

At one of our recent Webcasts I led a discussion on the Cap and Trade Program. This discussion attracted a lot of interest from within KPMG and the industry, with over 850 people registered for the call. We provided an overview of the Cap and Trade system and discussed the *Waxman-Markey Energy and Climate Bill*, the risk management challenges, and federal income tax implications and considerations, followed by a question-and-answer session, which was lively and extensive.

The industry is trying to understand the various pieces of legislation and appointing resources with responsibility for sustainability or climate change. Businesses are focusing on understanding the most likely outcomes of a Cap and Trade bill – an auction mechanism for allocation (at least in part), an upstream model for measuring the point of emission, and the formation of a secondary market for trading emission allowances.

What should companies be doing to prepare for the implementation?

Companies should understand that the Cap and Trade system is different to carbon trading in Europe. Europe started off by providing emissions at low cost to various constituents. The pricing mechanisms weren't strong enough and trading volume was virtually zero. There is the belief here that, if you overcome the pricing challenges, the US system can begin with a trading model that would support the Cap and Trade model.

"KPMG in the US is conducting a whole plethora of readiness activities, such as considering tax laws and issues as well as potential solutions."

Of course, implementing a system like this at such a difficult time in the world economy creates its own challenges; any type of Cap and Trade program is a significant cost to some of our key business sectors, such as utilities and manufacturing. It is essential these businesses are protected, as the costs will be passed on to consumers.

There are also a number of tax issues and business issues to bottom out before participation in any program, such as determining the current base level of a company's emissions, ensuring the correct appropriation of carbon credits, and identifying ways for businesses to improve their carbon footprint so that they can meet reduction targets.

KPMG in the US is conducting a whole plethora of readiness activities, such as considering tax laws and issues as well as potential solutions. Our firms have also done similar work with European businesses and so are well placed to help our clients here in the US and, eventually, the rest of the Americas when they implement their own systems.

We are talking to our firms' clients about the possible affects of the Program; as businesses make investments, they should also consider the implications of Cap and Trade. I think a first step for many businesses is to leverage existing structures for managing the business risks or opportunities surrounding Cap and Trade. Enterprise risk management is a good framework that most companies have already established.

The system, whatever its final detail, will to have a major impact on companies across the sector.

Tax services

Organizations' tax decisions are under scrutiny like never before. With numerous and changing tax laws, policies, accounting and commercial principles, and international tax treaties, it is a major task for global oil and gas businesses to develop tax-efficient strategies to support their operations.

Our firms' understanding of tax governance, specialist skills, and deep industry knowledge help our clients to be competitive and compliant. KPMG's Oil & Gas Global Tax professionals provide services to oil and gas businesses, analyzing our clients' operations and identifying tax-related challenges and opportunities.

We are forward thinking, anticipating and responding to changes in the tax environment and helping our clients understand and plan for their potential impact. We understand, for example, how the taxes and tax regulations shape the environment for strategy formulation and active portfolio management. This is necessary to turn assets into cash in mature regions in order to finance development projects elsewhere.

We have a global mindset, providing our firms' clients with insights into tax trends beyond their home countries. We understand the vital importance of, for example, managing profits, and recognize the growing tax management challenges associated with the geographical mismatch between cash-generating and cash-consuming territories.

And we are value adding, seeking to provide advice that is timely, practical, and can stand up to scrutiny in the future. We recognize, for example, the need to protect intellectual property in the form of brands, processes, and technical know-how.

Some of the challenges facing the sector include the following

- Reducing tax complexities: Following the stronger position of many governments on tax avoidance and the need to reduce the cost of tax functions, many oil and gas companies are looking to simplify their tax position. KPMG member firms can help companies reach accelerated tax settlements covering all outstanding items in a jurisdiction.
- Tax and duty savings: We have identified significant tax and duty savings for our firms' clients in the oil and gas industry, focusing on processes within supply chains, retail operations, warehousing, customer loyalty campaigns, IT systems, procurement, terms of business, and general accounting processes. These savings can have a direct impact on cash flow and are especially relevant to multinational oil and gas companies with shared service operations, which can be very remote from their operating locations.
- Global mobility: With the mobility of senior executives in the oil and gas industry, managing the tax and compensation affairs for international transferees can be a demanding and complex business, with the risk of failing to comply with local tax laws always in the background. KPMG firms have a coordinated global approach to delivering a wide range of expatriate tax services, as well as visa and work permit services, for many major global oil and gas companies. These services are designed to save a great deal of personal time for international executives and money for their companies.

Leading the way

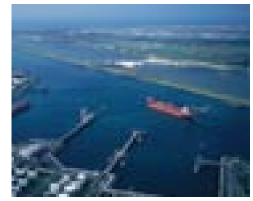
KPMG firms work with many decision makers in national and international tax authorities. These relationships are complemented by our firms' participation in various organizations, including the Organisation for Economic Co-operation and Development, World Trade Organization, and European Commission tax-related working parties. This involvement enables us to help shape policy and provide regulatory insight.

Our firms' understanding of tax governance, specialist skills and deep industry knowledge help our clients to be competitive and compliant.

An overview of our tax services to the oil and gas sector

Business issues and risks	KPMG firms services	What we can do
Engaging the "green" agenda	Regulatory and sustainability business strategies	— Clean development mechanism issues — Re-emergence of nuclear energy and tax incentives in certain jurisdictions for nuclear energy — Tax incentives for renewable energy and renewable fuel projects
	Windfall profits	— The potential impact on profits resulting from government-imposed fuel taxes being implemented or contemplated
	Trading energy and emissions	— Tax characteristics of carbon credits
	Transfer pricing	— Implications of Certified Emissions Reduction (CER) forward contracts
	Indirect tax	— Tax credits for production or purchase of "green" products
Managing joint ventures and other third-party relationships	Tax due diligence	— Addressing tax exposures items — Partnership agreements review — Tax implications of financial instruments
	Tax-efficient structuring	— Worldwide income tax considerations — Modeling cash implications — Business entity selection — Communicating tax planning to the board and management — Purchase price considerations
	Implementation assistance	— Assistance with local tax authorities — Monitoring key tax issues included in contracts — Registration and approval assistance
	Post-venture tax structuring	— Tax structure simplification — Dissolution
Managing major capital expenditure projects and energy investment requirements	Indirect taxes	— Recovery of VAT expenditures — Identification of VAT tied up in financing transactions impacting working capital and cash flows
	Structured financing	— Debt-to-equity requirements and characterization — Principal payments, interest expenses, and cash flow implications of debt and deemed debt obligations — Related-party and cross-border transactions — Indemnity clauses and default provisions — Required opinions and filing requirements

Business issues and risks	KPMG firms services	What we can do
Meeting the increasing regulatory, government, and multiple stakeholder demands	Assessment	— Tax process documentation — Internal control testing — Personnel and process interviews — Identifying opportunities
	Quantification and aggregation	— Provide detailed picture of global tax regulatory and compliance obligation — Gap analysis — Participate in designing an aggregated model — Create concept for mitigation — End user training
	Monitoring and reporting	— Thorough global tax examination work plans — Formalize appropriate global communication channels to support tax process — Build key performance indicators and metrics to measure progress — Controversy — Ongoing monitoring and testing
	Controls	— Review technical merits of planning approaches — Provide methodologies to help mitigate taxes and penalties associated with exposures — Key findings and recommendations discussions — Tax aligned with corporate goals
Security of supply	Transfer pricing	— Tax efficient supply chain management — Evaluation services — Documentation and reporting
	Indirect taxes	— Customs, trade, and excise duties — Value-added, excise, and sales and use taxes — Severance — Ad valorem taxes
	Mergers & acquisitions	— Mergers and acquisitions in new supply and demand markets — Tax-efficient structuring
	Managing operational efficiency	— Integrating business objectives with tax objectives — Manufacturing deductions — Tax credits for energy-efficient technologies — Tax credits and deductions for research and experimentation — Costs: expenditures vs. capitalization
	Trading energy and emissions	— Merchant trading
	Tax due diligence	— Tax implications of financing instruments



Advisory services

KPMG firms work with businesses to tackle challenges in growth, governance, and performance, combining specialist skills around the world to provide objective advice and services to help preserve and improve value.

We recognize that our firms' clients may need assistance in three broad areas: improving performance, especially by harnessing technology; executing transactions and restructuring; and handling risk and compliance.

Our Advisory practice directly aligns to these needs:

- Performance & Technology: Business Performance Services and IT Advisory
- Transactions & Restructuring: Corporate Finance, Restructuring and Transaction Services
- Risk & Compliance: Accounting Advisory Services, Financial Risk Management, Forensic, Internal Audit, Risk & Compliance Services and IT Advisory

Because we are structured according to our clients' needs, our international network of member firms can deploy oil and gas professionals with the right industry credentials and technical knowledge.

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Challenges facing the sector

- **Cash optimization:** With the drop in crude prices and the cost inflation experienced in the industry, oil companies have difficulties funding their CapEx and dividend streams. We can assess and benchmark companies and work with them to develop a sustainable approach to working capital, including discovery, diagnostic and design, and implementation.
- **Cost reduction**: We have developed a methodology, Private Equity lens, which combines transaction skills with activity-based costing to help companies assess their expenditure.

  In addition, many oil and gas companies have become complex organizations. As a consequence, simplification is seen as a driver for taking out costs. KPMG has developed a top-down methodology designed to significantly reduce legal entities on a global scale.
- **Capital projects:** Due to the volatility in commodity prices, organizations have to consider the adequacy of their projected cash flow for funding and decide on abandonment or deferral. KPMG's project management methodology includes identifying risks, managing costs, and managing suppliers.
- **Current and projected liquidity needs:** Due to the availability of funding in the market, organizations should assess their access to the commercial paper market or other short-term funding. KPMG firms can help by considering the maturity dates of term loans as well as revolving credit arrangements and covenant compliance. We can also forecast and identify future financing needs and funding options and provide liquidity and treasury management, and economic modeling to predict future elasticity of demand, pricing and costs.
- **Distressed players in the supply chain:** The liquidity of key suppliers, customers and third parties has an effect on oil and gas companies. KPMG firms can profile and advise on managing customer and supplier risks.
- **Implication of accounting issues:** Application of fair value accounting in today's illiquid and highly volatile market raises a number of complex issues. KPMG firms can assess the adequacy of reserves according to guidelines, review asset impairments, assess the decline of the value of investment securities and pension plan assets, and monitor changes to standards affecting oil and gas companies.
- **Contract assurance:** To make the most of the value and manage the risks within commercial relationships and contracts to help ensure compliance with payment and other terms, KPMG has developed a step-by-step methodology that includes audit programs.
- **Anti-bribery and corruption:** Traditionally, oil and gas companies operate in countries that are high on the corruption index.* KPMG can provide forensic methodologies to detect and assess bribery in remote countries, develop preventive strategies, and suggest risk management methodologies to address bribery and corruption.

*Source: Transparency International, July 2009

An Indian perspective

A conversation with Arvind Mahajan, KPMG in India

Arvind Mahajan
Partner
KPMG in India
T: + 91 22 3983 6206
E: arvindmahajan@kpmg.com

What do you see as the major challenges facing the sector at this time?

In India, the challenges faced by national oil and gas companies are quite different to those faced by private companies, particularly as the prices of key petroleum products are artificially regulated and maintained by the government. This became particularly important when the crude oil price was rising dramatically – for the consumer, the prices of products such as petrol and diesel didn't rise to the same extent; and, instead, the losses were borne by the national oil companies, particularly at the refining and retail segments of the market.

While the government shared part of the losses of the national oil and gas companies by providing them subsidies and oil bonds, this was not the case for the private companies. This resulted in many private companies leaving the market as there was no incentive to stay. So, the downstream sector's main challenges have been cost optimization and operational excellence, reducing costs while mitigating risks, particularly from a capability perspective.

The gas sector has traditionally not been regulated, but the government has now set up a gas regulatory authority, the Petroleum and Natural Gas Regulatory Board, which will have a role from mid-stream through to down-stream, as well as a role in city gas distribution. While the regulatory framework has been set up, the board's policies are still evolving. As it is independent, the industry believes there will now be a greater degree of impartiality in the governance of the sector going forward.

With oil prices rising, there has also been a lot of pressure for companies to look at renewable sources of energy. The government has suggested to the oil companies that a certain proportion of petrol and diesel should be mixed with ethanol to reduce our dependence on oil – five percent immediately and, in due course, 10 percent would be substituted. This means that a process needs to be developed, involving both the sugar industry and oil companies. Many companies, including some of the national oil companies, have been looking at jatropha plantations and other mechanisms for combining biodiesel and other forms of renewables.

How are KPMG firms working with the sector?

We have been providing a number of business, financial, risk management, technology, and tax advisory services to clients. One of these clients is a state-owned company that has presence in exploration and production, gas transmission, city gas distribution, and the downstream power sector.

My team and I have been involved with this organization from the beginning, helping it define its business plan and then working on some of the key initiatives identified as part this plan. These include systems implementation to improve performance from a cost perspective; enhancing the way management looks at financial management and budgeting processes, balance forecasting and performance management systems, and reviewing the IT and technology capabilities. We have also helped companies review their organization structure and talent management; a large number of different parts of our advisory practice have been involved.

> "We don't sit on a pedestal; we give independent advice while making sure things get done."

The state is also trying to develop the skills of people working in the oil and gas sector by setting up universities, such as Pandit Deendayal Petroleum University (PDPU), that focus on education in the energy sector, particularly oil and gas. An institute of higher education, it will offer a number of energy, petroleum engineering, and petroleum management courses with a strong emphasis on commercial research. We are working as the university's partner, helping to design and implement the strategic growth initiatives.

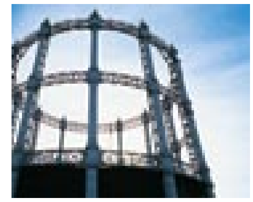
Clients have chosen to work with KPMG firms because they have found us to be dependable. They can rely on us to do things – not just give them paper deliverables – but work with them to drive outcomes.

They also find that we are easy to work with – we don't sit on a pedestal; we give them independent advice while making sure things get done.

An overview of our advisory services to the oil and gas sector

Business issues and risks	KPMG firms services	What we can do
Board assurance as to operation of business model and controls	Internal audit	— Internal audit services to handle significant control and monitoring issues
Capital projects	Major projects programs	— Project advisory and monitoring services to project owners focusing on project governance, processes, and management outputs — Independent feedback on project health or status
Capitalize on different technology investments	Technology optimization	— IT project portfolio optimization — Strategic assessment of major investment areas in IT budget
Climate change	Emission reporting system	— Initial impact assessment — Collecting data and reporting — Strategy development to address climate change
Credit facilities	Debt renegotiations and corporate financial restructuring	— Assist clients in forecasting and identifying future financing needs and funding options — Advise clients on renegotiating and restructuring financing lines
	Economic assessment of risk	— Use economic models and forecasting to predict future elasticity of demand, pricing, costs, return on capital, and other critical performance indicators
	Debt refinancing	— Identify a range of financing options, address the impact of alternative funding routes
	Liquidity risk assessment	— Provide a first aid kit to help assess financial soundness and benchmark current operations against best practice
Effective board oversight	Performance measuring board reporting	— Advise on the changing corporate governance structures
Ensuring business continuity and the capability to recover	Business continuity management	— Assess and guide knowledge management information systems governance, security, and risk management
Financial forecasting	Financial modeling	— Develop financial models and challenge existing forecasts and associated scenarios
Improvements in corporate governance	Corporate governance advisory	— Advise on compliance, preferred practices, and *Sarbanes-Oxley* implementation

Business issues and risks	KPMG firms services	What we can do
Issue recognition and strategy development	Climate change	— Advise on greenhouse gas emissions controls and energy trading
	Corporate responsibility assurance	— Advise on environmental and stakeholder issues, including sustainability reporting reviews, global reporting initiative developments, and greenhouse gas issues and audits
	Decision support	— Assist with end-to-end business intelligence strategy, including measurement definition, reporting design, and performance management
Major transaction management	Transaction services	— Project due diligence for assessment of new ventures, investments, and joint venture support
	Valuations	— Valuations and independent reports
	Project finance and debt advisory services	— Company and asset mergers, acquisitions, and divestments
Management of the finance function	Transforming the finance function	— Advise on immediate needs, such as meeting new IFRS accounting standards, integrating systems, and coping
	Advisory on shared-service centers	— Assist clients with creating a shared-service center (outsourced or internal) and find performance improvements by offering qualified staff, standardized and controlled processes, and accounting hardware and software
Management of procurement spend	Supply chain optimization	— Use KPMG's Rapid Value Procurement to streamline the cost of procurement, identify cost-saving opportunities, and assist in reducing overall spend — Use Lean Six Sigma techniques to deliver productivity improvements — Use operational modeling tools and logistic analysis to reduce costs
Outsourcing versus in-sourcing	Sourcing strategy	— Design and implement new processes and shared-service models — Assist with structuring the sourcing strategy and vendor selection — Service level definition and contract renewal support — Define monitoring controls and processes to mitigate risks in outsourcing relationships
Protection of intellectual property	Intellectual property advice	— Advise on brand, processes, and intellectual property rights
Reporting and communications	Performance insight	— Assist clients to effectively communicate their business performance — Advise on rewards management, the cost of capital, reputation, and licenses to operate — Advise on common reporting processes to help with automation
Risk identification	Enterprise risk management	— Perform a top-down risk assessment to balance the cost of compliance with financial risk — Identify environmental and regulatory risks across all segments of the business and design processes to monitor and manage change
Real-time assurance on capital expenditure management	CapEx monitor	— Monitor expenditure for capital intensive projects



An Australian perspective

A conversation with Brent Steedman, KPMG in Australia

Brent Steedman
Partner
KPMG in Australia
T: + 61 8 9263 7184
E: bsteedman@kpmg.com.au

Gas trading between Australia and Asia is currently redefining the gas industry in Australia. What do you see as the biggest challenges to its success?

Asia is an increasingly larger consumer of fossil fuels and, in particular, gas. Big consumers, such as China, Japan and Korea, have limited reserves and they therefore need the input of gas, through liquefied natural gas (LNG), from countries with significant reserves. Australia has significant gas reserves: approximately 80TCF proven and probable, and 400TCF estimated resources. So, while this is a perfect match, it also creates two significant challenges for the industry.

> "Australia is seen as a good and safe place to invest and so there is fierce competition for its resources. To be successful, the deals should be efficiently structured and financially robust."

Firstly, there should be effective management of the capital spend required to build up to 12 LNG projects in Australia, worth in excess of AUS$120bn*. KPMG firms have worked with many of the companies involved on risk management, tax and structuring, contract assurance, systems support, and process design. We know that mega-projects like these need to be carefully managed and controlled to try to ensure they are cost effective, especially in difficult economic times like these.

Secondly, there is significant Asian investment in off-take agreements, gas sale contracts in which large Asian gas and utility companies and trading houses, such as CNOOC, Tokyo Gas, Tokyo Electric and Mitsubishi, are buying the gas. These deals should be properly structured from a tax perspective, proper due diligence needs to be undertaken, and the financial modeling needs to be robust.

What challenges do Asian companies facing when investing in Australia?

One of the key challenges of gas trading, in terms of buying assets, is the very competitive market. Australia is seen as a good and safe place to invest and so there is fierce competition for its resources. To be successful, the deals should be efficiently structured and financially robust.

KPMG firms have been involved in a number of these inbound investment projects, including the first major investment in Australia by a large utility company out of Japan.

Why is KPMG Australia's relationship with the Australian Petroleum Production and Exploration Association (APPEA) important?

KPMG has a high-value and proactive relationship with APPEA, a leading Australian industry body. Working closely with the association significantly helps us develop relationships with industry executives and, even more importantly, helps us understand the key issues facing oil and gas companies in Australia.

At the APPEA 2009 conference, I was one of three people from KPMG firms presenting papers. Michiel Soeting, KPMG's chair of Global Energy and Natural Resources, was a keynote speaker and, I am very proud to report, Kevin Smout from the Australian firm won the best paper in the entire conference, an outstanding achievement.

We are also able to help APPEA and the industry on emerging developments. We are currently sharing information with APPEA on carbon trading, or the carbon pollution reduction system, as it is known in Australia. We have close contacts with the government and are helping APPEA with some of the political matters requiring consideration.

*Source: www.theaustralian.news.com.au, July 2009

Worldwide, KPMG firms are recognized for our investment in our people

Here are some examples:

Americas Region

KPMG in the US

— Catalyst Award in recognition of our "Great Place to Build a Career" strategy, 2009
— Fortune 100 Best Companies to Work For, 2007, 2008
— Business Civic Leadership Center, Corporate Citizenship Award, 2008
— *Training* magazine's list of Top 125 training companies, 2008
— *Consulting Magazine's* Excellence in Diversity Award, 2008
— *Working Mother* 100 Best Companies, 2007, 2008
— *DiversityInc Magazine* Top 50 Companies for Diversity, 2006, 2007, 2008
— *Computerworld* 100 Best Places to Work in IT, 2008
— *BusinessWeek* List of Top Employers for College Graduates, 2006, 2007, 2008
— Diversity/Careers in Engineering and Information Technology, Best Diversity Company, 2008
— Springboard Consulting LLC and *Work Life Matters magazine*, Disability Matters Award -2008
— *Diversity Edge* magazine's Best Companies for Diverse Graduates, 2008
— *PINK* magazine's list of Top Companies for Women
— *Profiles in Diversity Journal's* Top Ten Companies for Innovations in Diversity
— Companies That Care Honor Roll, 2006, 2007, 2008
— *Hispanic Enterprise Magazine* 50 Best Companies, 2008
— *Hispanic Magazine's* Corporate 100 Best Places to Work for Latinos, 2006, 2007, 2008
— Human Rights Campaign's Corporate Equality Index, KPMG received a perfect score of 100 percent in the Human Rights Campaign's Corporate Equality Index and Best Places to Work Survey, 2005, 2006, 2007, 2008
— Strength of KPMG's Internship Program Recognized at INROADS Conference
— Brandon Hall Gold Award for Best eLearning Team by Brandon Hall Research

KPMG in Bermuda

— Awarded the CURE Equality of Opportunity Initiatives Award, 2007

KPMG in Brazil

— Você SA/ Exame, 150 Best Companies to Work For, 2007

KPMG in Canada

— *Financial Post*, Top 10 Best Employers to Work For, 2009

KPMG in Chile, Colombia and Venezuela

— *International Tax Review's* Americas Tax Awards, Best Transfer Pricing firm, 2008

Europe, Middle East, and Africa Region

KPMG in Austria

— Place to Perform, national award for the Best Place for Internships

KPMG in the Czech Republic

— Second place, TOP Corporate Philanthropist competition, 2008

KPMG in Ireland

— Top 50, Best Companies to Work For, 2008
— First for Training and Development, Best Companies to Work For, 2008
— *Irish Times* No.1 Graduate Employer, 2008
— Best Workplaces in Europe, 2008
— *Grad Ireland*, Best Internship and Placement Program, 2008

KPMG in the Netherlands

— Fifth, Best Employer

KPMG in Poland

— Top 25, Ideal Employer rankings, 2008

KPMG in Saudi Arabia

— Consultancy Firm of the Year, 2009
— Best Services Company to Work For, 2008
— Second, Best Saudi Company to Work For, 2007
— Second, Best Saudi Company to Work For, 2008 (Mid-size companies)
— Fourth, Best Saudi Company to Work For, 2008 (All companies)
— Top 20 in Saudi Fast Growth companies

KPMG in South Africa

— HR Africa Award
— Association for the Advancement of Black Accountants of Southern Africa (ABASA) Award for having the highest number of successful Black candidates in the Final Qualifying Examination
— First recipient of the government's Skills Revolution Partner Award for our Growth Acceleration Program
— Magnet Communications Ideal (Commerce) Student Employer
— Second, Ideal Graduate Employer in a survey completed by more the 15,000 commerce, science, engineering and law students from all 23 universities in South Africa
— Top Company Investing in Women

KPMG in the UK

— *Sunday Times*, Best Big Company to Work For, 2007, 2008, 2009
— Auditor of the Year by leading UK finance directors, 2008
— *Euromoney* Islamic Finance Awards, Best Islamic Assurance and Advisory Services Provider, 2008, 2009

Asia Pacific Region

KPMG in Australia

— Employer of Choice for Women, 2007, 2008

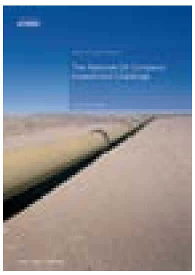
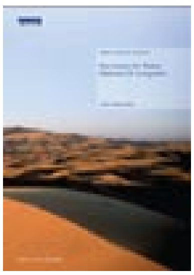
KPMG in China

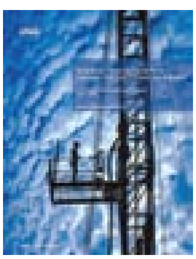
— Hong Kong Council of Social Service, Caring Company Award, 2002, 2003, 2004, 2005, 2006, 2007, 2008
— The Philanthropic Star Company for Poverty Alleviation for our contribution to the New Great Wall initiative, 2007
— Junior Achievement, The Partnership Recognition Award for staff volunteering to teach at migrant schools, 2007

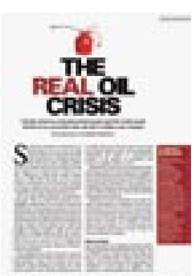
KPMG Korea

— Best Human Resources Developer, 2007

Further insight



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1: *The National Oil Company Investment Challenge* discusses the relationship that national oil companies (NOCs) have with fluctuating oil prices; for example, to what extent is their future planning affected, and what is the ideal cost per barrel for NOCs to maintain operating efficiencies?

2: Demand for energy is expected to grow by more than 50 percent by 2030. How national oil companies, that control 72 percent of the world's oil reserves, respond to this challenge will have a significant impact on the stability of oil and gas markets in the future. *Key Issues for Rising National Oil Companies* discusses and debates the state of the oil industry, and the role that national oil companies may have in shaping its future.

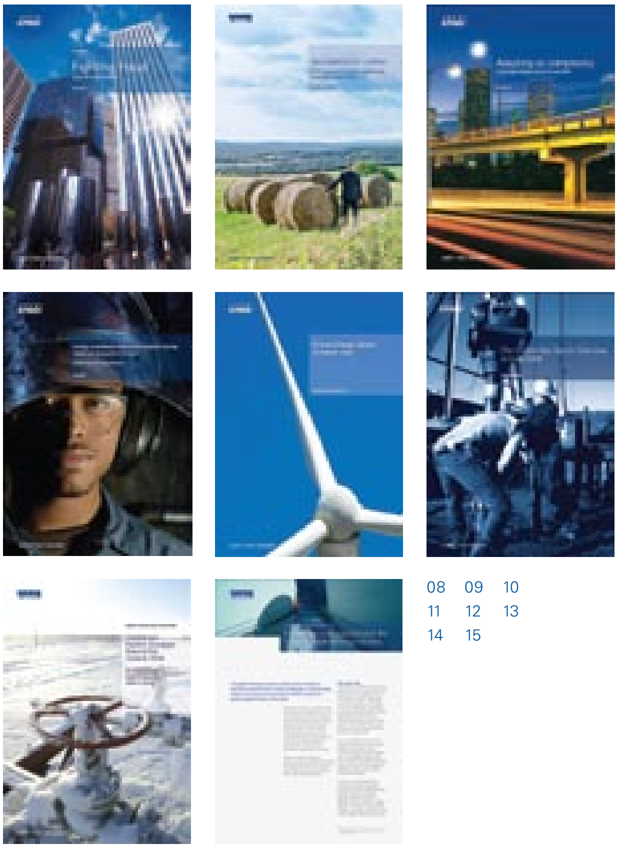
3: *IFRS in the Oil and Gas industry* analyzes the accounting policies and disclosures of 33 oil and gas companies from 14 countries that applied International Financial Reporting Standards or IFRS "equivalents" in their 2007/2008 annual reports. The survey highlights not only areas in which IFRS has been applied with reasonable consistency by the industry; but also areas in which nuances of a company's previous GAAP has been carried through to its IFRS accounting policies and disclosures.

4: *SEC Modernizes Oil and Gas Reporting:* The US Securities and Exchange Commission (SEC) adopted a final rule on December, 2008, to revise oil and natural gas reserves reporting requirements. This publication discusses the SEC's final rule and provides in-depth discussion on several important issues and key concepts.

5: Canada will move from GAAP to adopt IFRS for public companies by 2011 to enable Canadian companies expanded access to international financial markets. However, the oil and gas industry in Canada may encounter complex IFRS accounting issues. *Illustrative Financial Statements – Canadian Full Cost Oil and Gas Industry* demonstrates one possible format for IFRS financial statements for a fictitious junior to medium-sized upstream oil and gas company in Canada that previously applied the full-cost approach under Canadian GAAP.

6: *Procurement in Oil & Gas*, published by KPMG's Global Energy Institute, focuses on procurement in the oil and gas industry and highlights trends and tools as well as issues and challenges in both up-stream and down-stream sectors of the industry.

7: *The Real Oil Crisis* discusses the era of expensive oil, the uncertainties that are shaping government policy, and how businesses should evaluate their supply chain and energy portfolio.



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8: *Fighting Fraud* discusses the impact the economic downturn is having on companies. Regulators are on high alert and are increasing their levels of scrutiny and inquiry. The propensity for commercial loss and damage to a company's reputation has increased significantly as businesses have become more complex and global while operating in an increasingly regulated environment.

9: *Accounting for Carbon* discusses the impact of carbon trading on financial statements. It provides providing insights and strategies to help organizations understand and manage the business implications of climate change.

10: A global boom is encompassing infrastructure, energy and natural resources, and private building programs. At the same time, there is a severe shortage of talent, limited contractor capacity, and rapidly rising material and labor costs. This has helped to shift a far greater share of contracting risk to project owners. KPMG published *Adapting to Complexity: Global Major Project Owners Survey 2008* to find out how contractors that are commissioning large projects are coping in this environment.

11: KPMG surveyed leading mining and upstream oil and gas organizations for their views on the latest trends, priorities, and challenges for finance, including their response to the current economic turbulence. The *ENR Finance Function Survey – Insights from Leading Finance Functions* found that the current economic turmoil exposed shortcomings in areas typically seen as Finance strengths (cash flow management, balance sheet insight, budgeting, and forecasting). In addition, a non-standardized approach to the Finance organization design at the asset level has added complexity and cost in a sector already inherently complex.

12: *China's Energy Sector: A Clearer View* provides an overview of each energy sector including both upstream and downstream oil and gas, and oil and gas infrastructure in the country.

13: *The Oil and Gas Sector Overview in India 2009* provides a comprehensive summary of the industry, including discussions on upstream, transportation and distribution, retailing, and LNG.

14: Central and Eastern Europe has a distinct geography that makes it crucial for gas transit into Europe. This and other issues relating to natural gas in the region are discussed inKPMG's *Central and Eastern European Natural Gas Outlook 2008.*

15: Today's refining industry is operating in a unique environment. *Challenges and Opportunities for Today's Refining Industry* discusses how crucial it is to understand current business issues in order to plan for the future.

For a copy of any of KPMG's publications, visit www.kpmgglobalenergyinstitute.com kpmg.com

Michiel Soeting
Global Chair – Energy
& Natural Resources
KPMG in the UK
T: +44 20 7 311 1000
E: michiel.soeting@kpmg.co.uk

Pamela O'Leary
Global Executive – Energy
& Natural Resources
KPMG in the UK
T: +44 20 7 311 1000
E: pamela.o'leary@kpmg.co.uk

Wayne Chodzicki
Global Head of Oil & Gas
KPMG in Canada
T: +1 403 691 8004
E: wchodzicki@kpmg.ca

Jimmy Daboo
Global Head of Audit
for Energy & Natural Resources
KPMG in the UK
T: +44 20 7 311 1000
E: jimmy.daboo@kpmg.co.uk

Cathy Lewis
Global Head of Tax for
Energy & Natural Resources
KPMG in the US
T: +1 816 556 1580
E: calewis@kpmg.com

Hilda Mulock Houwer
Global Head of Advisory for
Energy & Natural Resources
KPMG in South Africa
T: +27 11 647 7028
E: hilda.mulockhouwer@kpmg.za

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