Insights from the Kansas City Fed Energy Survey

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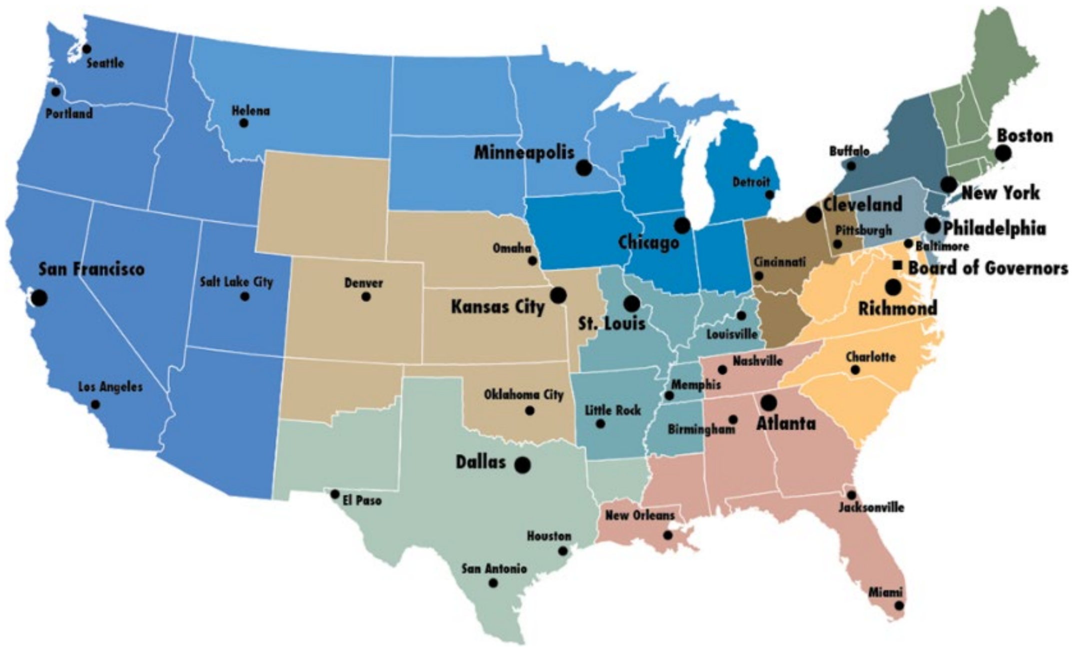
*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Structure & Functions of the Federal Reserve



The "Fed" consists of three main entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent by design
- Federal Open Market Committee: 19 members; 12 voting

Primary responsibility areas:

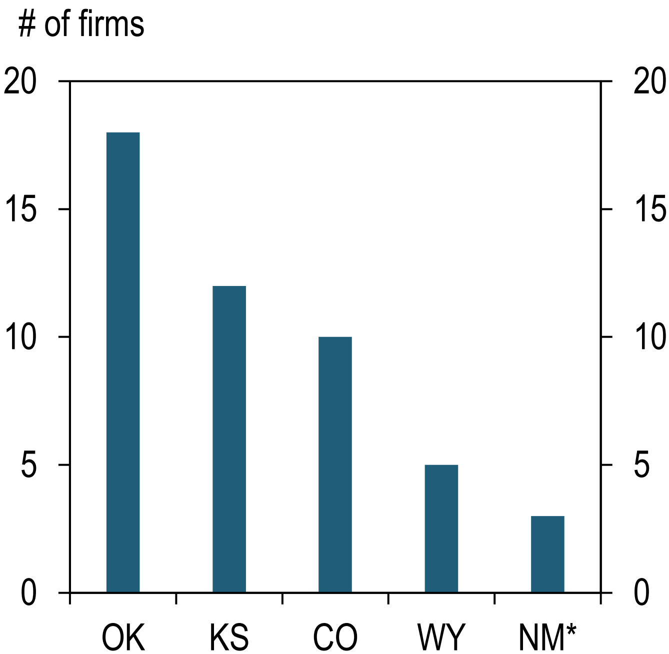
- Monetary policy
- Bank regulation
- Financial services

Kansas City Fed Energy Survey Details

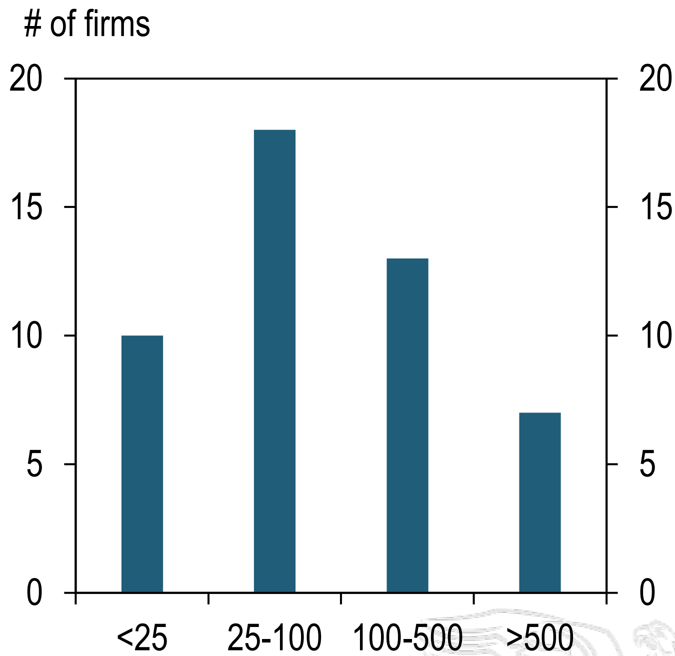
- Began in Q1 2014 to more closely track booming oil and gas sector
- Was first Federal Reserve energy survey, now Dallas also has one
- Survey of mostly E&Ps and oilfield services, plus some midstream
- Survey receives between 30 and 40 responses per quarter
- Conducted quarterly in the last 2 weeks of each quarter
- Released within first 2 weeks of following quarter
  - Most recent release, January 7, 2022
  - Next release, April 8, 2022

2021 Kansas City Fed Energy Survey Respondents

Geography



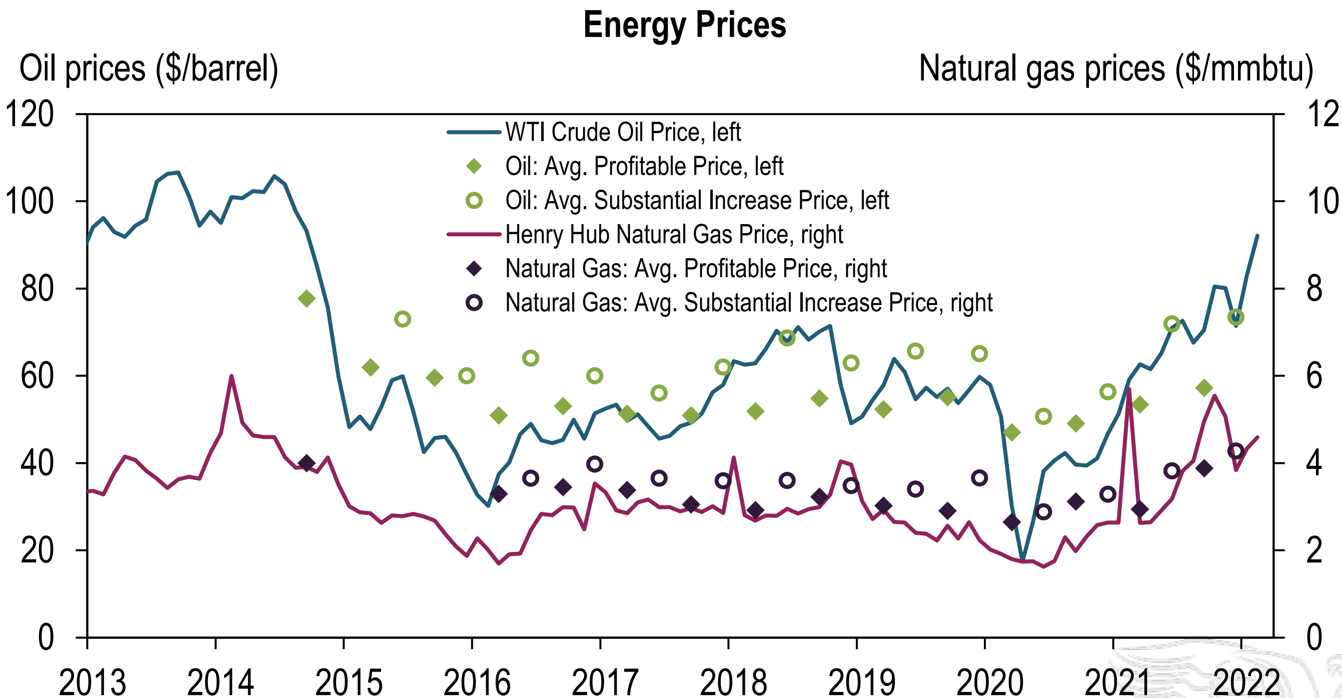
Firm Size (employees)



*The Tenth Fed District includes just the northern half of New Mexico.

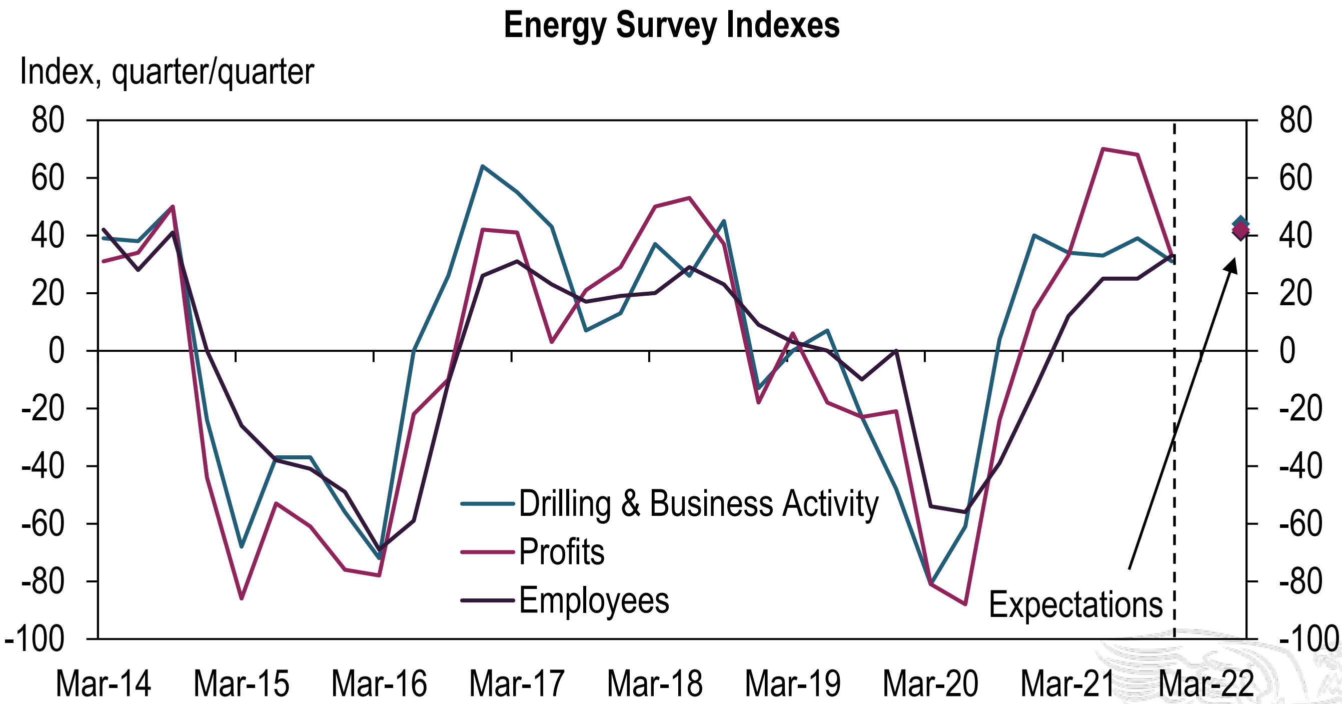
Source: FRBKC Energy Survey

Oil and natural gas prices have risen considerably, and remain highly profitable for most regional firms



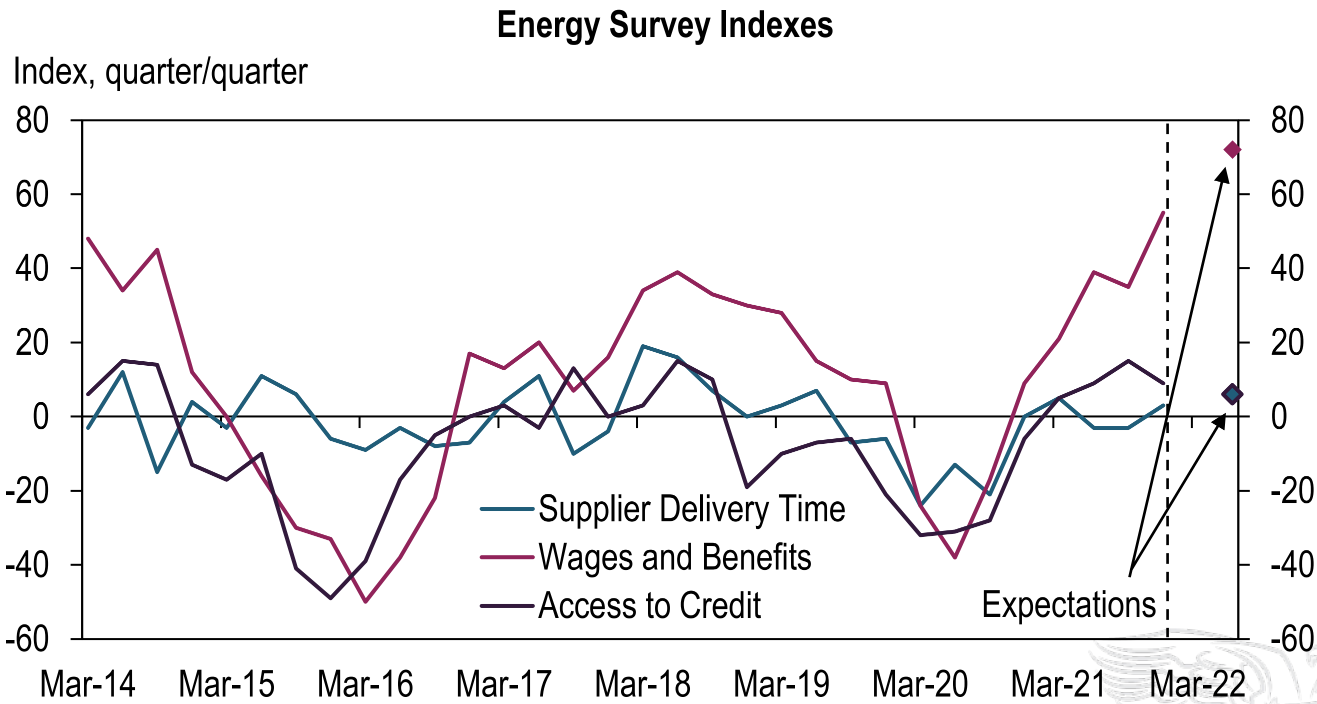
Sources: EIA/Haver Analytics, FRBKC Energy Survey

Regional energy activity continued to increase through Q4 2021, with a solid outlook for future growth



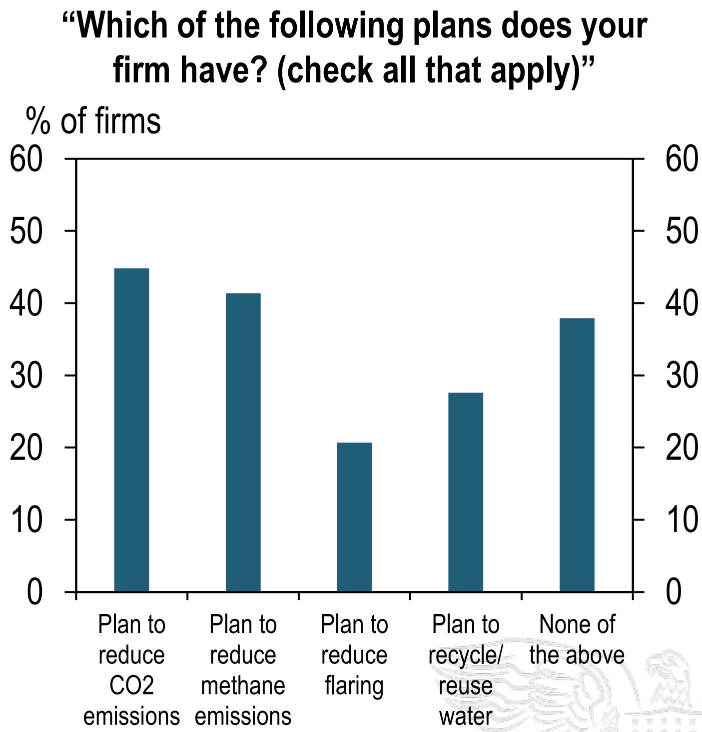
Source: FRBKC Energy Survey

Supply constraints and access to credit were largely unchanged at year-end 2021, but pay was up strongly



Source: FRBKC Energy Survey

In Q4 2021, nearly 70% of firms had higher capex plans for 2022, with many also planning emissions reductions



Source: FRBKC Energy Survey

Selected Q4 2021 Comments:

- “There is not enough investment for replacement barrels [of oil]. Supply may shrink and demand will stay similar or even grow.”
- “Not enough new reserves are being drilled to replace existing production.”
- “If demand picks up from drop in COVID cases, I think oil prices [will increase] within a few months. Then demand destruction kicks in and more EVs are sold and by mid to end of decade we see gasoline demand actually start to plateau and even drop.”
- “Plenty of gas in the USA; European and Asian demand will fall off significantly.”
- “Inability to permit enough LNG to balance the market in the US. Persistent disparity between US and global spot prices.”
- “Inflation is hitting the equipment purchases for new wells.”
- “Pressure to moderate spending from investors.”

Source: FRBKC Energy Survey

To learn more or participate in our surveys, visit our website: www.kansascityfed.org/surveys/energy-survey/