



OSTERWALD RATHBONE & PARTNERS
— FINANCE & STRATEGY —

OIL & GAS

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OSTERWALD RATHBONE & PARTNERS

Osterwald Rathbone & Partners advise oil & gas companies and governments all over the world.

The oil and gas industry supplies nearly 60% of the world's energy needs, making it a major stakeholder in all economies. Unsurprisingly companies in the hydrocarbon industries account for some 6% of the value of equities in global stock markets.

The oil business has been truly “global” for many decades and operates in transparent markets that reflect supply and demand factors worldwide. Since long term pricing contracts remain under constant pressure, gas has only recently become “globalized”, largely due to the influence of LNG. Thus, over the last 10 years the dynamics of oil and gas have changed immensely, with new technologies and more stringent environmental standards amidst global economic turmoil.

The industry has always faced new challenges and opportunities, but the emergence of the capability to unlock vast supplies of oil and gas from shale formations in North America have disrupted oil and gas markets everywhere.

In only a few years, the US has become one of the largest oil exporters. The “shale revolution” has also created a second source of marginal oil supplies, resulting in a fundamental and permanent shift in oil price formation. Osterwald Rathbone & Partners has an unparalleled understanding of this new market dynamic.

Furthermore, the development of capital markets and derivative products within the oil and gas industry is bringing ever more transparency to product pricing as well as greater volatility, although the ramifications of any alleged market manipulation are yet to be quantified.

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Meanwhile governments face significant challenges trying to maintain investment and environmental standards from oil and gas companies, while at the same time needing to maximise oil and gas revenues through adjustments to fiscal regimes. These rapidly evolving markets and technologies provide many uncertainties for stakeholders in this sector.

Planning, developing and executing a strategy that has the robustness to deal with the potential outcomes is likely to provide a competitive edge over rivals. And of course, there are always questions on the future direction of transportation fuels – to what extent will gasoline and diesel be replaced by hydrogen, electric power or a mixture of all?

Osterwald Rathbone & Partners provides independent advice on these sorts of issues to both international and national oil companies, as well as governments and regulators.

We advise clients on many of the headline questions within the industry – the team has a broad range of backgrounds within the industry, including project development, operations, trading and finance, as well as contractual disputes.

We are therefore well-placed to help clients understand the real issues that they face and to develop workable solutions.

Our team of experts provides:

-  Commercial advice
-  Expert witness in litigation and disputes
-  Policy advice to governments

COMMERCIAL ADVICE

APPRAISALS AND ANALYSIS

Osterwald Rathbone & Partners provides informed and practical advice on the big commercial issues faced by oil & gas companies.

Whether it is an appraisal of the strengths and weaknesses of a prospective acquisition target, or an analysis of the real economics of a new project, we have the skills to get to grips with the market, commercial, technical and financial aspects of each case and deliver a frank and honest opinion backed up by facts and clear reasoning.

Recent Experience

- Carried out commercial and technical due diligence, valuation and negotiation support for an inward investor in a greenfield refinery / petrochemical plant in China
- Developed an equity valuation of a share in a Caspian oil and gas field, on behalf of an inward investor
- Carried out commercial and technical due diligence, valuation and negotiation support for an inward investor in a greenfield refinery / petrochemical plant in China
- Advised investors during development of a bid to acquire a network of North Sea oil and gas pipelines, producing platforms and onshore processing facilities
- Evaluated a proposed LNG export project in British Columbia, which involved estimating netback prices and the maximum price available for gas delivered to the liquefaction plant
- Advised an independent oil company, prior to bidding on a licence, on the cost implications of liquefying gas and transporting it to market
- Assisted a UK oil and gas exploration company during its acquisition of onshore production in the UK
- Provided economic analysis to a UK industry association in relation to the prospective development of shale gas in North West England

CASE STUDY

NORTH SEA UPSTREAM DURING THE DOWNTURN

A few years ago, the North Sea oil & gas sector entered a sharp downturn. The sudden drop in the price of crude oil, combined with the maturity of the fields in the region, made for a very pessimistic outlook.

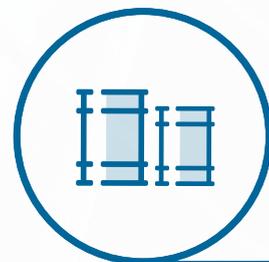
Despite the conventional wisdom that it would be difficult for the UK North Sea to recover to similar levels as was the case during its peak before the oil price crash.

We advised an investor consortium in its potential acquisition of a network of North Sea oil & gas pipelines, producing platforms & onshore processing facilities.

The assignment was complex, as the assets involved were being sold by tender. Our remit included:

Review of reserves

Review of the reserves and production potential in many oil and gas fields



Cost assessment

Independent assessments of operating, capital cost and decommissioning costs



Business valuation

Preparing a complete comprehensive evaluation of the business



Presentation

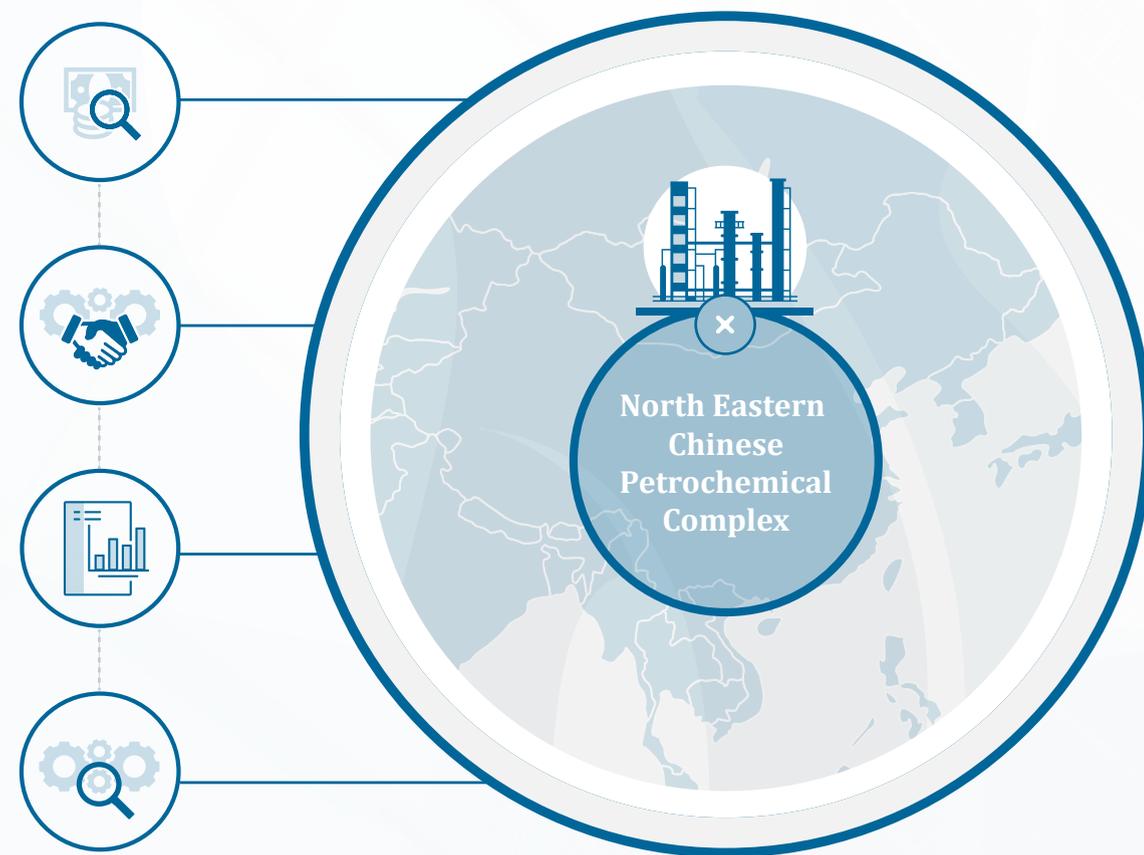
Presenting and explaining the target business to the providers of finance



CASE STUDY

CHINESE REFINERY JOINT VENTURE

Over a three-year period, our team acted for a major West African national oil company in its assessment of a joint venture transaction in a greenfield integrated refining and petrochemical complex in North-eastern China.



Our work covered a number of areas, including:

- Commercial and technical due diligence on the refining and chemical facilities
- Preparing an enterprise valuation of the entire complex
- Evaluation of the likely economic performance of proposed chemical expansion projects
- Developing a transformation blueprint, which set out the steps needed to ensure the JV would have a modern, best practice organisation
- Providing ongoing assistance in negotiation of the Joint Venture Contract, Asset Transfer Agreement and the Supply and Services Agreement
- Coordination of the work of other advisors, which involved tax, IT and environmental experts from other firms

LITIGATION SUPPORT DISPUTES

Osterwald Rathbone & Partners are active on behalf of clients in high-profile disputes, ranging from equity and commercial damages to loss of profits and shareholder disputes.

We have highly regarded experience in providing objective, fact-based expert support to clients that have become involved in disputes, working closely with leading law firms.

We assess both the question of liability as well as estimating the quantum of damages incurred and regularly present our results to arbitration tribunals.

Our industry knowledge, coupled with our valuation and due diligence capabilities, proves invaluable in major litigation cases, both arbitrations and in court. Often actual operational experience is essential on these assignments, which when combined with financial, commercial and technical expertise can generate highly credible and defensible arguments that are easy for arbitrators or judges to understand when they do not have extensive technical or financial knowledge.

Recent Experience

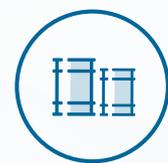
- Acting as lead expert in an ICSID arbitration on behalf of North American investors in an alleged expropriation of an oilfield in Central Asia
- Have advised numerous clients on issues arising from oil price manipulation, including a class action suit involving Dated Brent
- Valuation expert on two Bilateral Investment Treaty expropriation claims against Central European Governments, both involving start-ups that had not reached their full potential at the time of alleged expropriation
- Prepared a valuation of an oilfield in the Gulf of Suez, on behalf of investors in an offshore concession
- Advised the minority shareholders in a UK High Court dispute arising from an acquisition
- Have acted in several cases involving oil and gas pipelines in the North Sea

CASE STUDY

OIL MARKET MANIPULATION AND LIBEL ACTION AGAINST 'THE ECONOMIST'

The Economist newspaper was being sued for libel in the UK by Gunvor, the world's third largest oil trading company, following the publication of an article in the newspaper's November 2008 edition, entitled "Grease My Palm".

We were asked to review the claimant's activities in the international oil market and use public information to assess whether Gunvor behaved as a "normal commercial trader". What emerged astonished The Economist and their lawyers:



What we discovered

There was clear evidence, on the part of Gunvor to selectively enter Platts' "Market on Close Process" (i.e. "the MOC window") so as to lower the price of the subject commodity - in this case, exports of Russian Urals crude oil



Analysis results

Our analysis showed that when Gunvor was trading, the price of Urals fell due to its practice of offering steadily lower prices. Gunvor then would exit the MOC window for several days or weeks



Price manipulation

In the absence of the downward pressure exerted by Gunvor's presence, the price of Urals typically staged a recovery - until such time as Gunvor returned to the market and offer the price down again

Although the lawsuit was settled prior to the first hearing, The Economist published portions of our report in a subsequent article: <http://www.economist.com/node/21554185>
The implications of alleged manipulation of oil and gas prices are very relevant today. Osterwald Rathbone & Partners remain to this day at the forefront of the issue.

STRATEGY

POLICY ADVICE

Osterwald Rathbone & Partners has worldwide experience helping firms formulate and present economic arguments and evidence during Government inquiries, market investigations and public consultations.

Conversely, we also know how to assist Governments with our commercial expertise in policy debates to ensure that market realities are given appropriate consideration. Our expertise spans a wide range of policy matters including fiscal terms, market analysis, price controls and security of supply.

Our team frequently works with governments and companies on issues affecting the decision-making process in the energy sector. Our unique mix of technical and commercial industry knowledge, coupled with our financial capabilities, allows us to provide valuable insights, based on solid fact and analysis.

In addition, we have accrued substantial experience assisting Governments in developing countries create master plans to shape sustainable and efficient energy sectors to support future development.

Recent Experience

- Created an analytical framework for the Republic of South Sudan. It allowed the Government to project future revenues from a new crude oil export pipeline
- Examined the likely economic performance of a green field oil sands refinery and petrochemical complex in Alberta
- Examined a proposed scheme for a green field oil sands refinery on the west coast of Canada for the Government of British Columbia
- Reviewed of the prospects for unconventional gas globally and the potential consequences for local gas prices for a Western European Government

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GET IN TOUCH

Engage with us today and see how our formidable team of skilled professionals with extensive hands-on experience and expertise can help you.

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